

PTT Exp. & Production (PTTEP TB) - BUY, Price Bt107.5, TP Bt140 | Results Comment

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Strong 2Q21 results, in line

- PTTEP reported 2Q21 net profit of US\$222m (EPS US\$0.06/sh) or THB 7.1bn (EPS THB 1.8/sh), +66% y-y, -41% q-q. Excluding non-operating items, profit from normal operation was US\$349m (THB 11.1bn, EPS Bt2.8/sh), up 171% y-y and 28% q-q. The result was in line with our expectation. BUY.
- Sales volume:** Sales volume grew 36% y-y and 16% q-q to 443KBOED thanks to new project start-up (Malaysia) and acquisition impact (Oman). Thailand portion fell to 62% from 72% in 1Q21 as a result. By mix, gas/liquid was 72%/28%.
- ASP:** Gas ASP was \$5.59/mmbtu, roughly unchanged q-q but down 12% y-y due to lagged gas price adjustment following lower average oil price. Liquid ASP was \$63.98/bbl, roughly a \$3/bbl discount to Dubai oil price which was in line with expectation. Blended ASP was \$42.19, +4% q-q and 21% y-y.
- Unit cost:** Unit production cost fell to \$27.24/BOE, down 3% q-q and 10% y-y likely due to increased mix of low-cost areas including Malaysia and Oman. Exploration expense was still low at just \$0.19/BOE.
- Non-operating items.** Losses from non-operating items totaled \$127m mainly from oil hedging.
- Guidance upgrades:** PTTEP guides for 3Q21 volume of 405KBOED and upgrade full-year volume to 412KBOED from previous guidance of 405KBOED. Gas price for 2021F is also revised up to \$5.7 from \$5.6 per mmbtu previously. Cost guidance is unchanged at \$28-29/BOE.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	34,028	39,263	40,124	42,754	54,830	Revenue	28	61	50	194,953	221,410
Gross profit	9,129	13,906	15,158	17,600	24,490	Gross profit	39	168	59	71,633	86,574
SG&A	1,980	2,160	3,564	2,269	2,600	SG&A	15	31	42	11,527	13,766
Operating profit	7,149	11,747	11,595	15,331	21,890	Operating profit	43	206	62	60,106	72,808
EBITDA	22,725	27,869	28,368	31,888	41,636	EBITDA	31	83	55	133,525	152,614
Other income	633	465	522	508	793	Other income	56	25	41	3,152	3,295
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	1,945	1,936	2,046	1,453	1,611	Interest expense	11	(17)	29	10,686	12,356
Profit before tax	5,837	10,276	10,070	14,386	21,072	Profit before tax	46	261	67	52,571	63,747
Income tax	1,694	4,377	5,708	5,801	10,063	Income tax	73	494	94	16,823	22,311
Equity & invest. income	(53)	144	777	64	88	Equity & invest. income	37	na	69	220	220
Minority interests	0	0	0	0	0	Minority interests			na	0	0
Extraordinary items	233	1,159	(2,612)	2,885	(3,957)	Extraordinary items	na	na	na	0	0
Net profit	4,323	7,202	2,527	11,534	7,140	Net profit	(38)	65	52	35,968	41,656
Normalized profit	4,090	6,043	5,139	8,649	11,097	Normalized profit	28	171	55	35,968	41,656
EPS (Bt)	1.09	1.81	0.64	2.91	1.80	EPS (Bt)	(38)	65	52	9.06	10.49
Normalized EPS (Bt)	1.03	1.52	1.29	2.18	2.80	Normalized EPS (Bt)	28	171	55	9.06	10.49

Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	95,448	110,529	114,261	56,268	59,298	Sales growth	(28.4)	(16.1)	(25.5)	(9.0)	61.1
A/C receivable	19,085	21,292	23,752	24,903	27,353	Operating profit growth	(62.9)	(29.5)	(37.2)	(9.6)	206.2
Inventory	10,732	10,818	10,156	12,077	13,530	EBITDA growth	(33.8)	(13.9)	(21.1)	(5.5)	83.2
Other current assets	10,502	6,463	4,547	8,921	7,969	Norm profit growth	(66.7)	(35.4)	(55.2)	(4.6)	171.3
Investment	13,948	13,410	13,523	13,646	13,961	Norm EPS growth	(66.7)	(35.4)	(55.2)	(4.6)	171.3
Fixed assets	311,361	313,103	295,491	376,034	375,772	Gross margin	26.8	35.4	37.8	41.2	44.7
Other assets	211,363	217,962	213,908	238,436	246,730	Operating margin	21.0	29.9	28.9	35.9	39.9
Total assets	672,438	693,578	675,637	730,284	744,614	EBITDA margin	66.8	71.0	70.7	74.6	75.9
S-T debt	0	0	4,512	4,698	6,411	Norm net margin	12.0	15.4	12.8	20.2	20.2
A/C payable	21,872	23,751	26,844	27,049	29,422	D/E (x)	0.3	0.3	0.3	0.3	0.3
Other current liabilities	19,572	22,965	24,901	34,542	48,967	Net D/E (x)	0.0	(0.0)	(0.0)	0.1	0.1
L-T debt	104,975	106,964	102,878	106,235	93,102	Interest coverage (x)	11.7	14.4	13.9	21.9	25.8
Other liabilities	164,889	169,459	162,091	176,967	181,404	Interest rate	8.7	7.3	7.6	5.3	6.1
Minority interest	0	0	0	0	0	Effective tax rate	29.0	42.6	56.7	40.3	47.8
Shareholders' equity	361,131	370,438	354,411	380,793	385,308	ROA	2.3	3.5	3.0	4.9	6.0
Working capital	7,945	8,359	7,064	9,931	11,461	ROE	4.4	6.6	5.7	9.4	11.6
Total debt	104,975	106,964	107,390	110,933	99,513						
Net debt	9,527	(3,564)	(6,871)	54,666	40,215						

Sources: Company data, Thanachart estimates

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