



Independent Stock Idea

May 11, 2009

rating: buy
s&p 500: 929

StatoilHydro (STO) Alternative Energy Practical Idealist

<i>Symbol</i>	STO	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$m)</i>	20,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	22.19	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/8/09	<i>Adjusted Reserves/Production NTM</i>	7.4
<i>Shares (mm)</i>	3185	<i>EV/Ebitda</i>	4.7
<i>Market Capitalization (\$mm)</i>	70,700	<i>PV/Ebitda</i>	6.7
<i>Debt (\$mm)</i>	25,100	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (\$mm)</i>	95,800	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	31.00
<i>Present Value (PV) (\$mm)</i>	136,600	<i>Present Value Proven Reserves(\$/boe)</i>	24.50
<i>Net Present Value (\$/share)</i>	35	<i>Present Value Proven Reserves(\$/mcf)</i>	4.10
<i>Debt/Present Value</i>	0.18	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.06
<i>McDep Ratio - EV/PV</i>	0.70	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	5.1	<i>Indicated Annual Dividend (US\$/sh)</i>	1.13
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
The Norwegian government owns 67% of the shares in StatoilHydro.			

Summary and Recommendation

Buy-recommended **StatoilHydro (STO)** offers unlevered appreciation potential of 43% to a McDep Ratio of 1.0 and levered appreciation potential of 58% to Net Present Value (NPV) of \$35 a share. During the first quarter, according to results released today, the company generated cash from oil and gas production of about \$21 a barrel of oil equivalent as the difference between price of about \$51 and cash operating costs, mostly tax, of about \$30. First quarter unlevered cash flow (Ebitda) was ahead of expectations from three months ago. We project gradual increases in Ebitda in the quarters ahead (see table [Next Twelve Months Operating and Financial Estimates](#)). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table [Functional Cash Flow and Present Value](#)). Pointing to expected oil price recovery, futures prices for the next six years averaged \$71 a barrel recently (see charts [Six-Year Commodity Price Meter](#) and [Six-Year and One-Year Natural Gas and Oil Futures](#)). Owned primarily by environmentally conscious Norwegians, Statoil operates to strict limits on emissions. The company pioneers carbon dioxide sequestration and invests in alternative energy experiments, such as electricity from wind. Solar does not work too well in Arctic winters with no sun. More important, Statoil stock offers concentrated representation in natural gas outside North America that we now estimate at 53% of NPV.

Kurt H. Wulff, CFA



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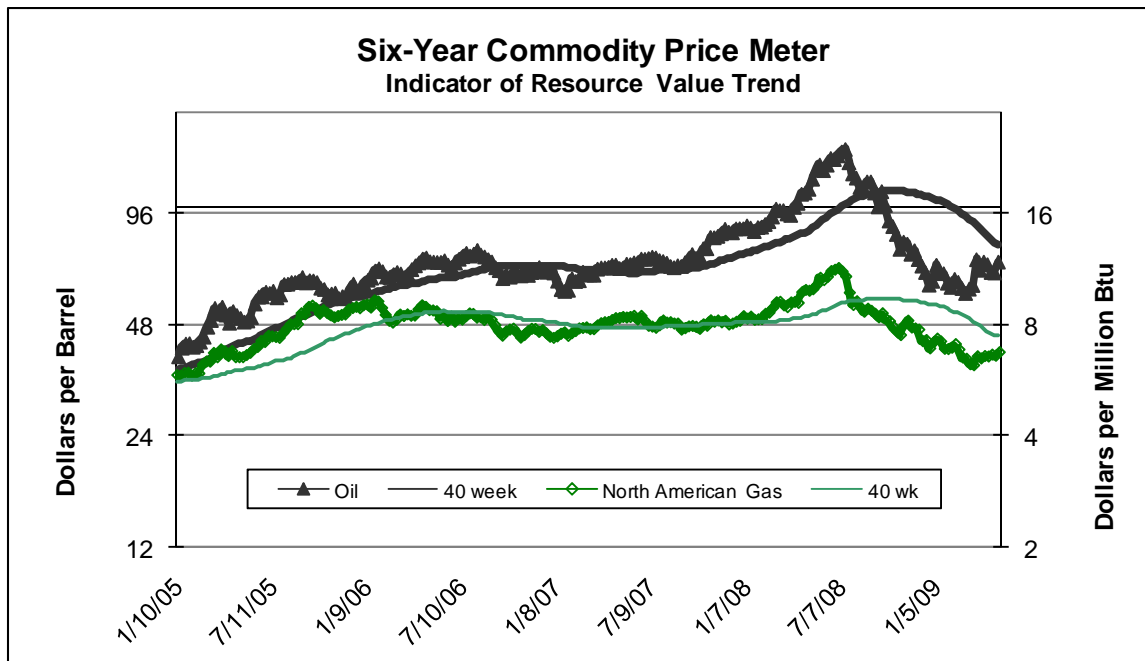
StatoilHydro ASA									
Next Twelve Months Operating and Financial Estimates									
									<i>Next Twelve Months</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Months</i>
	<i>3/31/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>3/31/10</i>
Volume									
Natural gas (bcf)	431	421	1,528	449	366	310	421	1,545	1,545
Natural Gas (mmcf)	4,740	4,572	4,175	4,986	4,026	3,366	4,572	4,234	4,234
Days	91	92	366	90	91	92	92	365	365
Oil (mmb)	100	101	389	99	100	102	102	403	403
Oil (mbd)	1,099	1,095	1,062	1,104	1,104	1,104	1,104	1,104	1,104
Total gas & oil (mbd)	1,889	1,857	1,758	1,935	1,775	1,665	1,866	1,810	1,810
Price									
Natural gas (NOK/mcf)	58	85	69	72	63	67	85	72	72
Natural gas (NOK/Sm ³)	2.06	2.99	2.42	2.54	2.23	2.37	2.99	2.55	2.55
Oil									
WTI Cushing US\$/bbl)	97.94	58.45	99.59	42.96	52.92	57.55	60.64	53.52	58.51
Kroner/\$	5.32	6.78	5.64	6.87	6.41	6.41	6.41	6.52	6.41
WTI Cushing (NOK/bbl)	521	396	561	295	339	369	389	349	375
Wellhead (NOK/bbl)	497	346	499	294	338	367	387	347	373
Total gas & oil (NOK/bbl)	436	413	464	353	353	379	437	381	397
Revenue (NOKmm)									
Natural Gas	25,172	35,628	104,735	32,289	23,144	20,791	35,628	111,852	111,852
Oil	49,704	34,856	193,845	29,212	33,944	37,319	39,328	139,803	150,503
Other	109,472	115,869	461,148	83,543	83,543	83,543	83,543	334,173	334,173
Total	159,176	150,725	654,993	112,755	140,631	141,654	158,499	553,538	596,528
Expense									
Ebitda (NOKmm)	36,093	45,443	162,368	25,176	28,544	29,055	37,478	120,253	131,178
Exploration	4,226	3,882	14,697	5,260	5,260	3,000	3,000	16,520	15,260
Deprec., Deplet., & Amort.	9,547	13,809	42,996	11,171	11,171	11,171	11,171	44,684	44,684
Ebit	22,320	27,752	104,675	8,745	12,113	14,884	23,307	59,049	71,234
Interest	1,167	1,728	5,591	1,610	1,610	1,610	1,610	6,440	6,440
Foreign Exchange	(3,412)	22,937	32,563	1,500				1,500	
Ebt	24,564	3,087	66,521	5,635	10,503	13,274	21,697	51,109	64,794
Income Tax	8,598	1,080	23,282	1,972	3,676	4,646	7,594	17,888	22,678
Net Income (NOKmm)	15,967	2,007	43,238	3,663	6,827	8,628	14,103	33,221	42,116
Shares (millions)	3,187	3,185	3,186	3,185	3,185	3,185	3,185	3,185	3,185
Per share (NOK)	5.01	0.63	13.57	1.15	2.14	2.71	4.43	10.43	13.22
Ebitda Margin (E&P)	48%	64%	54%	41%	50%	50%	50%	48%	50%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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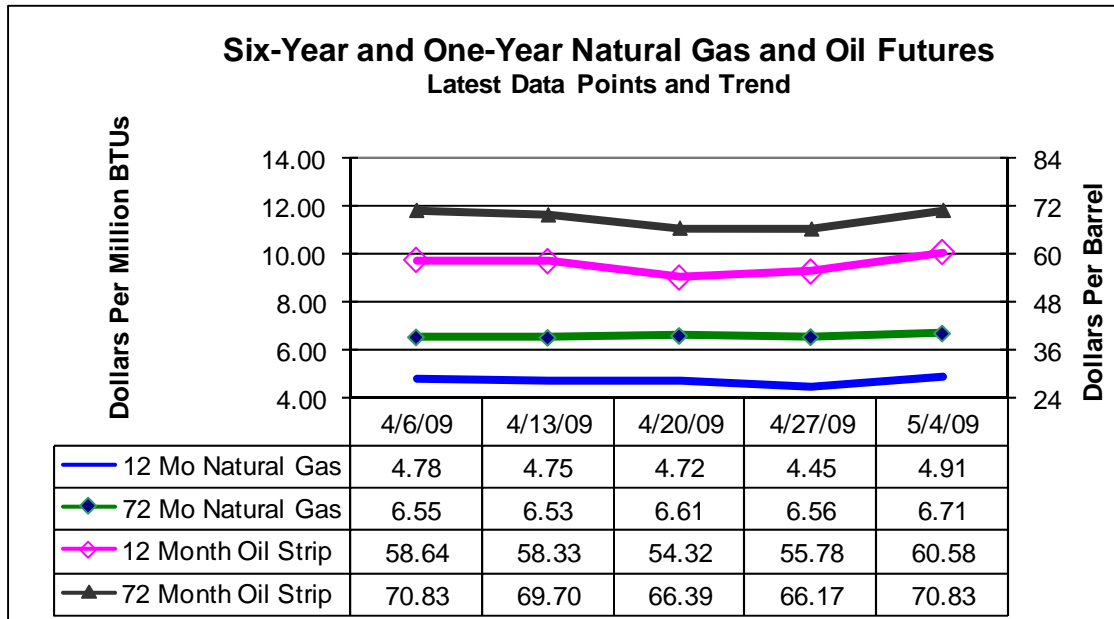
StatoilHydro ASA					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
Natural Gas	8,726	11.8	8.4	73,000	53%
Oil	11,741	4.6	5.4	63,600	47%
	20,467	7.4	6.7	136,600	100%
Debt (US\$mm)					25,100
Net Present Value (US\$mm)					111,500
Shares (mm)					3,185
Net Present Value - Standard Estimate (US\$/sh)					35
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					36





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