

Halliburton Company Ticker: HAL Sector: Energy Industry: Oil and Gas Equipment Services	Intrinsic Value: \$60.74 Current Price: \$50.71 Stop/Loss: \$42.65 Upside Review: \$75.93	TTM P/E: 26.6 Forward P/E: 12.27 FV Imp. P/E: 7.70 Beta: 1.52	Market Cap: \$46.7B Dividend Yield: .99% 52 Wk Range: 29.83-51.04
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Industry Trends: The Oil Services industry remains in a healthy position of growth as Crude Oil prices remain above \$100 and E&P spending and shale drilling continues to improve. The total market is expected to grow 8% in 2013. Drilling and oilfield companies are considered a beta play on commodities.

Investment Thesis: As the Fracking boom of the North American oil and gas industry continues, firms are placing higher emphasis on the amount of rigs drilled, rather than on rig activity levels. These firms are currently using a more intelligent and technology intensive approach, which should bode well for HAL which has already begun converting its fleet under the “Frac of the Future” program. As revenues are maintaining record highs, the best results in this industry are coming from margin improvement. HAL is currently rolling out another initiative “Battle Red,” which is expected to reduce working capital requirements and personnel costs.

Business Summary: Halliburton Co. is one of the world’s largest energy services providers, operating in about 80 countries. Completion and Production division was 61% of '12 sales and 65% of operating income; Drilling and Evaluation division (39%, 35%). Sales outside North America were 44%.

OCT 5 year stock performance:



Direct Competitor Comparison					
	HAL	BHI	SLB	TKPPY	Industry
Market Cap:	46.37B	22.20B	119.77B	3.29B	675.91M
Employees:	75,000	59,500	118,000	38,000	1.70K
Qtrly Rev Growth (yoY):	0.01	0.03	0.08	0.18	0.23
Revenue (ttm):	28.69B	21.40B	43.75B	11.43B	486.41M
Gross Margin (ttm):	0.14	0.17	0.22	0.19	0.29
EBITDA (ttm):	5.58B	3.54B	11.46B	1.38B	78.42M
Operating Margin (ttm):	0.13	0.09	0.18	0.10	0.08
Net Income (ttm):	1.83B	1,000.00M	6.31B	738.11M	N/A
EPS (ttm):	2.04	2.25	4.59	6.12	0.06
P/E (ttm):	24.86	22.24	19.72	4.82	20.63
PEG (5 yr expected):	0.78	0.99	1.08	0.91	1.08
P/S (ttm):	1.61	1.04	2.72	0.29	1.30

Competitive Analysis:

Across the Oil & Gas Services industry HAL is one of the most integrated providers. This allows firms a single solution, which allows for greater well performance and reduced levels of nonproductive times. Major competitors include BHI, SLB, RIG, FCX, NOV, and WFT.

Pros:

- Initiatives to reduce costs and implementation of technology upgrades are helping to support margins.
- HAL poised for continued strong performance outside of North America, India and China now mature enough markets to enter profitably.
- International growth rates have been best in industry
- Once legal liabilities are resolved, stock could lift

Risk Factors:

- International margins have been slow to recover
- Expansion into new territories carries political risk
- Progress on civil settlement has slowed

Total Return Estimates:

3 Yr FV Reversion*: 7.1% p.a.
5 Yr FV Reversion*: 4.5% p.a.
(* - From limit order price of \$45.00)

Key Valuation Assumptions:

Est. Revenue Growth	14.04%
WACC	12.82%
Expected Inflation	3.5%
Terminal Growth Rate	3.5%
10 yr. Risk Free Rate	2.65%
Equity Risk Premium	5.9%
Tax Rate	26.37%

Key Financial Data:

Est. 2013 EPS	3.20
Est. 2014 EPS	4.14
3-5 Yr. Est. EPS Growth	5.10
PEG (TTM)	0.79
Credit Quality	A
ROE	12.7
ROA	7.2
Price /Book	3
Price/Cash Flow	12
Debt/Equity	0.3
Current Ratio	2.75
Quick Ratio	1.63

CSR Scores

Human Rights	1/1	HAL/Ind. Avg.
Business Ethics Policy	1/1	
ESG Disclosure Score	35.95/24.77	
Equal Opportunity Score	1/1	
Emission Reduction	1/1	
Environmental Disclosure Score	20.16/24.29	

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