# NAT'L OILWELL VARCO NYSE-NOV

| RECENT PRICE | P/E RATIO | (Trailing / Median) | RELATIVE P/E RATIO | DIV'D YLD | |
|---|---|---|---|---|---|
| 75.41 | 13.1 | (Trailing: 14.6 / Median: NMF) | 0.83 | 0.7% | VALUE LINE |

| | |
|---|---|
| **TIMELINESS** | **2** Raised 5/4/12 |
| **SAFETY** | **3** New 5/20/05 |
| TECHNICAL | 3 Raised 3/9/12 |
| **BETA** | 1.50 (1.00 = Market) |

**2015-17 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 175 | (+130%) | *24%* |
| Low | 115 | (+50%) | *12%* |

**Insider Decisions**

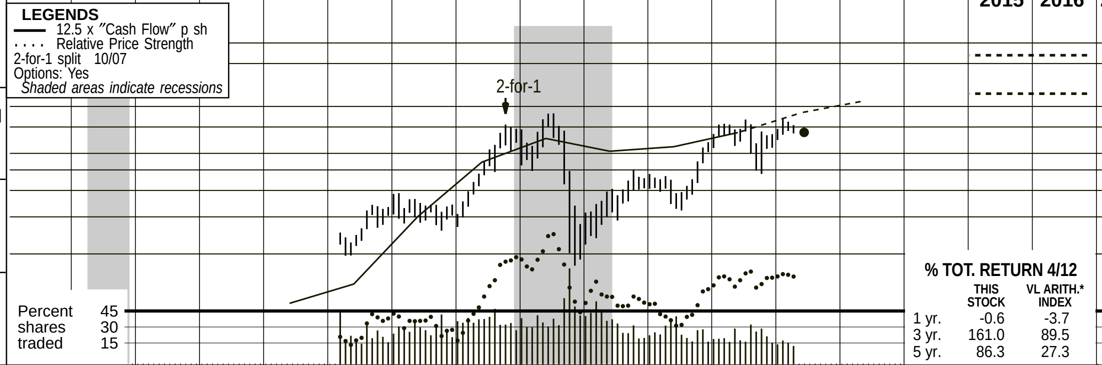
| | J | J | A | S | O | N | D | J | F |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 1 | 1 | 0 | 0 | 1 | 0 | 0 | 7 |
| to Sell | 0 | 1 | 1 | 0 | 0 | 1 | 0 | 0 | 6 |

**Institutional Decisions**

| | 2Q2011 | 3Q2011 | 4Q2011 |
|---|---|---|---|
| to Buy | 326 | 362 | 349 |
| to Sell | 403 | 364 | 379 |
| Hld's(000) | 363434 | 371918 | 374258 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| High: | 34.2 | 38.8 | 82.0 | 92.7 | 50.2 | 67.7 | 86.7 | 87.7 |
| Low: | 19.6 | 25.8 | 26.9 | 17.6 | 22.2 | 32.2 | 48.0 | 69.3 |

**Target Price Range**
2015 | 2016 | 2017




**% TOT. RETURN 4/12**

| | THIS STOCK | VL ARITH.* INDEX |
|---|---|---|
| 1 yr. | -0.6 | -3.7 |
| 3 yr. | 161.0 | 89.5 |
| 5 yr. | 86.3 | 27.3 |

National Oilwell Varco, Inc. was formed on March 11, 2005 by the merger of Varco International and National-Oilwell, each a product of many mergers. Varco stockholders received .8363 shares of the renamed National Oilwell Varco stock for each share of Varco Int'l, or 49% of the stock of the new company. Citigroup Global Markets and Goldman, Sachs & Co. served as financial advisers on the merger.

| 2002 | 2003 | 2004 | 2005E | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | © VALUE LINE PUB. LLC | 15-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| -- | -- | 11.39 | 13.32 | 20.01 | 27.49 | 32.18 | 30.38 | 28.86 | 34.58 | *42.95* | *50.25* | Sales per sh | *71.60* |
| -- | -- | .93 | 1.15 | 2.41 | 4.36 | 5.64 | 4.91 | 5.16 | 6.01 | *7.45* | *8.55* | "Cash Flow" per sh | *12.00* |
| -- | -- | .59 | .88 | 1.94 | 3.76 | 4.90 | 3.75 | 3.98 | 4.70 | *5.95* | *6.90* | Earnings per sh A | *9.70* |
| -- | -- | -- | -- | -- | -- | -- | .10 | .41 | .45 | *.50* | *.62* | Div'ds Decl'd per sh B | *1.26* |
| -- | -- | -- | .30 | .57 | .71 | .91 | .60 | .55 | 1.14 | *1.50* | *1.50* | Cap'l Spending per sh | *1.50* |
| -- | -- | 11.27 | 12.03 | 14.31 | 18.70 | 30.26 | 33.73 | 37.39 | 41.56 | *47.65* | *54.90* | Book Value per sh C | *71.60* |
| -- | -- | 340.00 | 348.73 | 351.14 | 356.14 | 417.35 | 418.45 | 421.14 | 423.90 | *426.00* | *428.00* | Common Shs Outst'g D | *433.00* |
| -- | -- | -- | 30.7 | 16.5 | 14.2 | 12.0 | 9.6 | 11.3 | 15.2 | *Bold figures are* | | Avg Ann'l P/E Ratio | *15.0* |
| -- | -- | -- | 1.63 | .89 | .75 | .72 | .64 | .72 | .96 | *Value Line* | | Relative P/E Ratio | *1.00* |
| -- | -- | -- | -- | -- | -- | -- | .3% | .9% | .6% | *estimates* | | Avg Ann'l Div'd Yield | *.9%* |
| -- | -- | 3872.1 | 4644.5 | 7025.8 | 9789.0 | 13431 | 12712 | 12156 | 14658 | *18300* | *21500* | Sales ($mill) | *31000* |
| -- | -- | 11.8% | 13.8% | 18.1% | 23.1% | 24.7% | 23.2% | 24.3% | 23.8% | *24.0%* | *24.0%* | Operating Margin | *23.5%* |
| -- | -- | 119.0 | 114.6 | 160.6 | 214.1 | 401.6 | 490.0 | 507.0 | 555.0 | *630* | *710* | Depreciation ($mill) | *1000* |
| -- | -- | 198.4 | 286.9 | 684.0 | 1337.1 | 1952.0 | 1565.0 | 1667.0 | 1994.0 | *2535* | *2955* | Net Profit ($mill) | *4200* |
| -- | -- | 24.7% | 32.3% | 33.9% | 33.3% | 33.5% | 33.4% | 30.8% | 32.1% | *32.0%* | *32.0%* | Income Tax Rate | *32.0%* |
| -- | -- | 5.1% | 6.2% | 9.7% | 13.7% | 14.5% | 12.3% | 13.7% | 13.6% | *13.9%* | *13.7%* | Net Profit Margin | *13.5%* |
| -- | -- | 1373.0 | 1811.0 | 2300.4 | 3567.1 | 4033.7 | 5424.0 | 5999.0 | 6694.0 | *6000* | *6000* | Working Cap'l ($mill) | *6500* |
| -- | -- | 841.7 | 835.6 | 834.7 | 737.9 | 869.6 | 876.0 | 514.0 | 159.0 | *600* | *650* | Long-Term Debt ($mill) | *1500* |
| -- | -- | 3831.6 | 4194.2 | 5023.5 | 6661.4 | 12628 | 14113 | 15748 | 17619 | *20300* | *23500* | Shr. Equity ($mill) | *31000* |
| -- | -- | 4.2% | 6.2% | 12.1% | 18.4% | 14.7% | 10.6% | 10.3% | 11.3% | *12.0%* | *12.5%* | Return on Total Cap'l | *13.0%* |
| -- | -- | 5.2% | 6.8% | 13.6% | 20.1% | 15.5% | 11.1% | 10.6% | 11.3% | *12.5%* | *12.5%* | Return on Shr. Equity | *13.5%* |
| -- | -- | 5.2% | 6.8% | 13.6% | 20.1% | 15.5% | 10.8% | 9.5% | 10.2% | *11.5%* | *11.5%* | Retained to Com Eq | *12.0%* |
| -- | -- | -- | -- | -- | -- | -- | 3% | 10% | 10% | *8%* | *10%* | All Div'ds to Net Prof | *15%* |

**CAPITAL STRUCTURE as of 3/31/12**
**Total Debt** $510 mill. **Due in 5 Yrs** $510 mill.
**LT Debt** $159 mill. **LT Interest** $8.7 mill.

(Total interest coverage: over 40x) (1% of Cap'l)
**Leases, Uncapitalized:** $256 million

**Pension Assets-12/10** $419 million
**Pension Obligations** $556 million

**Pfd Stock** None
**Common Stock** 424,224,491 shares
**as of 2/17/12**
**MARKET CAP: $32.0 billion (Large Cap)**

| CURRENT POSITION ($MILL.) | 2010 | 2011 | 3/31/12 |
|---|---|---|---|
| Cash Assets | 3333 | 2222 | 3390 |
| Receivables | 2425 | 2425 | 3330 |
| Inventory (Avg Cst) | 3388 | 3388 | 4528 |
| Other | 1389 | 1389 | 1588 |
| Current Assets | 10535 | 10535 | 12836 |
| Accts Payable | 628 | 628 | 1009 |
| Debt Due | 373 | 373 | 351 |
| Other | 3535 | 3535 | 4085 |
| Current Liab. | 4536 | 4536 | 5445 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '09-'11 to '15-'17 |
|---|---|---|---|
| Sales | -- | 16.0% | *11.0%* |
| "Cash Flow" | -- | 29.0% | *14.5%* |
| Earnings | -- | 29.5% | *15.0%* |
| Dividends | -- | -- | *NMF* |
| Book Value | -- | 24.5% | *11.5%* |

| Cal-endar | QUARTERLY SALES ($ mill.) Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2009 | 3481 | 3010 | 3087 | 3134 | 12712 |
| 2010 | 3032 | 2941 | 3011 | 3172 | 12156 |
| 2011 | 3146 | 3513 | 3740 | 4259 | 14658 |
| 2012 | 4303 | *4450* | *4650* | *4897* | *18300* |
| 2013 | *5000* | *5200* | *5500* | *5800* | *21500* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2009 | 1.13 | .76 | .92 | .94 | 3.75 |
| 2010 | 1.01 | .96 | .96 | 1.05 | 3.98 |
| 2011 | .97 | 1.13 | 1.25 | 1.35 | 4.70 |
| 2012 | 1.42 | *1.46* | *1.51* | *1.56* | *5.95* |
| 2013 | *1.64* | *1.69* | *1.75* | *1.82* | *6.90* |

| Cal-endar | QUARTERLY DIVIDENDS PAID B Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2008 | -- | -- | -- | -- | -- |
| 2009 | -- | -- | -- | .10 | .10 |
| 2010 | .10 | .10 | .10 | .11 | .41 |
| 2011 | .11 | .11 | .11 | .12 | .45 |
| 2012 | .12 | | | | |

**BUSINESS:** National Oilwell Varco, Inc. is the largest provider of equipment for oil and gas drilling. 2011 sales (operating profits): Rig Technology (complete drilling and workover rigs, rig machinery, cranes, mooring systems, etc.), 51% (62%); Petroleum Services and Supplies (drill pipe, expendable supplies, pumps, pipeline inspection, tool rental), 37% (34%); and Distribution & Transmission (maintenance & repair supplies and various services), 12% (4%). Acq. GrantPrideco, 4/08. Has abt 48,500 employees. BlackRock owns 6.9% of common stock; off./dir. own less than 1% (4/12 proxy). Chrmn.: John F. Lauletta; CEO and Pres.: Merrill A. (Pete) Miller, Jr. Inc.: DE. Address: 7909 Parkwood Circle Drive, Houston, Texas 77036. Tel.: (713) 346-7500. Internet: www.nov.com.

**National Oilwell is firing on all cylinders.** First-quarter results benefited from increased demand in all three segments as operating profits of the rig technology, petroleum services and supplies, and distribution and transmission divisions jumped 30%, 56%, and 53%, respectively. Business was better both in North America and abroad. Shipments of equipment for offshore and land rigs rose as oil prices recovered from the October low point. A steady North American rig count boosted results at petroleum services and supplies as operators de-emphasized natural gas but raised oil exploration and development activity. The downhole tools line did especially well as horizontal drilling in shale deposits expanded.

**The balance of the year looks strong, too.** To quote NOV, inquiries and orders for offshore equipment have been very strong in response to the aligned "stars of $100 crude, high and rising dayrates, and hungry shipyards"; the last refers to lower demand for dry bulk and other carriers, which is reducing delivery time for offshore drilling rigs. Increased demand for spare blowout preventers in the wake of the BP oil spill in April 2010 is also helping rig technology. After a seasonal decline, demand for petroleum supplies and services should keep growing as operators shift their focus from dry natural gas deposits to the more "oily" shales in the Bakken and Eagle Ford regions.

**Momentum will probably persist through 2013.** In response to growing demand, National Oilwell has opened several new plants in the last year and will bring another one on line soon. The company made several sizable acquisitions last year and should close another two, at least, in 2012. A new plant in Abu Dhabi, expansion in Russia, and new interest in shale deposits in China, Australia, and Latin America should keep profits rising.

**These timely shares have above-average long-term capital appreciation potential.** As the largest maker of drilling equipment, National Oilwell ought to benefit as demand for oil grows, even if conservation and pollution control dampen energy use a bit in the developed world. Acquisitions will no doubt add to the substantial internal growth we foresee.

*Sigourney B. Romaine, CFA May 11, 2012*

(A) Based on diluted shares. Excludes net nonrecurring items: 2009, (23¢). Next earnings report due late July.
(B) National Oilwell paid its first regular cash dividend in December 2009 and also paid a special dividend of $1.00 a share. Dividends are being paid in late March, June, September, and December. (C) Incl. intangibles. At 3/31/12: $10.2 bill., $24.04 a share. (D) In millions, adjusted for a split. (E) Figures prior to 6/05 are pro forma.

| | |
|---|---|
| **Company's Financial Strength** | B++ |
| **Stock's Price Stability** | 30 |
| **Price Growth Persistence** | 75 |
| **Earnings Predictability** | 65 |