



# Independent Stock Idea

August 1, 2008

rating: buy  
s&p 500: 1267

## StatoilHydro (STO) High-Quality Offshore Producer

<i>Symbol</i>	STO	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$m)</i>	30,270
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	32.38	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/31/08	<i>Adjusted Reserves/Production NTM</i>	7.9
<i>Shares (mm)</i>	3200	<i>EV/Ebitda</i>	4.2
<i>Market Capitalization (\$mm)</i>	103,600	<i>PV/Ebitda</i>	6.2
<i>Debt (\$mm)</i>	22,700	<i>Undeveloped Reserves (%)</i>	28
<i>Enterprise Value (EV) (\$mm)</i>	126,400	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	48.00
<i>Present Value (PV) (\$mm)</i>	189,100	<i>Present Value Proven Reserves(\$/boe)</i>	32.70
<i>Net Present Value (\$/share)</i>	52	<i>Present Value Proven Reserves(\$/mcf)</i>	5.50
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.08
<i>McDep Ratio - EV/PV</i>	0.67	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	5.1	<i>Indicated Annual Dividend (US\$/sh)</i>	1.66
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\$100 a barrel and natural gas, \$14 a million btu.			
The Norwegian government owns 71% of the shares in StatoilHydro.			

### Summary and Recommendation

Buy-recommended **Statoil (STO)** offers unlevered appreciation potential of 50% to estimated net present value (NPV) of \$52 a share. Released today, second quarter results exceeded expectations of three months ago with strength in natural gas volume and price offsetting a slight decline in oil volume (see table Next Twelve Months Operating and Financial Estimates). Projected volumes along with current futures prices promise a high level of unlevered cash flow (Ebitda). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table Functional Cash Flow and Present Value). Meanwhile, long-term crude oil price continues in an uptrend where the latest quote of \$121 a barrel for delivery over the next six years is above the 40-week average of \$104 (see chart Six-Year Commodity Price Meter). The state oil company of Norway, one third publicly traded, is a financially strong, income producing oil and gas producer. Operations are exclusively offshore, primarily in Norway with increasing global presence off Africa, Louisiana, Brazil, Azerbaijan and the Russian Arctic. Volumes are growing, profits are high, taxes are also high, but the rate in Norway has been stable for decades. The company is a technological innovator in subsea production and Arctic operations while maintaining high environmental standards.

Kurt H. Wulff, CFA



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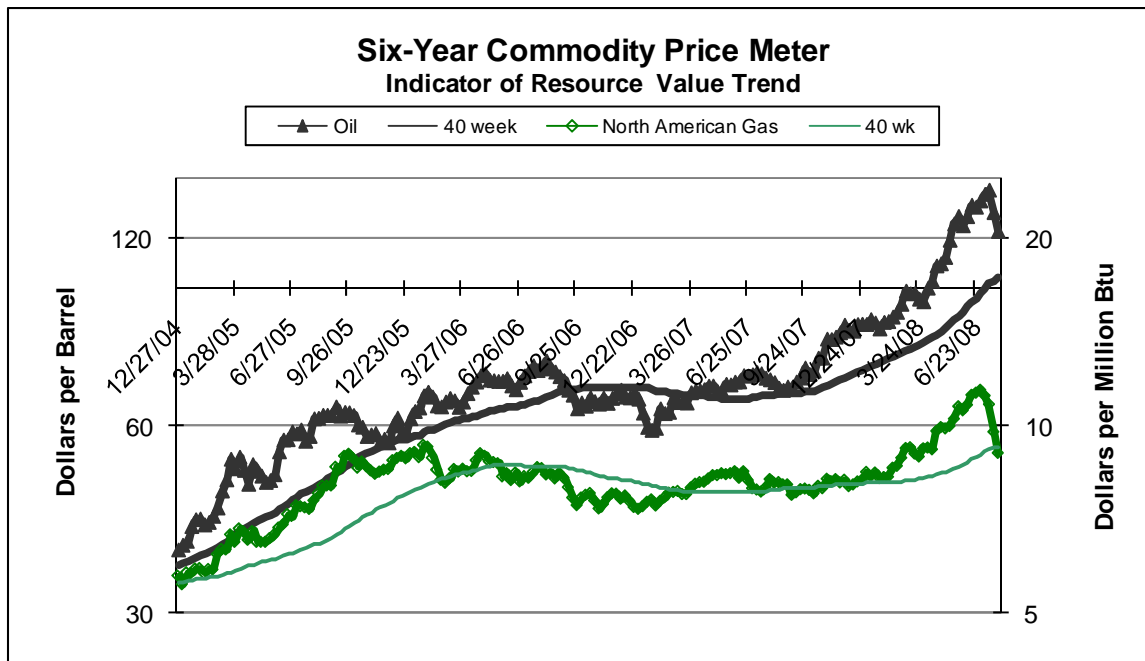
StatoilHydro ASA									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	12/31/07	3/31/08	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	6/30/09
<b>Volume</b>									
Natural gas (bcf)	393	431	366	322	393	<b>1,513</b>	427	366	<b>1,508</b>
Natural Gas (mmcf)	4,272	4,740	4,026	3,500	4,272	<b>4,133</b>	4,740	4,026	<b>4,131</b>
Days	92	91	91	92	92	<b>366</b>	90	91	<b>365</b>
Oil (mmb)	102	100	95	96	96	<b>386</b>	94	95	<b>379</b>
Oil (mbd)	1,106	1,099	1,039	1,039	1,039	<b>1,054</b>	1,039	1,039	<b>1,039</b>
Total gas & oil (mbd)	1,818	1,889	1,710	1,622	1,751	<b>1,743</b>	1,829	1,710	<b>1,728</b>
<b>Price</b>									
Natural gas (NOK/mcf)	52	58	63	44	52	<b>55</b>	58	63	<b>55</b>
Natural gas (NOK/Sm3)	1.83	2.06	2.23	1.54	1.83	<b>1.93</b>	2.06	2.23	<b>1.93</b>
<b>Oil</b>									
WTI Cushing US\$/bbl)	90.67	97.94	123.97	127.56	125.71	<b>118.80</b>	126.45	125.26	<b>126.25</b>
Kroner/\$	5.44	5.32	5.08	5.13	5.13	<b>5.17</b>	5.13	5.13	<b>5.13</b>
WTI Cushing (NOK/bbl)	493	521	630	655	645	<b>614</b>	649	643	<b>648</b>
Wellhead (NOK/bbl)	468	497	585	608	599	<b>572</b>	603	597	<b>602</b>
Total gas & oil (NOK/bbl)	407	436	504	484	482	<b>475</b>	494	512	<b>493</b>
<b>Revenue (NOKmm)</b>									
Natural Gas	20,375	25,172	23,144	14,048	20,375	<b>82,739</b>	24,895	23,144	<b>82,462</b>
Oil	47,620	49,704	55,311	58,143	57,299	<b>220,458</b>	56,385	56,472	<b>228,300</b>
Other	98,528	109,472	115,297	115,297	115,297	<b>455,362</b>	115,297	115,297	<b>461,187</b>
Total	146,148	159,176	170,608	187,487	192,971	<b>710,242</b>	196,577	194,913	<b>771,949</b>
<b>Expense</b>									
Ebitda (NOKmm)	26,819	36,093	39,639	36,095	38,837	<b>150,664</b>	40,640	39,808	<b>155,381</b>
Exploration	4,500	4,226	1,945	3,000	3,000	<b>12,171</b>	4,000	4,000	<b>14,000</b>
Deprec., Deplet., & Amort.	11,869	9,547	8,233	8,233	8,233	<b>34,246</b>	8,233	8,233	<b>32,932</b>
<b>Ebit</b>									
Ebit	10,450	22,320	29,461	24,862	27,604	<b>104,247</b>	28,407	27,575	<b>108,449</b>
Interest	-	1,167	1,320	1,320	1,320	<b>5,126</b>	1,320	1,320	<b>5,278</b>
Foreign Exchange	987	(3,412)	(729)			<b>(4,141)</b>			
<b>Ebt</b>									
Ebt	9,463	24,564	28,870	23,543	26,285	<b>103,262</b>	27,088	26,256	<b>103,170</b>
Income Tax	3,312	8,598	10,105	8,240	9,200	<b>36,142</b>	9,481	9,190	<b>36,110</b>
<b>Net Income (NOKmm)</b>									
Net Income	6,151	15,967	18,766	15,303	17,085	<b>67,120</b>	17,607	17,066	<b>67,061</b>
<b>Shares (millions)</b>									
Shares	3,187	3,187	3,186	3,200	3,200	<b>3,193</b>	3,200	3,200	<b>3,200</b>
Per share (NOK)	1.93	5.01	5.89	4.78	5.34	<b>21.02</b>	5.50	5.33	<b>20.96</b>
Ebitda Margin (E&P)	39%	48%	51%	50%	50%	<b>50%</b>	50%	50%	<b>50%</b>
Tax Rate	35%	35%	35%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>



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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	8,032	12.0	9.0	72,000	38%
Oil	22,236	5.1	5.3	117,100	62%
	30,268	7.9	6.2	189,100	100%
Debt (US\$mm)					22,700
Net Present Value (US\$mm)					166,400
Shares (mm)					3,200
Net Present Value - Standard Estimate (US\$/sh)					52
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					50





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