



Independent Stock Idea

May 6, 2009

rating: buy
s&p 500: 913 intraday

Total S.A. (TOT) Resilience to Recession

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$m)</i>	27,300
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	1
<i>Price (US\$/sh)</i>	53.37	<i>Natural Gas and Oil Production/Ebitda (%)</i>	81
<i>Pricing Date</i>	5/6/09	<i>Adjusted Reserves/Production NTM</i>	9.3
<i>Shares (mm)</i>	2235	<i>EV/Ebitda</i>	5.5
<i>Market Capitalization (US\$m)</i>	119,000	<i>PV/Ebitda</i>	8.5
<i>Debt (US\$m)</i>	30,000	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$m)</i>	150,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	27.40
<i>Present Value (PV) (US\$m)</i>	232,000	<i>Present Value Proven Reserves(US\$/boe)</i>	17.67
<i>Net Present Value (US\$/share)</i>	90	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.95
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.14
<i>McDep Ratio - EV/PV</i>	0.65	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	5.7	<i>Indicated Annual Dividend (US\$/sh)</i>	3.03
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of TOT since 2004 see www.mcdep.com/1tot.htm			

Summary and Recommendation

Buy-recommended **Total S.A. (TOT)** offers unlevered appreciation potential of 55% to a McDep Ratio of 1.0 and levered appreciation potential of 69% to Net Present Value (NPV) of \$90 a share. During the first quarter, according to results released today, the company generated cash from oil and gas production of about \$26 a barrel of oil equivalent as the difference between price of about \$39 and cash operating costs of about \$13. Unlevered cash flow (Ebitda) exceeded our expectations from three months ago. As a result, margins may, but not necessarily, be less robust in the next few quarters (see table Next Twelve Months Operating and Financial Estimates). By latest disclosures, oil and gas reserves, weighted by development, are concentrated 35% in Africa (see table Production and Reserves, 2008). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil, and to an industry multiple for downstream (see table Functional Cash Flow and Present Value). Pointing to expected oil price recovery, futures prices for the next six years averaged near \$71 a barrel recently (see chart Six-Year Commodity Price Meter). The euro oil champion is performing well as it offers a 5.7% dividend yield to go with share price appreciation prospects.

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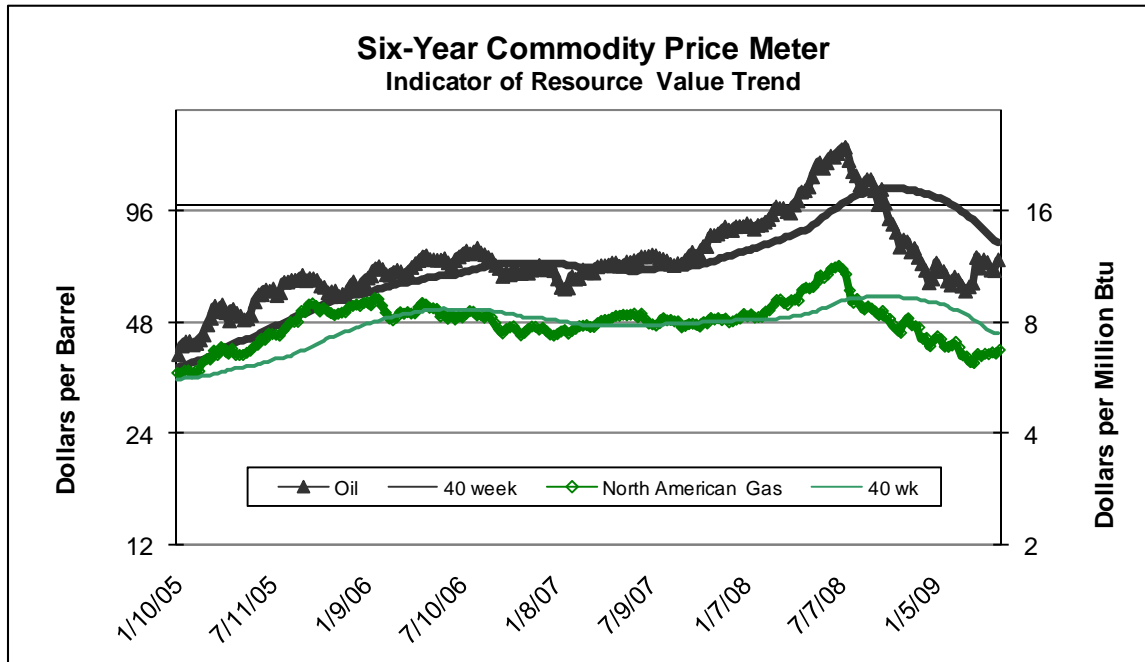
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Total S.A.									
Next Twelve Months Operating and Financial Estimates									
									Next Twelve Months
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Months
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	3/31/10
Volume									
Natural Gas (mmcf/d)	4,989	5,127	4,853	4,957	4,772	4,471	5,127	4,831	4,831
Days	91	92	366	90	91	92	92	365	365
Oil (mbd)	1,510	1,434	1,456	1,413	1,413	1,413	1,413	1,413	1,413
Total gas & oil (mmb)	213	211	828	202	201	199	209	810	810
Total gas & oil (mbd)	2,342	2,289	2,265	2,239	2,208	2,158	2,268	2,218	2,218
Price									
Dollar (euro/\$)	1.50	1.32	1.47	1.33	1.33	1.33	1.33	1.33	1.33
Natural gas (\$/mmbtu)	6.67	7.57	7.44	5.98	7.29	8.05	7.57	7.21	7.21
Oil (\$/bbl)									
WTI Cushing	97.94	58.45	99.59	42.96	52.92	57.55	60.64	53.52	58.51
Brent	96.70	55.50	97.13	40.79	50.25	54.65	57.59	50.82	61.04
Company	90.70	49.40	89.41	41.50	51.12	55.60	58.59	51.76	56.51
Total gas & oil (\$/bbl)	72.70	47.91	73.45	39.43	48.46	53.08	53.63	48.68	51.70
NY Harbor 3-2-1 (\$/bbl)	7.57	5.10	9.86	9.18	8.97	8.24	3.89	7.57	6.40
Europe (\$/t)	24.60	41.40	37.80	34.70	33.92	31.15	14.70	28.62	24.19
Revenue (mmeuro)									
Natural gas	2,019	2,709	8,947	2,006	2,381	2,490	2,685	9,562	9,562
Oil	8,309	4,945	32,353	3,969	4,943	5,435	5,727	20,074	21,918
Total production	10,328	7,654	41,300	5,975	7,324	7,925	8,412	29,636	31,480
Other	28,959	26,051	119,031	19,493	19,493	19,493	19,493	77,972	77,972
Total	39,287	33,705	160,331	25,468	26,817	27,418	27,905	107,608	109,452
Expense									
Production	4,832	3,155	19,284	2,064	2,739	3,039	3,283	11,126	12,107
Other	27,849	23,958	112,605	18,325	18,529	18,529	18,529	73,913	74,117
Ebitda (mmeuro)									
Production	5,495	4,499	22,017	3,911	3,882	4,200	4,459	16,451	16,684
Other	1,110	2,093	6,426	1,168	964	964	964	4,060	3,856
Total Ebitda	6,605	6,592	28,443	5,079	4,845	5,164	5,422	20,511	20,540
Exploration	190	227	764	176	176	176	176	704	704
Deprec., Deplet., & Amort.	1,294	1,748	5,755	1,520	1,520	1,520	1,520	6,080	6,080
Excess tax and other	(1,998)	(509)	(6,190)	(232)				(232)	
Operating Income									
Upstream	6,423	3,727	23,639	2,892				2,892	
Downstream	498	1,415	3,872	791				791	
Chemicals	198	254	873	(68)				(68)	
Total operating income	7,119	5,126	28,114	3,615				3,615	
Excess tax and other	1,998	509	6,190	232				232	
Ebit									
Interest	5,121	4,617	21,924	3,383	3,149	3,468	3,726	13,727	13,756
Interest	128	181	527	116	116	116	116	464	464
Ebt									
Income Tax	4,993	4,436	21,397	3,267	3,033	3,352	3,610	13,263	13,292
Income Tax	1,748	1,552	7,489	1,143	1,062	1,173	1,264	4,642	4,652
Net Income (mmeuro)									
	3,246	2,883	13,908	2,123	1,972	2,179	2,347	8,621	8,640
Shares (millions)									
Per share (euro)	2,254	2,235	2,247	2,235	2,235	2,235	2,235	2,235	2,235
Per share (euro)	1.44	1.29	6.19	0.95	0.88	0.97	1.05	3.86	3.87
Ebitda Margin (E&P)	53%	59%	53%	65%	53%	53%	53%	56%	53%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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