



Independent Stock Idea

November 5, 2009

rating: buy
s&p 500: 1067

Statoil (STO) Oil Price Leading Natural Gas Price

<i>Symbol</i>	STO	<i>Ebitda Next Twelve Months ending 9/30/10 (US\$m)</i>	22,200
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	24.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/5/09	<i>Adjusted Reserves/Production NTM</i>	7.6
<i>Shares (mm)</i>	3184	<i>EV/Ebitda</i>	4.9
<i>Market Capitalization (\$mm)</i>	78,000	<i>PV/Ebitda</i>	6.4
<i>Debt (\$mm)</i>	31,500	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (\$mm)</i>	109,500	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	34.20
<i>Present Value (PV) (\$mm)</i>	142,900	<i>Present Value Proven Reserves(\$/boe)</i>	25.60
<i>Net Present Value (\$/share)</i>	35	<i>Present Value Proven Reserves(\$/mcf)</i>	4.30
<i>Debt/Present Value</i>	0.22	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.16
<i>McDep Ratio - EV/PV</i>	0.77	<i>Price/Earnings Next Twelve Months</i>	21
<i>Dividend Yield (%/year)</i>	5.2	<i>Indicated Annual Dividend (US\$/sh)</i>	1.28
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, \$8 a million btu.			
The Norwegian government owns 67% of the shares in Statoil.			

Summary and Recommendation

Analyzing third quarter results released November 4, we reaffirm estimated Net Present Value (NPV) of \$35 a share for buy-recommended **Statoil (STO)**. On that basis unlevered appreciation potential is 31% to a McDep Ratio of 1.0 where stock price would equal NPV. Unlevered cash flow (Ebitda) exceeded expectations in Norwegian kroner. Not sure how rapidly natural gas prices will recover, we project a rather flat trend for Ebitda in the next few quarters (see table [Next Twelve Months Operating and Financial Estimates](#)). With an approximate six month lag in contracts where the price of natural gas depends partly on the price of oil, the price of natural gas in Europe is partly dependent on the lower price of oil that prevailed six months ago. Now that oil is up since then, it may be that our gas price projections are too conservative. NPV looks almost equally balanced between natural gas and oil (see table [Functional Cash Flow and Present Value](#)). Meanwhile futures prices for the next six years for oil trade above the 40-week average in a positive trend (see chart [Six-Year Commodity Price Meter](#)). Finally, with oil price leading natural gas price, Statoil stock may offer catch up opportunity compared to stocks more concentrated on oil.

Kurt H. Wulff, CFA



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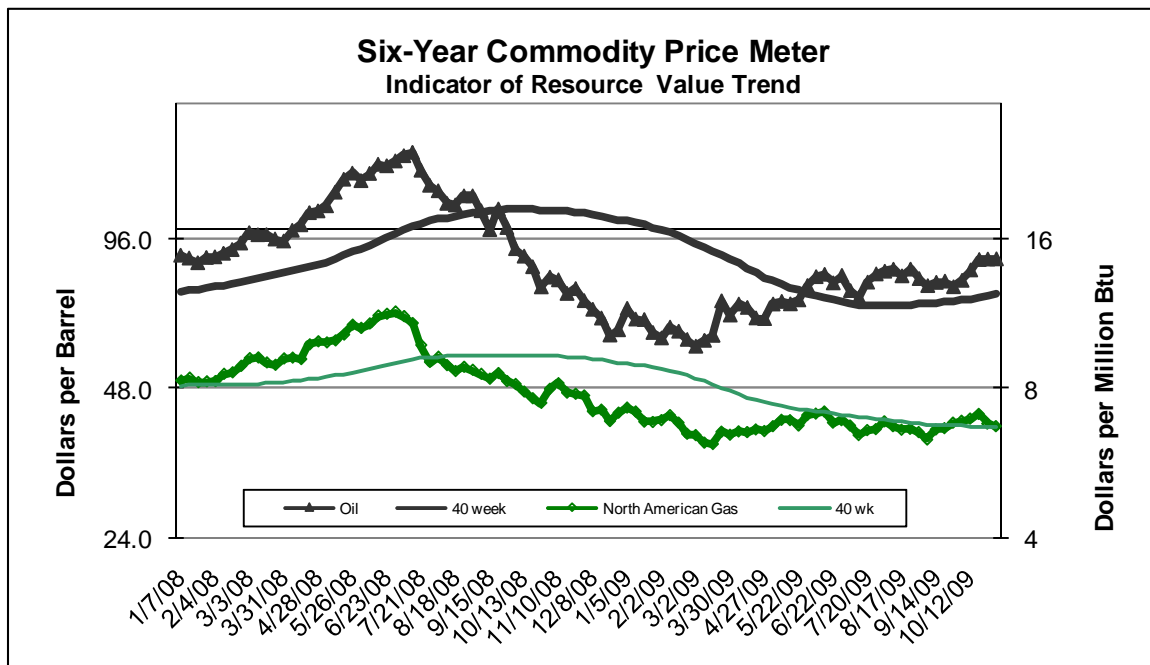
Statoil ASA									
Next Twelve Months Operating and Financial Estimates									
									<i>Next Twelve Months</i>
	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>9/30/10</i>
	<i>9/30/08</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>3/31/10</i>	<i>6/30/10</i>	<i>9/30/10</i>	<i>9/30/10</i>
Volume									
Natural gas (bcf)	310	380	359	421	1,608	449	380	359	1,608
Natural Gas (mmcf)	3,366	4,176	3,900	4,572	4,406	4,986	4,176	3,900	4,406
Days	92	91	92	92	365	90	91	92	365
Oil (mmb)	93	94	94	94	381	94	96	96	381
Oil (mbd)	1,015	1,032	1,060	1,060	1,044	1,060	1,060	1,060	1,043
Total gas & oil (mbd)	1,576	1,728	1,710	1,822	1,778	1,891	1,756	1,710	1,777
Price									
Natural gas (NOK/mcf)	67	52	46	49	55	54	55	55	53
Natural gas (NOK/Sm ³)	2.37	1.82	1.61	1.73	1.95	1.91	1.94	1.95	1.88
Oil									
WTI Cushing US\$/bbl)	117.99	59.52	68.22	77.22	61.98	79.30	81.15	82.28	79.99
Kroner/\$	5.37	6.50	6.11	5.68	6.29	5.68	5.68	5.68	5.68
WTI Cushing (NOK/bbl)	634	387	417	438	390	450	461	467	454
Wellhead (NOK/bbl)	578	349	400	421	365	432	442	448	436
Total gas & oil (NOK/bbl)	516	333	351	367	351	385	397	404	388
Revenue (NOKmm)									
Natural Gas	20,791	19,593	16,365	20,671	88,917	24,326	20,865	19,833	85,695
Oil	53,974	32,775	37,565	39,492	139,044	40,559	42,629	43,221	165,901
Other	120,510	71,854	85,496	85,496	326,389	85,496	85,496	85,496	341,985
Total	174,484	104,629	123,061	145,659	486,104	150,381	148,990	148,551	593,581
Expense	133,290	71,731	90,230	115,577	365,117	117,939	117,243	117,023	467,783
Ebitda (NOKmm)	41,194	32,898	32,831	30,081	120,986	32,443	31,747	31,527	125,798
Exploration	4,644	4,421	2,075	2,075	13,831	5,260	4,421	4,421	16,177
Deprec., Deplet., & Amort.	11,407	12,830	17,557	17,557	59,115	17,557	17,557	17,557	70,228
Ebit	25,143	15,647	13,199	10,449	48,040	9,626	9,769	9,549	39,393
Interest	1,377	1,801	1,785	1,785	6,982	1,785	1,785	1,785	7,141
Foreign Exchange	13,767	-	-	-	1,500				
Ebt	9,999	13,846	11,413	8,664	39,559	7,840	7,984	7,764	32,252
Income Tax	3,500	4,846	3,995	3,032	13,845	2,744	2,794	2,717	11,288
Net Income (NOKmm)	6,499	9,000	7,419	5,632	25,713	5,096	5,190	5,047	20,964
Shares (millions)	3,186	3,184	3,184	3,184	3,184	3,184	3,184	3,184	3,184
Per share (NOK)	2.04	2.83	2.33	1.77	8.08	1.60	1.63	1.58	6.58
Ebitda Margin (E&P)	55%	63%	61%	50%	53%	50%	50%	50%	50%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Statoil ASA					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Natural Gas	7,550	11.4	9.3	70,000	49%
Oil	14,617	4.9	5.0	72,900	51%
	22,167	7.6	6.4	142,900	100%
Debt (US\$mm)					31,500
Net Present Value (US\$mm)					111,400
Shares (mm)					3,184
Net Present Value - Standard Estimate (US\$/sh)					35
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					35





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