



Independent Stock Idea

July 15, 2011

rating: buy
s&p 500: 1309

Petrohawk Energy Corporation (HK) BHP pays 1.10 McDep Ratio to Acquire HK

<i>Symbol</i>	HK	<i>Ebitda Next Twelve Months ending 6/30/12 (US\$m)</i>	1,709
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	64
<i>Price (\$/sh)</i>	23.49	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/14/11	<i>Adjusted Reserves/Production NTM</i>	5.6
<i>Shares (mm)</i>	305	<i>EV/Ebitda</i>	6.5
<i>Market Capitalization (\$mm)</i>	7,160	<i>PV/Ebitda</i>	8.4
<i>Debt (\$mm)</i>	3,970	<i>Undeveloped Reserves (%)</i>	65
<i>Enterprise Value (EV) (\$mm)</i>	11,140	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	25.10
<i>Present Value (PV) (\$mm)</i>	14,340	<i>Present Value Proven Reserves(\$/boe)</i>	25.40
<i>Net Present Value (\$/share)</i>	34	<i>Oil and Gas Ebitda Margin (%)</i>	74
<i>Debt/Present Value</i>	0.28	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.73
<i>McDep Ratio - EV/PV</i>	0.78	<i>Price/Earnings Next Twelve Months</i>	14
<i>Dividend Yield (%/year)</i>	0.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.00
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\$100 a barrel and natural gas, \$8 a million btu.			

Summary and Recommendation

Petrohawk Energy Corporation (HK) has entered into a definitive agreement to be acquired by BHP Billiton for US\$38.75 per share in cash for all shares. The deal offers a wonderful reward for the stockholders of HK and strong ratification of our estimated Net Present Value (NPV) of US\$34 a share (see tables Functional Cash Flow and Present Value and Next Twelve Months Operating and Financial Estimates). Though it looks like a done deal with a tender offer expected to start on July 25, there is enough resource upside in the company for other potential bidders to contemplate. We will consider removing our buy recommendation when the stock starts trading with the deal news in it.

Kurt H. Wulff, CFA



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Petrohawk Energy Corporation					
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>	
North American Natural Gas	1,094	6.2	9.9	10,840	76%
Oil	614	2.5	5.7	3,500	24%
	1,709	5.6	8.4	14,340	100%
Debt (US\$mm)					3,970
Net Present Value (US\$mm)					10,370
Shares (mm)					305
Net Present Value - Standard Estimate (US\$/sh)					34
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					35

Petrohawk Energy Corporation										
Next Twelve Months Operating and Financial Estimates										
	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next</i>
	<i>6/30/10</i>	<i>2010</i>	<i>3/31/11</i>	<i>6/30/11</i>	<i>9/30/11</i>	<i>12/31/11</i>	<i>2011E</i>	<i>3/31/12</i>	<i>6/30/12</i>	<i>Twelve</i>
										<i>Months</i>
										<i>6/30/12</i>
Volume										
Natural Gas (mmcf)	599	643	743	795	851	911	826	974	974	927
Oil (mbd)	4.4	5.3	13.8	17.7	22.6	29.0	20.8	37.1	37.1	31.4
Total (mb)	9.5	41	12.4	13.7	15.1	16.6	58	18.2	18.2	68
Total (mmcf)	626	675	826	901	987	1,084	950	1,197	1,197	1,116
Price										
Henry Hub (\$/mmbtu)	4.09	4.40	4.11	4.32	4.31	4.47	4.30	4.75	4.67	4.55
Company (\$/mcf)	3.97	4.19	3.93	4.13	4.12	4.27	4.12	4.54	4.46	4.36
WTI Cushing (\$/bbl)	77.85	79.43	94.10	102.55	95.35	96.58	97.14	98.18	99.40	97.38
Company (\$/bbl)	57.60	63.48	69.60	75.85	70.53	71.44	71.82	72.62	73.52	72.23
Total (\$/bbl)	25.26	26.93	28.20	30.78	31.01	32.97	30.92	35.70	35.47	33.93
Revenue (\$mm)										
Natural Gas	216	982	263	299	322	358	1,242	403	396	1,479
Oil	23	123	87	122	147	190	546	245	248	830
Total	240	1,105	349	421	469	548	1,788	648	644	2,309
Expense										
Lease operating	18	84	18							
Production taxes	5	10	12							
General and administrative	37	142	33							
Total	60	236	63	109	122	143	437	168	167	600
Ebitda	180	869	286	311	347	406	1,351	479	476	1,709
Deprec., Deplet., & Amort.	101	461	157	157	157	157	628	157	157	628
Other	(25)	(64)	62				62			-
Ebit	104	472	67	154	190	249	660	322	319	1,081
Interest	62	258	67	67	67	67	268	67	67	268
Ebt	42	214	-	87	123	182	392	255	252	813
Income Tax	15	75	-	31	43	64	137	89	88	284
Net Income (\$mm)	27	139	-	57	80	118	255	166	164	528
Per Share (\$)	0.09	0.46	-	0.19	0.26	0.39	0.84	0.54	0.54	1.73
Shares (millions)	303	302	305	305	305	305	305	305	305	305
Ebitda Margin	75%	79%	82%	74%	74%	74%	76%	74%	74%	74%
Tax rate	35%	35%		35%	35%	35%	35%	35%	35%	35%



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