



# Stock Selection Guide®

The most widely used aid to good investment judgment

Company Transocean, Incorporated- Sh Date 07/25/08

Prepared by Ty H. Data taken from StkCntrl

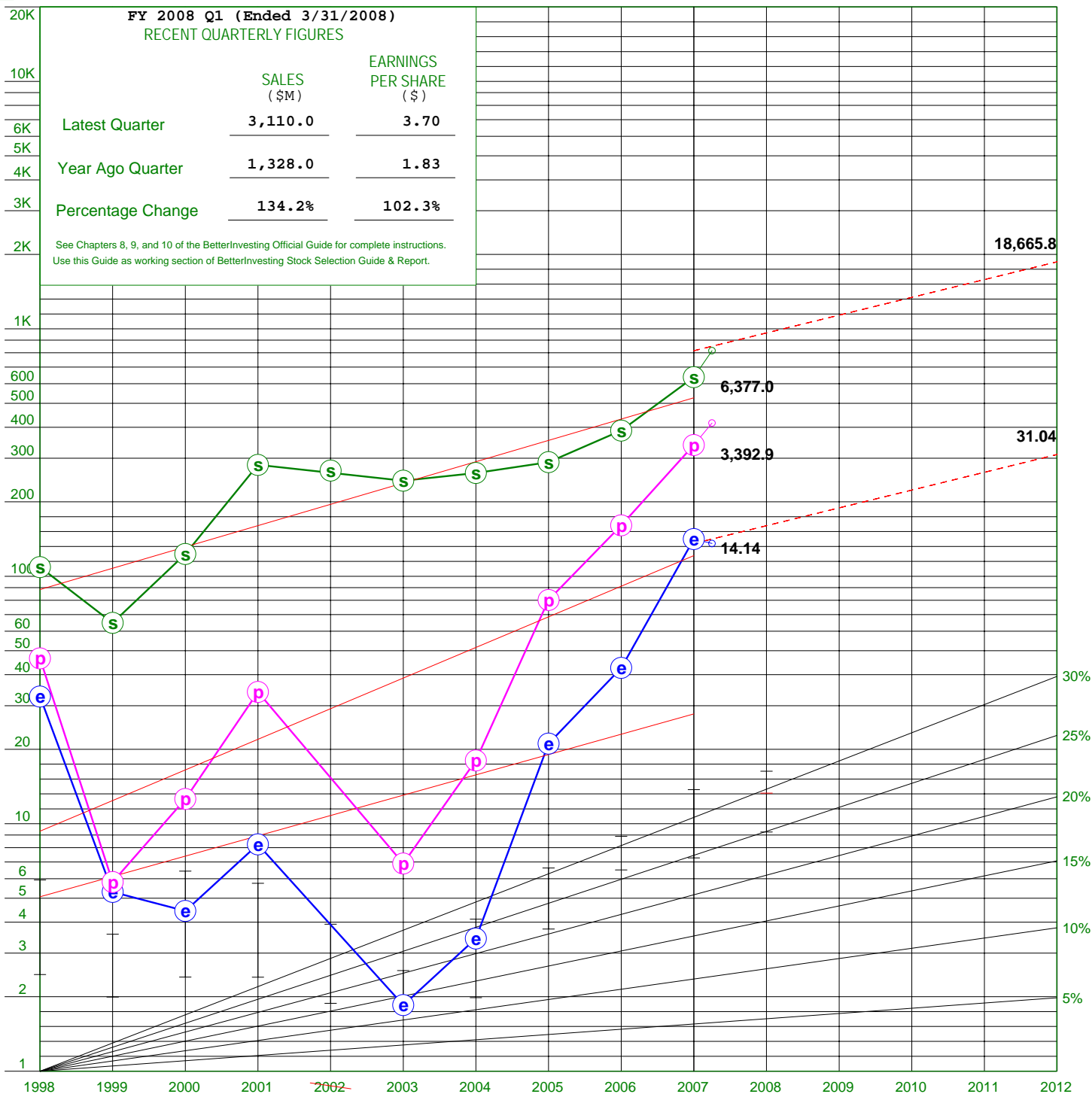
Where traded NYSE Major product/service Oil & Gas D

CAPITALIZATION --- Outstanding Amounts Reference Morningstr

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	321.0	0.1	90.2
Debt (\$M)	16,595.0	% to Tot.Cap.	56.6
		% Potential Dil.	None

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

RIG



- (1) Historical Sales Growth 21.9 % (3) Historical Earnings Per Share Growth 20.8 %  
 (2) Estimated Future Sales Growth 18.0 % (4) Estimated Future Earnings Per Share Growth 18.0 %

## 2 EVALUATING MANAGEMENT

Company **Transocean, Incorporated- Sh**

(RIG)

07/25/08

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
<b>A</b> % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	42.7	9.0	10.2	12.1	-17.5	2.8	6.9	27.7	41.4	53.2	26.4	UP	
<b>B</b> % Earned on Equity (E/S ÷ Book Value)	16.6	2.8	2.3	2.4	-6.6	0.8	1.5	8.6	18.2	35.7	13.0	UP	

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

Year	PRESENT PRICE		133.020 HIGH THIS YEAR		163.000 LOW THIS YEAR		92.610	
	A	B	C	D	E	F	G	H
	PRICE	PRICE	Earnings Per Share	Price Earnings Ratio	Price Earnings Ratio	Dividend Per Share	% Payout	% High Yield
	HIGH	LOW		HIGH A ÷ C	LOW B ÷ C		F ÷ C X 100	F ÷ B X 100
1 2003	25.5	18.7	0.19	<del>137.8</del>	<del>101.1</del>	0.000	0.0	0.0
2 2004	41.1	19.8	0.34	<del>119.5</del>	<del>57.6</del>	0.000	0.0	0.0
3 2005	66.2	37.5	2.11	<del>31.4</del>	<del>17.8</del>	0.000	0.0	0.0
4 2006	89.0	65.1	4.26	20.9	15.3	0.000	0.0	0.0
5 2007	137.3	72.8	14.14	9.7	5.1	0.000	0.0	0.0
6 TOTAL		213.9		30.6	20.4		0.0	
7 AVERAGE		42.8		15.3	10.2		0.0	
8 AVERAGE PRICE EARNINGS RATIO			12.8	9		CURRENT PRICE EARNINGS RATIO		9.8

## 4 Proj. P/E [8.31] Based on Next 4 qtr. EPS [16.01] Current P/E Based on Last 4 qtr. EPS [13.57] EVALUATING RISK and REWARD over the next 5 years PEG=46

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E 15.3 X Estimate High Earnings/Share 31.04 = Forecast High Price \$ 474.9  
(3D7 as adj.) (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 10.2 X Estimated Low Earnings/Share 14.14 13.57 = \$ 138.4  
(3E7 as adj.)  
(b) Avg. Low Price of Last 5 Years = 42.8  
(3B7)  
(c) Recent Severe Market Low Price = 65.1

(d) Price Dividend Will Support Present Divd. = 0.000 = 0.0  
High Yield (H) 0.000  
Selected Estimate Low Price = \$ 65.1  
(4B1)

### C ZONING

474.9 High Forecast Price Minus 65.1 Low Forecast Price Equals 409.9 Range. 1/3 of Range = 102.5  
(4A1) (4B1) (C) (4CD)

(4C2) Lower 1/3 = (4B1) 65.1 to 167.6 (Buy) Note: Ranges changed to 25%/50%/25%  
(4C3) Middle 1/3 = 167.6 to 372.4 (Maybe)  
(4C4) Upper 1/3 = 372.4 to 474.9 (4A1) (Sell)

Present Market Price of 133.020 is in the Buy Range  
(4C5)

### D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 474.9 Minus Present Price 133.020  
Present Price 133.020 Minus Low Price (4B1) 65.1 = 341.9 = 5.0 To 1  
68.0 (4D)

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 474.9  
Present Market Price 133.020 = ( 3.570 ) X 100 = ( 357.0 ) - 100 = 257.0 % Appreciation  
(4E)

Relative Value: 76.6% Proj. Relative Value: 64.9%

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

**A** Present Full Year's Dividend \$ 0.000  
Present Price of Stock \$ 133.020 = 0.000 X 100 = 0.0 Present Yield or % Returned on Purchase Price  
(5A)

### B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 22.29 X Avg. % Payout (3G7) 0.0 = 0.0 = 0.0 %  
(5B)

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 257.0  
Average Yield (5B) 0.0 %  
Average Total Annual Return Over the Next 5 Years (5C) 51.4 %  
Present Price \$ 133.020  
P.A.R. 0.0% Tot. Ret. 0.0%  
Average Yield 0.0%  
Annual Appreciation 24.4% 29.0%  
% Compd Ann Rate of Ret 24.4% 29.0%



## Fundamental Forecasts

Enter a ticker or a company name and click on Go.

Company	Ticker	Industry	Quality	PAR
Transocean Inc. [P/CF]	RIG	Oil & Gas (Drilling)	59.1	19.3%
Current Price (07/25)			\$133.02	
CAPS Rating ( <a href="#">Rate this stock on CAPS</a> )			★★★★★	
<b>Expected Income Statement</b>				
Current Sales			12,410.0	
Sales Growth Forecast			18.5%	
Net Profit Margin			29.4%	
Projected Shares Outstanding			325.9	
EPS - Five Year Forecast			\$26.16	
Average P/E Ratio			12.3	
Projected Average Price			\$320.81	
Price Appreciation (Annualized)			19.3%	
Annual Dividend Yield			0.0%	
Projected Annual Return			19.3%	
<b>Quality</b>				
Financial Strength			62	15.5
EPS Stability			23	5.8
Industry Sales Growth Rate			15.5%	14.9
Industry Net Profit Margin			16.0%	23.0
Calculated Quality Rating			59.1	
<b>Fool CAPS</b>				
<b>Total Players</b>				
4031 Outperforms			91 Underperforms	
<input type="text"/>				
<b>All-Stars</b>				
1350 Outperforms (98.2%)			25 Underperforms	
<input type="text"/>				
Fundamental Data Updated: 05/16/2008				

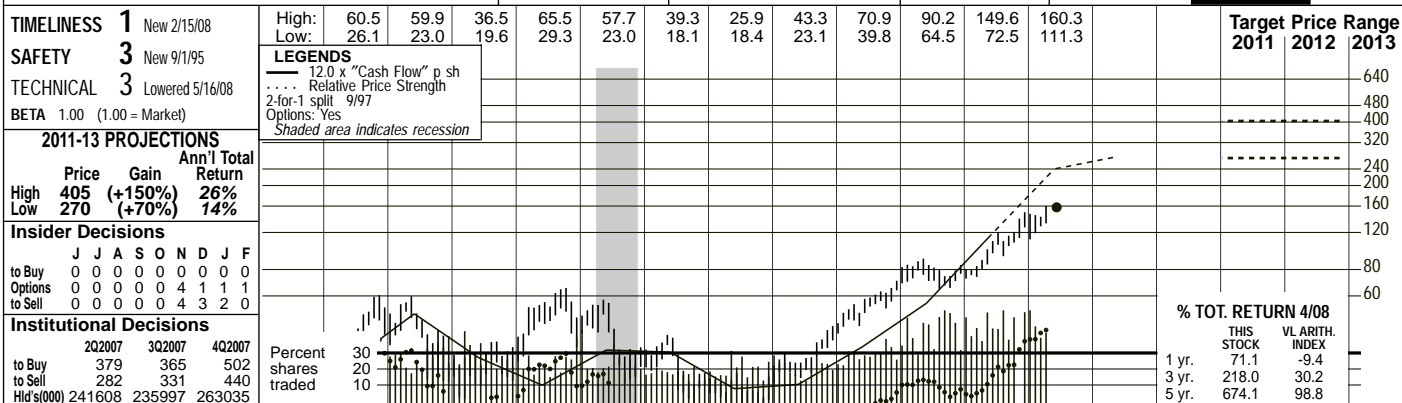
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# TRANSOCEAN INC. NYSE-RIG

RECENT PRICE **157.85** P/E RATIO **11.0** (Trailing: 18.4 Median: 33.0) RELATIVE P/E RATIO **0.63** DIV'D YLD **Nil**

**VALUE LINE**



Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Value Line Pub., Inc.	11-13
Revenues per sh	10.44	7.52	5.84	8.85	8.38	7.61	8.13	8.90	13.27	20.10	42.20	49.70		70.35
"Cash Flow" per sh	4.12	2.55	1.89	2.78	2.71	1.82	1.90	2.87	4.61	9.67	20.15	23.00		33.65
Earnings per sh <sup>A</sup>	2.96	1.13	.67	.83	1.14	.22	.27	1.57	2.94	8.58	15.75	18.00		27.00
Div'ds Decl'd per sh	.12	.12	.12	.12	.06	--	--	--	--	--	Nil	Nil		Nil
Cap'l Spending per sh	5.70	2.56	2.73	1.59	.44	1.55	.40	.56	3.00	4.35	10.00	10.00		10.00
Book Value per sh <sup>B</sup>	19.68	18.61	19.00	34.22	22.37	22.48	22.99	24.58	23.37	39.61	54.70	73.00		140.65
Common Shs Outst'g	100.55	210.12	210.71	318.82	319.22	319.93	321.53	324.75	292.45	317.22	320.00	322.00		327.00
Avg Ann'l P/E Ratio	13.4	24.9	72.1	47.6	24.6	95.7	NMF	34.6	25.9	11.8	Bold figures are Value Line estimates			12.5
Relative P/E Ratio	.70	1.42	4.69	2.44	1.34	5.46	NMF	1.84	1.40	.62				.85
Avg Ann'l Div'd Yield	.3%	.4%	.2%	.3%	.2%	--	--	--	--	--				Nil

Transocean Inc. was formed on 12/31/1999 when Transocean Offshore merged with Schlumberger's contract drilling segment, Sedco Forex. The merger was accounted for as a purchase, with Sedco Forex as the accounting acquirer. Under terms of the \$3.2 billion deal, 109.6 million shares of Transocean Offshore were issued to stockholders of Schlumberger, giving them 52% ownership of the new company.

**CAPITAL STRUCTURE as of 3/31/08**  
 Total Debt \$16,595 mill. Due in 5 Yrs \$13.0 bill.  
 LT Debt \$13,239 mill. LT Interest \$500 mill.  
 (Total interest coverage: 13.1x) (49% of Cap'l)

**Leases, Uncapitalized** Annual rentals \$51.0 mill.

**Pension Assets-12/07** \$939 million  
 Oblig. \$1,065 million.

**Pfd Stock** None

**Warrants** 67,120, exercisable for 797,264 common shares, expire 5/01/09.

**Common Stock** 318,871,957 shares

**MARKET CAP: \$50 billion (Large Cap)**

CURRENT POSITION (\$MILL.)	2006	2007	3/31/08
Cash Assets	467.0	1241.0	1567.0
Receivables	946.0	2370.0	2357.0
Inventory (Avg Cst)	160.0	333.0	367.0
Other	83.0	352.0	939.0
Current Assets	1656.0	4296.0	5230.0
Accts Payable	477.0	805.0	722.0
Debt Due	95.0	6172.0	3356.0
Other	467.0	925.0	1010.0
Current Liab.	1039.0	7902.0	5088.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.0%	13.0%	29.5%
"Cash Flow"	13.5%	18.5%	36.0%
Earnings	15.5%	37.5%	48.0%
Dividends	--	--	NMF
Book Value	8.5%	3.0%	25.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2005	630	727	762	773	2892
2006	817	853	1025	1187	3882
2007	1328	1434	1538	2077	6377
2008	3110	3300	3470	3620	13500
2009	3775	3925	4080	4220	16000

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2005	.24	.38	.50	.45	1.57
2006	.47	.40	.81	1.26	2.94
2007	1.77	1.84	2.12	2.85	8.58
2008	3.71	3.80	4.02	4.22	15.75
2009	4.30	4.45	4.55	4.70	18.00

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2004					
2005					
2006					
2007					
2008					

NO CASH DIVIDENDS BEING PAID

**BUSINESS:** Transocean Inc. is the world's largest offshore drilling contractor, working in all the major offshore regions, including the Gulf of Mexico, the North Sea, the Middle East, and off the coasts of West Africa, the United Kingdom, Norway, Brazil, and Canada. It specializes in technically demanding deep-water/harsh-environment drilling projects. Fleet: 39 high-specification floating rigs (in-

**Transocean started 2008 well . . .** In the March quarter, the first full quarter after its acquisition of GlobalSantaFe last fall, about 89% of the revenue increase was due to a full quarter of GlobalSantaFe's operations. Higher average dayrates for all categories of Transocean's original fleet, as new contracts began, also helped, as did a small increase in fleet utilization. But some of the large sequential earnings gain resulted from lower shipyard and major maintenance costs as several projects were postponed to later in the year.

**. . . and that should set the tone for the balance of 2008 and 2009.** Transocean's largest, most expensive high-specifications rigs are almost completely contracted for 2008 and about 90% committed for 2009. The midwater fleet has about one third of its time available for 2009, and the jackup fleet has around half its time available next year. Demand remains strong, though, and we expect dayrates to rise steadily, if not as fast as in the past year. Operating costs will rise with the costs of energy and general inflation but do not appear to pose a near-term threat. And the company will very likely

cluding 13 deepwater drillships), 27 other floaters, and 68 bottom-supported jackup rigs. Has about 21,000 employees. Acquired Global SantaFe, 11/07. Fidelity owns 6.3% of stock; off. dir., less than 1% (3/08 proxy). Chrmn.: Robert Rose. Pres. & CEO: Robert L. Long. Inc.: Cayman Islands. Addr.: 4 Greenway Plaza, Houston, TX 77046. Tel.: 713-232-7500. Web: www.deepwater.com.

have excess cash flow to pay down debt or make another acquisition. **The picture remains bright beyond next year.** Transocean's backlog increased by around \$2 billion, to \$34 billion, from the end of 2007 to early May. About half of the backlog is for contracts starting in 2010, including commitments for 9 high-spec rigs that are now, or soon will be, under construction. And while Transocean's competitors are building new large rigs too, most of them are under contract through at least 2010. New offshore fields, including those in Brazil and Russia, should keep the new large rigs busy. A surplus of shallow water jackup rigs could develop by 2010, but we think oil prices will be high enough that oil companies will use them in older fields. Finally, Transocean's leading position should enable it to maintain its margins and take advantage of acquisitions opportunities. **These top-ranked shares have above-average 3- to 5-year capital appreciation potential.** Most of the known untapped oil reserves are in deep water, and that's not likely to change.

*Sigourney B. Romaine, CFA May 16, 2008*

(A) Primary egs. through 1996, then diluted. Excludes nonrecurring gains/(losses): 1998, 45c; '00, (17c); '02 (\$12.83); '03, (16c); '04 (1c); '05, 56c; '06, 58c; 3Q '07, \$1.12. Next earnings report due early August. (B) Includes goodwill; at 12/31/07, \$8.4 bill., \$27.50 a share. (C) In millions. Adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	45
Price Growth Persistence	50
Earnings Predictability	35

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