

Report Date: 12/16/2011

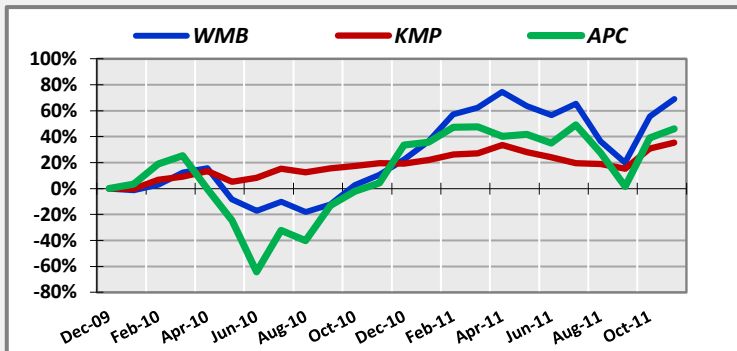
Market Cap (mm)	\$17,918	Annual Dividend	\$0.65
Return on Capital	7.0%	Dividend Yield	2.1%
EPS (ttm)	\$1.69	Price/Earnings (ttm)	18.1
Current Price	\$30.61	Economic Value-Added (ttm)	-\$217
12-mo. Target Price	\$35.00	Free Cash Flow Margin	23.6%

Beta (S&P 500 Index)	1.45
Annualized Alpha	10.5%
Institutional Ownership	4.5%
Short Interest (% of Shares)	3.0%
Days to Cover Short	1.9

Compared With:  
**Kinder Morgan Energy**  
**Anadarko Petroleum**  
 and the S&P 500 Index

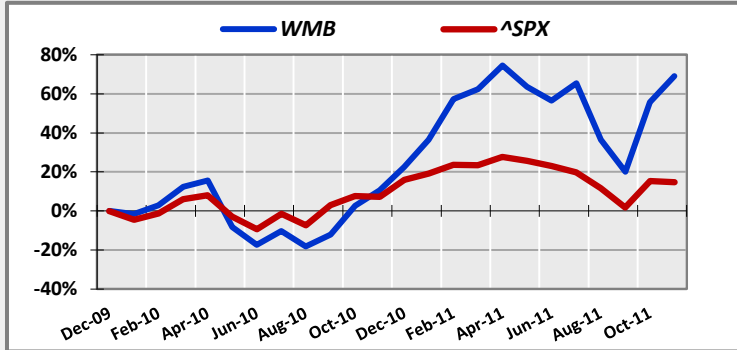
**Business Description**

The Williams Companies, Inc., through its subsidiaries, engages in finding, producing, gathering, processing, and transporting natural gas primarily in the United States. The company's Williams Partners segment owns and operates a 10,000-mile natural gas pipeline system extending from Texas, Louisiana, Mississippi, and the offshore Gulf of Mexico through Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania, and New Jersey to the New York City metropolitan area. It also owns and operates approximately 3,900 miles of mainline and lateral transmission pipelines extending from the San Juan basin in northwestern New Mexico and southwestern Colorado through Colorado, Utah, Wyoming, Idaho, Oregon, and Washington to a point on the Canadian border



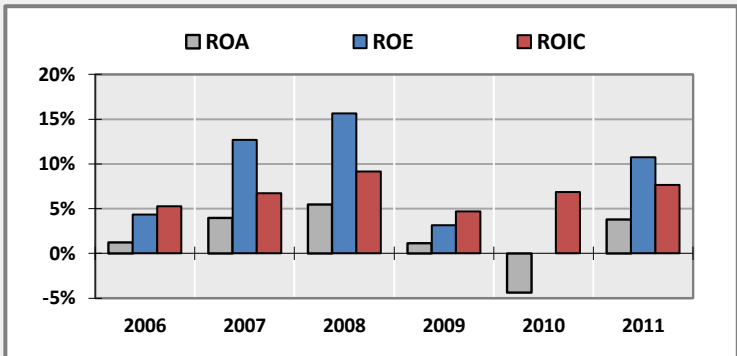
**Analysis Highlights**

Williams' stock has outperformed peer firms Kinder-Morgan (KMP) and Anadarko, and the S&P 500, over the past 2 years. The stock's strong momentum is not backed up by fundamentals, however. WMB has lower revenue/share, EBITDA/share and dividends per share compared with KMP. WMB is currently yielding 2.1%, vs. 5.8% for KMP. Kinder-Morgan also has higher operating and net margins. Persistently low natural gas prices make it unlikely these types of energy stocks will be able to expand margins in the near future. WMB's earnings are much more volatile than KMB's, resulting in a higher beta (1.4 vs. 0.4) and a higher cost of capital (8.7% vs. 4.5%). WMB's ROIC of 7.0% is less than its cost of capital, which makes it a value destroyer, thus its persistently negative economic value-added. WMB models up as significantly overvalued based on a discounted cash flow model, while KMP models up as undervalued based on similar criteria. Overall, WMB's valuation is not backed up by fundamentals. The stock does not represent good value for investors focused on dividends and fundamentals.

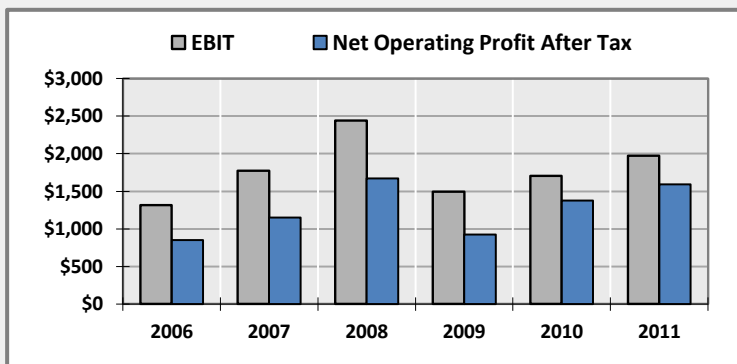


**ANNUALIZED 3-YEAR CAGR**

Total Revenue	-4.4%	Free Cash Flow	18.4%
EBIT	-6.9%	Total Invested Capital	4.4%
NOPAT	-1.6%	Total Assets	0.2%
Earnings Per Share	-11.5%	Economic Value-Added	-237.2%
Dividends Per Share	14.8%	Market Value-Added	-20.0%



Margins and Yield	2007	2008	2009	2010	2011
Operating Margin	17.3%	20.5%	18.1%	17.7%	19.0%
Free Cash Flow Margin	15.7%	23.2%	24.0%	21.2%	23.6%
Earnings Yield	4.7%	16.3%	2.4%	-7.9%	5.5%
Dividend Yield	1.1%	2.9%	2.1%	2.1%	2.1%



Per Share Metrics	2007	2008	2009	2010	2011
Earnings	1.66	2.44	0.49	(1.88)	1.69
Dividends	0.39	0.43	0.44	0.49	0.65
NOPAT	1.93	2.87	1.59	2.35	2.71
Free Cash Flow	0.41	0.84	(0.99)	1.91	1.38

