



# Independent Stock Idea

February 25, 2010

rating: contrarian buy  
s&p 500: 1105

## Woodside Petroleum Ltd. (WOPEY) Financing in Place for 2010

<i>Symbol</i>	WOPEY	<i>Ebitda Next Twelve Months ending 12/31/10 (US\$mm)</i>	3,200
<i>Rating</i>	Contrarian Buy	<i>North American Natural Gas/Ebitda (%)</i>	2
<i>Price (US\$/sh)</i>	39.00	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/24/10	<i>Adjusted Reserves/Production NTM</i>	17.8
<i>Shares (mm)</i>	763	<i>EV/Ebitda</i>	10.8
<i>Market Capitalization (US\$mm)</i>	29,800	<i>PV/Ebitda</i>	12.0
<i>Debt (US\$mm)</i>	5,400	<i>Undeveloped Reserves (%)</i>	22
<i>Enterprise Value (EV) (US\$mm)</i>	35,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	40.82
<i>Present Value (PV) (US\$mm)</i>	39,000	<i>Present Value Proven Reserves(US\$/boe)</i>	24.64
<i>Net Present Value (US\$/share)</i>	44	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.11
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.13
<i>McDep Ratio - EV/PV</i>	0.90	<i>Price/Earnings Next Twelve Months</i>	18
<i>Dividend Yield (%/year)</i>	2.5	<i>Indicated Annual Dividend (US\$/sh)</i>	0.98
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
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.			
Royal Dutch Shell holds 34% of the outstanding shares.			

### Summary and Recommendation

Contrarian Buy-recommended **Woodside Petroleum Ltd. (WOPEY)** offers unlevered appreciation potential of 11% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of US\$44 a share. Half-yearly results released on February 24 reaffirm a base for projecting cash flow for 2010 (see table [Next Twelve Months Operating and Financial Estimates](#)). The company's high growth prospects support a moderately high cash flow multiple (PV/Ebitda) of 12 times (see table [Functional Cash Flow and Present Value](#)). Management believes plans are coming together to expand Liquefied Natural Gas Capacity six-fold by 2020 (see slide [Woodside LNG](#)). To oversimplify it, about half of current revenue, cash flow and earnings might grow six times implying that the total might grow more than three times in ten years, or some 12% a year. Except for a current labor dispute, a doubling of LNG capacity in two years appears assured with the Pluto Train 1 construction that is 85% complete. Further expansions will be in competition with other projects (see chart [Industry LNG Projects in Australia](#)). At the same time, LNG is still a small part of the global natural gas and energy market (see slide [Demand](#)). Meanwhile, the company has its financing in place for 2010 having sold 60 million new shares in the past two months for about US\$2.4 billion at a price of about US\$39 a share. We like the strategic potential of concentrated LNG representation in Woodside stock.

Kurt H. Wulff, CFA



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<b>Woodside Petroleum Ltd.</b>									
<b>Half-Year Financial Results</b>									
<b>(Australian Dollars)</b>									
	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</i>	<i>Twelve</i>
	<i>6/30/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>6/30/09</i>	<i>12/31/09</i>	<i>2009</i>	<i>6/30/10</i>	<i>12/31/10</i>	<i>Months</i>
									<i>12/31/10</i>
<b>Volume</b>									
Natural gas (bcf)	115	123	<b>238</b>	130	133	<b>263</b>	135	141	<b>276</b>
Natural Gas (mmcf)	630	670	<b>650</b>	719	723	<b>721</b>	745	767	<b>756</b>
Days	182	184	<b>366</b>	181	184	<b>365</b>	181	184	<b>365</b>
Oil (mmb)	17.4	24.3	<b>41.6</b>	18.3	18.6	<b>37.0</b>	16.6	16.9	<b>33.5</b>
Oil (mbd)	95	132	<b>114</b>	101	101	<b>101</b>	92	92	<b>92</b>
Total gas & oil (boe)	36.5	44.8	<b>81.3</b>	40.0	40.8	<b>80.8</b>	39.1	40.4	<b>79.5</b>
Total gas & oil (mbd)	201	243	<b>222</b>	221	222	<b>221</b>	216	220	<b>218</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	9.48	8.60	<b>9.04</b>	4.20	3.78	<b>3.99</b>	5.17	5.39	<b>5.28</b>
Currency (US\$/A\$)	0.92	0.78	<b>0.85</b>	0.76	0.85	<b>0.80</b>	0.89	0.89	<b>0.89</b>
Henry Hub (A\$/mmbtu)	10.25	11.02	<b>10.60</b>	5.52	4.46	<b>4.96</b>	5.78	6.04	<b>5.91</b>
Company	6.45	9.79	<b>8.18</b>	6.17	5.91	<b>6.04</b>	7.37	6.73	<b>7.04</b>
Oil (\$/bbl)									
WTI Cushing	110.96	88.22	<b>99.59</b>	51.24	72.15	<b>61.70</b>	79.51	82.17	<b>80.84</b>
WTI Cushing (A\$/bbl)	120.03	113.00	<b>116.81</b>	67.41	85.20	<b>76.79</b>	89.01	91.98	<b>90.50</b>
Company	109.60	97.23	<b>102.39</b>	65.27	79.64	<b>72.52</b>	85.16	87.99	<b>86.59</b>
Total gas & oil (\$/bbl)									
<b>Revenue (mmA\$)</b>									
Natural Gas	740	1,207	<b>1,947</b>	803	786	<b>1,589</b>	994	949	<b>1,943</b>
Oil	1,905	2,358	<b>4,263</b>	1,196	1,484	<b>2,680</b>	1,415	1,486	<b>2,901</b>
Other	(71)	(149)	<b>(220)</b>	29	54	<b>83</b>			<b>-</b>
Total	2,574	3,416	<b>5,990</b>	2,028	2,324	<b>4,352</b>	2,409	2,435	<b>4,844</b>
<b>Expense</b>	590	742	<b>1,333</b>	529	622	<b>1,150</b>	602	609	<b>1,211</b>
<b>Ebitda</b>	1,984	2,674	<b>4,658</b>	1,499	1,702	<b>3,202</b>	1,807	1,827	<b>3,633</b>
Exploration	169	179	<b>348</b>	172	148	<b>320</b>	172	172	<b>344</b>
Deprec., Deplet., & Amort.	344	625	<b>969</b>	483	536	<b>1,019</b>	483	483	<b>966</b>
Other non cash	(136)	635	<b>500</b>	(605)	(459)	<b>(1,064)</b>	(300)	(300)	<b>(600)</b>
<b>Ebit</b>	1,606	1,235	<b>2,841</b>	1,449	1,477	<b>2,926</b>	1,452	1,472	<b>2,923</b>
Interest	43	61	<b>104</b>	68	61	<b>128</b>	61	61	<b>121</b>
<b>Ebt</b>	1,563	1,173	<b>2,736</b>	1,381	1,417	<b>2,798</b>	1,391	1,411	<b>2,802</b>
Income Tax	547	405	<b>952</b>	483	496	<b>979</b>	487	494	<b>981</b>
<b>Net Income</b>	1,016	768	<b>1,784</b>	898	921	<b>1,819</b>	904	917	<b>1,821</b>
<b>Shares (millions)</b>	682	686	<b>684</b>	702	703	<b>702</b>	763	763	<b>763</b>
Per share (A\$)	1.49	1.12	<b>2.61</b>	1.28	1.31	<b>2.59</b>	1.18	1.20	<b>2.39</b>
Ebitda Margin	75%	75%	<b>75%</b>	75%	75%	<b>75%</b>	75%	75%	<b>75%</b>
Tax Rate	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>

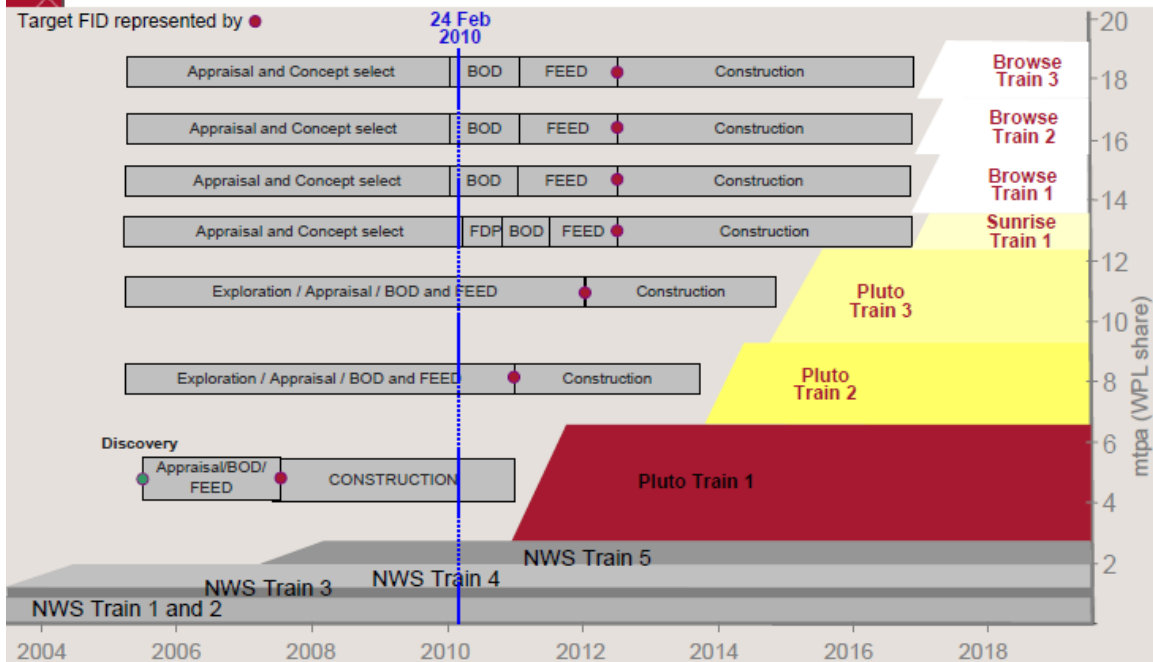


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Woodside Petroleum Ltd.					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
Natural Gas	1,280	25.2	14.1	18,000	46%
Oil	1,920	7.6	5.7	11,000	28%
Liquefied Natural Gas Projects				10,000	26%
	3,200	17.8	12.2	39,000	100%
Debt (US\$mm)					5,400
Net Present Value (US\$mm)					33,600
Shares (mm)					763
Net Present Value - Standard Estimate (US\$/sh)					44
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					44

## Woodside LNG: plans are all coming together



\*Graphical representation of this scenario assumes FID and required approvals are achieved with an indicative WPL equity of 60% for Pluto T2, 75% for Pluto T3, 46% for Browse T1-3, 33.44% for Sunrise T1. Achieving FID is subject to a number of risk factors

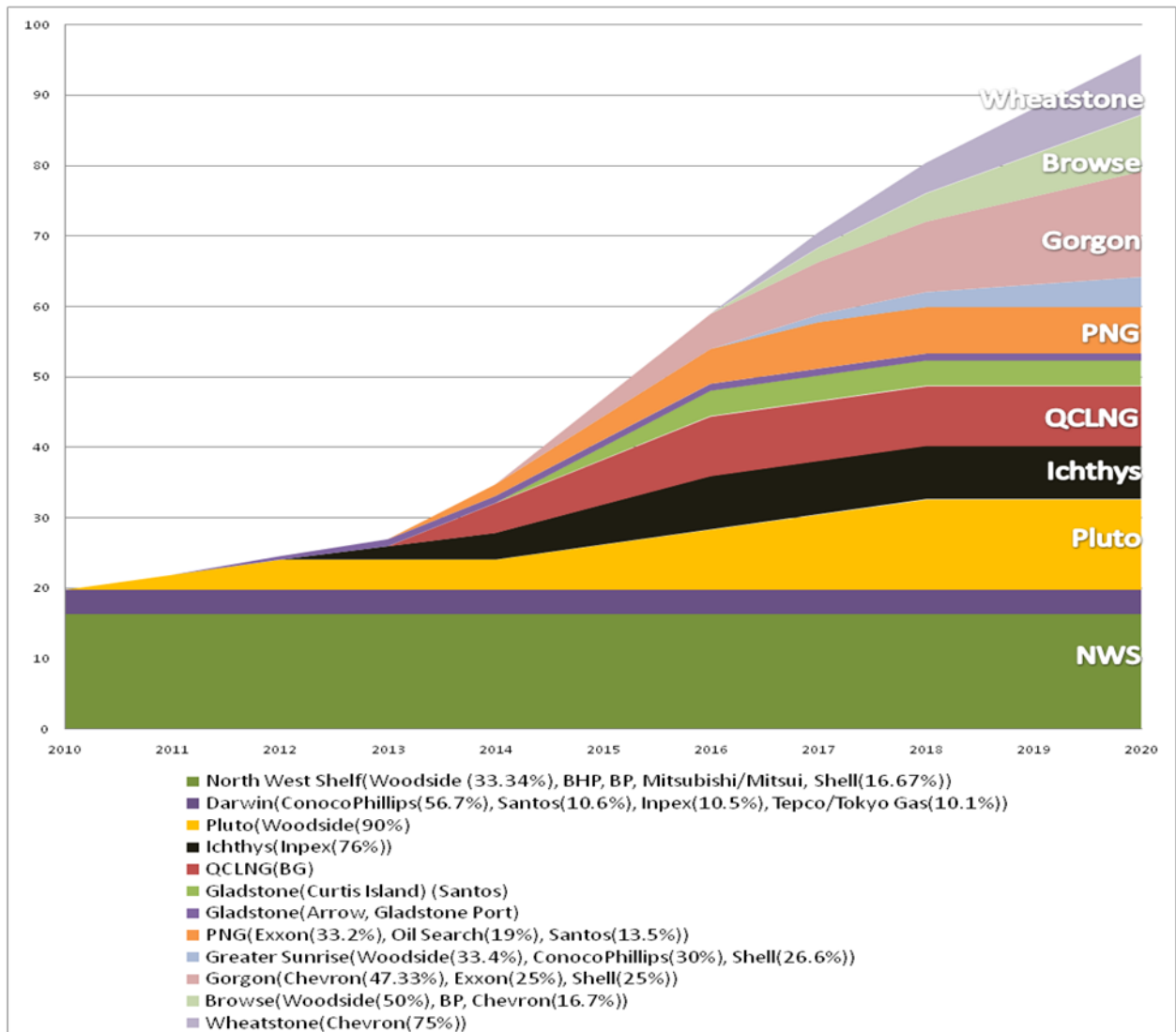
Slide 6



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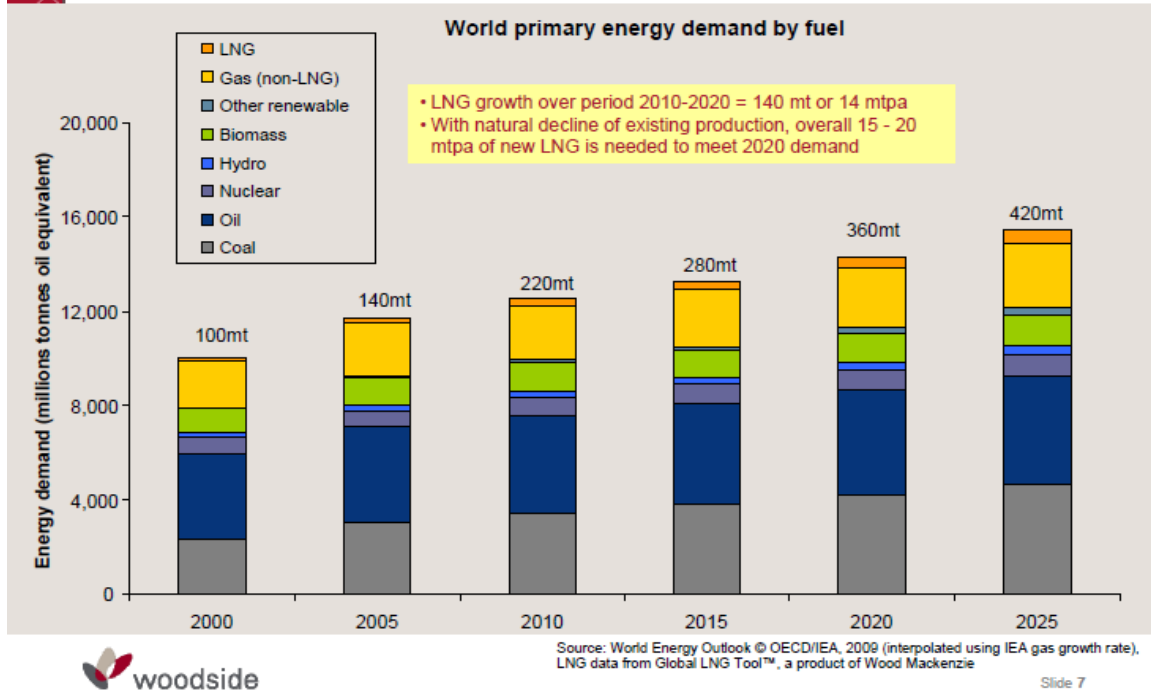
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## Industry LNG Projects in Australia (capacity in millions tons annually)



Source: McDep LLC, Company Disclosures, Industry Press

## Demand for gas is growing, including LNG



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