

STOCK ANALYSIS REPORT**Tesco Corporation (TESO) – Analysis by Nathan Ramos – September 24, 2009**<http://www.betapeg.com>

Industry: **Oil Well Services and Equipment**
Sector: **Energy**
Recommendation: **STRONG BUY**
Price: **\$7.99 (as of September 24, 2009)**
Intrinsic Value: **\$11.65 or 45.78% undervalued**
52 Week Low-High: **\$4.75-24.06**
Fundamentals Grade: **B**
Investment Style: **Micro Cap Value**
Consider Buying: **When less than \$8.92**

CORPORATE INFORMATION

Location: 3993 West Sam Houston Parkway Suite 100
North Houston, VA 77043
Phone: 713-3597000
Web Site: <http://www.tescocorp.com>
Employees: 1834
Exchange: NASDAQ

BUSINESS SUMMARY

Tesco Corporation (TESO) designs, manufactures and services delivery of technology based solutions for the energy industry. The Company's product and service offerings include proprietary technology, including Tesco Casing Drilling, Tesco Casing Drive System and Tesco Multiple Control Line Running System. The Company's four business segments are Top Drive, Tubular Services, Casing Drilling and Research and Engineering. The Top Drive business consists of top drive sales, top drive rentals and after-market sales and service. The Tubular Services business includes both its proprietary and conventional Tubular Services. The Casing Drilling segment consists of its proprietary casing drilling technology. The Research and Engineering segment consists of its research and development activities related to its proprietary Tubular Services, casing drilling technology and Top Drive model development.

ANALYSIS

Tesco (TESO) has experienced extraordinary growth in its business over the last five years. Revenues have grown 250% since 2004 and profits have grown 489% since 2005. The PE, PS, and PB are all below the Company's five year averages in addition to the sector averages which indicate this Company to be undervalued. The earnings yield is above the sector average indicating Tesco to have healthy profit levels. The current ratio indicates the Company to have excellent liquidity levels. Tesco is able to pay all long-term debt in less than two years. Tesco has outperformed 11% of the market in the last 12 months indicating the stock to be undervalued relative to its fundamentals grade of 70%. Tesco is valued at \$11.65 for FY2009. The Company is 45.78% undervalued for the fiscal year with a current price of \$7.99 (September 18, 2009). The Company pays no dividend. Profit margin and return on equity are both below the sector average. Risks include credit market volatility, global recession factors, fluctuations in the energy market, volatility in the commodities market, geopolitical risks, high capital expenditures required to compete in a highly competitive industry, environmental regulations, etc.

http://www.tescocorp.com/data/1/rec_docs/597_2008%20Annual%20Report.pdf

KEY STATISTICS

Dividend Rate per Share:	\$0.00
Dividend Yield:	0.00%
Earnings Yield:	9.88%
EPS (past 12-mo.):	\$0.79
Institutional Ownership:	86%
Market Capitalization:	\$303.62 Mil – Micro Cap
Net Income (past 12-mo.):	\$30.40 Mil
Net Profit Margin:	6.28%
Return on Equity:	6.42%
Revenue (past 12-mo.):	\$478 Mil
Total Shares Outstanding:	37.60 Mil

PRICE RATIOS:

Forward P/E:	21.39
PEG:	0.19
PB:	0.84
PE:	10.12
PS:	0.64

FINANCIAL CONDITION:

Current Ratio:	3.62
Debt/Income:	1.30
Debt Ratio:	0.23

PRICE HISTORY**5-Year Price Chart**

The chart indicates a bearish flag pattern as indicated by the bold lines. The stock can be expected to remain flat or go lower short term as indicated by this pattern. For more information on this pattern, go to <http://www.chartpatterns.com/flagsandpennants.htm>.

HISTORICAL FINANCIAL PERFORMANCE AND ESTIMATES (in millions)

Date	2004	2005	2006	2007	2008	2009 Est.
<i>Capital Expenditures</i>	\$11.00	\$14.00	\$46.00	\$65.00	\$79.00	\$112.35
<i>Current Assets</i>	\$89.00	\$151.00	\$199.00	\$253.00	\$239.00	\$298.61
<i>Current Assets/Share</i>	\$2.54	\$4.19	\$5.53	\$6.84	\$6.29	\$7.78
<i>Current Liabilities</i>	\$38.00	\$53.00	\$87.00	\$91.00	\$94.00	\$115.27
<i>Current Liabilities/Share</i>	\$1.09	\$1.47	\$2.42	\$2.46	\$2.47	\$3.00
<i>Current Ratio</i>	2.34	2.85	2.29	2.78	2.54	\$2.62
<i>EPS</i>	-\$0.17	\$0.25	\$0.86	\$0.86	\$1.39	\$1.76
<i>Free Cash Flow/Share</i>	-\$0.06	\$0.00	-\$1.14	-\$1.08	-\$0.05	-\$0.22
<i>Long-term Debt</i>	\$2.00	\$41.00	\$35.00	\$71.00	\$39.00	\$58.53
<i>Long-term Debt/Share</i>	\$0.06	\$1.14	\$0.97	\$1.92	\$1.03	\$1.54
<i>Net Cash Balance</i>	\$16.00	\$35.00	\$15.00	\$23.00	\$21.00	\$23.41
<i>Net Cash/Share</i>	\$0.46	\$0.97	\$0.42	\$0.62	\$0.55	\$0.60
<i>Net Income</i>	-\$6.00	\$9.00	\$31.00	\$32.00	\$53.00	\$66.93
<i>Net Profit Margin</i>	-3.92%	4.31%	8.03%	6.93%	9.91%	11.17%
<i>Operating Cash Flow</i>	\$9.00	\$14.00	\$5.00	\$25.00	\$77.00	\$118.82
<i>PB</i>	2.04	3.24	2.66	3.41	0.66	\$0.86
<i>PE</i>	-63.58	74.08	20.52	32.49	4.38	\$21.39
<i>PS</i>	2.49	3.19	1.65	2.25	0.43	\$0.26
<i>Revenue/Share</i>	\$4.37	\$5.81	\$10.72	\$12.49	\$14.08	\$17.64
<i>Sales (millions)</i>	\$153.00	\$209.00	\$386.00	\$462.00	\$535.00	\$676.43
<i>Shares Outstanding</i>	35	36	36	37	38	38.68
<i>Stock Price</i>	\$10.90	\$18.52	\$17.67	\$28.10	\$6.11	\$11.60
<i>Total Assets</i>	\$239.00	\$305.00	\$372.00	\$473.00	\$493.00	\$576.16
<i>Total Assets/Share</i>	\$6.83	\$8.47	\$10.33	\$12.78	\$12.97	\$14.99
<i>Total Equity</i>	\$187.00	\$206.00	\$239.00	\$305.00	\$352.00	\$397.55
<i>Total Equity/Share</i>	\$5.34	\$5.72	\$6.64	\$8.24	\$9.26	\$10.33
<i>Total Liabilities</i>	\$51.00	\$98.00	\$133.00	\$168.00	\$141.00	\$182.13
<i>Total Liabilities/Share</i>	\$1.46	\$2.72	\$3.69	\$4.54	\$3.71	\$4.75

RELATIVE STRENGTH

Tesco has outperformed 11% of the market in the last 12 months indicating the stock to be undervalued relative to its fundamentals grade of 70%.

STOCK PRICE VALUATION
Stock Price Estimates (FY2009)

Methodologies	Intrinsic Values	Discount Rates
<i>52 Week</i>	\$20.62	158.09%
<i>Cash</i>	\$6.69	-16.29%
<i>Current Assets</i>	\$7.56	-5.40%
<i>Current Liabilities</i>	\$4.80	-39.93%
<i>Current Ratio</i>	\$6.30	-21.20%
<i>Earnings</i>	\$7.71	-3.49%
<i>FS</i>	\$9.29	16.24%
<i>Gamma</i>	\$31.07	288.89%
<i>Inverse Gamma</i>	\$13.93	74.29%
<i>Long-term Debt</i>	\$3.05	-61.80%
<i>Market Ratio</i>	\$6.11	-23.53%
<i>PB</i>	\$8.84	10.60%
<i>PBII</i>	\$22.24	178.40%
<i>PE</i>	\$37.64	371.14%
<i>PEII</i>	\$18.94	137.01%
<i>Profit Margin</i>	\$6.93	-13.22%
<i>PS</i>	\$4.52	-43.44%
<i>PSII</i>	\$4.48	-43.92%
<i>PSIII</i>	\$28.20	252.97%
<i>Revenue</i>	\$7.66	-4.19%
<i>Stock Price I</i>	\$4.91	-38.52%
<i>Stock Price II</i>	\$16.26	103.50%
<i>Stock Price III</i>	\$6.81	-14.72%
<i>Total Assets</i>	\$7.06	-11.66%
<i>Total Equity</i>	\$6.81	-14.73%
<i>Total Liabilities</i>	\$4.40	-44.93%
Future Intrinsic Value	\$11.65	45.78%

Tesco is valued at \$11.65 for FY2009. The Company is 45.78% undervalued for the fiscal year with a current price of \$7.99 (September 18, 2009).

INSIDER ACTIVITY

The following corporate insiders or major shareholders have recently filed transaction reports with the SEC.

Date	Name	Transaction	Num Shares	Price(s)	Value
08/31/09	LRP V LUXEMBOURG HOLDINGS SARL	Purchase	733,339	\$7.60	5.57 Mil
08/21/09	FOSTER JEFFREY L	Grant	156	\$8.54	1,332.09
08/21/09	KAYL ROBERT L	Grant	231	\$8.54	1,970.05
08/21/09	LAKEY NIGEL MALCOLM	Grant	228	\$8.54	1,946.42
08/21/09	LANK JAMES A	Grant	154	\$8.54	1,315.69
08/21/09	LOWLEY KEITH M	Grant	159	\$8.54	1,361.52
08/21/09	LRP V LUXEMBOURG HOLDINGS SARL	Purchase	14,400	\$7.59	109,320.48
08/21/09	QUINTANA JULIO MANUEL	Grant	415	\$8.54	3,546.12
08/21/09	BEIERBACH BARRY E	Grant	115	\$8.54	984.41
08/19/09	LRP V LUXEMBOURG HOLDINGS SARL	Purchase	14,325	\$7.44	106,569.41
08/18/09	KAYL ROBERT L	Exercise	1,666	\$7.85	13,078.10
07/22/09	LRP V LUXEMBOURG HOLDINGS SARL	Purchase	100,000	\$7.65	765,000.00
07/21/09	LOWLEY KEITH M	Grant	179	\$7.34	1,313.97
07/21/09	QUINTANA JULIO MANUEL	Grant	744	\$7.34	5,461.99
07/21/09	BEIERBACH BARRY E	Grant	129	\$7.34	950.04
07/21/09	FOSTER JEFFREY L	Grant	280	\$7.34	2,051.81
07/21/09	KAYL ROBERT L	Grant	413	\$7.34	3,034.41
07/21/09	LAKEY NIGEL MALCOLM	Grant	408	\$7.34	2,998.02
07/21/09	LANK JAMES A	Grant	276	\$7.34	2,026.48

MAJOR HOLDERS

TOP INSTITUTIONAL HOLDERS

Holder	Shares	% Out	Value*	Reported
KEELEY ASSET MANAGEMENT CORP.	2,652,565	7.06	\$21,061,366	30-Jun-09
COLUMBIA WANGER ASSET MANAGEMENT, L.P.	2,544,400	6.78	\$20,202,536	30-Jun-09
GRANAHAN INVESTMENT MANAGEMENT INC.	1,500,009	3.99	\$11,910,071	30-Jun-09
SELZ CAPITAL, LLC	1,042,000	2.77	\$8,273,480	30-Jun-09
VANGUARD GROUP, INC. (THE)	1,040,708	2.77	\$8,263,221	30-Jun-09
GENERAL ELECTRIC COMPANY	874,303	2.33	\$6,941,965	30-Jun-09
EAGLE ASSET MANAGEMENT, INC.	764,124	2.03	\$6,067,144	30-Jun-09
WELLINGTON MANAGEMENT COMPANY, LLP	752,953	2.01	\$5,978,446	30-Jun-09
ROYCE & ASSOCIATES, INC.	5,429,005	14.46	\$43,106,299	30-Jun-09
SELDIN, PETER, K.	4,913,650	13.09	\$39,014,381	30-Jun-09

TOP MUTUAL FUND HOLDERS

Holder	Shares	% Out	Value*	Reported
ROYCE LOW-PRICED STOCK FUND	3,077,305	8.19	\$24,064,525	31-Mar-09
KEELEY SMALL CAP VALUE FUND, INC.	1,830,000	4.87	\$14,530,200	30-Jun-09
COLUMBIA ACORN FD	1,750,000	4.66	\$13,685,000	31-Mar-09
VANGUARD EXPLORER FUND, INC.	1,237,336	3.30	\$12,484,720	30-Apr-09
ROYCE VALUE PLUS FUND	757,700	2.02	\$5,925,214	31-Mar-09
ROYCE VALUE FUND	578,700	1.54	\$4,525,434	31-Mar-09
Ivy Fds VIP-Small Cap Growth Port	446,700	1.19	\$3,546,798	30-Jun-09
VANGUARD SMALL-CAP INDEX FUND	353,806	.94	\$2,766,762	31-Mar-09
COLUMBIA ACORN INTERNATIONAL FD	324,000	.86	\$2,572,560	30-Jun-09
ROYCE MICRO-CAP FUND	279,800	.75	\$2,188,036	31-Mar-09

MAJOR DIRECT HOLDERS (FORMS 3 & 4)

Holder	Shares	Reported
LRP V LUXEMBOURG HOLDINGS S.A R.L.	6,872,399	3-Sep-09
QUINTANA JULIO M	65,464	21-Aug-09
LAKEY NIGEL M	33,000	21-Aug-09
DYMENT FRED J	16,099	18-May-09

COMPETITION

DIRECT COMPETITOR COMPARISON

	TESO	NBR	NOV	WFT	Industry
Market Cap:	295.19M	5.53B	17.54B	15.00B	337.42M
Employees:	1,834	22,992	35,087	50,000	2.53K
Qtrly Rev Growth (yoy):	-29.90%	-32.30%	-9.50%	-10.50%	22.00%
Revenue (ttm):	478.00M	5.00B	13.91B	9.43B	702.51M
Gross Margin (ttm):	21.10%	45.12%	30.57%	33.00%	33.00%
EBITDA (ttm):	80.72M	1.73B	3.43B	2.34B	149.37M
Oper Margins (ttm):	9.05%	20.99%	21.27%	16.23%	7.68%
Net Income (ttm):	30.40M	94.90M	1.82B	925.50M	N/A
EPS (ttm):	0.79	0.337	4.375	1.319	0.09
P/E (ttm):	10.12	57.80	9.59	15.63	11.75
PEG (5 yr expected):	0.17	1.01	0.98	0.83	1.35
P/S (ttm):	0.64	1.13	1.25	1.61	0.91

NBR = Nabors Industries Ltd.

NOV = National Oilwell Varco, Incorporated

WFT = Weatherford International Ltd.

Industry = Oil & Gas Equipment & Services

OFFICERS AND DIRECTORS

Norman W. Robertson	Chairman of the Board
Julio M. Quintana	President, Chief Executive Officer, Director
Robert L. Kayl	Chief Financial Officer, Senior Vice President
Fernando Assing	Senior Vice President - Marketing and Business Development
Jeffrey L. Foster	Senior Vice President - Operations
Barry E. Beierbach	Vice President and General Manager - North American Top Drive Business Unit
Keith M. Lowley	Vice President - Manufacturing
James A. Lank	General Counsel, Corporate Secretary
Frederick J. Dymont	Director
Gary L. Kott	Director

GLOSSARY

Bear Market: Market dominated by sellers.

Beta: A measure of stock price history relative to the market price history which indicates volatility. A company with a beta of 1 would be as volatile as the market. A beta less than one indicate less volatility to the market. The higher the beta, the more volatile a stock price is.

Bull Market: Market dominated by buyers.

Dividend Rate per Share: The amount of dividends paid per share.

Dividend Yield: The dividend return as a percentage of the stock price.

Earnings: The amount of profits that a company produces during a specific period.

Earnings per Share (EPS): Total earnings divided by all shares outstanding.

Fair Value: The price at which a stock is intrinsically valued.

Fiscal Year: Any 12-month period that a company uses for accounting purposes.

Forward P/E: Same as the traditional P/E except the estimated future EPS is used. If earnings are expected to grow in the future, the estimated P/E will be lower than the current P/E.

Fundamental Analysis: Method of stock analysis in which the company data is used to place an *intrinsic value* of the stock. This value is compared to the current market price. If the *intrinsic value* is less than the market price, the stock is undervalued, indicating a potential buy position.

Fundamental Grade: A grading system used to evaluate the quality of a company based on fundamental analysis.

Industry: A category used to describe a company's primary business activity.

Insider Activity: Corporate insiders (i.e. CEOs, executives, etc.) and major shareholders transactions of stock.

Institutional Investor: A non-bank investor who trades stocks in such large amounts that they require special treatment and lower commissions.

Institutional Ownership: The percentage of institutional investors who have a position in stock.

Intrinsic Value: The actual value of a stock based on tangible and intangible aspects of the company.

Investment Style: A classification used to indicate what kind of investors the stock is most attractive too. There are nine categories and they include:

- Large value
- Large blend
- Large growth
- Medium value
- Medium blend
- Medium growth
- Small value
- Small blend
- Small growth

Market Capitalization: The market value of a company is the value of its outstanding shares. This figure is found by taking the stock price and multiplying it by the total number of shares outstanding.

Outstanding Shares: Stock currently held by investors.

Price/Earnings (PE) Ratio: A valuation ratio of a company's current share price compared to its per-share earnings.

Calculated as:

$$= \frac{\text{Market Value per Share}}{\text{Earnings per Share (EPS)}}$$

The P/E ratio is a comparison of the stock price and earning. The lower the P/E, the better valued the company relative to earnings.

Price/Sales (P/S) Ratio: A ratio for valuing a stock relative to its own past performance. Price to sales is calculated by dividing a stock's current price by its revenue per share for the trailing 12 months:

$$\text{PSR} = \frac{\text{Share Price}}{\text{Revenue Per Share}}$$

Revenue: The income that comes directly from business operations.

Sector: A group of stocks in the same industry or market.

Target Price: An analyst's estimated stock price for a given period of time.

Technical Analysis: Method of stock analysis in which stock price data is used to determine trends. Charting the stock price history indicates up trends (buy), down trends (sell), and flat trends (even). Support lines drawn along lows and resistance lines drawn along highs indicate the time to buy and sell.

Volatility: A measure of the fluctuations in stock price. The higher the volatility, the more you can win and lose. *Betas* higher than 1 are more volatile than the market. If the market goes up 1%, a stock with a beta = 3 would likely go up 3%. Likewise, the same the can be true for declines.

SOURCES OF INFORMATION

1. <http://www.investopedia.com>
 2. <http://www.moneycentral.msn.com>
 3. <http://www.finance.yahoo.com>
 4. <http://www.finance.google.com>
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ANALYTICAL METHODOLOGY

This stock report is based on the financial models developed by Nathan Ramos and available to the public at www.betapeg.com. Ratings are based on a ratio of fundamentals to valuation. Highly rated stocks have excellent fundamentals and high valuation relative to market value while low rated stocks have weak fundamentals and low valuation relative to market value.

DISCLAIMER

This document was prepared by Nathan Ramos, a non-certified stock analyst. The material contained is based upon information considered to be accurate but is not warranted by its source. Any opinions expressed are in good faith and are only correct as of the stated date of the report. This report serves as a guide to researching a particular company and does not serve any professional advisory function whatsoever.