



Mossberg's Investor Digest Idea Profile

Helix Energy Solutions Group, Inc. (NYSE: HLX)

DESCRIPTION:

Helix Energy Solutions Group is an offshore oil and gas company. Contracting services such as deepwater pipe-laying, well operations, robotics and reservoir services comprise approximately 30% of revenue. Another 40% of revenue is generated by its 59% interest in Cal-Dive (NYSE:DVR), a provider of dive-related shallow-water construction services. The final 30% of revenue comes from its oil and gas production business, which focuses on marginal, mature and smaller fields. The company is headquartered in Houston, TX and conducts operations primarily in the Gulf of Mexico, North Sea, Asia Pacific and Middle East regions.

KEY INVESTMENT CONSIDERATIONS:

Unique business model adds stability in a cyclical industry – During peak demand periods, Helix deploys its internal service operations in the open market, and then during off-cycles, the company uses these assets on its own properties. According to the company, this approach reduces the effects of industry cyclicality, hedges risk, and smoothes earnings and cash flows to achieve better returns than typically seen in the service sector alone.

Strong backlog on the service side - As of June 30, 2008, HLX's contracting services operations had backlog of approximately \$1.3 billion. The \$700 million of backlog that is expected to be recognized in the remainder of 2008, represents a 12% sequential increase from the first half, which does not including revenue that will book and ship within the period.

HLX focuses on squeezing more production out of existing fields – The average recovery rate for an oil field is just 30% to 35%. Instead of hunting for new oil fields, which typically carries a significant amount of risk, Helix focuses on applying technology to increase the amount of oil that can be recovered from an existing proven field.

Hedge against Hurricanes - The Company's service operations, which represent 70% of the company's revenue, offer a hedge against hurricanes, as service business activity can pick up significantly to repair hurricane damage.

KEY RISKS:

Operational Risk – Marine construction and offshore oil and gas rig operations involved a high degree of operational risk.

Acquisition Integration - Helix has made several acquisitions over the past few years and states that acquisitions are part of the growth strategy going forward. Integrating operations, employees, and cultures is difficult and could cause significant disruption.

VALUATION:

Because HLX is a complicated story with many parts, there may be some hidden value that is not being realized. At current levels the company trades at just 8.6x 2008 EPS guidance of \$3.46, and has an enterprise valuation of just 5.0x 2008 EBITDA guidance of \$940 million. These are attractive multiples given the company's TTM ROE of 20%.

(NYSE: HLX) Investment Data (as of 8/5/08)	
Recent Price	\$29.15
52-Week Range	28.26 - 47.35
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	90.5 MM
Average Trading Volume (3 mos)	2.0 MM
Market Capitalization	2.6 B
Cash	23.2 MM
Long Term Debt	1.9 B
Enterprise Value (EV)	4.4 B
LT Debt/ Equity	0.9
Tangible BV/ Share	\$10.4
TTM Revenue	2.0 B
P/ Revenue	1.3x
TTM EPS	3.87
P/ EPS	7.5x
TTM EBITDA	751.0 MM
EV/ TTM EBITDA	5.9x

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