

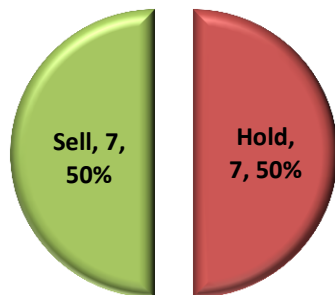


WOODSIDE PETROLEUM 2014 HALF YEAR NUMBERS

Analyst: Evan Lucas
Code: WPL

Where the market is positioned

What the brokers think of WPL



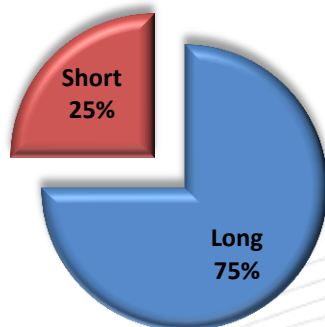
Source: Bloomberg

The market versus the brokers on WPL's share value

Previous Closing Price	Consensus Price Target	Premium or Discount
\$43.05	\$40.69	5.80% Premium

Source: Bloomberg

What IG clients think of WPL



KEY FINDINGS

1. Record numbers on the top and bottom line – in-line with estimates
2. Record prices and project consistency increasing
3. Is it all priced in as dividend

Matrix sees WPL as a NEUTRAL

Matrix Impressions

With Pluto having been online for 18 months now, the teething issues seen in the first few months have been completely ironed out, and has seen WPL experience its first full six month reporting period without disruptions. The Vincent and the NWS assets have also seen improved reliability, seeing production hit a record 46.5 million barrels of oil equivalent (Mmboe), backing the previous upping of the full-year estimates to 89 to 93 Mmboe. This, from a production point of view, is very pleasing and shows WPL's new strategic direction of being a stable producer with high shareholder returns is likely to be maintained in the near term.

The top and bottom line results are records period compared to period, and are consistent with estimates as the record numbers are supported by the ramp up in productions; capex costs sliding on projects moving into production phases; lower write-offs and more importantly the average prices for gas and oil products rising substantially.

This has translated into WPL maintaining its new mantra of returning 80% of profits to shareholders, after having changed its payout ratio policy at the end of last season. The \$1.11 is a slight kick on estimates and illustrates that WPL is willing to fully support its new strategy and that the prospect of further capital management and shareholder returns all looks possible. However, there may be some disappointment that this has not eventuated in this result; however I see that as unlikely from a share price point of view.

The overall results is very solid and stable numbers; the revenue generation looks assured over the life of Pluto, and despite the collapse of Leviathan (which I see as a benefit), WPL sees its international arm 'taking shape'. This is unlikely to quell the talk that WPL is ex-growth in the interim, however the capital management program coupled with management strength to walk away from Israel shows that when WPL does move into either an acquisition of joint venture project to ramp up growth, it will be with a very strategic view and with shareholder value in mind.

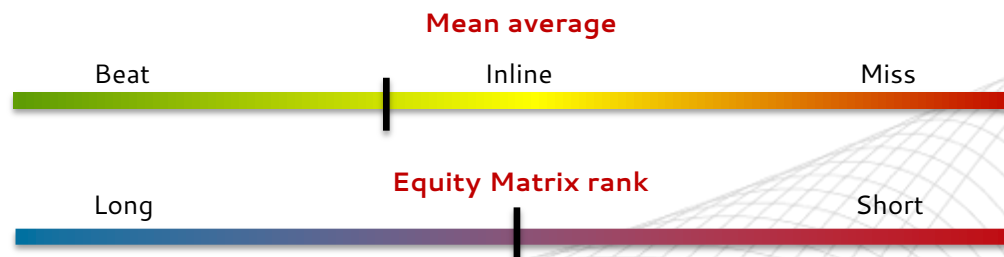
The matrix sees the results as a positive, however the fact that it is trading at a premium to its consensus price target, results look to be priced in the matrix as a NEUTRAL rating on WPL, and WPL would need to see a reweighing to see it gapping higher.

WPL 2014 HALF YEAR NUMBERS – KEY FIGURE COMPARISONS

Actual Earnings	H1CY14 actuals	H1CY13 actuals	PcP Change	Comment	I G
Revenue (m)	\$3551.0	\$2857.0	24.29%	Record half-year numbers as Pluto hits full capacity	B
Underlying Net Profit (m)	\$1136.0	\$852.0	33.33%	Higher gas and oil prices seeing profit boosted along with Pluto hitting its straps	B

Actuals Vs Consensus	H1CY14 actuals	Consensus Estimates	Diff.	Comment	I G
Revenue (m)	\$3551.0	\$3492.50	1.68%	Results in-line with estimates as Pluto has remained consistent with expectations	I
Underlying Earnings/Share	\$1.38	\$1.38	0.00%	Run rates have remained consistent, capital manage has also remained steady	I
Underlying Net Profit (m)	\$1136.0	\$1136.00	0.00%	Record profit on the back of a full six months of Pluto coupled with rising prices, all consistent with estimates	I
Dividend (HY)	\$1.11	\$1.10	0.91%	Maintains its 80% payout ratio slight kick on consensus	I

Production (Mmboe)	Actuals	2013 Comparisons	Diff.	Comment	IG
Forward Guidance	89-94	86-93	Upped	Full-year 14 numbers maintained from previous guidance which was upped on the Cy13 guidance	B
YTD Production	46.5	41.9	11%	11% increase on the corresponding half as reliability increases on teething issues at Pluto	B



IG – EQUITY MATRIX | WPL H1CY14NUMBERS 2

*Sources: Actuals – BHP Media release Consensus numbers - Bloomberg

WPL 2014 HALF YEAR NUMBERS – THE INVESTMENT CASE

Woodside Petroleum Ltd 10:00 20/08/14 H: 43.490 L: 43.170 0.190 0.44%



Technical View

The charts show WPL has maintained its uptrend, however it is currently approaching the resistance level tested in May and July. If WPL was able to break above this, it would be looking to approach the level not seen since the 2010 takeover rumours, when it rallied through %50. With the trend holding true, any pull-backs testing levels or around \$40 could be a buying opportunity as the stock remains well bid without creeping into overbought levels.

Sector View

Energy continues to be the sector with the most likely upside in both capital growth and yield expansion. Natural gas remains the best performer in the commodity space year-to-date and should see margin expansion for all major gas players, coupled with the opening of tier-one production hubs in Australia and the Pacific, which will also see the sector benefiting from stronger capital growth, increased production and stronger capital positions increasing capital management plans.

DEFINITIONS:

INLINE: The author considers a result within +/-2% of estimates or comparable actuals as INLINE and are unlikely to be seen as materially different. That is not to say that under certain circumstances a beat or miss of 2% will would not be seen as a market sensitive but it is likely to be less material than a result outside of these boundaries.

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