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Woodside Shares Extend Drop as Brokers Cut Estimates

By Angela Macdonald-Smith

Nov. 16 (Bloomberg) -- Woodside Petroleum Ltd. posted its biggest two-day decline in more than a year in Sydney trading as brokers including Citigroup Inc. and UBS AG cut profit estimates after a drop in forecast output.

Australia's second-largest oil and gas producer fell A$1.33, or 2.8 percent, to A$46.87 on the Australian Stock Exchange, the lowest for almost two months. The drop took the two-day slump to 9.9 percent, the steepest since September last year, after the company yesterday cut forecast 2008 output by as much as a fifth.

Production of oil and gas next year may be between 80 million and 86 million barrels of oil equivalent, down from a forecast a year ago of about 100 million. Exploration spending next year will fall to about A$260 million ($230 million), from A$465 million this year, Perth-based Woodside, 34 percent-owned by Royal Dutch Shell Plc, told investors yesterday in Sydney.

``Production guidance has been slashed out to 2010 and the exploration program is virtually halved,'' Di Brookman, a Sydney-based oil and gas analyst at Citigroup said in a Nov. 15 report. The firm, the largest U.S. bank by assets, lowered its recommendation on Woodside stock to ``sell'' from ``hold'' and cut its 12-month target price by 19 percent to A$46.20.

UBS reduced its estimate for Woodside's 2008 earnings per share by 7.2 percent and its 2009 estimate by 10.8 percent, citing Woodside's higher 2008 capital expenditure forecast of A$5.1 billion, and the slower start-up of the Vincent and Stybarrow oil fields in Western Australia.

`High-Quality'

UBS is still forecasting 2008 output will rise by 20 percent next year, and by 14 percent in 2009.

``Woodside continues to have a high-quality long-life asset base, which in our opinion has potential to support a solid production growth profile from a diversified portfolio,'' UBS analysts led by Melbourne-based Gordon Ramsay said in a separate Nov. 15 report. The firm retained its ``neutral'' rating on the stock.

Woodside's latest production forecasts are ``realistic,'' whereas some earlier estimates were too optimistic given delays getting hold of equipment to start up new fields and the divestment of a venture in Mauritania and an asset in Australia, Chief Executive Officer Don Voelte said today in a televised interview.

``We're seeing a slowing in the amount of labor and equipment to start up our projects,'' Voelte said. ``We've had a few asset sales where we get the money up-front instead of through production and we had one delay from a rig very late getting to one of our projects.''

`Letting Go'

The sale of Woodside's interests in Mauritania and the potential exit from other exploration ventures in Africa is driven mostly by the company's success in developing liquefied natural gas projects in Australia, Voelte said.

``It's not a failure as such, it's just that some of our projects that we started around the world in areas that aren't as vibrant as the Australian projects we're letting go,'' he said.

Merrill Lynch & Co. in a separate Nov. 15 report lowered its 2008 earnings estimate by 15 percent and its 2009 forecast by 9 percent. JPMorgan Chase & Co. trimmed its 2008 profit estimate by 2.8 percent and its 2009 projection by 13 percent, while Goldman Sachs JBWere Pty lowered its 2008 estimate by 2 percent and its 2009 estimate by 14 percent, the firms said in separate reports.

To contact the reporter on this story: Angela Macdonald-Smith in Sydney at amacdonaldsm@bloomberg.net