

# SCHLUMBERGER NYSE-SLB

RECENT PRICE **92.66** P/E RATIO **30.8** (Trailing: 23.9; Median: 21.0) RELATIVE P/E RATIO **1.57** DIV'D YLD **2.2%** **VALUE LINE**

**TIMELINESS** 3 Lowered 1/30/15  
**SAFETY** 2 Raised 2/15/08  
**TECHNICAL** 2 Raised 5/8/15  
**BETA** 1.30 (1.00 = Market)

High: 34.9 51.5 74.8 114.8 112.0 71.1 84.1 95.6 80.8 94.9 118.8 94.9  
 Low: 26.3 31.6 47.9 55.7 37.1 35.1 51.7 54.8 59.1 69.1 78.5 75.6

**LEGENDS**  
 — 12.0 x "Cash Flow" p sh  
 ... Relative Price Strength  
 2-for-1 split 4/06  
 Options: Yes  
 Shaded area indicates recession

**2018-20 PROJECTIONS**

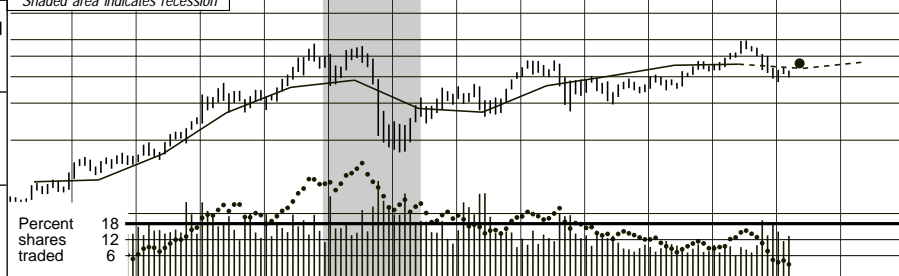
	Price	Gain	Ann'l Total Return
High	175	(+90%)	19%
Low	130	(+40%)	11%

**Insider Decisions**

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	1	0	0	0	0
Options	1	0	1	0	0	0	0	2	0
to Sell	1	1	3	0	0	0	0	0	0

**Institutional Decisions**

	2Q2014	3Q2014	4Q2014
to Buy	631	717	787
to Sell	720	667	699
Hlds(000)	1022223	999954	989328



**Target Price Range**  
 2018 2019 2020  
 320  
 200  
 160  
 120  
 100  
 80  
 60  
 40

**% TOT. RETURN 3/15**

	THIS STOCK	VLARITH: INDEX
1 yr.	-12.9	7.7
3 yr.	25.4	57.2
5 yr.	41.9	94.5

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
7.42	8.39	11.93	11.57	11.85	9.75	12.15	16.33	19.47	22.75	19.00	20.17	29.65	31.73	34.62	38.10	32.45	35.05	Sales per sh	50.40
1.31	1.75	2.35	1.92	2.12	2.16	2.86	4.51	5.94	6.42	4.71	4.53	6.04	6.73	7.55	7.64	7.30	7.85	"Cash Flow" per sh	12.50
.41	.64	.71	.60	.78	1.03	1.67	3.04	4.18	4.42	2.59	2.70	3.51	4.06	4.70	4.32	3.90	4.40	Earnings per sh <sup>A</sup>	8.50
.38	.38	.38	.38	.38	.38	.41	.48	.70	.81	.84	.84	.96	1.08	1.25	1.60	2.00	2.20	Div'ds Decl'd per sh <sup>B</sup>	2.80
.70	1.16	1.78	1.17	.87	1.03	1.35	2.09	2.45	3.12	2.00	2.14	3.01	3.53	3.02	3.12	2.00	2.40	Cap'l Spending per sh	3.20
6.82	7.24	7.27	4.81	5.02	5.20	6.45	8.85	12.44	14.12	16.00	22.94	23.44	26.16	30.19	29.69	30.65	32.60	Book Value per sh <sup>C</sup>	46.00
1131.9	1145.4	1152.5	1164.3	1171.9	1177.0	1177.6	1177.9	1195.6	1194.1	1195.0	1361.0	1333.8	1328.3	1307.3	1275.0	1255.0	1250.0	Common Shs Outst'g <sup>D</sup>	1250.0
NMF	NMF	40.6	39.9	29.2	30.3	23.7	20.5	20.0	18.5	20.6	24.1	23.0	17.5	17.2	22.9	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	18.0
NMF	NMF	2.08	2.18	1.66	1.60	1.26	1.11	1.06	1.11	1.37	1.53	1.44	1.11	.97	1.21			Relative P/E Ratio	1.15
1.3%	1.0%	1.3%	1.6%	1.7%	1.2%	1.0%	.8%	.8%	1.0%	1.6%	1.3%	1.2%	1.5%	1.5%	1.7%			Avg Ann'l Div'd Yield	1.8%

**CAPITAL STRUCTURE as of 3/31/15**  
 Total Debt \$12726 mill. Due in 5 Yrs \$6644 mill.  
 LT Debt \$8998 mill. LT Interest \$330 mill.  
 (Total interest coverage: 20.6x)

(19% of Cap'l)  
 Leases, Uncapitalized Annual rentals \$330 mill.

**Pension Assets-12/14** \$10.4 bill. **Oblig.** \$11.4 bill.  
 Pfd Stock None  
 Common Stock 1,269,726,824 shs.

**MARKET CAP: \$118 billion (Large Cap)**

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

	2013	2014	3/31/15
Cash Assets	8370	7501	6803
Receivables	11497	11171	10443
Inventory (Avg Cst)	4603	4628	4666
Other	1755	1394	1482
Current Assets	26225	24694	23394
Accts Payable	8837	9246	8469
Debt Due	2783	2765	3828
Other	1905	2165	2275
Current Liab.	13525	14176	14572

14309	19230	23277	27163	22702	27447	39540	42149	45266	48580	40750	43800	Sales (\$mill)	63000
28.7%	33.6%	36.2%	33.0%	28.0%	25.8%	25.0%	26.1%	26.5%	28.0%	26.5%	26.5%	Operating Margin	30.0%
1351.0	1561.4	1954.0	2268.5	2476.0	2759.0	3281.0	3500.0	3666.0	4094.0	4200	4300	Depreciation (\$mill)	4800
2022.5	3747.1	5151.7	5397.0	3156.0	3408.0	4777.0	5439.0	6210.0	5643.0	4950	5525	Net Profit (\$mill)	10850
22.9%	24.0%	21.9%	20.9%	19.6%	21.1%	24.4%	24.0%	23.0%	25.2%	23.0%	23.0%	Income Tax Rate	23.0%
14.1%	19.5%	22.1%	19.9%	13.9%	12.4%	12.1%	12.9%	13.7%	11.6%	12.1%	12.6%	Net Profit Margin	17.2%
3039.2	2730.9	3550.5	4769.0	6391.0	7233.0	10001	11788	12700	10518	8800	9500	Working Cap'l (\$mill)	10000
3591.3	4663.9	3794.5	3693.5	4355.0	5517.0	8556.0	9509.0	10393	10565	9000	10000	Long-Term Debt (\$mill)	12000
7591.6	10420	14876	16862	19120	31226	31263	34751	39469	37850	38485	40750	Shr. Equity (\$mill)	57500
18.9%	25.5%	28.1%	26.7%	13.9%	9.5%	12.4%	12.7%	12.8%	12.0%	10.5%	11.0%	Return on Total Cap'l	16.0%
26.6%	36.0%	34.6%	32.0%	16.5%	10.9%	15.3%	15.7%	15.7%	14.9%	13.0%	13.5%	Return on Shr. Equity	19.0%
20.3%	30.5%	29.4%	26.3%	11.2%	7.6%	11.1%	11.5%	11.7%	9.7%	6.5%	7.0%	Retained to Com Eq	12.5%
24%	15%	15%	18%	32%	31%	27%	26%	26%	35%	51%	50%	All Div'ds to Net Prof	33%

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 of change (per sh)
Sales	12.0%	11.5%	6.5%
"Cash Flow"	13.5%	5.0%	9.5%
Earnings	18.5%	3.0%	12.0%
Dividends	13.5%	11.5%	13.5%
Book Value	19.0%	15.0%	8.0%

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

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	9918	10448	10609	11174	42149
2013	10570	11182	11608	11906	45266
2014	11239	12054	12646	12641	48580
2015	10248	9750	10000	10752	40750
2016	10500	10750	11000	11550	43800

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.96	1.03	1.06	1.02	4.06
2013	1.01	1.15	1.29	1.26	4.70
2014	1.21	1.37	1.49	.25	4.32
2015	.76	.95	1.05	1.14	3.90
2016	1.00	1.10	1.10	1.20	4.40

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.21	.25	.25	.25	.96
2012	.25	.275	.275	.275	1.08
2013	.275	.3125	.3125	.3125	1.21
2014	.3125	.40	.40	.40	1.51
2015	.40	.50			

**Schlumberger continues to aggressively deal with the business downturn at hand.** The company is reducing headcount by another 11,000, following an earlier downsizing of 9,000. The move cost the company \$0.26 a share in the first quarter of 2015. Excluding that figure, and another \$0.04-a-share loss from a currency devaluation in Venezuela, the run rate for quarterly share earnings would be around \$1.00. A further volume decline in the current quarter will likely hurt share profits again, but assuming activity stabilizes, the second half could see results perk up.

**The industry remains in flux, though, and near-term visibility is poor.** The falloff in activity was so swift that service companies are just coming to grips with the situation. Schlumberger itself thought the first wave of layoffs would prove sufficient, only to see conditions deteriorate materially further. Suffice to say, the length of the downturn remains uncertain. Although the worst appears to be past, lingering uncertainty makes our estimates and projections more tentative than usual. **Displaying its strength, the company**

**is generating free cash flow in spite of the drilling slump.** Reduced capital spending requirements allowed for stock repurchases in the first quarter. The company's top-notch finances will clearly help it get through the slower times.

**Schlumberger is also looking to provide leadership by changing the way business is conducted.** The services provider is often in a position to make suggestions with respect to making drilling improvements, being as close as it is to daily operations. But those ideas are welcomed in varying degrees by paying customers. In a shift, the company now aims to offer more risk-based contracts, based on its proposals for technical solutions, combined with the sale of discrete services. Given the renewed need by operators to reduce expenses and raise efficiency, many clients may take up Schlumberger's overtures to work more closely in the coming years.

**The good-quality stock offers sizable recovery potential to decade's end.** The shares are a good way for conservative investors to participate in the industry's gradual projected comeback.

*Robert Mitkowski, Jr. May 8, 2015*

(A) Based on diluted earnings. Excludes non-recurring or discontinued gains (losses): '99, (16c); '01, (47c); '02, (\$5.21); '03, (88c); '04, (2c); '05, 28c; '06, (3c); '08, 3c; '09, (2c); '10, 68c; '11, 16c; '12, (4c); '13, 35c; '14, (16c). Earnings may not sum due to changes in share count. Next earning release due mid-July.  
 (B) Dividends historically paid mid-January, April, July, and October.  
 (C) Includes intangibles. At 12/14: \$20.1 bill., or \$15.73/share.  
 (D) In millions, adjusted for stock split.

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**Company's Financial Strength** A++  
**Stock's Price Stability** 50  
**Price Growth Persistence** 50  
**Earnings Predictability** 70

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