

COMPANY UPDATE

PTT Exploration & Production (PTTEP TB)

Increases In ASP And Sales Bolster Net Profit For 2Q24

We expect PTTEP to report a net profit of Bt21.4b for 2Q24, up qoq and yoy, driven by higher sales volume and increased ASP. However, the core profit in 3Q24 is expected to decline qoq due to low sales volume and increased unit costs. We also foresee PTTEP lowering its sales volume forecast for 2024. Additionally, close monitoring of the Mozambique project remains necessary. Maintain BUY. Target price: Bt200.00.

2024 RESULTS PREVIEW

Year to 31 Dec (Btm)	2Q23	1Q24	2Q24F	chg. %yoy	chg. %qoq	6M23	6M24F	chg. %yoy
Revenue	67,479	75,737	87,573	30%	16%	142,972	163,310	14%
EBITDA	49,181	55,924	56,958	16%	2%	110,967	112,882	2%
Core Profit	19,759	19,185	21,672	10%	13%	39,793	40,857	3%
Net Profit	21,036	18,683	21,362	2%	14%	40,318	40,045	-1%
EPS	5.30	4.71	5.38	2%	14%	10.16	10.09	-1%
Gross Profit Margin (%)	60.0	58.5	55.8			60.0	51.9	
EBITDA Margin (%)	75.6	72.9	70.6			77.6	69.1	
Net profit margin (%)	27.3	31.2	23.1			28.2	24.5	

Source: PTT Exploration & Production, UOB Kay Hian

WHAT'S NEW

- We expect an increase in qoq and yoy net profit in 2Q24. We expect PTT Exploration & Production (PTTEP) will post a net profit of Bt21.4b for 2Q24, up 14% qoq and 2% yoy. Non-recurring items had minimal impact on 2Q24 operating results, leading us to expect a core profit of Bt21.7b for 2Q24, up 13% qoq and 10% yoy. This is due to several factors:
 - The total sales volume reached 508 thousand barrels per day (KBD), up 7% qoq and 14% yoy, from the Erawan and Algeria Hassi Bir Rekaiz (HBR) projects. Notably, the Erawan project operated at its full production capacity of 800 million cubic feet per day (MMSCFD) for the first full quarter in 2Q24. However, total sales volume fell short of PTTEP's guidance of 514 KBD, partly because sales in Malaysia underperformed targets due to scheduled maintenance at the SK309 and SK311 field.
 - The ASP was US\$47.8/bbl, up 1% qoq and 5% yoy. The gas sales price remained steady at US\$5.9/Metric Million British Thermal Unit (MMBTU), while the liquid oil price rose to US\$83.2/bbl, up 5% qoq and 13% yoy.
 - Revenue recognition increased from the Pipeline Transportation business, and new revenue began to be recognised from the Seagreen offshore wind farm project in Scotland, starting from 31 May 24.
 - The unit cost was stable qoq at US\$29/bbl but increased by 10% yoy due to accelerated production at the Erawan project.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	331,350	300,694	319,617	345,503	352,148
EBITDA	253,734	232,446	251,346	273,102	281,601
Operating profit	170,566	151,124	142,122	150,888	150,097
Net profit (rep./act.)	70,901	76,705	79,400	84,167	83,747
Net profit (adj.)	90,721	78,654	79,400	84,167	83,747
EPS (Bt)	22.9	19.8	20.0	21.2	21.1
PE (x)	6.7	7.7	7.6	7.2	7.2
P/B (x)	1.4	1.3	1.2	1.1	1.0
EV/EBITDA (x)	2.6	2.8	2.6	2.4	2.3
Dividend yield (%)	6.1	6.2	6.6	7.2	7.2
Net margin (%)	21.4	25.5	24.8	24.4	23.8
Net debt/(cash) to equity (%)	2.3	(1.6)	9.0	11.8	11.2
Interest cover (x)	30.9	22.7	25.1	25.2	26.0
ROE (%)	16.7	16.6	15.8	15.5	14.2
Consensus net profit	-	-	75,631	70,578	65,702
UOBKH/Consensus (x)	-	-	1.05	1.19	1.27

Source: PTT Exploration & Production, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt152.50
Target Price	Bt200.00
Upside	+31.1%

COMPANY DESCRIPTION

PTTEP explores for crude oil and natural gas, develops fields for production.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PTTEP TB
Shares issued (m):	3,970.0
Market cap (Btm):	605,422.8
Market cap (US\$m):	16,557.9
3-mth avg daily t'over (US\$m):	35.6

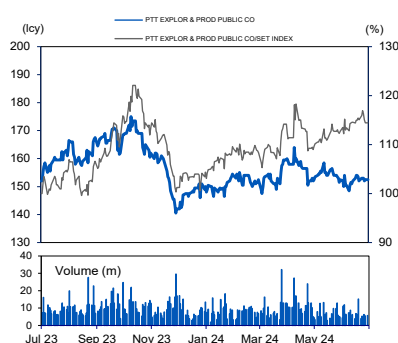
Price Performance (%)

52-week high/low	Bt175.00/Bt140.50				
1mth	3mth	6mth	1yr	YTD	
(0.3)	(4.4)	1.0	(0.3)	2.0	

Major Shareholders

	%
PTT	64.8
NVDR	6.2
Social Security Office	2.0
FY24 NAV/Share (Bt)	131.52
FY24 Net Debt/Share (Bt)	11.83

PRICE CHART



Source: Bloomberg

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e) Non-recurring items included a minor loss, with PTTEP experiencing a foreign exchange gain of Bt\$25m, which was offset by a US\$30m write-off of the Oliver project in Australia. The hedging loss for 2Q24 was insignificant.

STOCK IMPACT

- **Core profit for 3Q24 to decline qoq due to reduced sales.** We expect that core profit for 3Q24 will decrease qoq due to a reduction in sales. We expect total sales volume for 3Q24 to be 490 KBD, down 3% qoq but up 5% yoy. The qoq decrease is primarily due to planned maintenance at the Bongkot and Contract 4 fields. Additionally, unit costs are projected to rise further from US\$29/bbl in 2Q24. Consequently, we estimate core profit for 3Q24 to be between Bt19b to Bt20b, down 8-10% qoq. The sales volume in 2Q24 was below the target, which leads us to believe that the 2024 sales target of 509 KBD, as per PTTEP's guidance, is likely to be revised downward.
- **The Mozambique project requires ongoing monitoring through the end of 2024.** TOTAL E&P Mozambique Area 1 Limitada, the operator of the Mozambique project (with PTTEP holding 8.5% ownership), is currently facing delays in resuming operations. PTTEP expects access to the project area to be granted by 3Q24 or by the end of 2024 at the latest, with ongoing close monitoring of the situation. If TOTAL continues to be unable to enter the construction area throughout 2024, there is a possibility of additional impairments from the Mozambique project, similar to previous years. PTTEP previously recorded impairments for the Mozambique project in 4Q21 (US\$163m), 4Q22 (US\$190m), and 4Q23 (US\$120m).
- **PTTEP prepared to increase investments in Yadana project.** The Yadana project is experiencing a decline in gas production, down from 770 MMSCFD in 2023 to 570 MMSCFD in 2024, with an anticipated further decrease to 400 MMSCFD by 2025. Despite this, PTTEP plans to extend and expand the project's contract. PTTEP currently operates as the producer and holds a total ownership stake of 62.96% in the Yadana project. The original Production Sharing Contract (PSC) is set to expire between 2028-29.

EARNINGS REVISION/RISK

- **Earnings revision:** None.

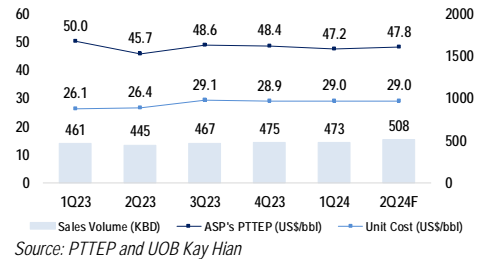
VALUATION/RECOMMENDATION

- **Maintain BUY with target price of Bt200.00**, based on average five-year regional forward PE of 10x. PTTEP will continue to benefit from strong crude oil prices. Our top picks in the oil and gas sector are PTT Exploration and Production (PTTEP TB/BUY/Target: Bt200.00), Bangchak Corporation (BCP TB/BUY/Target: Bt52.00), and Bangchak Sriracha (BSRC TB/BUY/Target: Bt15.00).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<p>CG Report: 5 SET ESG Rating: AAA</p>
<p>• Environmental</p> <p>a) Carbon capture and storage: PTTEP is leading Thailand's first carbon capture project, set for completion by 2026. This project is key to PTTEP's plan to reach carbon neutrality by 2050 and net-zero emissions by 2065, focusing on reducing oil production emissions with potential for broader industry applications.</p> <p>b) Renewable energy investments: PTTEP has invested in a 25.5% stake in Scotland's Seagreen Offshore Wind Farm. This investment is part of their strategy to shift to cleaner energy, aiming to cut their carbon footprint and diversify their energy sources.</p>
<p>• Social</p> <p>a) Community engagement: PTTEP invests in education, healthcare, and infrastructure in its operating regions to improve quality of life and support sustainable development.</p> <p>b) Employee welfare: PTTEP prioritises fair labour, safety and continuous training to ensure a safe and supportive work environment for its employees.</p>
<p>• Governance</p> <p>a) Supplier ESG assessment: PTTEP requires suppliers to meet strict ESG criteria, including business ethics, safety, and environmental impacts, to ensure sustainable and ethical procurement.</p> <p>b) ESG risk management: PTTEP maintains a strong ESG risk management framework with regular assessments to comply with international standards and address operational risks, as reflected in its Sustainalytics ESG rating.</p>

KEY STATISTICS



DIVERSIFY FOR THE FUTURE

Advanced Technology
 AI & Robotics: Scale up AI/Robotics through AI/ML core & 2 subsidiaries

Low Carbon Business
 Offshore Renewables: Build power portfolio to support future energy transition
 CCUS&H: Build domestic, natural and justifying strategic entry international
 Hydrogen: Build capabilities to support business expansion

Source: PTTEP and UOB Kay Hian

SEAGREEN OFFSHORE WIND FARM

PTTEP will hold 25.5% after completion (PTTEP's share 2024/25)

Low-risk asset with Stable cashflow with 15-year guarantee on turbine performance and 15-year fixed price

1.1GW Total Capacity

114 Vestas Offshore Wind Turbine 10MW generating capacity each

Fully operational in October 2023

2 MMtCO2e GHG Emission displaced compared with emission from electricity generated by fossil fuels every year

27 km from Angus Coast, Scotland 40-60m Water depth

Source: PTTEP and UOB Kay Hian

2024 FOCUS AREAS

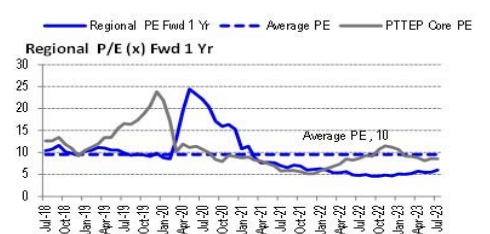
Drive Value
 New Budget: \$3.5 Billion
 Maximize production & maintain competitive unit cost
 O/EI: Ramp-up to 800 MMSCFD by 1 April 2024 and Q4 of Natural Energy
 Contracts extension: Yadana, Contract 4
 Maximize Production from Marginal Assets

Decarbonize
 New Budget: \$600 Million
 EP Net Zero 2050
 ArctiL CCS-FFD
 Emission Offsetting & Ocean for Life

Diversify
 New Budget: \$2 Billion
 Scale-up AI & Robotics Ventures
 CC&H as a Service (CC&H-Sub-Units)
 Power and Renewable Opportunity
 Green Hydrogen / Offshore Wind

Source: PTTEP and UOB Kay Hian

FIVE-YEAR REGIONAL FORWARD PE BAND



PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	300,694	319,617	345,503	352,148
EBITDA	232,446	251,346	273,102	281,601
Deprec. & amort.	81,322	109,224	122,214	131,505
EBIT	151,124	142,122	150,888	150,097
Associate contributions	1,477	1,550	1,628	1,709
Net interest income/(expense)	(10,243)	(10,002)	(10,820)	(10,820)
Pre-tax profit	140,408	133,670	141,696	140,986
Tax	(63,704)	(54,271)	(57,529)	(57,241)
Minorities	0	0	0	2
Net profit	76,705	79,400	84,167	83,747
Net profit (adj.)	78,654	79,400	84,167	83,747

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	151,851	135,580	200,678	213,254
Pre-tax profit	140,408	133,670	141,696	140,986
Tax	(63,704)	(54,271)	(57,529)	(57,241)
Deprec. & amort.	81,322	109,224	122,214	131,505
Working capital changes	(22,089)	(53,043)	(5,702)	(1,996)
Other operating cashflows	15,914	0	0	0
Investing	(82,447)	(152,533)	(181,565)	(173,032)
Investments	(76,751)	(151,060)	(179,550)	(172,515)
Others	(5,696)	(1,473)	(2,015)	(517)
Financing	(51,416)	(47,327)	(39,040)	(41,384)
Dividend payments	(36,720)	(37,715)	(39,040)	(41,384)
Proceeds from borrowings	(14,696)	(9,612)	0	0
Net cash inflow (outflow)	17,988	(64,279)	(19,927)	(1,162)
Beginning cash & cash equivalent	122,324	137,542	73,262	53,336
Changes due to forex impact	(2,770)	0	0	0
Ending cash & cash equivalent	137,542	73,262	53,336	52,174

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	440,271	482,107	539,443	580,454
Other LT assets	227,750	241,467	260,231	265,048
Cash/ST investment	137,542	73,262	53,336	52,174
Other current assets	97,259	106,129	115,176	117,998
Total assets	902,821	902,966	968,186	1,015,673
ST debt	9,612	0	0	0
Other current liabilities	78,978	34,806	38,150	38,976
LT debt	120,225	120,225	120,225	120,225
Other LT liabilities	194,563	206,807	223,557	227,856
Shareholders' equity	480,462	522,147	567,274	609,633
Total liabilities & equity	902,821	902,966	968,186	1,015,673

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	77.3	78.6	79.0	80.0
Pre-tax margin	46.7	41.8	41.0	40.0
Net margin	25.5	24.8	24.4	23.8
ROA	8.7	8.8	9.0	8.4
ROE	16.6	15.8	15.5	14.2
Growth				
Turnover	(9.3)	6.3	8.1	1.9
EBITDA	(8.4)	8.1	8.7	3.1
Pre-tax profit	(1.9)	(4.8)	6.0	(0.5)
Net profit	8.2	3.5	6.0	(0.5)
Net profit (adj.)	(13.3)	0.9	6.0	(0.5)
EPS	(13.3)	0.9	6.0	(0.5)
Leverage				
Debt to total capital	20.6	18.2	17.0	16.1
Debt to equity	27.0	23.0	21.2	19.7
Net debt/(cash) to equity	(1.6)	9.0	11.8	11.2
Interest cover (x)	22.7	25.1	25.2	26.0

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