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Long-Term Report

July 17, 2003

Update – Strong Buy

McDermott International Inc. (NYSE) MDR \$6.03

Company Data

52-Week Range	\$2.15-\$7.75
Market Cap	\$391.8M
Shares Outstanding	65.4M
Book Value	-\$5.79
Price/Book	N/A
Average Daily Vol.	587.0K
Target Price	\$10.00
Target Percentage	59%



McDermott International is a leading worldwide energy services company. Through one of the company's two major divisions, **McDermott** provides engineering, fabrication and installation of offshore oil-exploration platforms. The company is also a major facility management provider to the nuclear industry as well as the Dept. of Energy.

We continue to recommend McDermott International as an undervalued, turnaround investment.

- The continuing need to expand our energy sources will require increased demand for McDermott's services. At the present time, the company's energy services division has a **record backlog of \$2.1 billion.**
- The company's **BWX Technologies** is the preeminent facility and project manager for nuclear and national security programs. **Currently, this subsidiary has an historic backlog of \$1.7 billion.**
- McDermott, today, announced a new contract for engineering services for Qatar Petroleum valued at \$26 million plus additional services which will increase the contract value over time.
- **McDermott International** reported first quarter of 2003 earnings of **\$.13 per share on a more than 30% rise in revenues.** We anticipate that second quarter earnings will approximate \$.13 to \$.15 per share which will reflect continued profit improvement of the company.
- The company has relatively strong finances and a cash position equal to about \$4.40 per share (\$283 million). **We maintain our target price of \$10 a share.**

Quote - Change does not necessarily assure progress, but progress implacably requires change.

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