

UConn Student Managed Fund Analyst Report

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NYSE: SLB		Recommendation: BUY
Target Price: \$125.11	Market Cap: \$71.23B	P/E Ratio: 22.68
Current Price: \$50.53	Dividend Yield: 1.10%	EV/EBITDA: 11.22
Stop Loss: 25%	Beta: 1.29	EBITDA Margin: 12.1%
52 Week High/Low:\$59.45/\$30.65	ROE: 20.70%	Gross Margin: 18.4%

Company Background:

SLB is an oilfield equipment and service provider supplying the world's largest exploration and production companies.

Industry Outlook:

Revenue in the eCommerce market is projected to reach \$4.11T in 2023. Revenue is expected to show an annual growth rate (CAGR 2023-2027) of 11.51%, resulting in a projected market volume of \$6.35T by 2027. BY the end of 2023 one in five retail sales will be made online. New innovations in eCommerce make it easier than ever to start an online business, increasing competition. Amazon deals with this by offering lower prices and convenient shipping for customers.

Investment Thesis:

Amazon's advertising revenue grew 20% YOY boasting high margins. Amazon is also starting to reduce costs to focus on profitability. This is being done by slowing down hiring and subletting excess space. Currency volatility and inflation are short term headwinds and should not impact the long-term success of Amazon.

Investment Risks:

- Changes in consumer spending due to economic uncertainty
- Foreign exchange risk exposure due to transaction exposure, translation exposure and operating exposure
- Anti-trust lawsuits putting pressure on Amazon's low-price policies
- Pressured margins due to rapidly rising fulfillment and delivery costs.

Financial Performance

Fiscal Year	Historical Period											Projection Period						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022								
Revenue	45,266	48,580	35,475	27,810	30,440	32,815	32,917	23,601	22,929	28,091	32,442	35,847	38,694	40,325	41,425	42,396	45,070	49,98
% Growth	8.47%	7.32%	-26.98%	-21.61%	9.46%	7.80%	0.31%	-28.30%	-2.85%	22.51%	15.49%	10.49%	7.94%	4.22%	2.73%	2.34%	6.31%	10.94
Cost of Good Sold	35,179	37,398	28,321	24,409	26,298	28,478	28,720	21,000	19,271	22,930	27,166	30,233	32,919	34,518	35,370	36,156	38,369	42,44
% Margin	77.72%	76.98%	79.83%	87.77%	86.39%	86.78%	87.25%	88.98%	84.05%	81.63%	83.74%	84.34%	85.08%	85.60%	85.38%	85.28%	85.13%	84.92
Gross Profit	10,087	11,182	7,154	3,401	4,142	4,337	4,197	2,601	3,658	5,161	5,276	5,613	5,775	5,807	6,055	6,240	6,701	7,5
% Margin	22.28%	23.02%	20.17%	12.23%	13.61%	13.22%	12.75%	11.02%	15.95%	18.37%	16.26%	15.66%	14.92%	14.40%	14.62%	14.72%	14.87%	15.08
SG&A	416	475	494	403	432	444	474	365	339	376	432	492	546	570	584	598	638	70
% Margin	0.92%	0.98%	1.39%	1.45%	1.42%	1.35%	1.44%	1.55%	1.48%	1.34%	1.33%	1.37%	1.41%	1.41%	1.41%	1.41%	1.42%	1.43
R&D Expenditures	1,174	1,217	1,094	1,012	787	702	717	580	554	634	839	927	1,003	1,026	1,008	1,025	1,103	1,23
% Margin	2.59%	2.51%	3.08%	3.64%	2.59%	2.14%	2.18%	2.46%	2.42%	2.26%	2.59%	2.58%	2.59%	2.54%	2.43%	2.42%	2.45%	2.47
Other Operating Expenses	0	0	0	-299	0	0	364	40	28	229	-	-	-	-	-	-	-	-
% Margin	0.00%	0.00%	0.00%	-1.08%	0.00%	0.00%	1.11%	0.17%	0.12%	0.82%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00
EBIT	8,497	9,490	5,566	2,285	2,923	3,191	2,642	1,616	2,737	3,922	4,005	4,195	4,225	4,211	4,462	4,616	4,960	5,59
% Margin	18.77%	19.53%	15.69%	8.22%	9.60%	9.72%	8.03%	6.85%	11.94%	13.96%	12.34%	11.70%	10.92%	10.44%	10.77%	10.89%	11.01%	11.15
Income Tax Expense	1,953	2,149	1,187	101	590	692	700	436	477	818	892	949	962	933	953	1,016	1,101	1,24
Effective Tax Rate	22.98%	22.64%	21.33%	4.42%	20.18%	21.69%	26.50%	26.98%	17.43%	20.86%	22.27%	22.62%	22.78%	22.16%	21.35%	22.00%	22.20%	22.18
NOPAT	6,544	7,341	4,379	2,184	2,333	2,499	1,942	1,180	2,260	3,104	3,113	3,246	3,263	3,278	3,509	3,601	3,859	4,35
% Margin	14.46%	15.11%	12.34%	7.85%	7.66%	7.62%	5.90%	5.00%	9.86%	11.05%	9.60%	9.06%	8.43%	8.13%	8.47%	8.49%	8.56%	8.73
ADD: Depreciation & Amortization	3,879	4,094	4,078	4,094	3,837	3,556	3,589	2,566	2,120	2,147	3,417	3,846	4,240	4,397	4,359	4,373	4,625	5,09
% Margin	8.57%	8.43%	11.50%	14.72%	12.61%	10.84%	10.90%	10.87%	9.25%	7.64%	10.53%	10.73%	10.96%	10.90%	10.52%	10.31%	10.26%	10.20
LESS: CAPEX	3,943	3,976	2,410	2,055	2,107	2,160	1,724	1,116	1,141	1,618	1,850	1,971	2,057	2,149	2,249	2,334	2,462	2,71
% Margin	8.71%	8.18%	6.79%	7.39%	6.92%	6.58%	5.24%	4.73%	4.98%	5.76%	5.70%	5.50%	5.32%	5.33%	5.43%	5.51%	5.46%	5.42
LESS: Change in NWC	(1,338)	(1,185)	(3,632)	1,367	(1,998)	6	1,180	(996)	(679)	915	(91)	(367)	(90)	(108)	(339)	(141)	19	(20)
% Margin	-2.96%	-2.44%	-10.24%	4.92%	-6.56%	0.02%	3.58%	-4.22%	-2.96%	3.26%	-0.28%	-1.02%	-0.23%	-0.27%	-0.82%	-0.33%	0.04%	-0.42
Unlevered Free Cash Flow	7,818	8,644	9,679	2,856	6,061	3,889	2,627	3,626	3,918	2,718	4,771	5,488	5,536	5,634	5,958	5,780	6,003	6,94

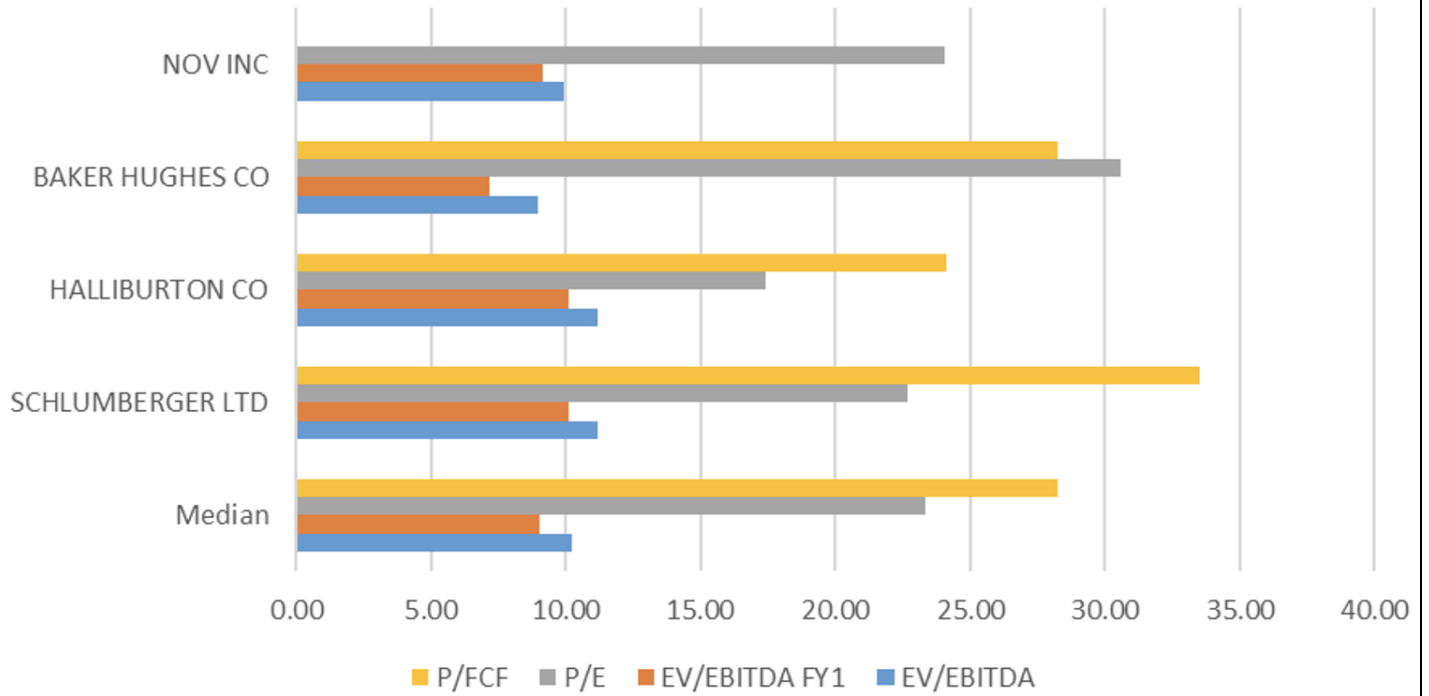
Valuation: Discounted Cash Flow Analysis

Implied Perpetuity Growth Rate and WACC	
WACC	8.58%
Perpetuity Growth Rate	2.00%
Terminal Value	\$107,707.12
Implied Equity Value and Share Price	
PV of FCF	\$31,872.53
PV of TV	\$55,751.85
Enterprise Value	\$87,624.38
Less: Debt	\$12,925.00
Add: Cash & Equivalents	\$2,894.00
Equity Value	\$77,593.38
Shares Outstanding	1,420
Implied Share Price	\$54.64
Current Price	\$49.62
Margin of Safety	10.12%

Sensitivity Analysis						
WACC						
		7.58%	8.08%	8.58%	9.08%	9.58%
Growth Rate	1.00%	\$ 58.16	\$53.32	\$49.13	\$45.46	\$42.23
	1.50%	\$ 61.82	\$56.37	\$51.69	\$47.64	\$44.09
	2.00%	\$ 66.15	\$59.92	\$54.64	\$50.12	\$46.20
	2.50%	\$ 71.32	\$64.11	\$58.08	\$52.98	\$48.60
	3.00%	\$ 77.63	\$69.12	\$62.13	\$56.31	\$51.37

Relative Valuation

Valuation Ratios



ESG

ESG Risk Rating

COMPREHENSIVE ?

21.8 Medium Risk



Ranking

Industry Group (1st = lowest risk)

Energy Services 15 out of 107

Universe

Global Universe 4918 out of 15489

Last Update: Apr 6, 2023 ?