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# **Henderson State University**

**Transocean Ltd.  
October 15, 2009**

# Appendix

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# Investment Thesis

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**Transocean Ltd.**

**(RIG \$85.53)**

**One Year Target Price: \$97.23**

**Opinion: Overweight**

# QDEL Profile

General Information	
Ticker	RIG
Exchange	NYSE
Sector	Energy
Industry	Oil & Gas Drilling & Exploration
Headquarters	Vernier, Switzerland
Purchase Date	Na
Purchase Price/Shares	Na
Current Price	\$85.53
Book Value	\$59.14
52- Wk Low /High	\$41.95-109.16
52- Wk Change	-19.39%
52- Wk Relative	
Market Cap.	27.46 B
Shares Outstanding	321.05 M
Inst. Ownership	
Float	
Average Volume (3m)	4,585,740
Short Interest	
Beta	0.74
EPS	11.62
PE Ratio	7.36
PEG Ratio	1.98
Dividend/Yield	
IPO	

Estimates
SMF (rev, EPS, DCF)
• 1Q10E:
• 2010E:
• 2011E:
Consensus
• 1Q10E:
• 2010E:
• 2011E:
Guidance
• 2010E
– Rev
– Adj. EBITDA
– Option
–

Coverage
• Buys
– Avondale, Baird, Blair, BWS
–
• Holds
– Argus, Morgan Stanley
–
• Sells
– NA
–

Sources: yahoo.com, marketwatch.com, reuters.com, company documents

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# Stock Chart



# Business Synopsis

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## Description

Transocean Ltd. provides offshore contract drilling services for oil and gas wells worldwide. The company offers deepwater and harsh environment drilling, oil and gas drilling management, and drilling engineering and project management services, as well as explores, develops, and produces oil and gas resources. As of December 31, 2008, it owned and operated 136 mobile offshore drilling units comprising 39 high-specification floaters, 28 midwater floaters, 10 high-specification jackups, 55 standard jackups, and 4 other rigs, as well as 10 ultra-deepwater floaters under construction or contracted for construction. The company was founded in 1953 and is based in Vernier, Switzerland.

Transocean holds 19 of the past 23 world records for drilling in the deepest waters. Our ultra-deepwater drillship Discoverer Deep Seas set the current world water-depth drilling record in 10,011 feet (3,051 meters) of water in the U.S. Gulf of Mexico working for Chevron.

# Products/Services

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## What We Can Do For You

Transocean Solutions offers a complete package for your well construction and field development needs. Unique in the marketplace, Transocean Solutions is a diverse team of geological, engineering and operations professionals utilizing the largest, most versatile fleet of mobile offshore drilling units in the world. This combination of skills and expertise provides our clients with performance-based solutions not available anywhere else in the global arena.

## We Offer

### Drilling Management Services

- Drilling, Testing and Completion
- Well Design, Planning & Project Cost Estimation
- Subsea Design and Engineering
- Logistics and Procurement Services
- Production Technology
- Pore Pressure/Fracture Gradient Prediction

### Oil & Gas Services

- Geological, geophysical, & reservoir engineering
- Equity participation
- Field development capability
- Accepted exploration & development Operator

From deepwater.com

# Internal Analysis

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Valueline.com Safety Ranking: 3

Management:

Channel Checking:

SWOT Analysis:

Strengths- Transocean Ltd. is the world's largest offshore drilling contractor.  
As

Weaknesses- It has a PEG ratio close to 2 which is something we pay close attention to when we look at stocks.

Opportunities- It can use its size and continuous success to keep attracting more customers and obtain more contracts.  
As oil becomes more difficult to reach Transocean has the opportunity to charge for their services at a premium.

Threats- The weather is a major threat especially because we are still in hurricane season which can cause damage to the rigs.

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# Headlines

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-recent news that had a positive or negative effect on the stock and its subsidiaries

-recent earnings call transcript from [www.seekingalpha.com](http://www.seekingalpha.com)

- **Transocean Ltd. Announces Ultra-Deepwater Semisubmersible Rig Deepwater Horizon Awarded Three-Year Contract Extension**
- **Checking In on Deepwater Demand**
- **Transocean Ltd. Ranked Among World's Top 50 Companies in Latest Carbon Disclosure Project 2009 Global 500 Report**
- **Q3 2009 Transocean Ltd. Earnings Release Scheduled for Wednesday, November 4, 2009**
- **Deepwater Horizon recently drilled the deepest oil and gas well ever while working for BP and its co-owners on the Tiber well in the U.S. Gulf of Mexico. Working with BP, the Transocean crews on the Deepwater Horizon drilled the well to 35,050 vertical depth and 35,055 feet measured depth (MD), or more than six miles, while operating in 4,130 feet of water.**
- **Golden Rule: Easy Oil Production Means Cheap Oil, Difficult Production Means Expensive Oil**

# Headlines

# Industry Analysis

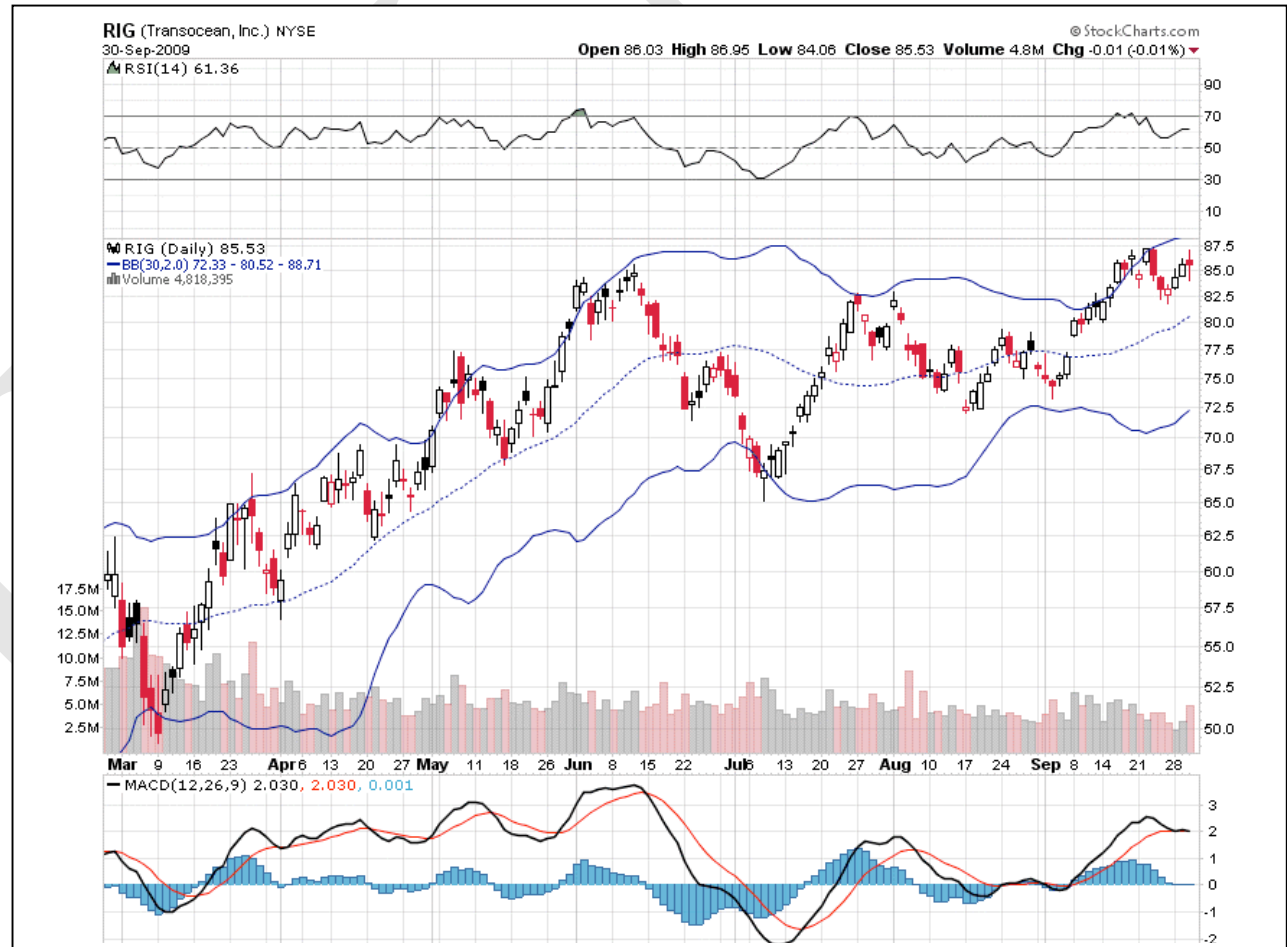
How has this industry done compared to the market? Diagnostic Substances

## Industry Statistics

Market Capitalization:	27.46 B
Price / Earnings:	7.36

Momentum Indicator: 2 of 10

Sector Rotation: 13 of 98



# Competitors

- Competitor companies with substitute products
- Companies that have some of the same numbers

## DIRECT COMPETITOR COMPARISON

	<u>RIG</u>	<u>NE</u>	<u>PDE</u>	<u>Pvt1</u>	<u>Industry</u>
Market Cap:	27.46B	9.93B	5.29B	N/A	95.29M
Employees:	21,600	6,000	5,700	34,493 <sup>1</sup>	47
Qtrly Rev Growth (yoy):	-7.10%	10.60%	-7.50%	N/A	32.60%
Revenue (ttm):	12.46B	3.57B	2.28B	14.29B <sup>1</sup>	87.59M
Gross Margin (ttm):	57.62%	69.25%	50.50%	N/A	56.34%
EBITDA (ttm):	6.51B	2.40B	1.02B	N/A	34.82M
Oper Margins (ttm):	44.29%	56.62%	35.66%	N/A	-32.22%
Net Income (ttm):	3.73B	1.61B	655.10M	1.31B <sup>1</sup>	N/A
EPS (ttm):	11.623	6.121	4.063	N/A	N/A
P/E (ttm):	7.36	6.20	7.49	N/A	9.63
PEG (5 yr expected):	1.98	0.77	1.51	N/A	1.98
P/S (ttm):	2.20	2.77	2.35	N/A	2.64

# Summation

Transocean Ltd. has the potential to increase its stock price, but it is getting closer to its 1<sup>st</sup> year target price and its 52 week high. I would like for us to continue monitoring the stock in the future, but we should sell the stock if we own it or not buy it if we do.

If we own:  
If we don't

Sell  
Don't B

# Valuation Tables

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