



US Spinoff Report

Valuations of Corporate Divestitures

Parent: Pride International

Sector: Oil Services & Equipment

Spinoff Entity: Seahawk Drilling

Sector: Oil Services & Equipment

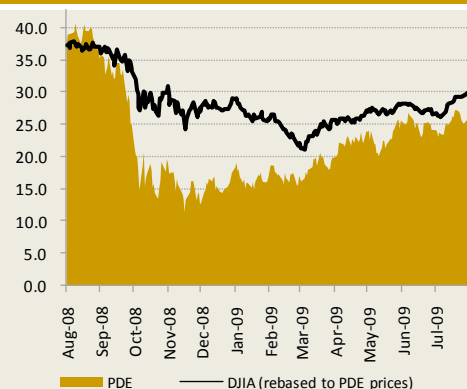
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Target price & risk-PDE

Target price(Post Spinoff)	\$28.0
Share price (last close)	\$25.0
Horizon (months)	12
Risk	Medium

Performance & EV-PDE



Return 5d/YTD/1Y (%)	0/56/-32
Volatility 30d/90d/200d (%)	34.5/52/86
High/Low 1Y (\$)	41.22/11.38
Avg d turn 30d/90d (\$ m)	78 / 75
Market Cap (\$ m)	4,340
Net IB Debt (\$ m)	91
Enterprise value (\$ m)	4,431

Miscellaneous-PDE

Spinoff announcement date	Sept 2008
Spinoff record date	Aug 14, 2009
Majority shareholder	Seadrill
Listing Exchange	NYSE
Ticker/Bloomberg	PDE /PDE US
O/S shares m	172.6
Div Yield FY08 in%	NA
Free float in %	99.18

PDE - Drilling Deep to Find Value

On Aug 4, 2009, the board of directors of Pride International (PDE) made a strategic decision to focus on Deepwater and decided to Spinoff its Mat Jack-up rig, which caters to shallow water drilling. The Mat Jack-up rig revenues in the Gulf of Mexico (GoM) has been declining over the last few quarters with a sharp fall in utilization and day rates. Pride management is justified in dumping this low growth business to focus on the high growth Deepwater drilling business, which has high utilization and day rates.

All the steps preceding the Spinoff are complete. For each share of PDE that a shareholder owned at the close of business on Aug 14, 2009, the record date, they will receive 1/15 of a share of Seahawk (HAWK) stock on the Spinoff date.

PDE – Spinoff improves earnings and eliminates uncertainty

We recommend a BUY rating and arrived at a target price of \$28 per share, which implies an upside potential of 12%. We like the company’s strategy to focus on the Deepwater and the Midwater segment and exit from the Mat Jack-up rig segment. We believe that the Spinoff makes PDE more attractive as a pure play Deepwater drilling company with a positive outlook. The Spinoff will be EPS accretive for PDE during the next two years. The company has stable long-term contracts for its Deepwater segment with a revenue backlog of \$8.6bn and has a strong customer base. We expect the market to re-rate PDE stock as its earnings outlook will improve. The exit of the unprofitable fleet of 20 Mat Jack-up rigs eliminates volatility and uncertainty over its earnings.

HAWK – Factors the negative outlook

We recommend a HOLD rating and arrived at a target price of \$29 per share, which implies an upside potential of 13%. We believe the current market price of HAWK factors in the negative outlook of the Mat Jack-up rig in GoM, a lower utilization rate and the scenario of declining day rates. The stock is trading at a 45% discount to its book value of \$46.6 per share and at a discount of 48% to its NAV of \$49.38 per share. The company has the second largest Mat Jack-up rig fleet in the GoM, its strong balance sheet would enable the company to survive, and capitalize on the opportunities as the market improves.

Key figures and ratios (\$ m)

Pro Forma	PDE (Parent Company)			HAWK (Spinoff Company)		
	2007	2008	2009e	2007	2008	2009e
Operating revenues	1,952	2,310	2,033	NA	554	228
Revenue growth (%)	28%	-82%	-112%	NA	NA	-59%
EBITDA	877	1,076	854	NA	218	1
EBITDA (%)	45%	47%	42%	NA	39%	1%
Adj. EBIT	662	870	590	NA	161	-49
Net income	784	852	465	NA	103	-49
EPS (\$)	4.74	4.99	2.69	NA	8.9	-4.3
Return on Assets (%)	14%	14%	7%	NA	14%	NM
Return on Equity (%)	23%	19%	10%	NA	19%	NA
EV/EBITDA	6.3x	4.4x	5.0x	NA	NA	NM
P/E	11.2x	7.1x	9.0x	NA	NA	NM
P/B	1.2x	1.0x	0.9x	NA	NA	0.5x
Dividend yield (%)	NA	NA	NA	NA	NA	NA