

Equities

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Ensco plc (ESV)

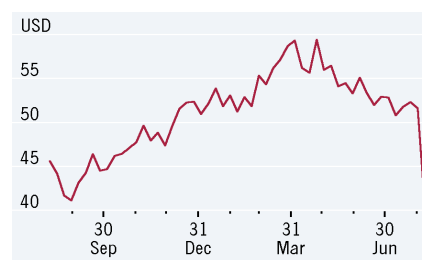
Revised Guidance Indicates Higher Likely Pride EPS Accretion

- Company Update
- Target Price Change
- Estimate Change

- **Further Evidence of Strong Earnings Power** — The key takeaway for us is that ESV will likely achieve greater EPS accretion from the Pride deal than previously believed based on its generally favorable operating cost, D&A, G&A, and tax rate guidance. We have raised our EPS estimates (see table below) driven by further evidence of its renewed focus on managing cost pressures with its increased scale and relatively young deepwater fleet. Our 2012 EPS of \$6.50 is now significantly higher than its initial guidance on the Pride announcement (February 4, 2011) that the transaction would be 2012 EPS-accretive by 10%+ (\$5.62 vs. \$5.11 consensus at that time).
- **Guidance Clarified, Post-Merger Uncertainty Reduced** — ESV raised its cost synergy guidance from \$50M to \$100M in 2012 and to \$120M (\$150M including \$30M of capex synergies) in 2013. We had written in our July 11, 2011 [Earnings Preview](#) that ESV was likely to issue favorable guidance in terms of synergy expectations and other cost items on the 2Q11 earnings call. Now that this has happened, ESV has removed a key source of earnings risk. Moreover, ESV has another gun in its holster if it is able to accomplish even a modest amount of revenue synergies -- driven by the complementary markets and customer relationships of the formerly separate entities -- which it has not yet attempted to quantify.
- **Strong Core Operating Earnings** — ESV reported a solid EPS beat (\$0.71 vs. our \$0.65 estimate and \$0.67 consensus), with core operating earnings much better than expected. EBITDA adjusted for non-recurring charges was \$243M, exceeding our \$234M estimate by 3% and the \$218M consensus estimate by 11%.
- **Reiterating Hold Rating** — Although we are more constructive on its long-term earnings power, we reiterate our 2H rating at this time and have reduced our target to \$51 from \$56 on a lower multiple in view of its increased balance sheet leverage.

Hold/High Risk	2H
Price (09 Aug 11)	US\$43.81
Target price	US\$51.00
<i>from US\$56.00</i>	
Expected share price return	16.4%
Expected dividend yield	3.2%
Expected total return	19.6%
Market Cap	US\$10,009M

Price Performance (RIC: ESV.N, BB: ESV US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	1.12A	0.85A	0.92A	0.90A	3.80A	3.80A
2011E	0.45A	0.71A	0.92E	1.55E	3.91E	3.69E
Previous	0.45A	0.65E	1.01E	1.43E	3.80E	na
2012E	na	na	na	na	6.50E	5.96E
Previous	na	na	na	na	6.05E	na
2013E	na	na	na	na	7.00E	6.49E
Previous	na	na	na	na	6.40E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Fiscal year end 31-Dec	2009	2010	2011E	2012E	2013E
Valuation Ratios					
P/E adjusted (x)	8.3	11.5	11.2	6.7	6.3
EV/EBITDA adjusted (x)	8.4	10.9	8.4	5.6	5.0
P/BV (x)	1.1	1.0	0.7	0.8	0.7
Dividend yield (%)	0.2	2.5	3.2	3.2	3.2
Per Share Data (US\$)					
EPS adjusted	5.27	3.80	3.91	6.50	7.00
EPS reported	5.38	3.89	3.86	6.55	7.06
BVPS	39.15	42.28	59.37	55.25	61.27
DPS	0.10	1.09	1.40	1.40	1.40
Profit & Loss (US\$M)					
Net sales	1,889	1,697	3,004	4,692	4,930
Operating expenses	-963	-1,071	-2,036	-2,784	-2,898
EBIT	926	626	967	1,907	2,033
Net interest expense	0	0	-87	-161	-153
Non-operating/exceptionals	9	18	2	0	0
Pre-tax profit	935	645	882	1,746	1,880
Tax	-180	-96	-136	-236	-254
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net income	755	549	746	1,511	1,626
Adjusted earnings	740	536	754	1,498	1,613
Adjusted EBITDA	1,116	843	1,382	2,469	2,628
Growth Rates (%)					
Sales	-15.8	-10.2	77.0	56.2	5.1
EBIT adjusted	-27.6	-32.4	54.5	97.1	6.6
EBITDA adjusted	-23.2	-24.5	64.1	78.6	6.4
EPS adjusted	-29.0	-27.9	2.8	66.4	7.7
Cash Flow (US\$M)					
Operating cash flow	1,186	817	1,273	2,014	2,281
Depreciation/amortization	190	216	415	562	595
Net working capital	129	-57	99	-143	-24
Investing cash flow	-840	-716	-10,461	-1,069	-1,069
Capital expenditure	-857	-875	-1,015	-1,069	-1,069
Acquisitions/disposals	17	160	-9,486	0	0
Financing cash flow	-34	-193	9,085	-323	-323
Borrowings	-17	-23	4,798	0	0
Dividends paid	-14	-154	-270	-323	-323
Change in cash	352	-91	-103	622	889
Balance Sheet (US\$M)					
Total assets	6,747	7,052	18,397	19,820	21,250
Cash & cash equivalent	1,141	1,051	953	1,575	2,464
Accounts receivable	325	215	683	822	864
Net fixed assets	4,477	5,050	12,595	13,103	13,577
Total liabilities	1,240	1,087	6,933	7,084	7,127
Accounts payable	159	164	553	543	562
Total Debt	274	257	5,055	5,055	5,055
Shareholders' funds	5,507	5,965	11,464	12,736	14,123
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	59.1	49.7	46.0	52.6	53.3
ROE adjusted	14.6	9.4	8.7	12.4	12.0
ROIC adjusted	15.3	9.8	7.5	10.0	10.3
Net debt to equity	-15.7	-13.3	35.8	27.3	18.3
Total debt to capital	4.7	4.1	30.6	28.4	26.4

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2Q11 Key Takeaways

ESV no doubt took a long look before it pulled the trigger on the Pride deal on the cost efficiencies it would be able to extract out of the combined organization. In the first partial quarter as an integrated company (the Pride acquisition closed on May 31), ESV detailed the steps it is taking to simplify and standardize processes, manage vendor relationships, and lower insurance premiums. ESV should also be able to contain materials cost increases using its scale as leverage although it will face the same labor cost strains as peers.

- **Operating Costs** - ESV now appears better positioned to manage its operating cost trajectory given the relatively new equipment in its deepwater fleet. The 21-rig DW fleet has an average age of seven years, which is second-youngest only to SDRL (3 years) and younger than peers RIG (15 years), NE (19 years), and DO (25 years). Cost management applied to these 21 DW rigs will be critical as a potential competitive advantage given that the asset class comprises 69% of our forecasted operating income in 2012.
- **Tax Expenses** - ESV indicated an opportunity to reduce its 2012 effective tax rate below the 14% guidance given for 2H11. The company is in the process of integrating the newly acquired operations into local subsidiaries using a similar process that it employed on its legacy fleet following its recent re-domestication. We have modeled an ETR of 13.5% in both 2012 and 2013, although this could prove conservative.

ESV expects customers to maintain spending on offshore projects as long as Brent is in the \$60-\$70/bbl range. The company does not believe that short-term commodity price fluctuations will affect customer contracting decisions. Instead, ESV believes that the higher tendering activity over the past three months demonstrates that customers are still catching up to the project delays precipitated by the 2008 financial crisis and 2010 Macondo incident. In broad terms, ESV expects both floater and jackup markets to be balanced in 2012 and undersupplied soon thereafter.

The company's bullish market commentary echoes that of peers. Regarding its floaters, the 99% utilization on the ENSCO 8500 series rigs speaks to the benefits the company stands to realize through increased standardization. Jackup utilization is also expected to improve to the mid-70s range in 3Q11 and low-80s range in 4Q11. The company acknowledged it was difficult to attribute how much of the improvement over the past 90 days was due to integration benefits vs. market-driven.

- **Deepwater (DW)** - DW markets currently have more than a dozen prospects and bids. The company is encouraged that DW permits are being issued in the GOM and that operators are discussing work beginning in late 2011 and 2012. Activity has improved during the quarter in West Africa, Malaysia, Brunei, and Indonesia. In the GOM, BOEMRE has been slowly approving DW drilling permits, and operators are becoming more familiar with the APD submission requirements.
- **Midwater (MW)** - MW markets will remain challenged, although all but two of the company's six MW rigs are contracted into 2013. OGX is expected to retain its employment of both the ENSCO 5002 (1,000', Brazil) and ENSCO 5004 (1,500', Brazil) when the rigs roll off contract in 2011.
- **Jackups** - Jackup markets are also improving, particularly in Mexico, where ESV has four rigs contracted into 2012. We expect that ESV is likely to pull some of its eight jackups in the GOM to meet Pemex's 20+ potential incremental rig demand. In the North Sea, where ESV has all eight of its rigs operating,

customers are inquiring about 2012 and 2013 availability. In the Middle East, Saudi Aramco has contracted 16 rigs since Oct. 2010 and has issued six more tenders in 2Q11. ESV is also participating in jackup tenders in Abu Dhabi, Qatar, Bahrain, and the neutral zone.

Figure 1. ENSCO: Comparable Companies Analysis

	Citi	Price	8/9/2011		% Ch	% Ch	P/E			EV/EBITDA			EV/Sales		
Company	Rating	Target	MCap \$B	Price	YTD	LTM	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E
Offshore Drillers:															
Transocean	1H	\$81.00	\$16.9	\$52.98	-24%	-7%	15.5 x	8.8 x	8.2 x	7.2 x	5.4 x	5.1 x	2.6 x	2.1 x	2.0 x
Enesco plc	2H	51.00	10.6	43.81	-18%	-4%	11.1 x	6.7 x	6.3 x	10.5 x	5.9 x	5.6 x	4.9 x	3.1 x	3.0 x
Diamond Offshore	1H	85.00	8.4	60.42	-10%	-8%	9.5 x	10.9 x	9.3 x	5.6 x	5.9 x	5.2 x	2.8 x	2.7 x	2.4 x
Noble Corp.	1H	52.00	7.6	30.18	-16%	-11%	17.7 x	7.5 x	7.0 x	7.9 x	4.7 x	4.4 x	3.6 x	2.5 x	2.3 x
Rowan Companies	2S	45.00	4.3	33.48	-4%	23%	18.2 x	9.2 x	8.4 x	10.5 x	6.2 x	5.6 x	4.7 x	3.2 x	3.0 x
Hercules Offshore	2S	6.00	0.5	3.46	-1%	45%	NM	NM	NM	8.6 x	5.8 x	4.7 x	1.8 x	1.4 x	1.3 x
Average Offshore Drillers					-12%	6%	14.4 x	8.6 x	7.8 x	8.4 x	5.6 x	5.1 x	3.4 x	2.5 x	2.3 x

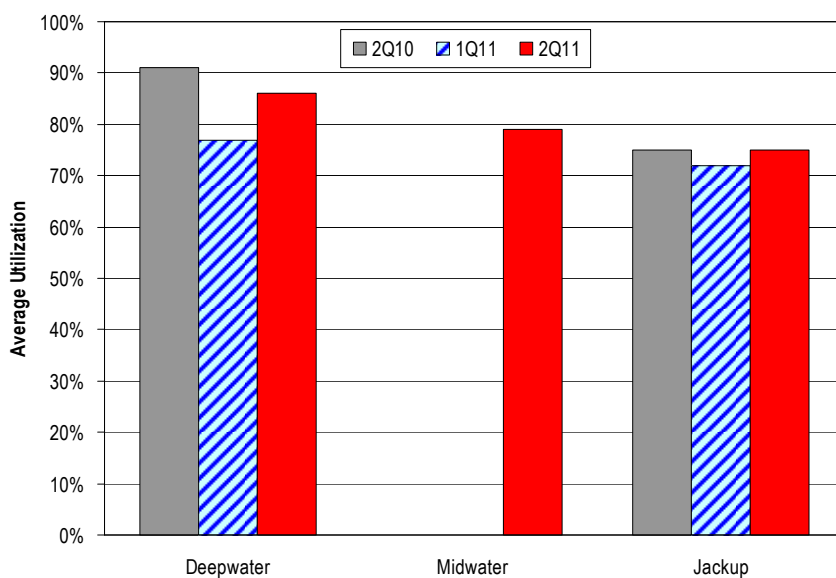
Source: Citi Investment Research and Analysis

Figure 2. ENSCO: Operating Results by Division

	Deepwater	Midwater	Jackup	Other	Reconciling Items	Total Company
Rigs:						
Current	16	6	46	1		69
Dayrates (\$ Thousands):						
2Q10	\$403	NA	\$105	NA	-	\$131
1Q11	304	NA	97	NA	-	\$118
2Q11	347	237	99	76	-	\$146
% change:						
Year-over-year	-14%	NA	-6%	NA		11%
Sequential	14%	NA	2%	NA		23%
Revenues (\$ Millions):						
2Q10	121	NA	291	NA	-	411
1Q11	98	NA	263	NA	-	362
2Q11	232	36	289	7	-	564
% change:						
Year-over-year	92%	NA	0%	NA		37%
Sequential	NA	NA	NA	NA		56%
Operating Income (\$ Millions):						
2Q10	65	NA	102	(13)	(22)	132
1Q11	41	NA	71	(1)	(31)	80
2Q11	87	8	101	(1)	(48)	147
% change:						
Year-over-year	35%	NA	-2%	-93%		12%
Sequential	NA	NA	NA	NA		83%
Utilization:						
2Q10	91%	NA	75%	NA	-	76%
1Q11	77%	NA	72%	NA	-	72%
2Q11	86%	79%	75%	100%	-	77%
% change:						
Year-over-year	-500 bps	NA	0 bps	NA		100 bps
Sequential	900 bps	NA	300 bps	NA		500 bps

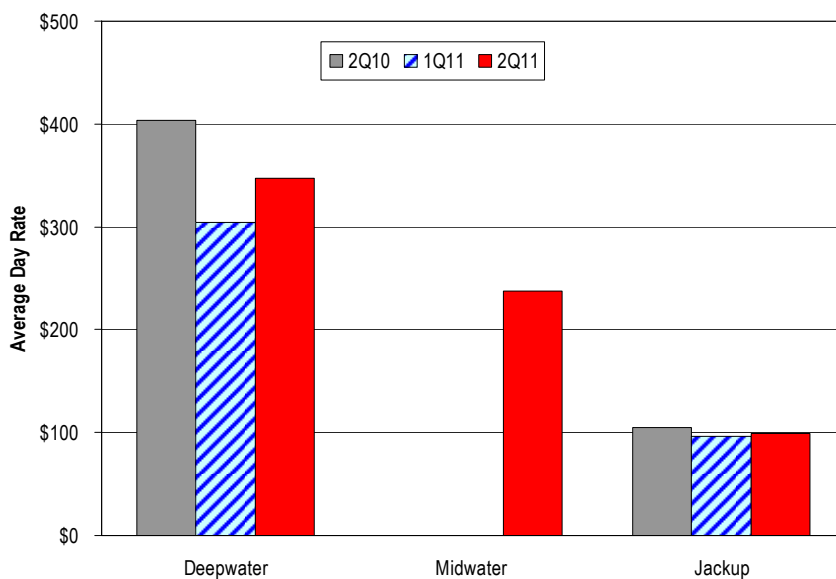
Source: Company Reports, Citi Investment Research and Analysis

Figure 3. ENSCO: Average Utilization by Rig Class



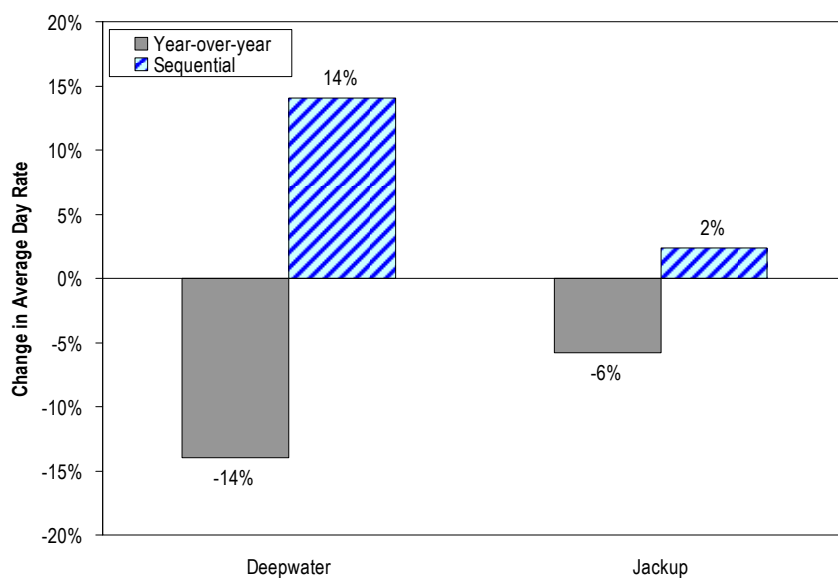
Source: Company Reports, Citi Investment Research and Analysis

Figure 4. ENSCO: Average Day Rate by Rig Class



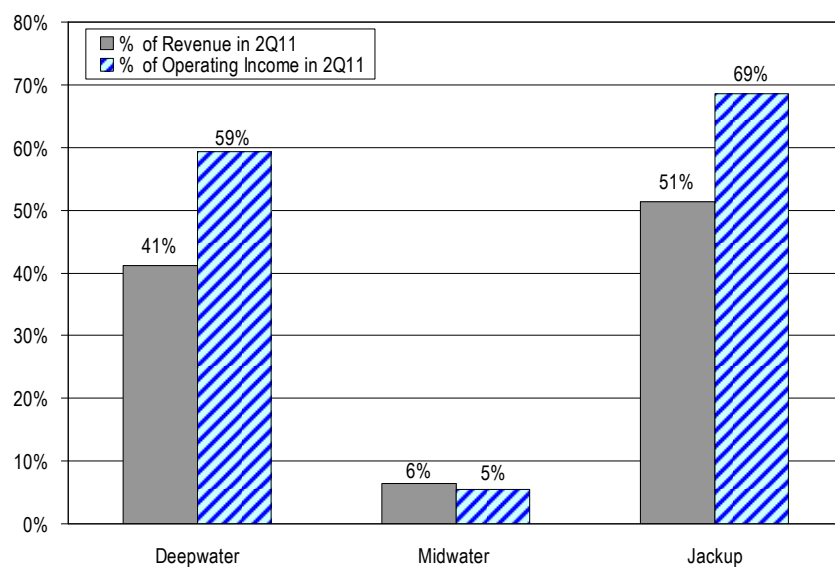
Source: Company Reports, Citi Investment Research and Analysis

Figure 5. ENSCO: Change in Average Day Rate



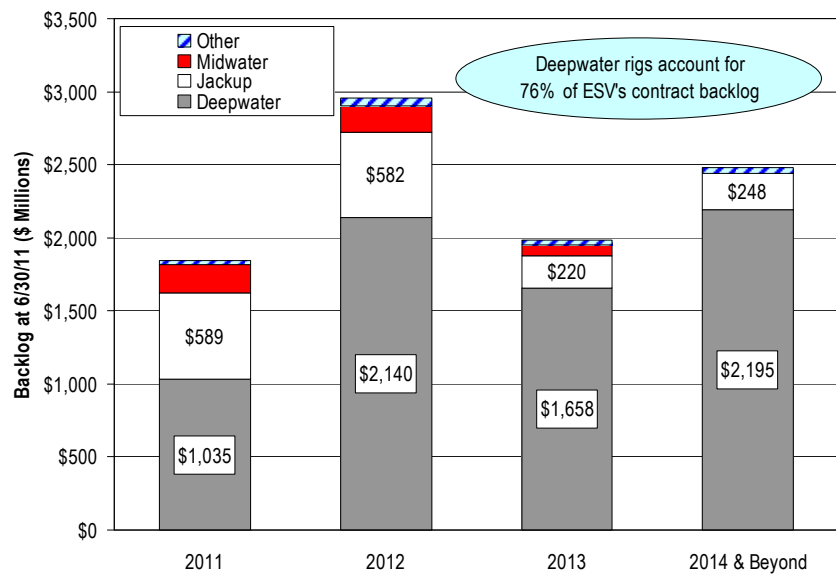
Source: Company Reports, Citi Investment Research and Analysis

Figure 6. ENSCO: Revenue and Operating Income Contribution by Rig Class



Source: Company Reports, Citi Investment Research and Analysis

Figure 7. ENSCO: Contract Backlog as of June 30, 2011



Source: Company Reports, Citi Investment Research and Analysis

EnSCO plc

Valuation

We derive our \$51 ESV price target by averaging P/E and EV/EBITDA methodologies. Our target is based on historical analysis of ESV and group multiples, which exhibit very high correlations to both the level and direction of forward earnings expectations.

Our P/E derivation generates a price target of \$57 by applying a 8.5x multiple to our *forward-12-month EPS estimate of \$6.75. The multiple is below the 33.0x peak ESV multiple reached in the most recent downturn and is well above the 3.6x trough reached at the peak of the last upturn. The multiple is based on historical analysis of ESV and relative market multiples and is within the 4.5x–47.0x historical range where the average of offshore driller stocks traded over the past ten years. The median group P/E multiple was 13.1x in the most recent cycle.

Our EV/EBITDA derivation generates a price target of \$44 by applying a 5.5x EV/EBITDA multiple to our *forward-12-month EBITDA of \$2.55 billion. The multiple is below the 13.8x peak ESV multiple reached in the most recent downturn and is well above the 2.1x trough reached at the peak of the last upturn. The multiple is based on historical analysis of ESV and relative market multiples and is within the 2.9x–15.6x historical range where the average of offshore driller stocks traded over the past ten years. The median group EV/EBITDA multiple was 7.6x in the most recent cycle.

* Our forward-12-month estimate reflects the four quarters earnings stream beginning 12 months from the most recently reported quarter.

Risks

Our High Risk rating on ENSCO is based on a combination of quantitative and qualitative factors compared to other stocks covered by Citi Investment Research and Analysis (CIRA). Our price target and resulting Expected Total Return (ETR) are based on projected financial performance, which is highly dependent on the level of oil and natural gas exploration and production (E&P) activity. E&P activity can be significantly impacted by oil and natural gas prices, regulatory decisions, and the strength or weakness of the global economy. If the impact on the company from any of these factors proves to be greater/less than we anticipate, we believe the stock will likely have difficulty achieving our target price or could outperform it.

Transocean Ltd.

Valuation

We derive our \$81 RIG price target by averaging P/E and EV/EBITDA methodologies. Our target is based on historical analysis of RIG and group multiples.

Our P/E derivation generates a price target of \$81 by applying an 13.0x multiple to our *forward 12-month EPS estimate of \$6.25. The multiple is below the 28.2x peak RIG multiple reached in the most recent downturn and is above the 3.4x trough reached at the peak of the last upturn. The multiple is based on historical analysis of

RIG and relative market multiples and is within the 4.5x–47.0x historical range where the average of offshore driller stocks traded over the past ten years. The median group P/E multiple was 13.1x in the most recent cycle.

Our EV/EBITDA derivation generates a price target of \$81 by applying a 6.6x EV/EBITDA multiple to our *forward-12-month adjusted EBITDA of \$4.78 billion. The multiple is below the 17.1x peak RIG multiple reached in the most recent downturn and is above the 3.8x trough reached at the peak of the last upturn. The multiple is based on historical analysis of RIG and relative market multiples and is within the 2.9x–15.6x historical range where the average of offshore driller stocks traded over the past ten years. The median group EV/EBITDA multiple was 7.6x in the most recent cycle.

* Our forward-12-month estimate reflects the four quarters earnings stream beginning 12 months from the most recently reported quarter.

Risks

Our High Risk rating on Transocean is based on projected financial performance, which is highly dependent on the level of oil and natural gas exploration and production (E&P) activity. E&P activity, in turn, can be significantly impacted by rising and falling oil and natural gas prices. Transocean's financial performance is particularly sensitive to both rig demand and day rates. We estimate that under conditions of strong rig demand and full utilization of its fleet, Transocean's earnings per share would change by \$0.13 for every \$1,000 change in its average daily revenue per rig. If the impact on the company from any of these factors proves to be greater/less than we anticipate, we believe the stock will likely have difficulty achieving our target price or could outperform it.

Diamond Offshore Drilling Inc

Valuation

We derive our \$85 DO price target by averaging P/E and EV/EBITDA methodologies. Our target is based on historical analysis of DO and group multiples.

Our P/E derivation generates a price target of \$84 by applying an 14.0x multiple to our *forward 12-month EPS estimate of \$6.02. The multiple is below the 97.1x peak DO multiple reached in the most recent downturn and is above the 5.6x trough reached at the peak of the last upturn. The multiple is based on historical analysis of DO and relative market multiples and is within the 4.5x–47.0x historical range where the average of offshore driller stocks traded over the past ten years. The median group P/E multiple was 13.1x in the most recent cycle.

Our EV/EBITDA derivation generates a price target of \$86 by applying a 7.5x EV/EBITDA multiple to our *forward-12-month EBITDA of \$1.61 billion. The multiple is below the 15.5x peak DO multiple reached in the most recent downturn and is above the 3.4x trough reached at the peak of the last upturn. The multiple is based on historical analysis of DO and relative market multiples and is within the 2.9x–15.6x historical range where the average of offshore driller stocks traded over the past ten years. The median group EV/EBITDA multiple was 7.6x in the most recent cycle.

* Our forward 12-month estimate reflects the four quarters earnings stream beginning 12 months from the most recently reported quarter.

Risks

Our High Risk rating on Diamond Offshore is based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research and Analysis (CIRA). The broader context of our risk rating system leads us to assign the stock a higher risk rating. The principal elements of risk for Diamond, relative to the CIRA coverage universe, are price and earnings volatility. Our price target and resulting Expected Total Return (ETR) are based on projected financial performance, which is highly dependent on the level of oil and natural gas exploration and production (E&P) activity. E&P activity, in turn, can be significantly impacted by rising and falling oil and natural gas prices. Diamond's financial performance is particularly sensitive to both rig demand and day rates. We estimate that under conditions of strong rig demand and full fleet utilization, Diamond's annual earnings per share would change by \$0.08 for every \$1,000 change in its average daily revenue per rig. If the balance of these risk factors is more positive than we anticipate, the stock may exceed our target price. If the balance of these factors is more negative than we anticipate, DO's share price may not achieve our target price.

Noble Corp

Valuation

We derive our \$52 NE price target by averaging P/E and EV/EBITDA methodologies. Our target is based on historical analysis of NE and group multiples.

Our P/E derivation generates a price target of \$54 by applying a 13.0x multiple to our *forward 12-month EPS estimate of \$4.15. The multiple is below the 28.2x peak NE multiple reached in the most recent downturn and is well above the 3.4x trough reached at the peak of the last upturn. The multiple is based on historical analysis of NE and relative market multiples and is within the 4.5x–47.0x historical range where the average of offshore driller stocks traded over the past ten years. The median group P/E multiple was 13.1x in the most recent cycle.

Our EV/EBITDA derivation generates a price target of \$49 by applying a 7.5x EV/EBITDA multiple to our *forward-12-month EBITDA of \$2.22 billion. The multiple is below the 13.5x peak NE multiple reached in the most recent downturn and is well above the 2.4x trough reached at the peak of the last upturn. The multiple is based on historical analysis of NE and relative market multiples and is within the 2.9x–15.6x historical range where the average of offshore driller stocks traded over the past ten years. The median group EV/EBITDA multiple was 7.6x in the most recent cycle.

* Our forward 12-month estimate reflects the four quarters earnings stream beginning 12 months from the most recently reported quarter.

Risks

Our High Risk rating on Noble Corp. is based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research and Analysis (CIRA). The principal element of risk for Noble, relative to

the CIRA coverage universe, is price and earnings volatility. Our price target and resulting Expected Total Return (ETR) are based on projected financial performance, which is highly dependent on the level of oil and natural gas exploration and production (E&P) activity. E&P activity, in turn, can be significantly impacted by rising and falling oil and natural gas prices. Noble's financial performance is particularly sensitive to rig demand and day rates. We estimate that under conditions of strong rig demand and full utilization of its fleet, Noble's earnings per share would change by \$0.07 for every \$1,000 change in its average daily revenue per rig. If the impact on the company from any of these factors proves to be greater/less than we anticipate, we believe the stock will likely have difficulty achieving our target price or could outperform it.

Hercules Offshore Inc

Valuation

Our EV/EBITDA derivation generates a price target of \$6 by applying a 6.4x EV/EBITDA multiple to our *forward-12-month EBITDA of \$228 million. The multiple is below the 10.2x peak HERO multiple reached in the most recent downturn and is well above the 1.6x trough reached at the peak of the last upturn. The multiple is based on historical analysis of HERO and relative market multiples and is within the 2.9x–15.6x historical range where the average of offshore driller stocks traded over the past ten years. The median group EV/EBITDA multiple was 7.6x in the most recent cycle.

* Our forward 12-month estimate reflects the four quarters earnings stream beginning 12 months from the most recently reported quarter.

Risks

Our Speculative Risk rating on HERO is based on both quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research and Analysis (CIRA). Our price target and resulting Expected Total Return (ETR) are based on projected financial performance, which is highly dependent on the level of oil and natural gas exploration and production (E&P) activity. E&P activity, in turn, can be significantly impacted by rising and falling oil and natural gas prices. Among the main elements of risk to HERO are limited operating history, small market capitalization, and high price / earnings volatility. Financial performance is sensitive to both rig demand and dayrates, particularly in the U.S. Gulf of Mexico (GOM), where the majority of HERO's rigs and liftboats are located. Our price target is based on projected financial performance, which is dependent on the level of exploration and production (E&P) activity. E&P activity tends to be significantly influenced by near-term commodity price expectations and access to capital due the large number of small independents within the region. Hence, short-term contracts predominate in the GOM. The near-term outlook for HERO's core GOM business is poor. HERO is now expected to generate sufficient EBITDA to meet debt covenants after successfully renegotiating terms with its lenders. However, if GOM conditions deteriorate, another reassessment of HERO's covenants may be necessary. If the impact on the company from any of these factors proves to be greater/less than we anticipate, we believe the stock will likely have difficulty achieving our target price or could outperform it.

Rowan Companies Inc

Valuation

We derive our \$45 RDC price target by averaging P/E and EV/EBITDA methodologies. Our target is based on historical analysis of RDC and group multiples.

Our P/E derivation generates a price target of \$46 by applying a 12.0x multiple to our forward 12-month EPS estimate of \$3.83. The multiple is below the 56.8x peak RDC multiple reached in the most recent downturn and is well above the 3.4x trough reached at the peak of the last upturn. The multiple is based on historical analysis of RDC and relative market multiples and is within the 4.5x–47.0x historical range where the average of offshore driller stocks traded over the past ten years. The median group P/E multiple was 13.1x in the most recent cycle.

Our EV/EBITDA derivation generates a price target of \$44 by applying a 7.5x EV/EBITDA multiple to our *forward-12-month EBITDA of \$800 million. The multiple is below the 24.6x peak RDC multiple reached in the most recent downturn and is well above the 1.9x trough reached at the peak of the last upturn. The multiple is based on historical analysis of RDC and relative market multiples and is within the 2.9x–15.6x historical range where the average of offshore driller stocks traded over the past ten years. The median group EV/EBITDA multiple was 7.6x in the most recent cycle.

* Our forward 12-month estimate reflects the four quarters earnings stream beginning 12 months from the most recently reported quarter.

Risks

Our Speculative Risk rating on Rowan is based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research and Analysis (CIRA). The principal elements of risk relative risk for Rowan are price and earnings volatility. Our price target and resulting Expected Total Return (ETR) are based on projected financial performance, which is highly dependent on the level of oil and natural gas exploration and production (E&P) activity. E&P activity can be significantly impacted by rising and falling oil and natural gas prices. Rowan's financial performance is particularly sensitive to rig demand and day rates. We estimate that under conditions of strong rig demand and full utilization of its fleet, Rowan's EPS would change by \$0.05 for every \$1,000 change in its average daily revenue per rig. If the impact on the company from any of these factors proves to be greater/less than we anticipate, we believe the stock will likely have difficulty achieving our target price or could outperform it.

Appendix A-1

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EnSCO plc (ESV)

Ratings and Target Price History Fundamental Research

Analyst: Robin Shoemaker
Covered since September 12 2008

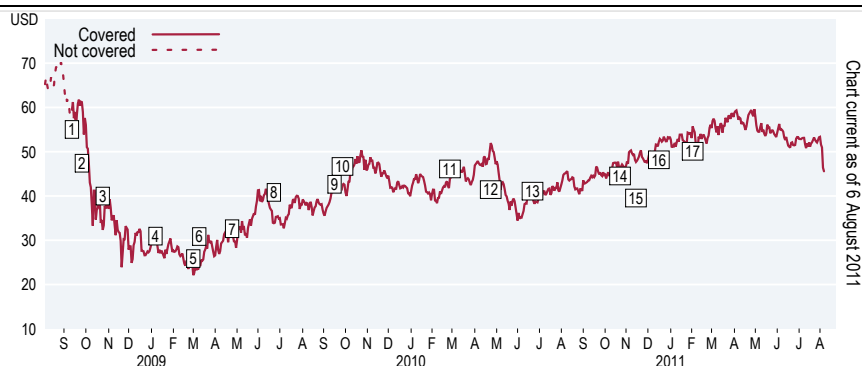


Chart current as of 6 August 2011

Date	Rating	Target Price	Closing Price
1 11-Sep-08	2H	*68.00	59.49
2 25-Sep-08	2H	*66.00	61.20
3 24-Oct-08	2H	*39.00	32.34
4 7-Jan-09	2H	*36.00	29.83
5 1-Mar-09	2H	*29.50	24.58
6 10-Mar-09	2H	*28.00	24.47

* Indicates change

Date	Rating	Target Price	Closing Price
7 24-Apr-09	2H	*36.00	32.58
8 23-Jun-09	2H	*40.00	33.85
9 16-Sep-09	2H	*42.00	42.64
10 28-Sep-09	2H	*46.00	42.52
11 25-Feb-10	2H	*51.00	43.97
12 23-Apr-10	2H	*54.00	51.95

Date	Rating	Target Price	Closing Price
13 22-Jun-10	2H	*42.00	39.68
14 22-Oct-10	2H	*47.00	46.37
15 15-Nov-10	2H	*50.00	47.68
16 16-Dec-10	2H	*55.00	52.25
17 2-Feb-11	2H	*56.00	55.73

Rating/target price changes above reflect Eastern Standard Time

EnSCO plc (ESV)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Robin Shoemaker
Covered since September 12 2008

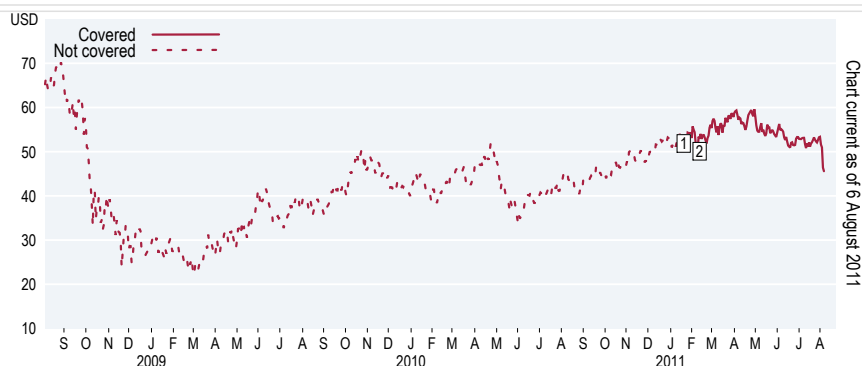


Chart current as of 6 August 2011

Date	Rating	Target Price	Closing Price
1 20-Jan-11	*ADD LP	-	52.44

* Indicates change

Date	Rating	Target Price	Closing Price
2 11-Feb-11	*REM LP	-	52.93

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