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Short-Term Report

November 11, 2003

Update – Strong Buy

McDermott International Inc. (NYSE) MDR \$8.83

Company Data

52-Week Range	\$2.15-\$9.20
Market Cap	\$583.4M
Shares Outstanding	65.4M
Book Value	-\$6.60
Price/Book	N/A
Average Daily Vol.	8.16K
Target Price	\$13.00
Target Percentage	47%



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 company recently reported third quarter earnings of \$.15 per share, which were higher than expectations of the investment community. More importantly, these results were accomplished on a 50% rise in revenues of its marine construction unit.
- 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 \$2.5 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 \$2 billion.**
- We anticipate an Asbestos Trust Fund will be established by Congress in the near future, which would limit legal liability for Corporate America. This will have a **positive** effect on **McDermott.**
- The company has relatively strong finances and a cash position equal to about \$4.30 per share (\$283 million).

We are raising our target price to \$13.00 per share.

“The successful man will profit from his mistakes and try again in a different way.”