

Exhibit P6-10.1

Financial Information	Earthlink (ELINK)	Yahoo (YHOO)	eBay (EBAY)	Microsoft (MSFT)
2003 Shares outstanding	159,399,000	655,602,000	646,819,000	10,800,000,000
2003 Fiscal close stock price	\$ 10.00	\$ 45.03	\$ 64.61	\$ 25.64
Market capitalization	\$ 1,593,990,000	\$29,521,758,060	\$41,790,975,590	\$276,912,000,000
Short-term debt	\$ 900,000	\$ 0	\$ 2,800,000	\$ 0
Long-term debt	\$ 0	\$ 750,000,000	\$ 124,500,000	\$ 0
Cash & equivalents	\$ 349,740,000	\$ 713,539,000	\$ 1,381,513,000	\$ 6,438,000,000
Short-term investments	\$ 89,088,000	\$ 595,975,000	\$ 340,576,000	\$ 42,610,000,000
EBITDA	\$ 218,100,000	\$ 455,300,000	\$ 818,200,000	\$ 14,656,000,000
Net income	\$ (62,200,000)	\$ 237,900,000	\$ 441,800,000	\$ 9,993,000,000
Calculated EPS	(0.39)	0.36	0.68	0.93

- b. Which of the four comparable firms do you think is the best comparison firm for Google? Why?
- c. How has the stock performed since the IPO? Do you believe Google is currently correctly valued in the stock market? Why or why not?

PROBLEM 6-11

MINI-CASE**VALUING CONOCO PHILLIPS' ACQUISITION OF BURLINGTON RESOURCES²⁰**

You have recently been hired as an equity analyst by Wall Street Valuation Consultants and have been assigned the task of valuing the proposed acquisition described in the following press release:

Houston, Texas (December 12, 2005)—ConocoPhillips (NYSE: COP) and Burlington Resources Inc. (NYSE: BR) announced today they have signed a definitive agreement under which ConocoPhillips will acquire Burlington Resources in a transaction valued at \$33.9 billion. The transaction, upon approval by Burlington Resources shareholders, will provide ConocoPhillips with extensive, high quality natural gas exploration and production assets, primarily located in North America. The Burlington Resources portfolio provides a strong complement to ConocoPhillips' global portfolio of integrated exploration, production, refining and energy transportation operations,

²⁰Prepared by Betty Simkins, Oklahoma State University.

thereby positioning the combined company for future growth. (Source: http://www.conocophillips.com/NR/rdonlyres/86E7B7A6-B953-4D0D-9B45-E4F1016DD8FD/0/cop_burlingtonpressrelease.pdf)

In his letter to ConocoPhillips shareholders contained in the company's 2005 annual report, CEO Jim Mulva described the rationale for the proposed Burlington acquisition as follows:

Burlington's near-term production profile is robust and growing, plus Burlington possesses an extensive inventory of prospects and significant land positions in the most promising basins in North America, primarily onshore. With this access to high-quality, long-life reserves, the acquisition enhances our production growth from both conventional and unconventional gas resources.

Specifically, our portfolio will be bolstered by opportunities to enhance production and gain operating synergies in the San Juan Basin of the United States and by an expanded presence and better utilization of our assets in Western Canada. In addition to growth possibilities, these assets also provide significant cash generation potential well into the future.

Beyond adding to production and reserves, Burlington also brings well-recognized technical expertise that, together with ConocoPhillips' existing upstream capabilities, will create a superior organization to capitalize on the expanded asset base. We do not anticipate that the \$33.9 billion acquisition will require asset sales within either ConocoPhillips or Burlington, nor should it change our organic growth plans for the company. We expect to achieve synergies and pretax cost savings of approximately \$375 million annually, after the operations of the two companies are fully integrated.

We anticipate immediate and future cash generation from this transaction that will aid in the rapid reduction of debt incurred for the acquisition and go toward the redeployment of cash into strategic areas of growth. Burlington shareholders will vote on the proposed transaction at a meeting on March 30, 2006. (Source: <http://wh.conocophillips.com/about/reports/ar05/letter.htm>)

However, at an analysts' meeting, CEO Mulva hinted that the price ConocoPhillips paid for Burlington might be viewed as high by some:

In terms of acquisitions, mergers and acquisitions, it really becomes more and more of a seller's market and terms and conditions are not that attractive to buyers. (Source: <http://news.softpedia.com/news/ConocoPhillips-Plans-To-Acquire-Burlington-14628.shtml>)

Your task is to answer the following basic question: "Is Burlington Resources worth the \$35.6 billion offered by ConocoPhillips?" Although you are new to the exploration and production (E&P) industry, you quickly learned that the method of multiples or market-based comparables and, specifically, the ratio of enterprise value (EV) to EBITDAX are typically used as benchmarks to value E&P companies. EBITDAX stands for "earnings before interest, taxes, depreciation and amortization, and exploration expenses." EBITDAX differs from EBITDA in that it adds back exploration expenses in addition to depreciation and amortization—hence the term "EBITDAX."

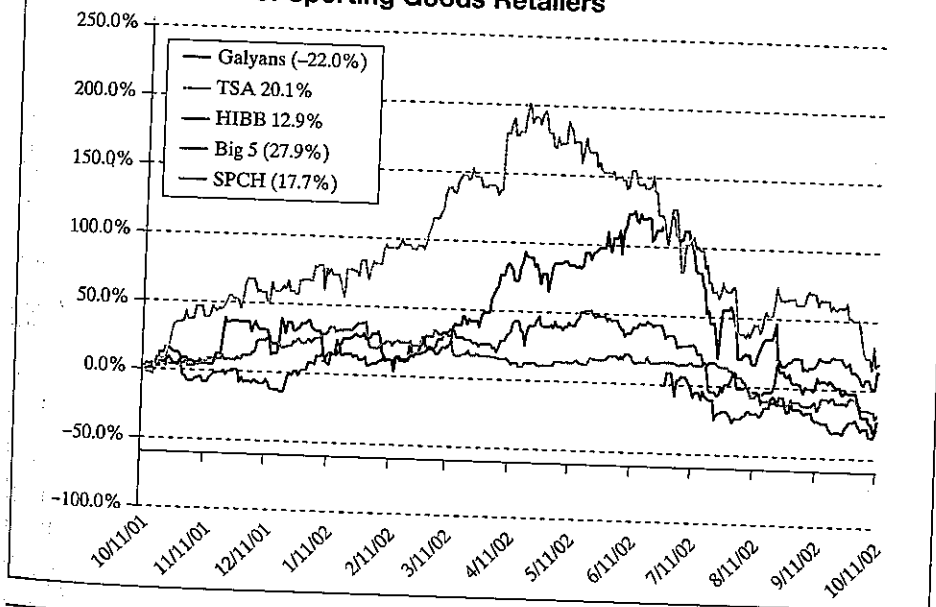
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- on Resources ew to the ex- method of mul- se value (EV) s. EBITDAX n, and explo- rations ex- ITDAX."
- Using the method of multiples based on enterprise value to EBITDAX, the P/E ratio, and the enterprise value to EBITDA ratio, what should the acquisition price be for Burlington Resources shares? Use the following companies as comparables for your analysis: Chesapeake Energy, XTO Energy, Devon Energy, and Apache. Year-end 2004 balance sheets and income statement summary information as well as market capitalization data are provided in Exhibit P6-11.1 (pp. 266-269) for Burlington Resources and each of the comparable firms.
 - Which of the four firms used as comparables do you think is the best comparison firm for Burlington Resources? Why?
 - Based on your analysis of comparables, did ConocoPhillips pay too much or find a bargain? Why or why not?
 - What additional information would help you with this analysis?

PROBLEM 6-12

MINI-CASE DICK'S SPORTING GOODS IPO²¹

Setting: It is early in October 2002 and your investment bank has been hired by the management team at Dick's Sporting Goods (DKS) to determine a valuation/offering price for their stock's initial public offering (IPO).

Exhibit P6-12.1 Latest Twelve-Month Indexed Stock Performance of Sporting Goods Retailers



²¹Prepared by Julia Plotts, University of Southern California.