**HOLD** (Unchanged)

**Change in Numbers**

**TP: Bt 126.00** (From: Bt 104.00 )

**Upside : 7.2%**

**5 MAY 2021**

# PTT Exp & Production Pcl (PTTEP TB)


**CHAK REUNGSINPINYA**
662-779-9104
chak.reu@thanachartsec.co.th


## Recovery looks priced in


**We maintain our HOLD call on PTTEP but raise our TP to Bt126 from Bt104 as we assume higher oil prices and roll forward our valuation. While PTTEP looks set to deliver a strong earnings recovery, we think this growth looks priced in with the stock trading at 14x 2021F PE. We prefer PTTGC for Thailand energy exposure.**


Thanachart Securities

### Unattractive value in our view

We do not view PTTEP as attractively valued. Even with our oil price, gas price and volume upgrades (reflecting new acquisitions), the stock still trades on 14x and 13x 2021-22F PE. This is more expensive than PTT Global Chemical (PTTGC TB, BUY, Bt66.75), our top pick among larger-cap names. It is also well above historical levels. Given that we see limited potential upside to current oil prices, we maintain our HOLD rating.

### Oil price upgrades but limited upside risk

We upgrade our oil price assumption to $60/bbl in 2021-22F compared to $47-50/bbl previously. Our higher oil price assumption for PTTEP reflects OPEC+ supply management, slower growth in US production, and a potential demand recovery. Still, we remain concerned about the demand-supply outlook, particularly with the ongoing COVID outbreak and the OPEC+ plan to ramp up production.

### Volume growth a key driver

For PTTEP, volume growth will likely be a key driver for the rest of this year and into 2022F. We estimate volume growth of 13%/14%/5% in 2021-23F driven by acquisitions and new project start-ups. In our view, PTTEP made a well-timed purchase of Oman Block 61, which was completed at the end of March. This project should help boost PTTEP's volume by as much as 30-50KBOED in 2021-22F and account for much of the growth in these two years. We think the company can do more on the acquisition front, though with oil prices rising, purchase prices may not be as attractive as for the deals that it made over the past 12 months.

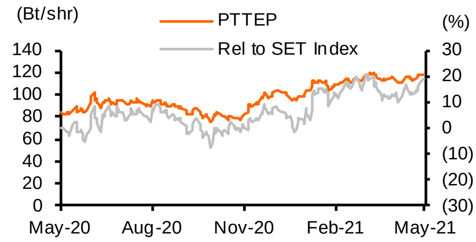
### Major overhangs on future projects

Our main concern for PTTEP is project execution. Firstly, we see a risk that the Mozambique LNG project (in which PTTEP holds an 8.5% stake) may be postponed further given the security situation in the area. This may eventually result in asset impairment. Another project of concern is the Erawan project in Thailand where PTTEP is set to take over operatorship from Chevron in just over a year's time. Disputes between Chevron and the Department of Mineral Fuels mean PTTEP cannot access the sites. This may impact production when it finally takes over. Lastly, the political unrest in Myanmar casts doubt on PTTEP's growth potential in the country. Previously, management had pinned its hopes on a gas-to-power project but we believe it may be a while yet before this project can proceed. Together, production from these projects makes up as much as 120kbd in 2024F on our forecast or about a quarter of PTTEP's sales volume in that year.

### COMPANY VALUATION

| Y/E Dec (Bt m) | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|
| Sales | 160,401 | 189,049 | 216,189 | 215,320 |
| Net profit | 22,664 | 32,566 | 36,650 | 37,738 |
| Consensus NP | — | 35,234 | 41,040 | 40,824 |
| *Diff frm cons (%)* | — | *(7.6)* | *(10.7)* | *(7.6)* |
| Norm profit | 21,397 | 32,566 | 36,650 | 37,738 |
| Prev. Norm profit | — | 17,536 | 21,971 | 26,051 |
| *Chg frm prev (%)* | — | *85.7* | *66.8* | *44.9* |
| Norm EPS (Bt) | 5.4 | 8.2 | 9.2 | 9.5 |
| Norm EPS grw (%) | (56.2) | 52.2 | 12.5 | 3.0 |
| Norm PE (x) | 21.8 | 14.3 | 12.7 | 12.4 |
| EV/EBITDA (x) | 4.2 | 4.1 | 3.7 | 3.6 |
| P/BV (x) | 1.3 | 1.3 | 1.2 | 1.2 |
| Div yield (%) | 3.6 | 4.2 | 4.7 | 4.9 |
| ROE (%) | 6.0 | 9.0 | 9.7 | 9.6 |
| Net D/E (%) | (1.9) | 21.0 | 22.6 | 19.7 |

### PRICE PERFORMANCE




### COMPANY INFORMATION

| | |
|---|---|
| Price *as of* 5-May-21 (Bt) | 117.50 |
| Market Cap (US$ m) | 14,996.2 |
| Listed Shares (m shares) | 3,970.0 |
| Free Float (%) | 35.2 |
| Avg Daily Turnover (US$ m) | 42.4 |
| 12M Price H/L (Bt) | 119.50/75.00 |
| Sector | Energy |
| Major Shareholder | PTT Pcl 63.79% |

Sources: Bloomberg, Company data, Thanachart estimates

## Not bullish on oil demand-supply prospects

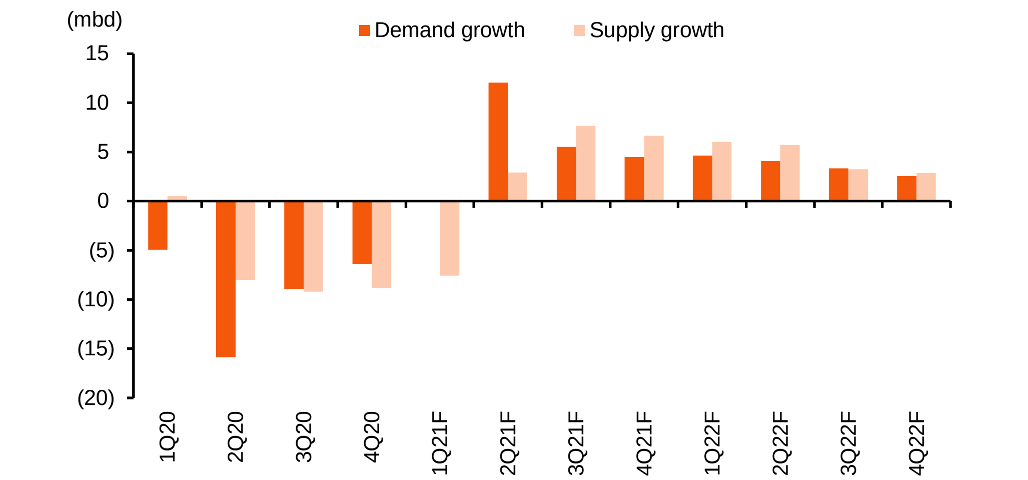
*We expect demand growth to hinge on the COVID containment efforts*

We are not particularly bullish on the oil demand-supply outlook. We believe demand growth hinges on 2H21F improvements in global COVID containment efforts. However, large population centers, such as South Asia (India, in particular) and South America (Brazil) are still grappling with COVID with record-high daily cases and deaths. We also think demand recoveries in developed markets may be slower than major agencies are forecasting. For one thing, large percentages of populations have still yet to receive vaccinations. What's more, a sizable proportion is vaccine hesitant. This means the world may not be fully vaccinated; in fact, many experts in the US now believe herd immunity (where the spread of the disease is kept to a minimum) may not be achievable. As such, we think normalization of travel may not fully resume in two years as is widely anticipated.

*For the first time since 1Q20, supply growth may exceed demand growth*

While demand is yet to fully recover, supply growth is coming, and fast. OPEC+ is set to ramp up production through at least July and possibly beyond. This implies that for the first time since 1Q20, supply growth may exceed demand growth. Based on the EIA's forecast, this may happen as soon as 3Q21. We believe this would put a lid on further oil price appreciation.

**Ex 1: World Crude Oil And Liquids Demand/Supply Growth (Y-Y)**




Source: EIA

*We have raised our Brent oil price assumption to $60/bbl in 2021-22F.*

Based on YTD price movements (which are thanks in large part to Saudi Arabia's voluntary 1mbd production cut), we have upgraded our Brent oil price assumption to $60/bbl in 2021-22F. For PTTEP, this is an upgrade from the $47-50/bbl assumption we used previously. Note that our forecasts for PTTGC still assume $55/bbl. The higher oil price is also positive for gas prices which lag oil prices by six to 12 months. We have therefore raised our gas price assumption as well. Note that, despite this upgrade, we still expect the gas price to be lower in 2021F ($5.53/mmbtu) compared to the 2020 level (6.27/mmbtu).

*Another key positive driver for PTTEP is volume growth*

Besides oil prices, another key positive driver for PTTEP is volume growth. In our view, the company has made a large, well-timed acquisition with the Oman Block 61 purchase. This new asset should add as much as 30-50KBOED to PTTEP's production in 2021-22F and we have incorporated it into our forecasts. Offsetting this positive impact is potentially lower production from Myanmar and also the Gulf of Thailand as we now expect a demand recovery to be slower than we did previously.

**Ex 2: Key Assumption Changes**

| Assumption | Unit | 2021F | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **New** | | | | | |
| Brent oil price | (US$/bbl) | 60.00 | 60.00 | 61.20 | 62.42 |
| Gas ASP | (US$/mmbtu) | 5.53 | 5.68 | 4.98 | 5.01 |
| Volume | (KBOED) | 403 | 460 | 484 | 486 |
| **Old** | | | | | |
| Brent oil price | (US$/bbl) | 47.00 | 50.00 | 51.00 | 52.02 |
| Gas ASP | (US$/mmbtu) | 5.38 | 5.18 | 4.64 | 4.67 |
| Volume | (KBOED) | 371 | 420 | 449 | 451 |
| **Change** | | | | | |
| Brent oil price | (US$/bbl) | 13.00 | 10.00 | 10.20 | 10.40 |
| Gas ASP | (US$/mmbtu) | 0.15 | 0.49 | 0.34 | 0.34 |
| Volume | (KBOED) | 33 | 40 | 35 | 35 |

Sources: Company data, Thanachart estimates

*We raise our earnings estimates and TP…*

*…but maintain HOLD as higher oil prices already look to be priced in*

With higher oil and gas prices as well as higher volume, we have raised our earnings estimates in 2021-22F by 86% and 67%, respectively. We have also lifted our DCF-based 12-month TP, using a 2022F base year, to Bt126/share from Bt104. However, because the share price already looks like it has reflected the higher oil prices, we maintain our HOLD recommendation on PTTEP. Note that we do not view PTTEP's valuation as attractive as the current price already implies 14x and 13x PE multiples in 2021-22F.

**Ex 3: EPS And TP Revisions**

| (Bt/shr) | Norm EPS | | | | TP |
|---|---|---|---|---|---|
| | 2021F | 2022F | 2023F | 2024F | |
| New | 8.20 | 9.23 | 9.51 | 10.50 | 126.00 |
| Old | 4.42 | 5.53 | 6.56 | 7.91 | 104.00 |
| *Revision (%)* | *85.7* | *66.8* | *44.9* | *32.8* | *21.2* |

Sources: Company data, Thanachart estimates

*We see potential downside risks to production volume and growth prospects*

Longer term, we see potential downside risks to PTTEP's production volume and growth prospects. There are a number of projects that we feel may be at risk of delays and/or impairment charges. Chief among these is the Mozambique LNG project which is facing security risks because of militant attacks in the area. Total SA, the operator, has said the project may be delayed by as much as one year. This may jeopardize the sale & purchase agreement (SPA) and/or lead to cost overruns.

Another project at risk of delay is the Erawan (G1/61 concession) project in Thailand. The key issue here is the dispute between Chevron (the previous operator) and the Department of Mineral Fuels over decommissioning costs. This means PTTEP may not be able to access the sites and prepare for production when it takes over, scheduled for mid-2022.

Lastly, one of its potential growth projects, a gas-to-power integrated development in Myanmar, may be at risk following the military coup. While PTTEP has been operating in

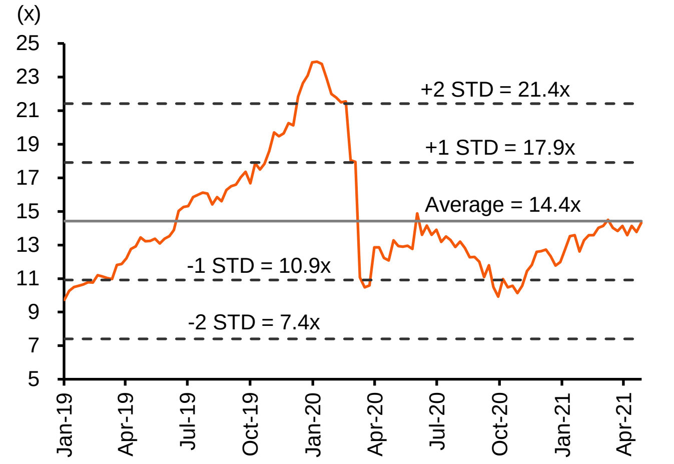
Myanmar for a long time, during both military and civilian rule, those projects are seeing production decline. To replace falling volume there, the company will likely need to find new sales avenues but the current political situation may jeopardize this growth prospect.

**Ex 4: PTTEP's Projects At Risks Of Delays And/Or Production Disruptions**

| Project | Product | PTTEP's stake | Start-up date | PTTEP's volume | Key issues |
|---|---|---|---|---|---|
| Mozambique LNG | LNG | 8.5% | By end-2024 | 22 KBOED | Militant attacks |
| Erawan | Nat. gas, condensate | 60% | Mid-2022 | 63 KBOED | Chevron's contract disputes with govt |
| Myanmar | Nat. gas, power | 19-80% | In operation | 44 KBOED | Political unrest |

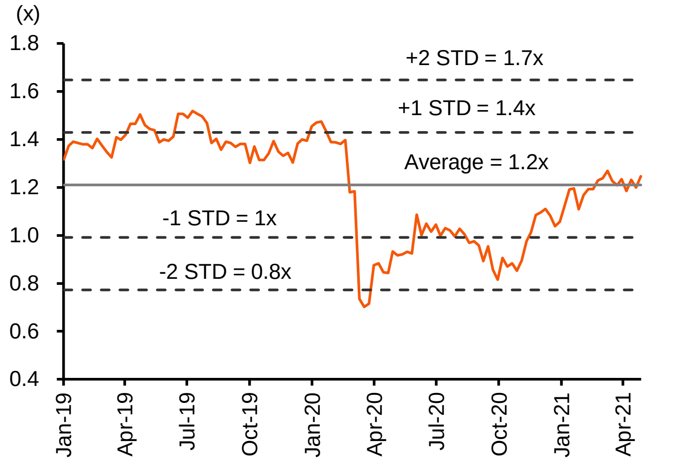
Sources: Company data, Thanachart estimates

**Ex 5: P/E**




Sources: Bloomberg, Thanachart estimates

**Ex 6: P/BV**




Sources: Bloomberg, Thanachart estimates

**Ex 7: 12-month DCF-based TP Calculation, Using A Base Year Of 2022F**

| (Bt m) | | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | Terminal Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | | 151,590 | 152,019 | 158,678 | 170,695 | 188,909 | 189,986 | 191,173 | 186,701 | 188,503 | 186,001 | 182,221 | |
| Free cash flow | | (2,719) | 25,422 | 29,982 | 64,883 | 92,013 | 92,362 | 93,189 | 87,315 | 84,974 | 86,441 | 84,035 | 555,467 |
| PV of free cash flow | | (2,483) | 21,199 | 22,824 | 45,103 | 57,287 | 52,307 | 47,994 | 40,905 | 36,211 | 33,507 | 28,391 | 264,279 |
| Risk-free rate (%) | 2.5% | | | | | | | | | | | | |
| Market risk premium (%) | 8.0% | | | | | | | | | | | | |
| Beta | 1.00 | | | | | | | | | | | | |
| WACC (%) | 9.5% | | | | | | | | | | | | |
| Terminal growth (%) | 2.0% | | | | | | | | | | | | |
| Enterprise value - add investments | 619,133 | | | | | | | | | | | | |
| Net debt (end-2021F) | 77,384 | | | | | | | | | | | | |
| Minority interest | 40,320 | | | | | | | | | | | | |
| Equity value | 501,428 | | | | | | | | | | | | |
| # of shares (m) | 3,970 | | | | | | | | | | | | |
| Value of existing operation | 126.00 | | | | | | | | | | | | |
| **Equity value per share (Bt)** | **126.00** | | | | | | | | | | | | |

Sources: Company data, Thanachart estimates

# Valuation Comparison

## Ex 8: Comparison With Regional Peers

| Company | Code | Country | EPS Growth 21F (%) | EPS Growth 22F (%) | PE 21F (x) | PE 22F (x) | P/BV 21F (x) | P/BV 22F (x) | EV/EBITDA 21F (x) | EV/EBITDA 22F (x) | Div. Yield 21F (%) | Div. Yield 22F (%) | ROE 21F (%) | ROE 22F (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Refining & Marketing** | | | | | | | | | | | | | | |
| Caltex Australia | CTX AU | Australia | 60.6 | 22.6 | na | na | na | na | na | na | na | na | 10.8 | 13.0 |
| BPCL | BPCL IN | India | 108.9 | (4.6) | 9.6 | 10.1 | 2.0 | 1.9 | 8.7 | 9.1 | 5.6 | 4.3 | 23.8 | 19.3 |
| HPCL | HPCL IN | India | 161.5 | (18.1) | 4.6 | 5.6 | 1.0 | 0.9 | 4.4 | 5.1 | 7.3 | 7.1 | 22.2 | 17.6 |
| IOCL | IOCL IN | India | 122.0 | 3.6 | 5.9 | 5.7 | 0.8 | 0.8 | 5.7 | 5.4 | 8.3 | 8.3 | 14.9 | 13.9 |
| Reliance Industries | RIL IN | India | (0.6) | 29.2 | 27.7 | 21.4 | 2.1 | 1.7 | 17.3 | 13.2 | 0.4 | 0.4 | 8.5 | 8.7 |
| SK Energy | 096770 KS | S.Korea | na | 46.5 | 39.0 | 26.6 | 1.6 | 1.5 | 13.1 | 10.8 | 0.6 | 0.9 | 4.3 | 5.9 |
| S-OIL | 010950 KS | S.Korea | na | (3.1) | 11.1 | 11.4 | 1.6 | 1.5 | 7.2 | 7.6 | 2.5 | 2.6 | 16.0 | 14.0 |
| Petron | PCOR PM | Philippines | na | na | na | na | na | na | na | na | na | na | na | na |
| Formosa Petrochemical | 6505 TT | Taiwan | na | 7.1 | 24.5 | 22.8 | 2.9 | 2.9 | 14.1 | 14.0 | 2.9 | 3.1 | 12.7 | 12.8 |
| Bangchak * | BCP TB | Thailand | na | na | 452.3 | 19.4 | 0.7 | 0.7 | 7.8 | 6.2 | 0.1 | 2.8 | na | na |
| ESSO (Thailand) * | ESSO TB | Thailand | na | na | na | 82.4 | 1.7 | 1.6 | 84.2 | 19.9 | 0.0 | 0.6 | na | na |
| IRPC Pcl * | IRPC TB | Thailand | na | 9.6 | 14.8 | 13.5 | 1.1 | 1.0 | 9.1 | 8.4 | 4.1 | 4.4 | na | na |
| PTG Pcl * | PTG TB | Thailand | 8.5 | 9.1 | 16.4 | 15.0 | 3.8 | 3.4 | 9.2 | 8.6 | 3.0 | 3.3 | 24.4 | 23.9 |
| PTT Global Chemicals * | PTTGC TB | Thailand | 219.4 | (1.2) | 12.3 | 12.5 | 1.0 | 1.0 | 7.4 | 7.2 | 4.9 | 4.8 | 8.5 | 8.0 |
| Star Petroleum Refining * | SPRC TB | Thailand | na | na | na | 119.5 | 1.3 | 1.3 | 21.6 | 15.9 | 0.0 | 0.3 | na | na |
| SUSCO Pcl | SUSCO TB | Thailand | 27.7 | 18.7 | 12.0 | 10.1 | 0.9 | 0.8 | 5.6 | 4.6 | 4.3 | 4.9 | 7.3 | 8.3 |
| Thai Oil * | TOP TB | Thailand | na | 127.2 | 79.1 | 34.8 | 1.0 | 1.0 | 21.6 | 16.8 | 0.6 | 1.3 | 1.3 | 2.8 |
| **Average** | | | **88.5** | **19.0** | **54.6** | **27.4** | **1.6** | **1.5** | **15.8** | **10.2** | **3.0** | **3.3** | **12.9** | **12.3** |
| **Integrated oils** | | | | | | | | | | | | | | |
| PetroChina | 857 HK | China | na | (6.4) | 8.3 | 8.9 | 0.4 | 0.4 | 3.6 | 3.6 | 6.1 | 6.0 | 5.0 | 4.8 |
| Sinopec | 386 HK | China | 63.7 | 0.8 | 8.5 | 8.5 | 0.6 | 0.6 | 3.9 | 3.8 | 7.3 | 7.4 | 7.5 | 7.3 |
| Total | FP | France | 186.1 | 14.5 | 11.2 | 9.8 | 1.1 | 1.1 | 5.3 | 4.9 | 6.7 | 6.8 | 10.0 | 11.5 |
| Eni | ENI IM | Italy | na | 33.1 | 14.8 | 11.1 | 1.0 | 0.9 | 3.8 | 3.4 | 6.5 | 7.0 | 6.9 | 8.7 |
| RD/Shell A | RDSA NA | Netherlands | na | 18.2 | 7.9 | 6.7 | 0.8 | 0.7 | 4.4 | 4.2 | 4.6 | 4.6 | 9.1 | 10.2 |
| Repsol | REP SM | Spain | na | 18.1 | 10.0 | 8.4 | 0.8 | 0.7 | 5.2 | 4.7 | 5.6 | 5.7 | 7.5 | 8.9 |
| Chevron Texaco | CVX US | USA | na | 16.0 | 19.6 | 16.9 | 1.5 | 1.5 | 7.0 | 6.6 | 5.0 | 5.2 | 7.7 | 8.3 |
| Exxon Mobil | XOM US | USA | na | 22.7 | 17.4 | 14.2 | 1.6 | 1.5 | 7.5 | 6.8 | 5.9 | 5.9 | 8.8 | 10.7 |
| Conoco Philips | COP US | USA | na | 14.6 | 18.8 | 16.4 | 1.6 | 1.6 | 5.7 | 5.4 | 3.3 | 3.4 | 12.0 | 11.0 |
| PTT Pcl * | PTT TB | Thailand | 115.7 | 11.6 | 13.7 | 12.3 | 1.2 | 1.1 | 4.8 | 4.4 | 3.6 | 4.1 | 9.0 | 9.5 |
| **Average** | | | **121.8** | **14.3** | **13.0** | **11.3** | **1.1** | **1.0** | **5.1** | **4.8** | **5.5** | **5.6** | **8.4** | **9.1** |
| **Exploration and Production** | | | | | | | | | | | | | | |
| Santos | STO AU | Australia | 179.1 | 11.9 | 18.0 | 16.1 | 1.9 | 1.7 | 6.0 | 5.5 | 1.3 | 1.6 | 10.2 | 10.4 |
| Woodside | WPL AU | Australia | 153.7 | (6.1) | 17.3 | 18.4 | 1.7 | 1.7 | 5.8 | 5.8 | 3.8 | 3.6 | 8.8 | 8.9 |
| Suncor Energy | SU US | Canada | na | 20.9 | 10.3 | 8.5 | 0.9 | 0.9 | 5.0 | 4.6 | 3.8 | 3.9 | 7.7 | 7.1 |
| CNOOC | 883 HK | Hong Kong | 146.6 | 8.1 | 6.2 | 5.7 | 0.8 | 0.8 | 2.3 | 2.1 | 7.1 | 7.6 | 12.7 | 13.2 |
| ONGC | ONGC IN | India | (48.6) | 89.7 | 11.8 | 6.2 | 0.6 | 0.6 | 5.3 | 3.9 | 2.9 | 5.4 | 5.9 | 9.7 |
| RIL | RIL IN | India | (0.6) | 29.2 | 27.7 | 21.4 | 2.1 | 1.7 | 17.3 | 13.2 | 0.4 | 0.4 | 8.5 | 8.7 |
| Cairn India | CAIR IN | India | na | na | na | na | na | na | na | na | na | na | na | na |
| Apache | APA US | USA | na | (27.0) | 9.0 | 12.3 | na | na | 5.0 | 5.3 | 0.5 | 0.5 | (74.1) | (61.7) |
| Devon Energy | DVN US | USA | na | 35.9 | 12.4 | 9.1 | 2.3 | 1.8 | 4.4 | 3.7 | 3.4 | 4.1 | 26.3 | 25.6 |
| PTTEP * | PTTEP TB | Thailand | 52.2 | 12.5 | 14.3 | 12.7 | 1.3 | 1.2 | 4.1 | 3.7 | 4.2 | 4.7 | 9.0 | 9.7 |
| **Average** | | | **80.4** | **19.5** | **14.1** | **12.3** | **1.4** | **1.3** | **6.1** | **5.3** | **3.1** | **3.5** | **1.7** | **3.5** |

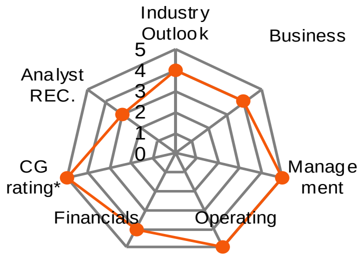
Sources: Bloomberg, * Thanachart estimates
Based on 5 May 2021 closing prices

## COMPANY DESCRIPTION

PTT Exploration and Production (PTTEP) is a pure upstream exploration and production (E&P) company with production of c.300,000 barrels of oil equivalent (boe) per day. Some 70% of its production is natural gas and almost all of its production comes from fields in Thailand and other Southeast Asian countries. It has proven reserves of more than 700m boe and up to 5bn boe of resources. PTTEP is the upstream arm of PTT Pcl, which owns 65% of PTTEP.

Source: Thanachart

## COMPANY RATING




| Rating Scale | |
|---|---|
| **Excellent** | **5** |
| **Good** | **4** |
| **Fair** | **3** |
| **Weak** | **2** |
| **Very Weak** | **1** |
| **None** | **0** |

Source: Thanachart; *CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- The parent company PTT is the country's sole gas buyer and PTTEP's biggest client.
- Secured off-take agreements limit downside risks to production volume.

### W — Weakness

- Reserves in the Gulf of Thailand are being depleted with a reserve life index of less than five years.
- Limited experience and a lack of technical skills in running operations abroad compared to major international peers.

### O — Opportunity

- Significant resources on its balance sheet are still undeveloped.
- Potential acquisitions including in the Gulf of Thailand and abroad in Myanmar.

### T — Threat

- Threat of low-cost LNG imports.
- Competition from international peers for projects abroad.
- Political and regulatory risks concerning its concessions, especially those about to expire.

## CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|---|---|---|---|
| **Target price (Bt)** | 134.03 | 126.00 | -6% |
| **Net profit 21F (Bt m)** | 35,234 | 32,566 | -8% |
| **Net profit 22F (Bt m)** | 41,040 | 36,650 | -11% |
| **Consensus REC** | **BUY: 22** | **HOLD: 7** | **SELL: 1** |

## HOW ARE WE DIFFERENT FROM THE STREET?

- We are 8% lower than consensus forecasts on our 2021-22F EPS forecasts, likely due to lower oil price assumption
- Consequently, our DCF-based TP is lower than the consensus number as well.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would come from lower oil and/or gas prices.
- An upside risk would be lower-than-expected operating costs.

Source: Thanachart

*We expect earnings recovery in 2021F though this is largely priced in, in our view*

### INCOME STATEMENT

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Sales | 191,053 | 160,401 | 189,049 | 216,189 | 215,320 |
| Cost of sales | 106,881 | 106,143 | 122,467 | 137,103 | 134,587 |
| **Gross profit** | **84,172** | **54,258** | **66,582** | **79,086** | **80,733** |
| % gross margin | 44.1% | 33.8% | 35.2% | 36.6% | 37.5% |
| Selling & administration expenses | 11,870 | 9,754 | 11,416 | 14,056 | 14,919 |
| **Operating profit** | **72,301** | **44,503** | **55,166** | **65,030** | **65,815** |
| % operating margin | 37.8% | 27.7% | 29.2% | 30.1% | 30.6% |
| Depreciation & amortization | 62,811 | 65,250 | 77,077 | 86,560 | 86,204 |
| **EBITDA** | **135,112** | **109,753** | **132,243** | **151,590** | **152,019** |
| % EBITDA margin | 70.7% | 68.4% | 70.0% | 70.1% | 70.6% |
| Non-operating income | 4,405 | 2,306 | 3,093 | 3,242 | 3,242 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (7,291) | (7,956) | (10,691) | (12,226) | (11,336) |
| **Pre-tax profit** | **69,415** | **38,854** | **47,567** | **56,047** | **57,721** |
| Income tax | 20,952 | 18,764 | 15,222 | 19,616 | 20,202 |
| **After-tax profit** | **48,464** | **20,090** | **32,346** | **36,430** | **37,518** |
| % net margin | 25.4% | 12.5% | 17.1% | 16.9% | 17.4% |
| Shares in affiliates' Earnings | 380 | 1,307 | 220 | 220 | 220 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Extraordinary items | (42) | 1,267 | 0 | 0 | 0 |
| **NET PROFIT** | **48,803** | **22,664** | **32,566** | **36,650** | **37,738** |
| **Normalized profit** | **48,844** | **21,397** | **32,566** | **36,650** | **37,738** |
| EPS (Bt) | 12.3 | 5.7 | 8.2 | 9.2 | 9.5 |
| Normalized EPS (Bt) | 12.3 | 5.4 | 8.2 | 9.2 | 9.5 |

*Balance sheet is expanding given a series of acquisitions and new projects*

### BALANCE SHEET

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Current assets: | 142,125 | 152,716 | 138,595 | 146,344 | 145,918 |
| Cash & cash equivalent | 91,152 | 114,261 | 91,544 | 93,004 | 93,004 |
| Account receivables | 27,599 | 23,752 | 32,630 | 37,315 | 37,165 |
| Inventories | 9,961 | 10,156 | 13,421 | 15,025 | 14,749 |
| Others | 13,412 | 4,547 | 1,000 | 1,000 | 1,000 |
| Investments & loans | 16,255 | 15,774 | 15,774 | 15,774 | 15,774 |
| Net fixed assets | 321,501 | 295,491 | 377,442 | 407,146 | 415,117 |
| Other assets | 192,110 | 211,656 | 230,088 | 247,503 | 246,298 |
| **Total assets** | **671,990** | **675,637** | **761,899** | **816,766** | **823,107** |
| **LIABILITIES:** | | | | | |
| Current liabilities: | 61,841 | 56,257 | 64,783 | 69,805 | 68,812 |
| Account payables | 26,805 | 26,844 | 5,033 | 5,634 | 5,531 |
| Bank overdraft & ST loans | 3,965 | 4,512 | 16,893 | 18,007 | 17,185 |
| Current LT debt | 0 | 0 | 15,204 | 16,206 | 15,466 |
| Others current liabilities | 31,071 | 24,901 | 27,654 | 29,958 | 30,630 |
| **Total LT debt** | **99,448** | **102,878** | **136,832** | **145,854** | **139,198** |
| Others LT liabilities | 153,642 | 162,091 | 191,513 | 216,451 | 215,018 |
| **Total liabilities** | **314,932** | **321,226** | **393,128** | **432,110** | **423,029** |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| 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 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | (16,776) | (21,049) | (21,049) | (21,049) | (21,049) |
| **Retained earnings** | **264,447** | **266,073** | **280,432** | **296,318** | **311,740** |
| Shareholders' equity | 357,059 | 354,411 | 368,771 | 384,656 | 400,078 |
| **Liabilities & equity** | **671,990** | **675,637** | **761,899** | **816,766** | **823,107** |

Sources: Company data, Thanachart estimates

***Operating cash flows are strong, thanks to higher oil price and volume growth***

***We think PTTEP's valuation fully reflects earnings recovery***

### CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Earnings before tax | 69,415 | 38,854 | 47,567 | 56,047 | 57,721 |
| Tax paid | (16,936) | (29,624) | (8,574) | (18,738) | (19,172) |
| Depreciation & amortization | 62,811 | 65,250 | 77,077 | 86,560 | 86,204 |
| Chg In w orking capital | 33,874 | 3,691 | (33,955) | (5,687) | 322 |
| Chg In other CA & CL / minorities | (41,074) | 15,416 | (127) | 1,645 | (138) |
| **Cash flow from operations** | **108,091** | **93,587** | **81,989** | **119,826** | **124,937** |
| Capex | (118,121) | (39,239) | (158,131) | (115,351) | (93,248) |
| Right of use | 0 | (14,501) | (300) | (300) | (300) |
| ST loans & investments | 0 | 0 | 0 | 0 | 0 |
| LT loans & investments | (5,458) | 480 | 0 | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | 14,991 | 3,298 | 10,393 | 6,910 | (856) |
| **Cash flow from investments** | **(108,589)** | **(49,962)** | **(148,038)** | **(108,741)** | **(94,404)** |
| Debt financing | 43,638 | 4,795 | 61,538 | 11,139 | (8,217) |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (21,655) | (20,986) | (18,206) | (20,765) | (22,317) |
| Warrants & other surplus | (60,152) | (4,326) | 0 | 0 | 0 |
| **Cash flow from financing** | **(38,169)** | **(20,517)** | **43,332** | **(9,626)** | **(30,534)** |
| **Free cash flow** | **(10,030)** | **54,348** | **(76,142)** | **4,475** | **31,689** |

### VALUATION

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Normalized PE (x) | 9.6 | 21.8 | 14.3 | 12.7 | 12.4 |
| Normalized PE - at target price (x) | 10.2 | 23.4 | 15.4 | 13.6 | 13.3 |
| PE (x) | 9.6 | 20.6 | 14.3 | 12.7 | 12.4 |
| PE - at target price (x) | 10.2 | 22.1 | 15.4 | 13.6 | 13.3 |
| EV/EBITDA (x) | 3.5 | 4.2 | 4.1 | 3.7 | 3.6 |
| EV/EBITDA - at target price (x) | 3.8 | 4.5 | 4.4 | 3.9 | 3.8 |
| P/BV (x) | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 |
| P/BV - at target price (x) | 1.4 | 1.4 | 1.4 | 1.3 | 1.3 |
| P/CFO (x) | 4.3 | 5.0 | 5.7 | 3.9 | 3.7 |
| Price/sales (x) | 2.4 | 2.9 | 2.5 | 2.2 | 2.2 |
| Dividend yield (%) | 5.1 | 3.6 | 4.2 | 4.7 | 4.9 |
| FCF Yield (%) | (2.2) | 11.7 | (16.3) | 1.0 | 6.8 |
| **(Bt)** | | | | | |
| Normalized EPS | 12.3 | 5.4 | 8.2 | 9.2 | 9.5 |
| EPS | 12.3 | 5.7 | 8.2 | 9.2 | 9.5 |
| DPS | 6.0 | 4.3 | 4.9 | 5.5 | 5.7 |
| BV/share | 89.9 | 89.3 | 92.9 | 96.9 | 100.8 |
| CFO/share | 27.2 | 23.6 | 20.7 | 30.2 | 31.5 |
| FCF/share | (2.5) | 13.7 | (19.2) | 1.1 | 8.0 |

Sources: Company data, Thanachart estimates

***Net gearing remains manageable despite a major acquisition***

## FINANCIAL RATIOS

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| **Growth Rate** | | | | | |
| Sales (%) | 11.2 | (16.0) | 17.9 | 14.4 | (0.4) |
| Net profit (%) | 34.8 | (53.6) | 43.7 | 12.5 | 3.0 |
| EPS (%) | 34.8 | (53.6) | 43.7 | 12.5 | 3.0 |
| Normalized profit (%) | 26.2 | (56.2) | 52.2 | 12.5 | 3.0 |
| Normalized EPS (%) | 26.2 | (56.2) | 52.2 | 12.5 | 3.0 |
| Dividend payout ratio (%) | 48.8 | 74.4 | 60.0 | 60.0 | 60.0 |
| **Operating performance** | | | | | |
| Gross margin (%) | 44.1 | 33.8 | 35.2 | 36.6 | 37.5 |
| Operating margin (%) | 37.8 | 27.7 | 29.2 | 30.1 | 30.6 |
| EBITDA margin (%) | 70.7 | 68.4 | 70.0 | 70.1 | 70.6 |
| Net margin (%) | 25.4 | 12.5 | 17.1 | 16.9 | 17.4 |
| D/E (incl. minor) (x) | 0.3 | 0.3 | 0.5 | 0.5 | 0.4 |
| Net D/E (incl. minor) (x) | 0.0 | (0.0) | 0.2 | 0.2 | 0.2 |
| Interest coverage - EBIT (x) | 9.9 | 5.6 | 5.2 | 5.3 | 5.8 |
| Interest coverage - EBITDA (x) | 18.5 | 13.8 | 12.4 | 12.4 | 13.4 |
| ROA - using norm profit (%) | 7.5 | 3.2 | 4.5 | 4.6 | 4.6 |
| ROE - using norm profit (%) | 13.1 | 6.0 | 9.0 | 9.7 | 9.6 |
| **DuPont** | | | | | |
| ROE - using after tax profit (%) | 13.0 | 5.6 | 8.9 | 9.7 | 9.6 |
| - asset turnover (x) | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 |
| - operating margin (%) | 40.1 | 29.2 | 30.8 | 31.6 | 32.1 |
| - leverage (x) | 1.7 | 1.9 | 2.0 | 2.1 | 2.1 |
| - interest burden (%) | 90.5 | 83.0 | 81.6 | 82.1 | 83.6 |
| - tax burden (%) | 69.8 | 51.7 | 68.0 | 65.0 | 65.0 |
| WACC (%) | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 |
| ROIC (%) | 15.6 | 6.2 | 10.8 | 9.5 | 9.1 |
| NOPAT (Bt m) | 50,479 | 23,011 | 37,513 | 42,270 | 42,780 |
| invested capital (Bt m) | 369,320 | 347,540 | 446,155 | 471,720 | 478,924 |

Sources: Company data, Thanachart estimates

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## Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

**Pimpaka Nichgaroon, CFA**
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

**Pattarawan Wangmingmat**
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

**Phannarai Tiyapittayarut**
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

**Sarachada Sornsong**
Bank, Finance, Insurance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

**Sittichet Rungrassameephat**
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

**Adisak Phupiphathirungul, CFA**
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

**Nuttapop Prasitsuksant**
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

**Rata Limsuthiwanpoom**
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

**Siriporn Arunothai**
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

**Thaloengsak Kucharoenpaisan**
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th

**Chak Reungsinpinya**
Energy, Petrochemical, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

**Pattadol Bunnak**
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

**Saksid Phadthananarak**
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

**Witchanan Tambamroong**
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th