



# Stock Selection Guide®

The most widely used aid to good investment judgment

Company National Oilwell Varco, Inco Date 04/04/08

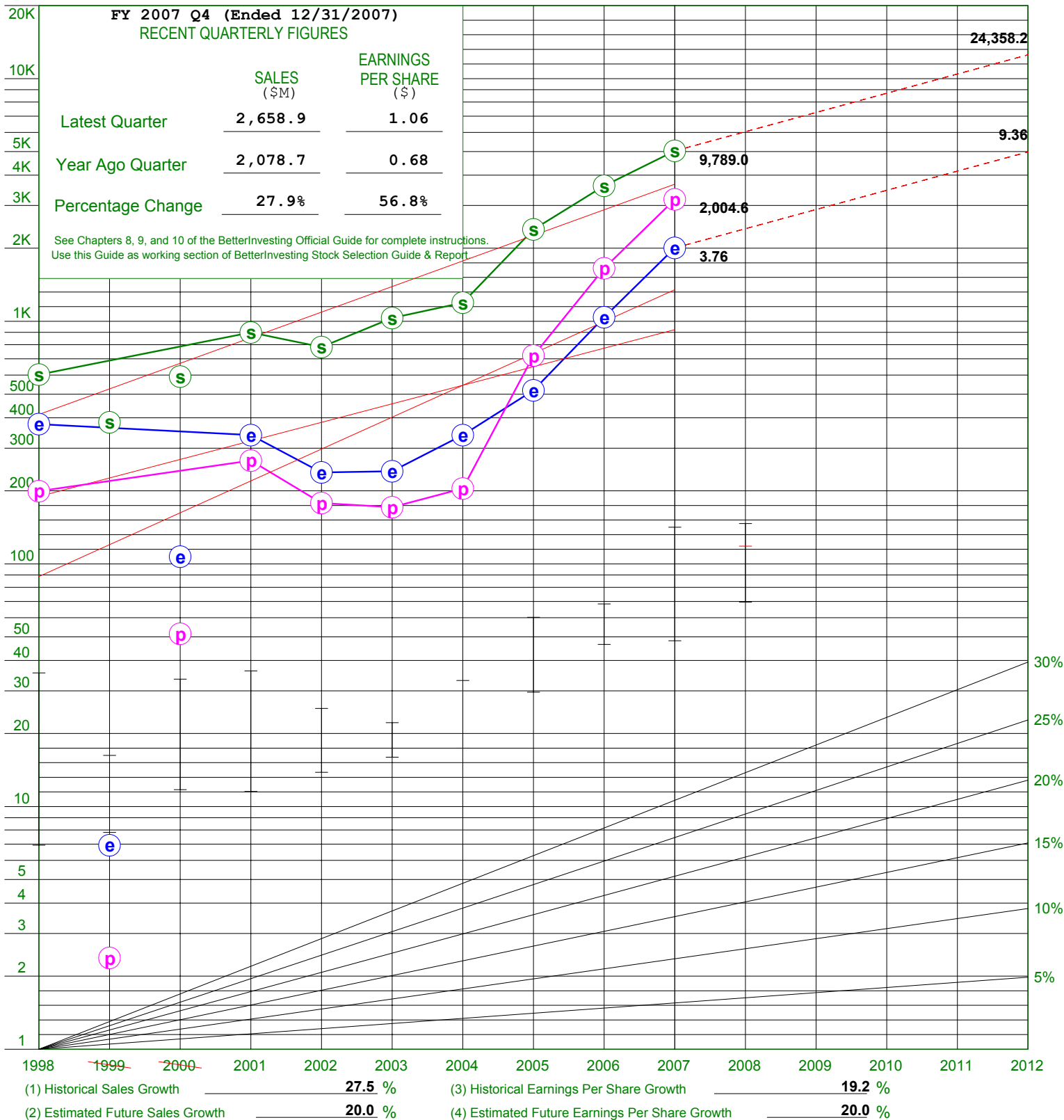
Prepared by GaryQ Data taken from StkCntrl

Where traded NYSE Major product/service Oil & Gas E

CAPITALIZATION --- Outstanding Amounts		Reference	
		Hemscott	
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	355.4	0.2	94.6
Debt (\$M)	890.7	% to Tot.Cap.	11.8
		% Potential Dil.	None

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

NOV



	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)	10.7	0.2	2.8	9.6	7.4	5.4	5.6	9.8	14.8	20.5	11.2	UP	
<b>B</b> % Earned on Equity (E/S + Book Value)	20.5	0.4	4.2	11.9	7.8	7.1	8.4	8.1	13.6	20.1	11.5	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.

PRESENT PRICE **66.240** HIGH THIS YEAR **82.000** LOW THIS YEAR **38.905**

Year	PRICE		C Earnings Per Share	E Price Earnings Ratio		F Dividend Per Share	G % Payout F + C X 100	H % High Yield F ÷ B X 100
	A HIGH	B LOW		D HIGH A + C	E LOW B + C			
1 2003	12.4	8.9	0.45	27.4	19.7	0.000	0.0	0.0
2 2004	18.5	9.7	0.64	29.0	15.2	0.000	0.0	0.0
3 2005	33.7	16.6	0.97	34.6	17.0	0.000	0.0	0.0
4 2006	38.3	26.0	1.95	19.7	13.3	0.000	0.0	0.0
5 2007	79.3	27.0	3.76	21.1	7.2	0.000	0.0	0.0
6 TOTAL		88.2		131.8	72.4		0.0	
7 AVERAGE		17.6		26.4	14.5		0.0	
8 AVERAGE PRICE EARNINGS RATIO			20.4	9 CURRENT PRICE EARNINGS RATIO				17.6

**4 Proj. P/E [14.72] Based on Next 4 qtr. EPS [4.50] Current P/E Based on Last 4 qtr. EPS [3.75] PEG=74**

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 ~~26.4~~ **20.4** X Estimate High Earnings/Share **9.36** = Forecast High Price \$ **190.9**  
(3D7 as adj.) (4A1)

**B LOW PRICE -- NEXT 5 YEARS**

(a) Avg. Low P/E ~~14.5~~ **7.2** X Estimated Low Earnings/Share ~~3.76~~ **3.75** = \$ **27.0**  
(3E7 as adj.)  
 (b) Avg. Low Price of Last 5 Years = **17.6**  
(3B7)  
 (c) Recent Severe Market Low Price = **26.0**  
 (d) Price Dividend Will Support  $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.000}{0.000} = 0.0$   
 Selected Estimate Low Price = \$ **27.0**  
(4B1)

**C ZONING**

**190.9** High Forecast Price Minus **27.0** Low Forecast Price Equals **163.9** Range. 1/3 of Range = **54.6**  
(4A1) (4B1) (C) (4CD)  
 (4C2) Lower 1/3 = **27.0** to **81.6** (Buy)  
 (4C3) Middle 1/3 = **81.6** to **136.3** (Maybe)  
 (4C4) Upper 1/3 = **136.3** to **190.9** (4A1) (Sell)

Present Market Price of **66.240** is in the **Buy** Range (4C5)

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

High Price (4A1) **190.9** Minus Present Price **66.240**  
 Present Price **66.240** Minus Low Price (4B1) **27.0** =  $\frac{124.7}{39.2} = \frac{3.2}{1}$  To 1 (4D)

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

High Price (4A1) **190.9**  
 Present Market Price **66.240** =  $(2.882) \times 100 = (288.2) - 100 = 188.2$  % Appreciation (4E)

**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.

Relative Value: 86.3% Proj. Relative Value: 72.2%

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 \$ **66.240** =  $\frac{0.000}{66.240} \times 100 = 0.0$  Present Yield or % Returned on Purchase Price (5A)

**B AVERAGE YIELD OVER NEXT 5 YEARS**  
 Avg. Earnings Per Share Next 5 Years **6.50** X Avg. % Payout (3G7) **0.0** = **0.0** = **0.0** %  
(5B)

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

5 Year Appreciation Potential <small>(4E)</small> <b>188.2</b>		P.A.R.	Tot. Ret.
<b>5</b>	<b>37.6</b> %	<b>Average Yield</b> <b>0.0%</b>	<b>0.0%</b>
Average Yield <small>(5B)</small> <b>0.0</b> %		<b>Annual Appreciation</b> <b>14.3%</b>	<b>23.6%</b>
Average Total Annual Return Over the Next 5 Years <small>(5C)</small> <b>37.6</b> %		<b>% Compd Ann Rate of Ret</b> <b>14.3%</b>	<b>23.6%</b>