

9 December 2022

Sector: Energy & Utilities

Bloomberg ticker	PTTEP TB
Recommendation	<b>HOLD</b> (maintained)
Current price	Bt172.50
Target price	Bt190.00 (maintained)
Upside/Downside	+10%
EPS revision	No change

Bloomberg target price	Bt183.70
Bloomberg consensus	Buy 14 / Hold 9 / Sell 4

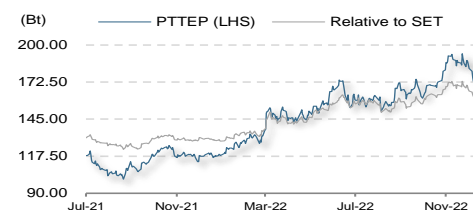
<b>Stock data</b>	
Stock price 1-year high/low	Bt195.00 / Bt115.50
Market cap. (Bt mn)	684,822
Shares outstanding (mn)	3,970
Avg. daily turnover (Bt mn)	2,382
Free float	35%
CG rating	Excellent
ESG rating	Very good

#### Financial & valuation highlights

FY: Dec (Bt mn)	2020A	2021A	2022E	2023E
Revenue	160,401	219,068	325,102	299,383
EBITDA	109,753	156,876	241,282	212,562
Net profit	22,664	38,864	68,109	69,269
EPS (Bt)	5.71	9.79	17.16	17.45
Growth	-53.6%	71.5%	75.3%	1.7%
Core EPS (Bt)	6.13	10.91	21.25	17.37
Growth	-44.9%	78.0%	94.8%	-18.2%
DPS (Bt)	4.25	5.00	8.25	8.00
Div. yield	2.5%	2.9%	4.8%	4.6%
PER (x)	30.2	17.6	10.1	9.9
Core PER (x)	28.1	15.8	8.1	9.9
EV/EBITDA (x)	6.2	4.6	3.0	3.4
PBV (x)	1.9	1.6	1.4	1.3

#### Bloomberg consensus

Net profit	22,664	38,864	73,365	71,592
EPS (Bt)	5.71	9.79	18.48	18.03



Source: Aspen

Price performance	1M	3M	6M	12M
Absolute	-10.2%	7.8%	1.5%	46.2%
Relative to SET	-9.4%	9.0%	2.5%	46.1%

#### Major shareholders

	Holding
1. PTT PCL	65.29%
2. Thai NVDR Co., Ltd.	6.76%
3. South East Asia UK (Type C) Nominees Ltd.	2.60%

Analyst: Panuwat Nivedmarintre, (Reg. no. 052365)

# PTT Exploration and Production

## New 5-year investment plan reflects both upside and downside

We reiterate our hold recommendation on PTTEP with a 2023E target price of Bt190.00, based on DCF. We assume WACC of 6.7%, no terminal growth, and unchanged long-term Dubai crude oil price at USD65.0/bbl. We have a neutral view of the company's five-year investment plan, which may provide an upside to our sales volume estimates amid a downside to capex assumptions. This was due mainly to slower-than-expected progress of G1/61 (Erawan) field. According to the new five-year investment plan, the company targets that its sales volume will accelerate in 2024E-2025E, in which the company expects to see full production from Erawan's G1/61 at 800mmscfd. Additionally, the company has earmarked a USD4.5bn CAPEX for "Beyond E&P" projects, close to the prior five-year plan. Back to the near term, we forecast that 4Q22E net profit would soften QoQ as the company has settled the dispute with Indonesia seaweed farmers relative to the Montara field with a USD129mn compensation.

We maintain our 2022E net profit forecast at Bt68.1bn (+75% YoY). We estimate that average selling price (ASP) will rise along with higher oil and gas prices. Also, sales volume should increase, on the back of startup of G1/61 field, higher output from Arthit and Oman block 61 fields, and increased participating interest in the Yadana field. In 2023E, we forecast net profit to grow a further +2% to Bt69.3bn, in an absence of provision and lower hedging losses, which should offset the potential impact of falling ASP and sales volume.

PTTEP has outperformed the SET Index by 3% in the past six months in response to a higher ASP for gas. The latest closing price reflected 2023E PBV of 1.34x, which implied +0.5 SD above its 5-year average. Given weak crude oil price trend in a short run from concern on potential global economic slowdown, we believe that the current share price is fully valued.

### Event: 5-year investment plan

□ **Higher CAPEX amid sales volume growth potential.** According to the company's new five-year investment plan, sales volume should reach 470-550kboed in 2023-27E (compared to 463-528kboed in 2022-26E). New startup includes SK405B (Sirung) in 2027E. Additionally, the company has delayed commercial operation dates (CODs) of various projects, including Southwest Vietnam (from 2H25E to 2H26E), Mozambique (from 2H25E to 1H27E), and SK410B (Lang Lebah) (from 1H26E to 2H27E). Besides, the company now targets that G1/61 and Algeria HBR fields will pump up more crude output to their full capacities in April 2024 (delayed from April 2022) and in 2H27E (from 2H26E), respectively. Note that the company has earmarked CAPEX of USD18.1bn in 2023-27E, compared to USD16.5bn in 2022-26E.

□ **4Q22E earnings expected to soften QoQ on Montara compensation provisions.** We forecast that 4Q22E net profit would soften QoQ as the company will set aside compensation provision after its subsidiary PTTEP Australasia (Ashmore Cartier) Pty Ltd (PTTEP AAA) has settled the dispute case on the class action level relative to the Montara field with AUD192.5mn (USD129mn) compensation to Indonesian seaweed farmers.

### Implication

□ **Maintain 2022-23E earnings forecast.** We estimate that average selling price (ASP) will rise along with higher oil and gas prices. Also, sales volume should increase, on the back of startup of G1/61 field, higher output from Arthit and Oman block 61 fields, and increased participating interest in the Yadana field.

In 2023E, we project net profit to grow a further +2% to Bt69.3bn in an absence of provision

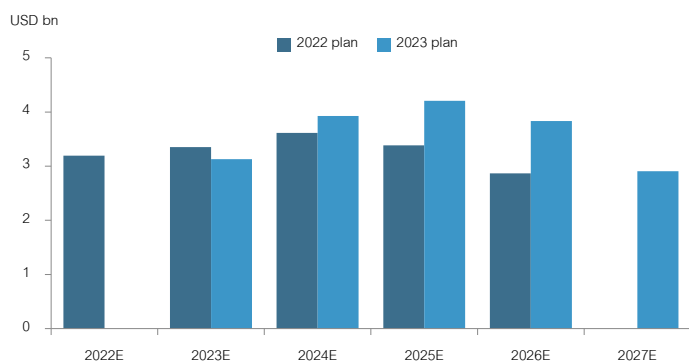
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and lower hedging losses, which should offset the potential impact of falling ASP and sales volume.

### Valuation/Catalyst/Risk

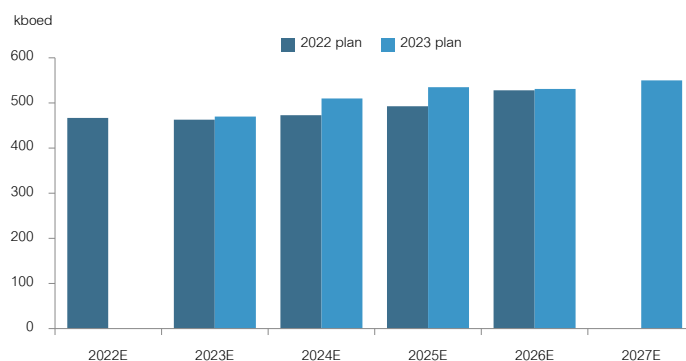
Our 2023E target price remains unchanged at Bt190.00, based on DCF (WACC of 6.7% and no terminal growth). Our long-term Dubai crude oil price assumption remains at USD65.0/bbl. We believe that the company's 4Q22E earnings will feel the impact of Montara's settlement compensation and lower ASP, tracking the global crude oil prices.

Fig 1: 5-year CAPEX (2022 plan vs 2023 plan)



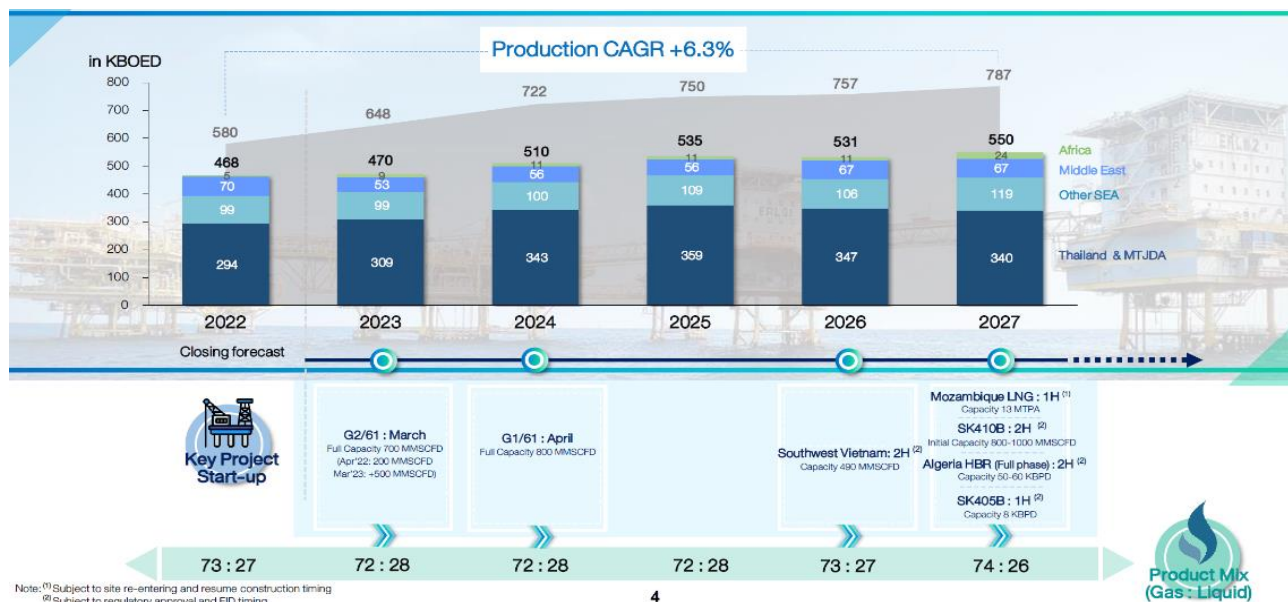
Source: Company, DAOL

Fig 2: 5-year sales volume forecast (2022 plan vs 2023 plan)



Source: Company, DAOL

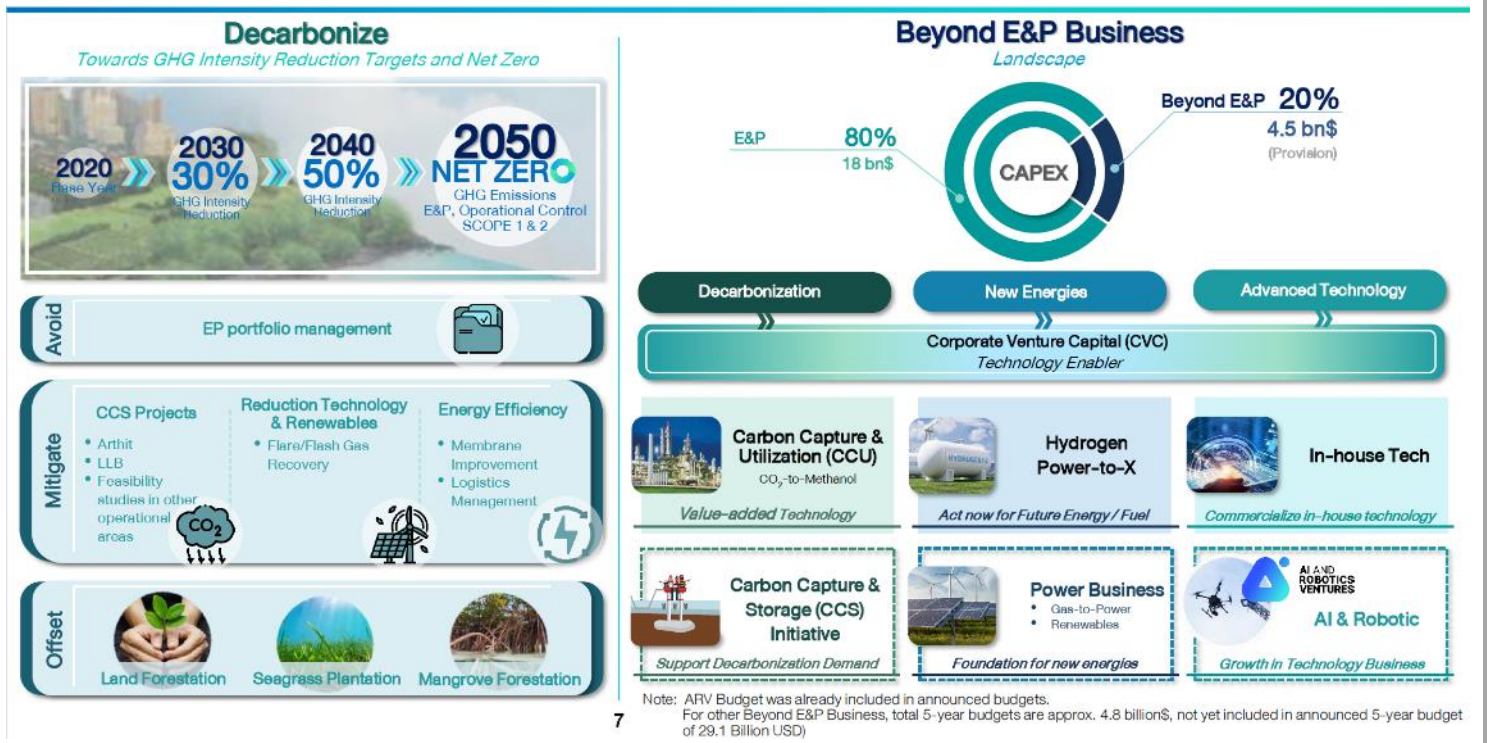
Fig 3: Production and sales volume plan (2023E-2027E)



Source: Company

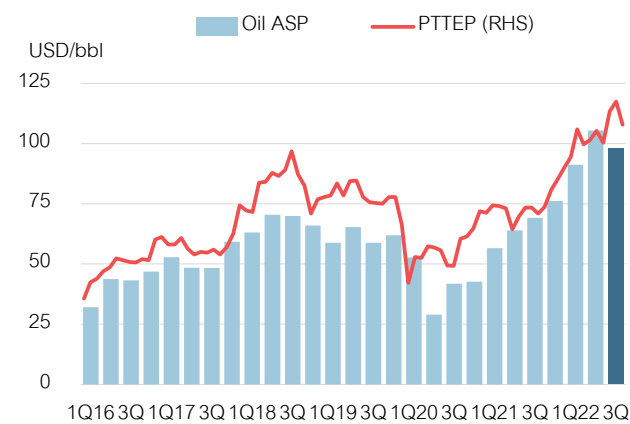
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Fig 4: Investment budget for decarbonize and Beyond E&P business



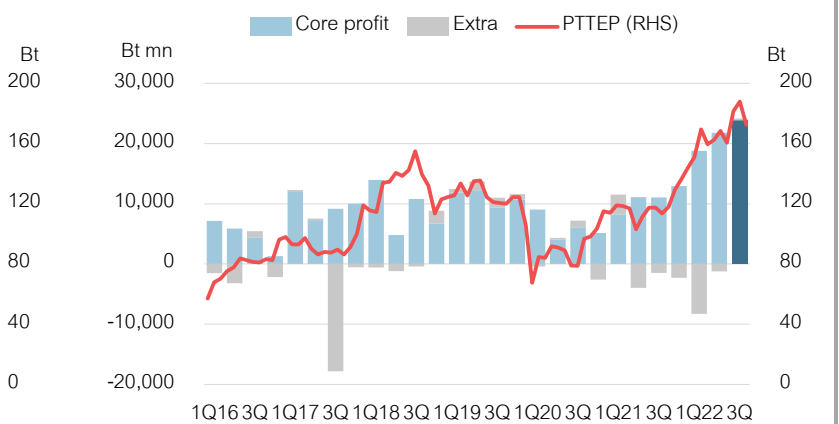
Source: Company

Fig 5: PTTEP share price vs oil ASP



Source: Company, DAOL

Fig 6: PTTEP share prices vs profits



Source: Aspen, DAOL

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### Quarterly income statement

(Bt mn)	3Q21	4Q21	1Q22	2Q22	3Q22
Sales	58,295	63,189	68,149	83,088	88,503
Cost of sales	(33,179)	(31,941)	(29,221)	(36,168)	(41,626)
Gross profit	25,116	31,247	38,928	46,920	46,877
SG&A	(2,357)	(4,190)	(3,061)	(3,865)	(2,919)
EBITDA	42,708	36,054	52,954	62,498	66,930
Finance costs	(1,712)	(1,696)	(1,718)	(2,194)	(2,270)
Core profit	10,986	11,023	18,805	21,813	23,831
Net profit	9,545	10,645	10,519	20,600	24,172
EPS	2.40	2.68	2.65	5.19	6.09
Gross margin	43.1%	49.5%	57.1%	56.5%	53.0%
EBITDA margin	73.3%	57.1%	77.7%	75.2%	75.6%
Net profit margin	16.4%	16.8%	15.4%	24.8%	27.3%

### Balance sheet

FY: Dec (Bt mn)	2019	2020	2021	2022E	2023E
Cash & deposits	85,122	111,257	85,528	91,293	79,930
Accounts receivable	29,647	23,752	33,430	45,425	41,832
Inventories	9,961	10,156	14,069	16,516	17,283
Other current assets	17,394	7,551	6,557	13,004	13,472
<b>Total cur. assets</b>	<b>142,125</b>	<b>152,716</b>	<b>139,584</b>	<b>166,238</b>	<b>152,517</b>
Investments	16,255	15,774	15,795	10,598	9,760
Fixed assets	321,501	295,491	380,307	449,996	484,022
Other assets	192,110	211,656	247,850	279,141	262,677
<b>Total assets</b>	<b>671,990</b>	<b>675,637</b>	<b>783,536</b>	<b>905,974</b>	<b>908,976</b>
Short-term loans	551	4,069	21,166	12,411	20,066
Accounts payable	3,228	26,844	36,660	39,224	41,048
Current maturities	0	0	0	0	0
Other current liabilities	58,061	25,344	46,676	41,451	38,171
<b>Total cur. liabilities</b>	<b>61,841</b>	<b>56,257</b>	<b>104,502</b>	<b>93,086</b>	<b>99,285</b>
Long-term debt	99,448	102,878	102,661	120,250	100,184
Other LT liabilities	153,642	162,091	161,022	215,380	198,341
<b>Total LT liabilities</b>	<b>253,090</b>	<b>264,969</b>	<b>263,684</b>	<b>335,630</b>	<b>298,526</b>
<b>Total liabilities</b>	<b>314,932</b>	<b>321,226</b>	<b>368,186</b>	<b>428,716</b>	<b>397,811</b>
Registered capital	3,970	3,970	3,970	3,970	3,970
Paid-up capital	3,970	3,970	3,970	3,970	3,970
Share premium	105,418	105,418	105,418	105,418	105,418
Retained earnings	264,447	266,073	287,007	322,355	359,864
Others	(16,776)	(21,049)	18,955	45,514	41,914
Minority interests	0	0	0	0	0
<b>Shares' equity</b>	<b>357,059</b>	<b>354,411</b>	<b>415,350</b>	<b>477,257</b>	<b>511,166</b>

### Cash flow statement

FY: Dec (Bt mn)	2019	2020	2021	2022E	2023E
Net profit	48,803	22,664	38,864	68,109	69,269
Depreciation	62,811	65,250	73,632	81,851	85,858
Chg in working capital	3,642	(3,029)	15,547	(23,550)	902
Others	17,905	(11,098)	(37,262)	23,067	(575)
<b>CF from operations</b>	<b>133,160</b>	<b>73,787</b>	<b>90,780</b>	<b>149,478</b>	<b>155,453</b>
Capital expenditure	(118,121)	(39,239)	(158,448)	(151,541)	(119,884)
Others	11,339	9,952	2,983	5,196	838
<b>CF from investing</b>	<b>(106,782)</b>	<b>(29,288)</b>	<b>(155,465)</b>	<b>(146,344)</b>	<b>(119,045)</b>
<b>Free cash flow</b>	<b>26,378</b>	<b>44,500</b>	<b>(64,685)</b>	<b>3,134</b>	<b>36,408</b>
Net borrowings	36,860	6,948	16,880	8,834	(12,411)
Equity capital raised	(32,214)	(1,036)	(0)	(4,982)	0
Dividends paid	(21,835)	(20,842)	(18,857)	(32,761)	(31,760)
Others	(24,551)	(3,237)	40,005	31,541	(3,601)
<b>CF from financing</b>	<b>(41,739)</b>	<b>(18,167)</b>	<b>38,028</b>	<b>2,632</b>	<b>(47,771)</b>
<b>Net change in cash</b>	<b>(15,361)</b>	<b>26,333</b>	<b>(26,657)</b>	<b>5,766</b>	<b>(11,363)</b>

### Forward PBV band



### Income statement

FY: Dec (Bt mn)	2019	2020	2021	2022E	2023E
Sales	191,053	160,401	219,068	325,102	299,383
Cost of sales	(106,881)	(106,143)	(121,069)	(150,704)	(157,710)
<b>Gross profit</b>	<b>84,172</b>	<b>54,258</b>	<b>97,999</b>	<b>174,398</b>	<b>141,673</b>
SG&A	(11,870)	(9,754)	(11,416)	(14,967)	(14,969)
<b>EBITDA</b>	<b>135,112</b>	<b>109,753</b>	<b>156,876</b>	<b>241,282</b>	<b>212,562</b>
Depre. & amortization	62,811	65,250	73,632	81,851	85,858
Equity income	380	1,307	489	1,694	1,497
Other income	4,405	2,986	2,199	4,624	4,191
<b>EBIT</b>	<b>72,301</b>	<b>44,503</b>	<b>86,582</b>	<b>159,431</b>	<b>126,704</b>
Finance costs	(7,291)	(7,956)	(6,472)	(8,426)	(8,220)
Income taxes	(25,626)	(15,870)	(39,493)	(72,967)	(55,204)
<b>Net profit before MI</b>	<b>48,803</b>	<b>22,664</b>	<b>38,864</b>	<b>68,109</b>	<b>69,269</b>
Minority interest	0	0	0	0	0
<b>Core profit</b>	<b>44,169</b>	<b>24,334</b>	<b>43,305</b>	<b>84,355</b>	<b>68,969</b>
Extraordinary items	4,633	(1,670)	(4,441)	(16,246)	300
<b>Net profit</b>	<b>48,803</b>	<b>22,664</b>	<b>38,864</b>	<b>68,109</b>	<b>69,269</b>

### Key ratios

FY: Dec (Bt mn)	2019	2020	2021	2022E	2023E
<b>Growth YoY</b>					
Revenue	11.2%	-16.0%	36.6%	48.4%	-7.9%
EBITDA	8.2%	-18.8%	42.9%	53.8%	-11.9%
Net profit	34.8%	-53.6%	71.5%	75.3%	1.7%
Core profit	21.7%	-44.9%	78.0%	94.8%	-18.2%
<b>Profitability ratio</b>					
Gross profit margin	44.1%	33.8%	44.7%	53.6%	47.3%
EBITDA margin	70.7%	68.4%	71.6%	74.2%	71.0%
Core profit margin	23.1%	15.2%	19.8%	25.9%	23.0%
Net profit margin	25.5%	14.1%	17.7%	21.0%	23.1%
ROA	7.3%	3.4%	5.0%	7.5%	7.6%
ROE	13.7%	6.4%	9.4%	14.3%	13.6%
<b>Stability</b>					
D/E (x)	0.88	0.91	0.89	0.90	0.78
Net D/E (x)	0.47	0.43	0.43	0.51	0.43
Interest coverage ratio	9.92	5.59	13.38	18.92	15.41
Current ratio (x)	2.30	2.71	1.34	1.79	1.54
Quick ratio (x)	1.86	2.40	1.14	1.47	1.23
<b>Per share (Bt)</b>					
Reported EPS	12.29	5.71	9.79	17.16	17.45
Core EPS	11.13	6.13	10.91	21.25	17.37
Book value	89.94	89.27	104.62	120.22	128.76
Dividend	6.00	4.25	5.00	8.25	8.00
<b>Valuation (x)</b>					
PER	14.03	30.22	17.62	10.05	9.89
Core PER	15.50	28.14	15.81	8.12	9.93
P/BV	1.92	1.93	1.65	1.43	1.34
EV/EBITDA	5.18	6.20	4.61	3.01	3.41
Dividend yield	3.5%	2.5%	2.9%	4.8%	4.6%

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## Corporate governance report of Thai listed companies 2021

### CG rating by the Thai Institute of Directors Association (Thai IOD)

Score	Symbol	Description	ความหมาย
90-100		Excellent	ดีเลิศ
80-89		Very Good	ดีมาก
70-79		Good	ดี
60-69		Satisfactory	ดีพอใช้
50-59		Pass	ผ่าน
< 50	No logo given	n.a.	n.a.

### IOD disclaimer

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information that companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("listed companies") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

### DAOL SEC's stock rating definition

- BUY** The stock's total return is expected to exceed 10% over the next 6-12 months. The stock has good fundamentals and attractive valuations.
- HOLD** The stock's total return is expected to be between 0% and 10% over the next 6-12 months. The stock has good fundamentals but may lack near-term catalysts or its valuations are not attractive.
- SELL** The stock's total return is expected to fall below 0% or more over the next 6-12 months. Stock should be sold as negative total return is anticipated due to deteriorating fundamentals compared with its valuations.

The stock's expected total return is the percentage difference between the target price and the current price, which excludes dividend yields.

### ESG rating (ESG: Environmental, Social, and Governance)

DAOL SEC believes environment, social and governance (ESG) practices will help determine the sustainability and future financial performance of companies. We thus incorporate ESG into our valuation model.

- Environment.** Environment factors relate to corporate responsibility for its actions and how it manages its impact on the environment. DAOL SEC analyzes revenue, which exposes to environment risks and opportunities.
- Social.** Social factors deal with company's relationship with its employees and vendors. That also includes company's initiatives related to employee health and well-being, as well as community involvement. DAOL SEC's evaluation on social practices is based on Bloomberg, which measure from company's social responsibility news.
- Governance.** Corporate government factors include company's transparency, decision-making structure, concrete risk assessment method, treatment of minority shareholders and anti-corruption practices. DAOL SEC conduct this analysis based on IOD's scores.

#### DAOL SEC's ESG ratings score from 1-5

1. Excellent scores at 5
2. Very Good scores at 4
3. Good scores at 3
4. Satisfactory scores at 2
5. Pass scores at 1

DAOL SEC provides "n.a." in cases of insufficient data.