

## PTT Exploration & Production Plc (PTTEP TB) - BUY

News Update

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### Potential upside risks based on the new 5-year guidance

- **PTTEP released its updated 5-year guidance**
- **Bullish outlook on volume, cost**
- **Capex likely to be higher than our assumption**
- **Gas price assumption in line**

PTTEP management provided an updated 5-year investment plan. Details are discussed below:

- **Volume:** PTTEP guides for a 5-year volume CAGR of about 5%. However, growth outlook is strong in 2022F (12% y-y) driven by an addition of the new PSC contract at Erawan. Growth is expected to taper off in 2023-24F before picking up again in 2024-25F (Mozambique LNG, Algeria, Vietnam). Overall, the updated guidance point to 2-9% potential upside risks to our volume forecasts in 2022-26F.
- **Unit cost:** Another area of potential upside risk is the unit cost. Management expects cost to remain range bound at about \$28/BOE in 2022F before dropping to \$26-27/BOE in 2023-25F. These are about 10% lower than our current forecasts. We think the key driver is the lower cost base at Erawan and Bongkot gas fields as the government will be leasing equipment back to PTTEP at low rates.
- **Capex:** Offsetting the potential earnings upside from volume and cost is the higher capex budget. This reflects mostly the larger capital outlay for Lang Lebah (SK410B) project in Malaysia where PTTEP has made a larger-than-expected gas discovery.
- **Gas ASP:** Management guides for gas ASP of \$5.9/mmbtu in 2022F (based on \$67-70/bbl oil price) and about \$5.3/mmbtu in 2023F (based on \$65/bbl oil price). These are in line with our forecasts.
- **Our view:** While consensus may be disappointed with cost guidance for 2022F, we are in fact quite bullish on the updated guidance and see material upside to our earnings forecasts. Maintain BUY, TP Bt140.

### Key Valuations

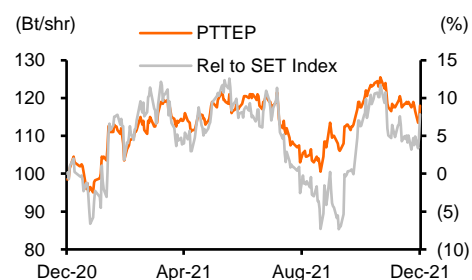
Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	160,401	194,953	221,410	220,047
Net profit	22,664	35,968	41,656	42,151
Norm net profit	21,397	35,968	41,656	42,151
Norm EPS (Bt)	5.4	9.1	10.5	10.6
Norm EPS gr (%)	(56.2)	68.1	15.8	1.2
Norm PE (x)	21.9	13.0	11.2	11.1
EV/EBITDA (x)	4.2	4.1	3.7	3.6
P/BV (x)	1.3	1.3	1.2	1.2
Div. yield (%)	3.6	4.6	5.3	5.4
ROE (%)	6.0	9.9	11.0	10.6
Net D/E (%)	(1.9)	20.8	23.4	21.6

Source: Thanachart estimates

### Stock Data

Closing price (Bt)	118.00
Target price (Bt)	140.00
Market cap (US\$ m)	13,889
Avg daily turnover (US\$ m)	32.9
12M H/L price (Bt)	125.50/95.00

### Price Performance



Source: Bloomberg

## Ex 1: TNS Assumption Vs Guidance

Assumption	Unit	2022F	2023F	2024F	2025F	2026F
<b>Production volume</b>						
TNS	(KBOED)	430	453	456	465	509
Guidance	(KBOED)	467	463	473	493	528
<i>Up/(down)side risk</i>	(%)	8.7	2.2	3.8	6.1	3.7
<b>Gas price</b>						
TNS	(US\$/mmbtu)	5.94	5.15			
Guidance	(US\$/mmbtu)	5.90	5.30			
<i>Up/(down)side risk</i>	(%)	(0.6)	2.9			
<b>Unit cost</b>						
TNS	(US\$/BOE)	31.02	29.00	29.37	29.53	
Guidance	(US\$/BOE)	28.00	26.50	26.50	26.50	
<i>Up/(down)side risk</i>	(%)	(9.7)	(8.6)	(9.8)	(10.3)	
<b>Capex</b>						
TNS	(US\$ bn)	3,721	3,008	3,156	2,401	2,085
Guidance	(US\$ bn)	3,217	3,377	3,637	3,409	2,893
<i>Up/(down)side risk</i>	(%)	(13.5)	12.3	15.2	42.0	38.7

Sources: Company data, Thanachart estimates

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