



Independent Stock Idea

February 17, 2009

rating: buy
s&p 500: 827

StatoilHydro (STO) Low Cost Offshore Operator

<i>Symbol</i>	STO	<i>Ebitda Next Twelve Months ending 12/31/09 (US\$m)</i>	15,800
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	18.13	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/13/09	<i>Adjusted Reserves/Production NTM</i>	7.5
<i>Shares (mm)</i>	3185	<i>EV/Ebitda</i>	5.3
<i>Market Capitalization (\$mm)</i>	57,700	<i>PV/Ebitda</i>	8.7
<i>Debt (\$mm)</i>	25,400	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (\$mm)</i>	83,100	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	24.10
<i>Present Value (PV) (\$mm)</i>	136,800	<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>	0.19	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.94
<i>McDep Ratio - EV/PV</i>	0.61	<i>Price/Earnings Next Twelve Months</i>	19
<i>Dividend Yield (%/year)</i>	5.9	<i>Indicated Annual Dividend (US\$/sh)</i>	1.06
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

Estimated Net Present Value (NPV) of \$35 a share is about 90% higher than stock price for moderate-debt, buy-recommended **StatoilHydro (STO)**. Released today, fourth quarter results displayed unlevered cash flow (Ebitda) ahead of expectations from three months ago with higher oil and gas volume and higher natural gas price offsetting lower crude oil price (see table [Next Twelve Months Operating and Financial Estimates](#)). Operating mostly high volume wells on offshore platforms, StatoilHydro has among the lowest operating costs in the industry at about \$6 a barrel. Such choice production is hard to replace as final reported reserves for 2008 were about 3% lower. The future remains bright with long-life natural gas production gradually becoming more important than short-life oil production. Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil. Latest calculations result in NPV concentrated 50% on natural gas and 50% on oil (see table [Functional Cash Flow and Present Value](#)). Pointing to expected oil price recovery, futures prices for the next six years averaged US\$62 a barrel recently (see charts [Six-Year Commodity Price Meter](#) and [Six-Year and One-Year Natural Gas and Oil Futures](#)). The board of directors proposes an annual dividend to be paid in the second quarter of 2009 to yield 5.9% of current stock price.

Kurt H. Wulff, CFA



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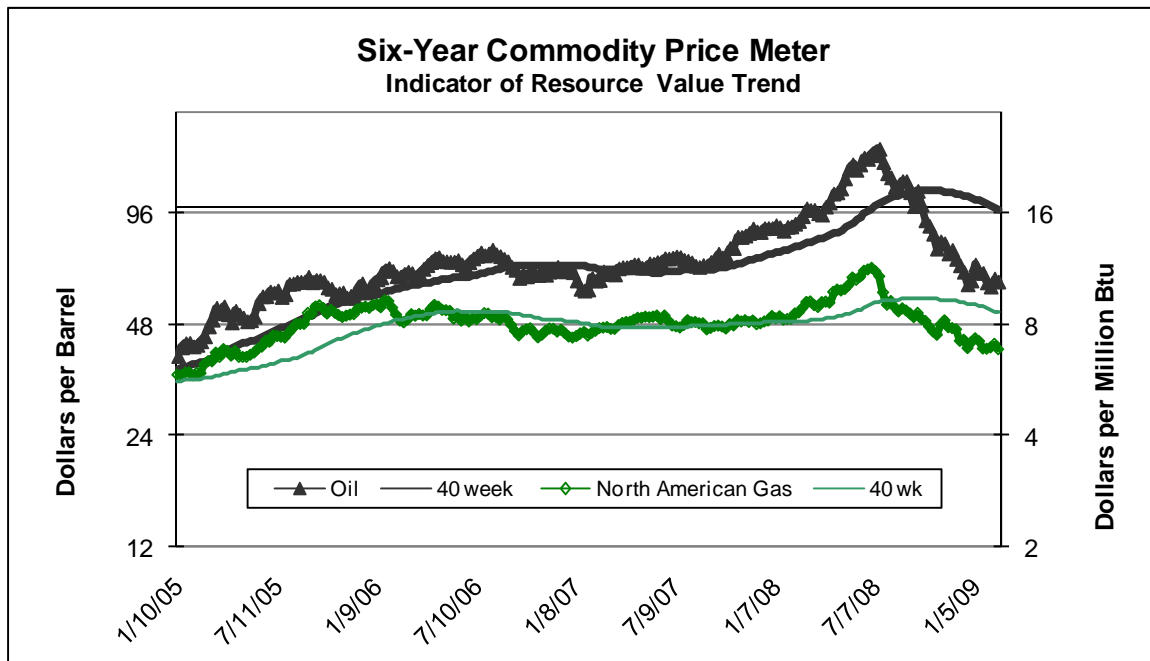
StatoilHydro ASA									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Months</i>
	<i>12/31/07</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>12/31/09</i>
Volume									
Natural gas (bcf)	393	310	421	1,528	427	366	310	421	1,523
Natural Gas (mmcf)	4,272	3,366	4,572	4,175	4,740	4,026	3,366	4,572	4,173
Days	92	92	92	366	90	91	92	92	365
Oil (mmb)	102	93	101	389	99	100	101	101	400
Oil (mbd)	1,106	1,015	1,095	1,062	1,095	1,095	1,095	1,095	1,095
Total gas & oil (mbd)	1,818	1,576	1,857	1,758	1,885	1,766	1,656	1,857	1,791
Price									
Natural gas (NOK/mcf)	52	67	85	69	58	63	67	85	69
Natural gas (NOK/Sm3)	1.83	2.37	2.99	2.42	2.06	2.23	2.37	2.99	2.42
Oil									
WTI Cushing US\$/bbl)	90.67	117.99	58.45	99.59	40.12	44.53	49.20	51.74	46.40
Kroner/\$	5.44	5.37	6.78	5.64	6.81	6.81	6.81	6.81	6.81
WTI Cushing (NOK/bbl)	493	634	396	561	273	303	335	352	316
Wellhead (NOK/bbl)	468	578	346	499	239	265	293	308	276
Total gas & oil (NOK/bbl)	407	516	413	464	285	308	330	390	329
Revenue (NOKmm)									
Natural Gas	20,375	20,791	35,628	104,735	24,895	23,144	20,791	35,628	104,458
Oil	47,620	53,974	34,856	193,845	23,515	26,389	29,478	31,002	110,383
Other	98,528	120,510	115,869	461,148	115,869	115,869	115,869	115,869	463,476
Total	146,148	174,484	150,725	654,993	164,279	165,403	166,138	182,498	678,317
Expense	119,329	133,290	105,282	492,625	140,074	140,636	141,003	149,184	570,897
Ebitda (NOKmm)	26,819	41,194	45,443	162,368	24,205	24,767	25,134	33,315	107,421
Exploration	4,500	4,644	3,882	14,697	4,000	4,000	3,000	3,000	14,000
Deprec., Deplet., & Amort.	11,869	11,407	13,809	42,996	13,809	13,809	13,809	13,809	55,236
Ebit	10,450	25,143	27,752	104,675	6,396	6,958	8,325	16,506	38,185
Interest	-	1,377	1,728	5,591	1,728	1,728	1,728	1,728	6,911
Foreign Exchange	987	13,767	22,937	32,563					
Ebt	9,463	9,999	3,087	66,521	4,668	5,230	6,598	14,778	31,274
Income Tax	3,312	3,500	1,080	23,282	1,634	1,831	2,309	5,172	10,946
Net Income (NOKmm)	6,151	6,499	2,007	43,238	3,034	3,400	4,288	9,606	20,328
Shares (millions)	3,187	3,186	3,185	3,186	3,185	3,185	3,185	3,185	3,185
Per share (NOK)	1.93	2.04	0.63	13.57	0.95	1.07	1.35	3.02	6.38
Ebitda Margin (E&P)	39%	55%	64%	54%	50%	50%	50%	50%	50%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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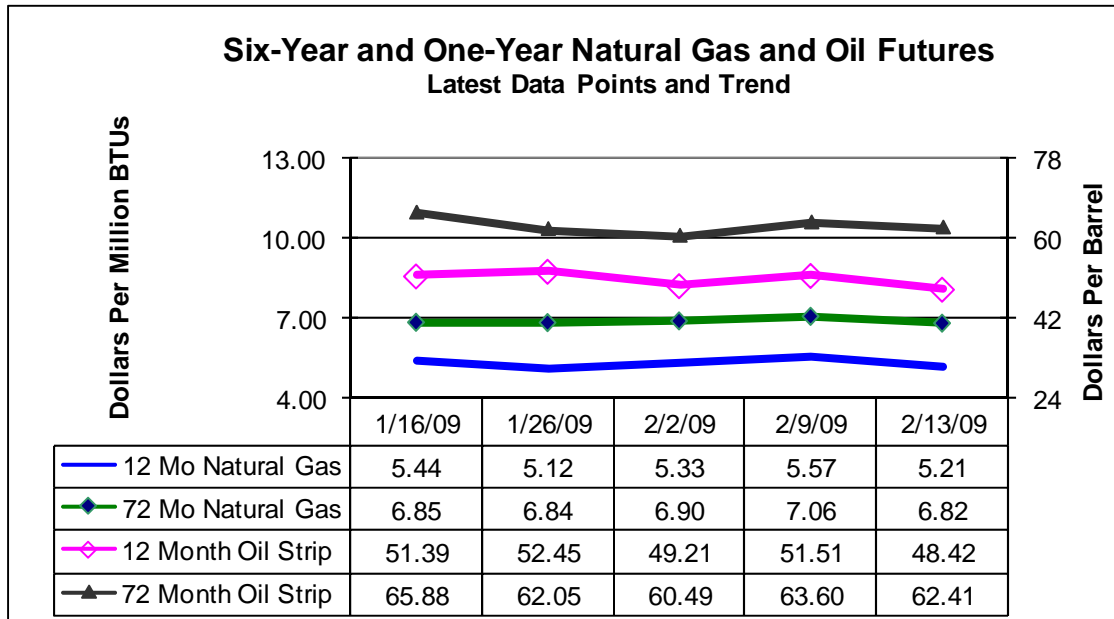
StatoilHydro ASA					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
Natural Gas	7,667	12.0	9.0	69,000	50%
Oil	8,102	4.7	8.4	67,900	50%
	15,770	7.5	8.7	136,900	100%
Debt (US\$mm)					25,400
Net Present Value (US\$mm)					111,500
Shares (mm)					3,185
Net Present Value - Standard Estimate (US\$/sh)					35
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					34





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