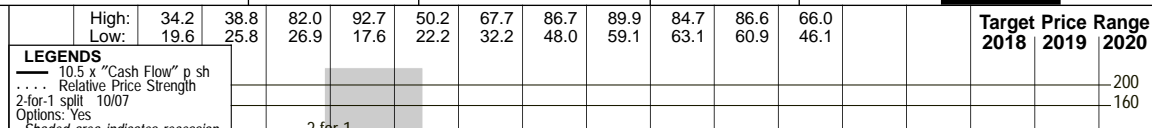


# NAT'L OILWELL VARCO NYSE-NOV

RECENT PRICE **51.93** P/E RATIO **12.3** (Trailing: 9.9 Median: NMF) RELATIVE P/E RATIO **0.63** DIV'D YLD **3.5%** VALUE LINE

**TIMELINESS** 3 Lowered 2/13/15  
**SAFETY** 3 New 5/20/05  
**TECHNICAL** 3 Lowered 5/11/15  
**BETA** 1.30 (1.00 = Market)



**2018-20 PROJECTIONS**

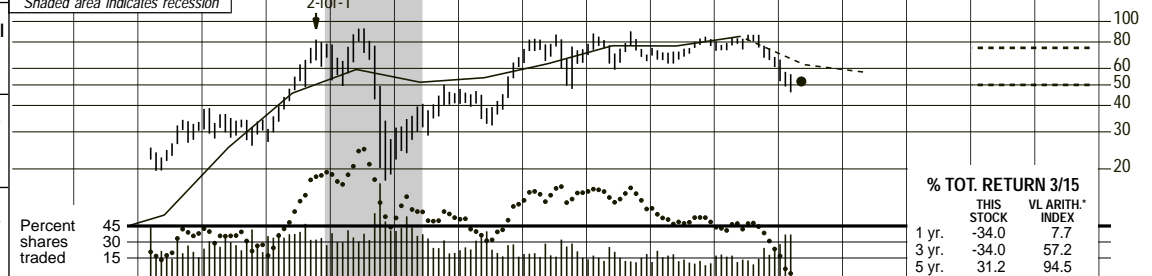
Price	75	Gain (+45%)	Ann'l Total Return 12%
High	75		
Low	50		3%

**Insider Decisions**

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	0	0	0	0	0	0	0

**Institutional Decisions**

	2Q2014	3Q2014	4Q2014
to Buy	493	441	428
to Sell	393	437	495
Hld's(000)	382289	378196	371876



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.

**CAPITAL STRUCTURE as of 12/31/14**  
 Total Debt \$3166 mill. Due in 5 Yrs \$654 mill.  
 LT Debt \$3014 mill. LT Interest \$60 mill.

(Total interest coverage: NMF) (13% of Cap'l)  
**Leases, Uncapitalized:** \$215 million

**Pension Assets-12/14** \$660 million  
**Pension Obligations** \$792 million

**Pfd Stock** None  
**Common Stock** 409,935,076 shares

**MARKET CAP: \$21.3 billion (Large Cap)**

**CURRENT POSITION (\$MILL.)**

	2012	2013	12/31/14
Cash Assets	3319	3436	3536
Receivables	4320	4896	4416
Inventory (Avg Cst)	5891	5603	5281
Other	2148	2488	2929
Current Assets	15678	16423	16162
Accts Payable	1200	1275	1189
Debt Due	1	1	152
Other	4448	5402	6033
Current Liab.	5649	6678	7374

**ANNUAL RATES of change (per sh)**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Sales	16.0%	11.0%	Nil
"Cash Flow"	23.5%	9.0%	-5%
Earnings	26.0%	7.0%	-3.5%
Dividends	-	-	18.5%
Book Value	16.0%	12.5%	3.0%

**QUARTERLY SALES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	4303	4734	5319	5685	20041
2013	5307	5601	5789	6172	22869
2014	4889	5255	5587	5709	21440
2015	4820	4400	4200	4080	17500
2016	3800	3800	3900	3800	15300

**EARNINGS PER SHARE A**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	1.42	1.42	1.43	1.56	5.83
2013	1.29	1.33	1.34	1.56	5.52
2014	1.29	1.47	1.62	1.69	6.07
2015	1.14	.95	.75	.75	3.50
2016	.75	.80	.75	.70	3.00

**QUARTERLY DIVIDENDS PAID B**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.11	.11	.11	.12	.45
2012	.12	.12	.12	.13	.49
2013	.13	.26	.26	.26	.91
2014	.26	.46	.46	.46	1.64
2015	.46				

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
13.32	20.01	27.49	32.18	30.38	28.86	34.58	46.94	53.38	51.17	42.90	37.70	Sales per sh	45.00
1.15	2.41	4.36	5.64	4.91	5.16	6.01	7.31	7.28	8.09	5.75	5.40	"Cash Flow" per sh	6.65
.88	1.94	3.76	4.90	3.75	3.98	4.70	5.83	5.52	6.07	3.50	3.00	Earnings per sh A	4.10
--	--	--	--	.10	.41	.45	.49	.91	1.64	1.84	1.84	Div'ds Decl'd per sh B	2.00
.30	.57	.71	.91	.60	.55	1.14	1.37	1.56	1.67	1.20	1.15	Cap'l Spending per sh	1.25
12.03	14.31	18.70	30.26	33.73	37.39	41.56	47.41	51.89	49.39	51.45	52.20	Book Value per sh C	57.50
348.73	351.14	356.14	417.35	418.45	421.14	423.90	426.93	428.43	418.98	408.00	406.00	Common Shs Outst'g D	400.00
30.7	16.5	14.2	12.0	9.6	11.3	15.2	12.7	13.3	12.7	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0
1.63	.89	.75	.72	.64	.72	.95	.81	.75	.67			Relative P/E Ratio	.95
--	--	--	--	.3%	.9%	.6%	.7%	1.2%	2.1%			Avg Ann'l Div'd Yield	3.2%
4644.5	7025.8	9789.0	13431	12712	12156	14658	20041	22869	21440	17500	15300	Sales (\$mill)	18000
13.8%	18.1%	23.1%	24.7%	23.2%	24.3%	23.8%	20.9%	18.5%	21.0%	17.0%	16.0%	Operating Margin	22.0%
114.6	160.6	214.1	401.6	490.0	507.0	555.0	628.0	755.0	778.0	850	875	Depreciation (\$mill)	1050
286.9	684.0	1337.1	1952.0	1565.0	1667.0	1994.0	2491.0	2366.0	2610.0	1500	1325	Net Profit (\$mill)	1600
32.3%	33.9%	33.3%	33.5%	33.4%	30.8%	32.1%	29.2%	30.4%	29.1%	31.0%	31.0%	Income Tax Rate	32.0%
6.2%	9.7%	13.7%	14.5%	12.3%	13.7%	13.6%	12.4%	10.3%	12.2%	9.0%	8.6%	Net Profit Margin	8.9%
1811.0	2300.4	3567.1	4033.7	5424.0	5999.0	6694.0	10029	9745.0	8788.0	8500	8500	Working Cap'l (\$mill)	10000
835.6	834.7	737.9	869.6	876.0	514.0	159.0	3148.0	3149.0	3014.0	3000	2500	Long-Term Debt (\$mill)	2500
4194.2	5023.5	6661.4	12628	14113	15748	17619	20239	22230	20692	21000	21200	Shr. Equity (\$mill)	23000
6.2%	12.1%	18.4%	14.7%	10.6%	10.3%	11.3%	10.8%	9.5%	11.2%	6.5%	5.5%	Return on Total Cap'l	6.5%
6.8%	13.6%	20.1%	15.5%	11.1%	10.6%	11.3%	12.3%	10.6%	12.6%	7.0%	6.5%	Return on Shr. Equity	7.0%
--	--	--	--	3%	10%	10%	8%	16%	27%	3.5%	2.5%	Retained to Com Eq	3.5%
--	--	--	--	3%	10%	10%	8%	16%	27%	53%	61%	All Div'ds to Net Prof	49%

**BUSINESS:** National Oilwell Varco, Inc. is one of the largest providers of equipment for oil and gas drilling for the offshore and land markets. 2014 sales (operating profits): Rig Technology (complete drilling and workover rigs, rig machinery, cranes, mooring systems, etc.), 46% (55%); Rig Aftermarket, 15% (24%); Wellbore Technologies, 27% (26%) and Completion & Production Solutions, 22%

**National Oilwell Varco is muddling through the crude price downturn.** The company is experiencing a broad-based slowdown in all businesses, owing to the steep drop in activity in the land and offshore plays. Exploration & production companies continue to cut spending, idle rigs, and ask for price concessions. Customers are also delaying and deferring projects until crude prices stabilize. The offshore markets should be soft for some time, as there is still a glut of rigs, and cost overruns have forced E&Ps to scale back investments. National Oilwell plans to cut the labor force and is aiming to get concessions from its suppliers.

**The backlog is liable to deteriorate as the year progresses.** The Rig Systems backlog has fallen about 17% sequentially, to \$10.4 billion at the end of the first quarter. The book-to-bill ratio for this business was an anemic .11. There should be modest demand in Middle East land markets, but near-term expectations are not promising. We think customers will likely remain very conservative allocating capital, choosing instead to focus their spending on maintenance rather than new

equipment. What's more, the troubles at Petrobras are expected to hurt the Rig System's sales in the coming quarters. **The company reported disappointing first-quarter results.** Revenues declined 16% sequentially, due to lower activity levels globally and softer pricing. The Wellbore Technologies unit's operating margin was quite weak, falling 750 basis points sequentially, owing to the deceleration in the U.S. land rig count.

**We are drastically reducing our 2015 full-year bottom-line estimate by \$2.30, to \$3.50, based on the current outlook.** Management plans on implementing more cost-cutting initiatives, but these actions will not offset the softer pricing. We are also cutting our longer-term estimates, due to weaker fundamentals in the offshore market. For the 2018-2020 period, earnings will likely come in at \$4.10 a share.

**This stock has limited long-term capital appreciation potential.** Income-oriented investors might find value here, though a tolerance for price volatility will be required.

Michael Collins  
 May 8, 2015

(A) Based on diluted shares. Excludes net non-recurring items: '09, (\$0.23); '13, (\$0.08). Next earnings report due late July.  
 (B) Dividends paid in late March, June, September, and December. Special dividend of \$1.00 a share paid 12/09 (C) Incl. intangibles. At 12/31/14: \$13.0 bill., \$30.23 a share.  
 (D) In millions, adjusted for a split.

Company's Financial Strength	B++
Stock's Price Stability	45
Price Growth Persistence	70
Earnings Predictability	85

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