



Independent Stock Idea

November 5, 2009

rating: buy
s&p 500: 1067

Total S.A. (TOT) New Projects for Growth

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 9/30/10 (US\$mm)</i>	32,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	1
<i>Price (US\$/sh)</i>	62.57	<i>Natural Gas and Oil Production/Ebitda (%)</i>	82
<i>Pricing Date</i>	11/5/09	<i>Adjusted Reserves/Production NTM</i>	9.4
<i>Shares (mm)</i>	2237	<i>EV/Ebitda</i>	5.5
<i>Market Capitalization (US\$mm)</i>	140,000	<i>PV/Ebitda</i>	7.4
<i>Debt (US\$mm)</i>	37,000	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	177,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.90
<i>Present Value (PV) (US\$mm)</i>	238,000	<i>Present Value Proven Reserves(US\$/boe)</i>	18.36
<i>Net Present Value (US\$/share)</i>	90	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.06
<i>Debt/Present Value</i>	0.15	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.14
<i>McDep Ratio - EV/PV</i>	0.74	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	5.4	<i>Indicated Annual Dividend (US\$/sh)</i>	3.39
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, \$8 a million btu.			
For historical analysis of TOT since 2004 see www.mcdep.com/1tot.htm			

Summary and Recommendation

Analyzing third quarter results released November 4, we reaffirm estimated Net Present Value (NPV) of \$90 a share for buy-recommended **Total S.A. (TOT)**. On that basis unlevered appreciation potential is 35% to a McDep Ratio of 1.0 where stock price would equal NPV. Unlevered cash flow (Ebitda) matched expectations to the exact euro amount, coincidentally. After the second quarter low point, the latest quarter looks like the start of a rising trend (see table [Next Twelve Months Operating and Financial Estimates](#)). Five major projects completed in 2009 add some 10% to 2010 oil and gas production. Base production declines at perhaps 5% a year, management estimates. About 40% of the new volume is oil, mostly offshore Africa, and 60% is liquefied natural gas in Qatar and Yemen. Natural gas is growing more rapidly while oil is the largest portion of NPV at 59% (see table [Functional Cash Flow and Present Value](#)). The commodity price outlook also appears positive with futures prices for the next six years for oil trading above the 40-week average (see chart [Six-Year Commodity Price Meter](#)). Finally, Total's secure dividend, denominated in euros, provides a 5.4% yield while the company's underlying assets offer protection from inflation and an attractive real return.

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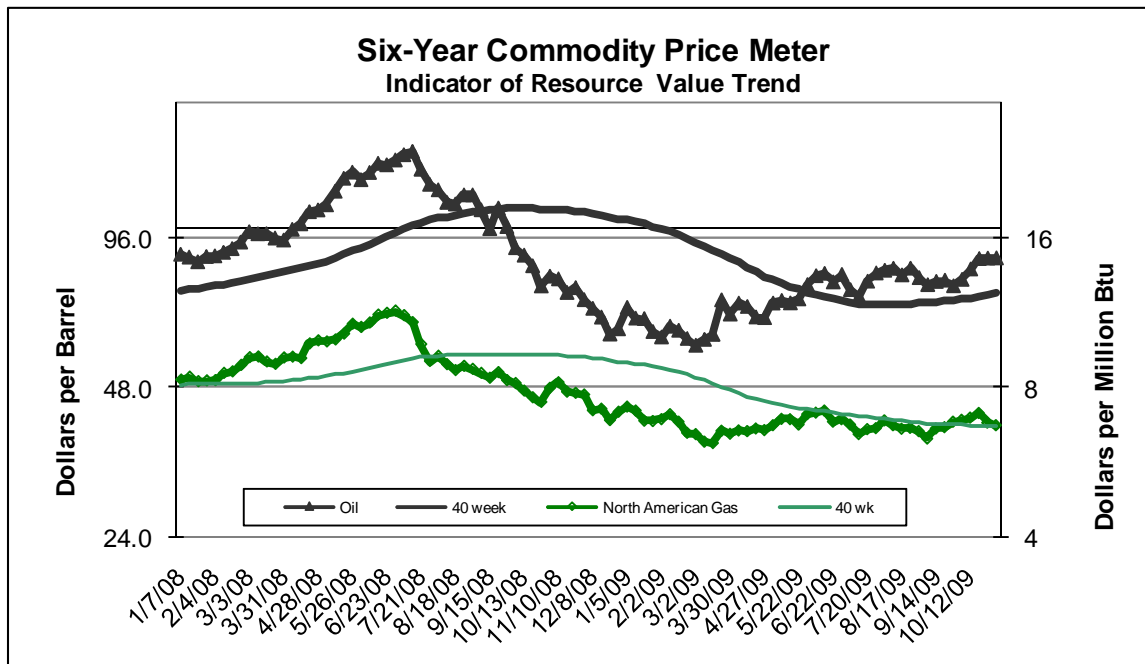
Total S.A.									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/08	6/30/09	9/30/09	12/31/09	2009E	3/31/10	6/30/10	9/30/10	9/30/10
Volume									
Natural Gas (mmcf)	4,471	4,686	4,726	5,127	4,874	4,957	4,686	4,726	4,874
Days	92	91	92	92	365	90	91	92	365
Oil (mbd)	1,409	1,328	1,379	1,379	1,375	1,379	1,379	1,379	1,379
Total gas & oil (mmb)	198	192	199	205	798	198	197	199	800
Total gas & oil (mbd)	2,154	2,109	2,167	2,234	2,187	2,205	2,160	2,167	2,191
Price									
Dollar (euro/\$)	1.51	1.36	1.43	1.49	1.40	1.49	1.49	1.49	1.49
Natural gas (\$/mmbtu)	8.05	4.71	4.89	5.21	5.23	5.28	5.34	5.38	5.30
Oil (\$/bbl)									
WTI Cushing	117.99	59.52	68.22	77.22	61.98	79.30	81.15	82.28	79.99
Brent	115.10	59.10	68.10	77.08	61.27	79.16	81.01	82.13	63.91
Company	107.80	54.80	65.10	73.69	58.34	75.68	77.44	78.51	76.33
Total gas & oil (\$/bbl)	87.22	44.97	52.10	57.46	48.31	59.20	61.03	61.71	59.83
NY Harbor 3-2-1 (\$/bbl)	11.84	9.49	9.45	7.96	9.02	7.03	10.05	8.53	8.39
Europe (\$/t)	45.00	12.40	6.60	5.56	14.81	4.91	7.02	5.96	5.86
Revenue (mmeuro)									
Natural gas	2,193	1,474	1,487	1,653	6,661	1,584	1,532	1,573	6,342
Oil	9,254	4,859	5,776	6,284	20,969	6,314	6,532	6,696	25,826
Total production	11,447	6,332	7,262	7,937	27,630	7,898	8,064	8,269	32,168
Other	32,592	20,242	21,554	21,554	82,719	21,554	21,554	21,554	86,214
Total	44,039	26,574	28,816	29,490	110,348	29,452	29,618	29,822	118,383
Expense									
Production	5,580	2,462	3,276	3,613	11,537	3,597	3,680	3,783	14,673
Other	30,610	19,573	20,834	20,590	79,198	20,590	20,590	20,590	82,359
Ebitda (mmeuro)									
Production	5,867	3,871	3,987	4,365	16,134	4,344	4,435	4,548	17,692
Other	1,982	669	720	964	3,521	964	964	964	3,856
Total Ebitda	7,849	4,540	4,707	5,329	19,654	5,308	5,399	5,512	21,548
Exploration	144	155	130	150	611	150	150	150	600
Deprec., Deplet., & Amort.	1,329	1,636	1,599	1,599	6,354	1,599	1,599	1,599	6,396
Excess tax and other	(1,707)	(295)	(532)						
Operating Income									
Upstream	6,525	2,843	3,236						
Downstream	1,215	141	83						
Chemicals	343	60	191						
Total operating income	8,083	3,044	3,510						
Excess tax and other	1,707	295	532						
Ebit	6,376	2,749	2,978	3,580	12,689	3,559	3,650	3,763	14,552
Interest	127	100	87	87	390	87	87	87	348
Ebt	6,249	2,649	2,891	3,493	12,299	3,472	3,563	3,676	14,204
Income Tax	2,187	927	1,012	1,223	4,305	1,215	1,247	1,287	4,971
Net Income (mmeuro)	4,062	1,722	1,879	2,271	7,995	2,257	2,316	2,389	9,233
Shares (millions)	2,244	2,236	2,237	2,237	2,236	2,237	2,237	2,237	2,237
Per share (euro)	1.81	0.77	0.84	1.02	3.58	1.01	1.04	1.07	4.13
Ebitda Margin (E&P)	51%	61%	55%	55%	58%	55%	55%	55%	55%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Total					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Rest of World Natural Gas	5,200	11.2	8.7	45,000	19%
Oil	21,160	8.4	6.7	141,000	59%
Downstream	5,740		9.1	52,000	22%
	32,100	9.4	7.4	238,000	100%
Debt (US\$mm)					37,000
Net Present Value (US\$mm)					201,000
Shares (mm)					2,237
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					92
Note: Downstream includes about \$9 billion present value for the company's 9% ownership of pharmaceutical company Sanofi-Aventis.					





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