

**HOLD** (From: BUY)

Change in Recommendation

**TP: Bt 148.00** (From: Bt 152.00)**Upside: 0.7%****16 MARCH 2022**

# PTT Exp & Production Pcl (PTTEP TB)

## As good as it gets

After its 23% YTD share price surge, we downgrade PTTEP to HOLD as we see limited potential upside from here. We believe the current oil price spike is unsustainable and that it doesn't alter PTTEP's long-term fundamentals. As soon as the Russia-Ukraine war ends, we expect overhang concerns for the company to come back into focus.

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### Downgrading to HOLD

We downgrade PTTEP to HOLD (from Buy). *Firstly*, after its 23% YTD share price jump, we see limited potential upside to our new, lower DCF-based 12-month TP, using a 2022F base year, of Bt148 (from Bt152). We trim our TP because of PTTEP's higher oil price discount vs. the Dubai price. *Secondly*, we see no change to PTTEP's long-term fundamentals and we believe the current oil price spike is unsustainable. *Third*, once the Russia-Ukraine war ends, we expect PTTEP's overhang concern to come back into the market's spotlight. As a result of the higher-than-expected oil price surge, we revise up our Brent assumption to US\$88/bbl (from US\$80) this year while maintaining our 2023-24F numbers at US\$73/71.

### Overhang concerns

We believe that once the war ends, the market will get back to focusing on PTTEP's overhang concerns. The first one is a potential additional asset impairment for the Mozambique LNG project if there is a further delay. While PTTEP expects development to start in 2H22 to meet first gas expectations in 2H25, Total Energies, the project operator, has officially postponed the start-up to 2026. *Second*, PTTEP is taking over the operation of the Erawan field from Chevron in April under a new production-sharing contract (PSC) with a rough government take of 60-70% vs. the concession scheme's government take of 50%. The concerns here are a fall in Erawan's volume from 1,300mcf/d to 545mmcf/d at the end of 2021 and to 250-300mcf/d by the time of the operational transfer and higher-than-expected opex due to Chevron's limited maintenance of the field.

### Oil price sensitivity

While we believe the current share price has already reflected the Russia-Ukraine conflict over the short term, we provide an oil price sensitivity analysis here in case the war drags on. We estimate that each US\$1/bbl change in the oil price would impact PTTEP's earnings by 2% and our TP by Bt1.4/share.

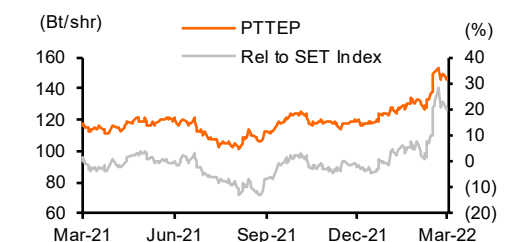
### No longer an oil laggard

PTTEP's share price has surged by 23% YTD vs. the Dubai crude oil price spike of 28% over the same period. We no longer see the stock's valuations as attractive trading at 1.2x 2022F P/BV, which is at between historical average and +1STD relative to its five-year average. On a PE multiple basis, it doesn't look attractive either to us at 9x in 2022F and 12x in 2023F, which is near its historical average and vs. 43% EPS growth in 2022 and -24% in 2023.

### COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	219,068	284,311	243,683	245,577
Net profit	38,864	62,877	47,897	43,845
Consensus NP	—	58,339	54,862	52,442
Diff frm cons (%)	—	7.8	(12.7)	(16.4)
Norm profit	43,989	62,877	47,897	43,845
Prev. Norm profit	—	58,083	49,469	45,414
Chg frm prev (%)	—	8.3	(3.2)	(3.5)
Norm EPS (Bt)	11.1	15.8	12.1	11.0
Norm EPS grw (%)	105.6	42.9	(23.8)	(8.5)
Norm PE (x)	13.3	9.3	12.2	13.3
EV/EBITDA (x)	3.9	3.0	3.5	3.6
P/BV (x)	1.4	1.2	1.2	1.2
Div yield (%)	3.4	4.1	4.8	4.8
ROE (%)	11.4	14.2	10.0	8.8
Net D/E (%)	7.2	5.9	6.8	9.3

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 16-Mar-22 (Bt)	147.00
Market Cap (US\$ m)	17,492.1
Listed Shares (m shares)	3,970.0
Free Float (%)	34.7
Avg Daily Turnover (US\$ m)	51.1
12M Price H/L (Bt)	153.50/100.50
Sector	Energy
Major Shareholder	PTT Pcl 63.79%

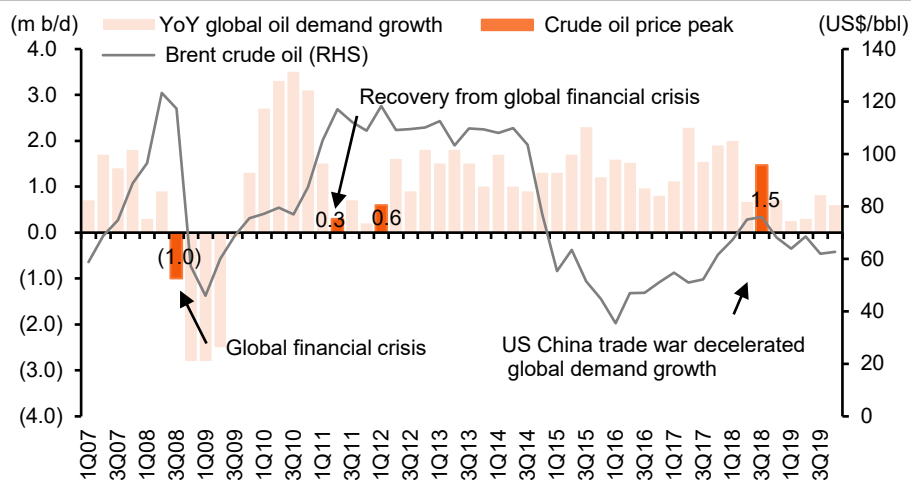
Sources: Bloomberg, Company data, Thanachart estimates

## Rapid oil price surges lead to demand destruction

*Swift jumps in crude oil prices have often led to lower oil demand growth*

We look at historical global oil demand patterns relative to oil prices to gauge the potential oil price level that could lead to demand destruction. Since 2000 to 2019 (pre-COVID), we identify four oil price rallies – in 2008, 2011, 2012, and 2018. Swift jumps in crude oil prices have often led to lower oil demand growth, especially during 2008 and 2011 when the oil price rally from peak to trough ranged between US\$90-94/bbl. The 2008 oil demand decrease was also triggered by the global financial crisis, while the 2018 oil rally was halted by the US-China trade war. The current oil price rally has already seen the highest peak to trough level since 2008. The Brent crude oil price was at its lowest point at US\$19/bbl in April 2020 before it reached its recent high of US\$128/bbl on 8 March. This is a US\$112 gap from peak to trough. The gap has come down to US\$85/bbl after the renewed COVID outbreak in China hit sentiment towards oil prices. The Brent crude oil price is now at US\$101/bbl which is still high relative to historical levels. Note that based on historical precedent, oil prices of above US\$120/bbl are unlikely to be sustainable. Historical data shows that the monthly average Brent crude oil has held above US\$120/bbl only four times.

**Ex 1: Oil Demand Decelerates When Oil Price Rise Rapidly**



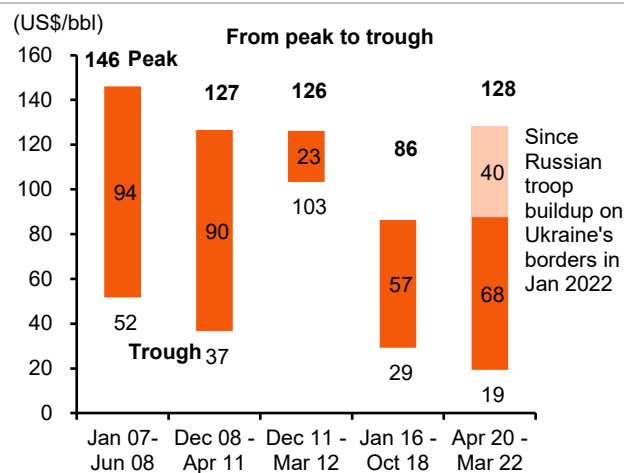
Sources: Bloomberg, Thanachart estimates

**Ex 2: Brent Crude Oil Price**

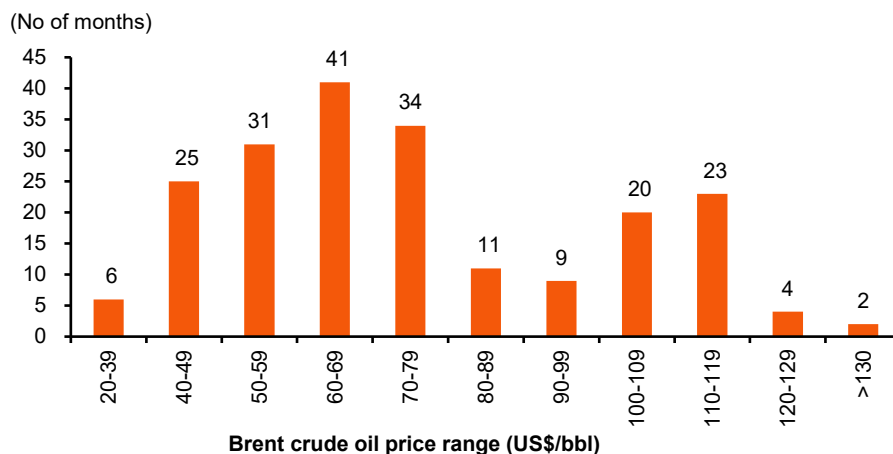


Source: Bloomberg

**Ex 3: 2022 Rally The Highest Peak To Trough Level**



Sources: Bloomberg, Thanachart estimates

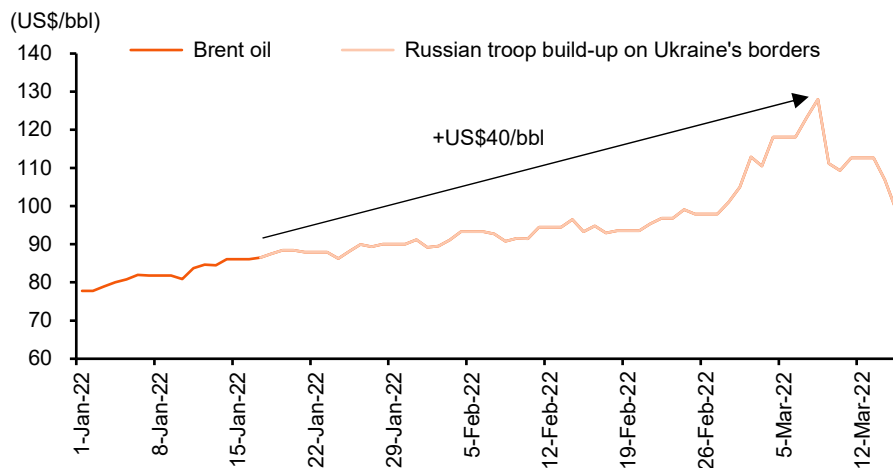
**Ex 4: Number Of Months The Brent Crude Oil Price Has Held At Each Level**

Sources: Bloomberg, Thanachart estimates

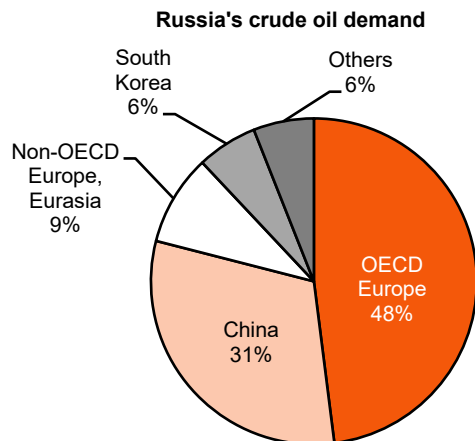
### Russia-Ukraine war looks largely in the price

*Russian Ural crude now trading at a steep \$20/bbl discount to Brent*

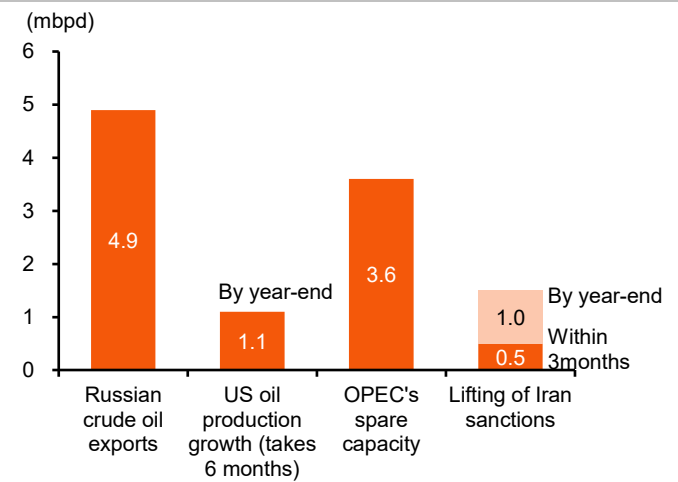
The Brent crude oil price rallied by US\$40/bbl since news broke of the Russian troop build-up on the borders of Ukraine in mid-January. The premium since then has come down to only US\$13/bbl after reports of a renewed COVID outbreak in China. So far, only the US and UK have banned imports of Russian oil, but they only buy about 10% of Russia's crude and oil products. However, European countries which are Russia's biggest customers (60% of Russian oil exports) have not yet imposed any oil sanctions. Despite no direct energy sanctions in several countries, big oil and gas companies are reluctant to buy Russian crude, and some have announced the closure of their operations in Russia. This can be seen by Russian Ural crude now trading at a steep US\$20/bbl discount to Brent, a record low. Energy Intelligence estimates that Russian oil export flows have fallen by at least one-third, or around 1.5m b/d in the wake of financial sanctions being imposed. We expect potential shift in Russia's oil trade flow. According to news report, there is no impact to Asia shipment for Russian crude oil, but oil flow to Europe has declined in Mar 22. India also shows interest to buy Russian crude to take advantage of deep Ural crude discount.

**Ex 5: Brent Rallied By US\$40/bbl Before Falling Due To China's New COVID Outbreak**

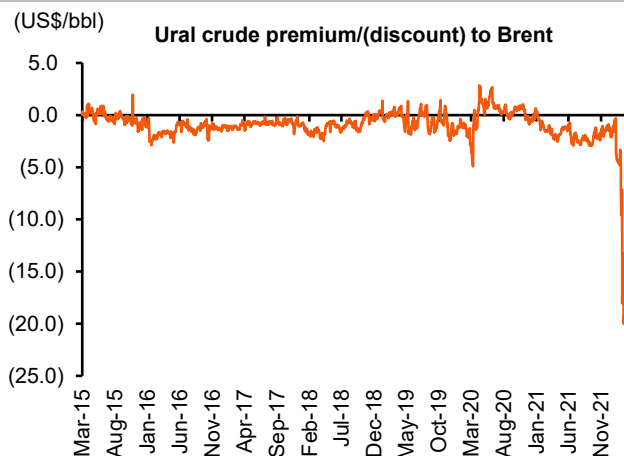
Source: Bloomberg

**Ex 6: Russian Crude Oil Export Demand**

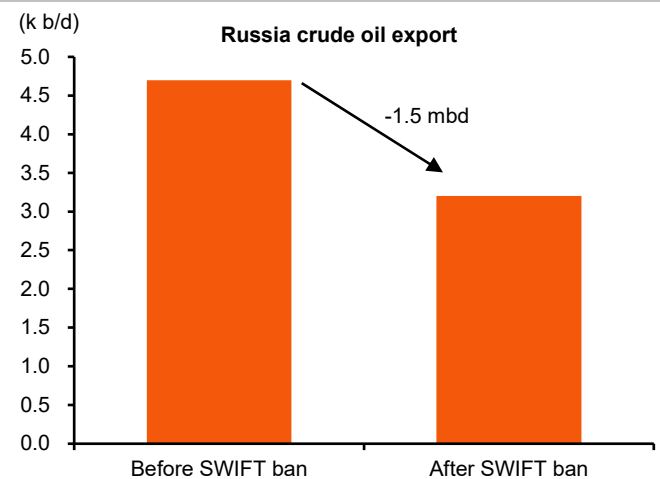
Source: SP Platts

**Ex 7: Russian Oil Exports Vs. Other Sources**

Source: Bloomberg

**Ex 8: Ural Crude At Steep Discount Given No Buyers**

Source: Bloomberg

**Ex 9: Russian Oil Exports Fell One-third After Swift Ban**

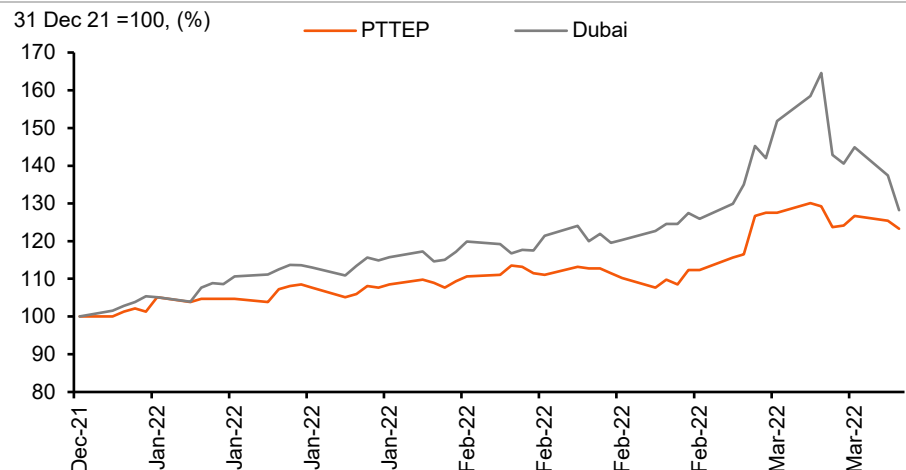
Source: Energy Intelligence

## PTTEP is no longer an oil laggard

*PTTEP's valuation looks unattractive to us, trading at 1.2x 2022F P/BV*

PTTEP's share price has surged by 23% YTD vs. the Dubai crude oil price rally of 28% over the same period. We don't see the stock's valuation as attractive trading at 1.2x 2022F P/BV, which is between average and +1STD relative to its five-year average. We prefer Indorama Ventures Pcl (IVL TB, BUY, Bt43.25), which is trading below its historical P/BV range.

**Ex 10: PTTEP's Share Price Performance Vs. Dubai Oil Price**



Source: Bloomberg

*We trim our TP for PTTEP to Bt148 and downgrade our call to HOLD*

In this report, we make several changes to our key assumptions for PTTEP. **First**, we raise our Brent oil price assumption by \$8/bbl to US\$88/bbl this year as we factor in a premium due to the Russia-Ukraine war. **Secondly**, we lift our liquid discount assumption to US\$2.5/bbl from US\$1/bbl to be in line with the latest data. The discount averaged US\$2.6/bbl in 2021. Note that we keep our cost assumption largely unchanged at US\$29/BOE, higher than management's guidance of US\$27-28/BOE. This is because our higher oil price assumption leads to higher royalty expenses. This results in our 2022F profit increasing by 8% though our estimates decrease by 3% p.a. in 2023-24F. Given our lower profit projections, we trim our DCF-based 12-month TP, using a 2022F base year, to Bt148 from Bt152 previously. We do not view PTTEP's valuation as attractive as the current price implies a 1.2x P/BV in 2022F. Because the share price already looks like it has reflected the higher oil prices, we downgrade our rating on PTTEP to HOLD from Buy.

**Ex 11: Brent Crude Oil Price Assumption Changes**

(US\$/bbl)	2021A	2022F	2023F	2024F
New	69	88	73	71
Old	69	80	73	71

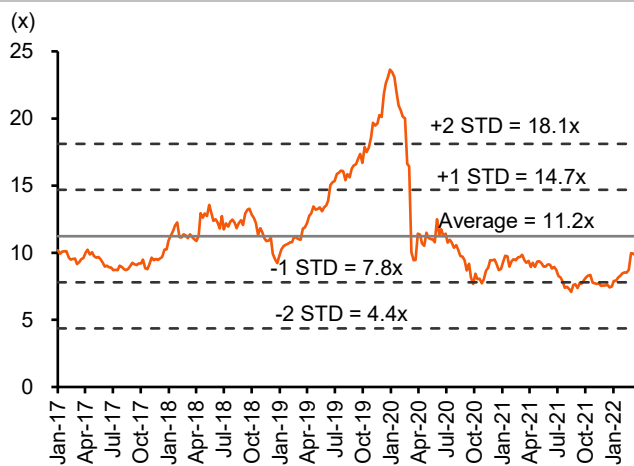
Source: Thanachart estimates

**Ex 12: Net Profit Revisions**

(Bt m)	2022F	2023F	2024F
New	62,877	47,897	43,845
Old	58,083	49,469	45,414
Change (%)	8.3	(3.2)	(3.5)

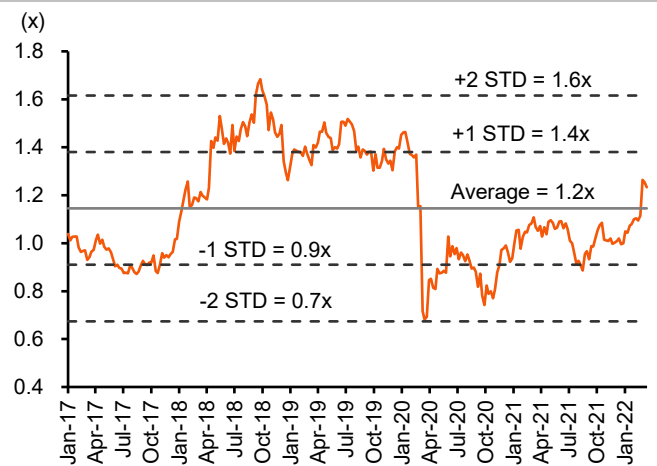
Source: Thanachart estimates

Ex 13: PE Chart



Sources: Bloomberg, Thanachart estimates

Ex 14: P/BV Chart



Sources: Bloomberg, Thanachart estimates

Ex 15: 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	2033F	Terminal Value
EBITDA	202,742	175,880	176,475	180,251	184,594	175,514	166,888	158,693	150,908	143,513	136,487	129,812	
Free cash flow	38,207	27,573	18,919	28,087	51,099	80,639	77,410	74,595	72,007	69,637	67,478	65,535	831,409
PV of free cash flow	38,102	23,167	14,565	19,818	32,348	46,588	40,805	35,885	31,613	27,901	23,544	20,780	263,621
Risk Free (%)	2.5												
Market Risk Premium (%)	8.0												
Beta	1.1												
Wacc (%)	9.1												
Terminal Growth (%)	2.0												
Enterprise Value	618,735												
Net Debt	29,871												
Minority Interest	0												
Equity Value	588,863												
# of Shares	3,970												
Equity Value / Share	148												

Sources: Company data, Thanachart estimates

## Valuation Comparison

## Ex 16: Comparison With Regional Peers

Company	Code	Country	EPS Growth		PE		P/BV		EV/EBITDA		Div. Yield		ROE	
			22F	23F	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
Refining & Marketing														
Caltex Australia	CTX AU	Australia	20.2	20.3	na	na	na	na	na	na	na	na	12.0	14.0
BPCL	BPCL IN	India	(0.9)	5.7	7.7	7.3	1.4	1.3	7.0	6.5	5.9	6.1	24.7	18.8
HPCL	HPCL IN	India	(12.8)	9.0	6.0	5.5	1.0	0.9	6.6	5.7	6.6	6.3	24.1	17.2
IOCL	IOCL IN	India	38.9	(10.8)	5.4	6.1	0.9	0.9	5.3	5.6	6.7	9.0	14.6	17.7
Reliance Industries	RIL IN	India	27.8	27.5	27.1	21.3	2.1	1.9	16.6	13.4	0.3	0.3	8.6	7.9
SK Energy	096770 KS	S.Korea	80.8	15.6	14.4	12.4	1.0	0.9	7.6	6.7	0.9	1.6	4.4	7.3
S-OIL	010950 KS	S.Korea	(8.1)	(9.9)	7.1	7.9	1.2	1.1	5.1	5.5	4.5	4.3	23.5	18.8
Petron	PCOR PM	Philippines	152.9	na	7.7	na	0.7	na	7.1	na	na	3.0	4.1	8.8
Formosa Petrochemical	6505 TT	Taiwan	(13.9)	2.3	20.3	19.9	2.6	2.5	12.2	12.3	4.3	3.3	15.3	12.0
Bangchak *	BCP TB	Thailand	(4.2)	(6.9)	9.2	9.8	0.7	0.7	7.1	8.2	6.8	6.8	na	na
ESSO (Thailand) *	ESSO TB	Thailand	na	17.3	11.4	9.7	1.2	1.1	8.7	7.2	0.0	0.0	na	na
IRPC Pcl *	IRPC TB	Thailand	38.2	19.6	13.6	11.4	0.8	0.8	8.5	7.7	3.7	4.4	na	na
PTG Pcl *	PTG TB	Thailand	50.8	19.5	14.9	12.4	2.5	2.2	6.8	6.3	3.4	4.0	17.6	18.8
PTT Global Chemicals *	PTTGC TB	Thailand	(13.3)	(0.5)	9.2	9.3	0.7	0.7	7.6	7.3	8.0	5.4	7.6	7.4
Star Petroleum Refining *	SPRC TB	Thailand	na	(10.7)	12.4	13.9	1.1	1.1	6.1	5.6	2.8	4.9	na	na
SUSCO Pcl	SUSCO TB	Thailand	35.0	30.1	12.7	9.7	0.9	0.8	5.3	4.4	3.9	5.1	7.0	8.9
Thai Oil *	TOP TB	Thailand	16.2	2.8	16.1	15.7	0.8	0.8	17.4	17.7	2.5	2.6	5.3	5.3
Average			27.2	8.2	12.2	11.5	1.2	1.2	8.4	8.0	4.0	4.2	13.0	12.5
Integrated oils														
PetroChina	857 HK	China	6.7	(9.5)	6.7	7.5	0.5	0.5	3.2	3.3	6.9	7.4	7.3	7.5
Sinopec	386 HK	China	(4.6)	(2.8)	5.9	6.0	0.5	0.5	3.3	3.5	10.7	10.2	9.6	8.4
Total	FP	France	37.5	(9.7)	na	na	na	na	na	na	na	na	15.3	18.2
Eni	ENI IM	Italy	66.1	(7.5)	6.4	6.9	1.0	0.9	2.9	2.9	6.7	7.2	10.7	14.3
RD/Shell A	RDSA NA	Netherlands	41.8	(9.0)	na	na	na	na	3.9	4.2	na	na	11.2	15.3
Repsol	REP SM	Spain	42.8	(5.5)	5.3	5.6	0.7	0.7	3.4	3.5	5.4	5.6	11.1	12.9
Chevron Texaco	CVX US	USA	51.9	(16.2)	12.2	14.5	2.1	2.1	6.1	7.0	3.4	3.6	11.7	15.3
Exxon Mobil	XOM US	USA	55.4	(14.4)	9.5	11.1	1.8	1.7	4.9	5.7	4.5	4.6	13.5	19.3
Conoco Philips	COP US	USA	68.5	(15.7)	9.3	11.1	2.3	2.1	4.6	5.4	1.8	2.2	20.8	26.3
PTT Pcl *	PTT TB	Thailand	10.1	(3.6)	11.4	11.8	1.1	1.0	4.9	4.6	5.1	5.1	9.5	8.8
Average			37.6	(9.4)	8.3	9.3	1.3	1.2	4.2	4.5	5.6	5.7	12.1	14.6
Exploration and Production														
Santos	STO AU	Australia	68.9	(18.1)	10.6	13.0	1.6	1.5	4.6	5.2	1.5	2.1	11.0	14.9
Woodside	WPL AU	Australia	81.0	(28.5)	10.7	15.0	2.1	2.0	4.3	4.6	3.6	6.0	11.4	21.1
Suncor Energy	SU US	Canada	145.9	(5.2)	4.6	4.9	1.1	1.0	3.7	4.0	3.5	5.7	10.9	17.6
ONGC	ONGC IN	India	na	16.3	5.0	4.3	0.8	0.7	4.1	3.5	1.9	7.1	6.1	17.7
RIL	RIL IN	India	27.8	27.5	27.1	21.3	2.1	1.9	16.6	13.4	0.3	0.3	8.6	7.9
Cairn India	CAIR IN	India	na	na	na	na	na	na	na	na	na	na	na	na
Apache	APA US	USA	83.0	(14.2)	4.9	5.7	na	29.5	4.0	4.2	0.4	1.4	(104.6)	(28.8)
Devon Energy	DVN US	USA	91.1	(7.9)	8.2	8.9	2.7	2.4	4.9	5.1	1.9	1.0	38.1	39.3
PTTEP *	PTTEP TB	Thailand	42.9	(23.8)	9.3	12.2	1.2	1.2	3.0	3.5	4.1	4.8	14.2	10.0
Average			77.2	(6.7)	10.1	10.7	1.7	5.0	5.7	5.4	2.1	3.5	(0.5)	12.4

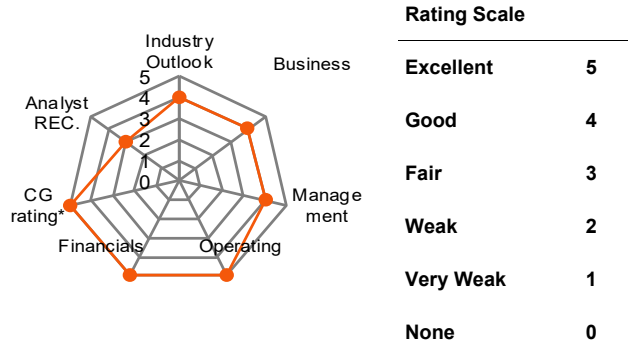
Sources: Bloomberg, \* Thanachart estimates  
Based on 16 March 2022 closing prices

## 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 and probable reserves of 2,123m boe with reserve life of 11.7 years. PTTEP is the upstream arm of PTT Pcl, which owns 65% of PTTEP.

Source: Thanachart

## COMPANY RATING



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.

## O — Opportunity

- Significant resources on its balance sheet are still undeveloped.
- Potential investment overseas or expansion into new businesses.

## W — Weakness

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

## T — Threat

- Threat of low-cost LNG imports.
- Potential impairment risk on overseas business.
- Competition from international peers for projects abroad.
- Political and regulatory risks concerning its concessions, especially those about to expire.
- Overpaying for acquisitions, leading to a lower ROI.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	154.46	148.00	-4%
<b>Net profit 22F (Bt m)</b>	57,281	62,877	10%
<b>Net profit 23F (Bt m)</b>	54,475	47,897	-12%
<b>Consensus REC</b>	<b>BUY: 24</b>	<b>HOLD: 3</b>	<b>SELL: 1</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F EPS is higher than the Bloomberg consensus numbers, mainly on our higher oil price assumptions, but lower in 2023F due to lower oil price assumption.
- Our DCF-based TP is lower than consensus because of lower oil price assumption in 2023F onward.

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.
- A secondary downside risk would be higher-than-expected operating costs.
- Upside risk is oil price sustained higher than our forecast. This could be driven by a complete ban on Russian crude oil.

Source: Thanachart



## INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	160,401	219,068	284,311	243,683	245,577
Cost of sales	106,143	121,020	146,627	134,225	141,301
<b>Gross profit</b>	<b>54,258</b>	<b>98,048</b>	<b>137,684</b>	<b>109,458</b>	<b>104,276</b>
% gross margin	33.8%	44.8%	48.4%	44.9%	42.5%
Selling & administration expenses	9,754	11,416	16,875	16,731	17,092
<b>Operating profit</b>	<b>44,503</b>	<b>86,631</b>	<b>120,809</b>	<b>92,728</b>	<b>87,185</b>
% operating margin	27.7%	39.5%	42.5%	38.1%	35.5%
Depreciation & amortization	65,250	69,192	81,933	83,153	89,291
<b>EBITDA</b>	<b>109,753</b>	<b>155,824</b>	<b>202,742</b>	<b>175,880</b>	<b>176,475</b>
% EBITDA margin	68.4%	71.1%	71.3%	72.2%	71.9%
Non-operating income	2,306	4,869	1,620	1,706	1,858
Non-operating expenses	0	0	0	0	0
Interest expense	(7,956)	(6,472)	(8,407)	(7,648)	(9,624)
<b>Pre-tax profit</b>	<b>38,854</b>	<b>85,029</b>	<b>114,022</b>	<b>86,785</b>	<b>79,419</b>
Income tax	18,764	41,528	51,445	39,188	35,873
<b>After-tax profit</b>	<b>20,090</b>	<b>43,500</b>	<b>62,577</b>	<b>47,597</b>	<b>43,545</b>
% net margin	12.5%	19.9%	22.0%	19.5%	17.7%
Shares in affiliates' Earnings	1,307	489	300	300	300
Minority interests	0	0	0	0	0
Extraordinary items	1,267	(5,125)	0	0	0
<b>NET PROFIT</b>	<b>22,664</b>	<b>38,864</b>	<b>62,877</b>	<b>47,897</b>	<b>43,845</b>
<b>Normalized profit</b>	<b>21,397</b>	<b>43,989</b>	<b>62,877</b>	<b>47,897</b>	<b>43,845</b>
EPS (Bt)	5.7	9.8	15.8	12.1	11.0
Normalized EPS (Bt)	5.4	11.1	15.8	12.1	11.0

Expect 22F profit to peak driven by short term oil spike.

## BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
<b>ASSETS:</b>					
Current assets:	152,716	139,584	158,768	179,925	211,085
Cash & cash equivalent	114,261	85,528	90,000	120,000	150,000
Account receivables	23,752	33,430	43,386	37,186	37,475
Inventories	10,156	14,069	16,872	15,445	16,259
Others	4,547	6,557	8,510	7,294	7,351
Investments & loans	15,774	15,795	15,815	15,836	15,857
Net fixed assets	295,491	380,307	404,535	432,824	463,884
Other assets	211,656	247,850	289,750	263,658	264,875
<b>Total assets</b>	<b>675,637</b>	<b>783,536</b>	<b>868,869</b>	<b>892,243</b>	<b>955,701</b>
<b>LIABILITIES:</b>					
Current liabilities:	56,257	104,502	102,414	84,065	100,396
Account payables	26,844	36,660	44,417	40,660	42,803
Bank overdraft & ST loans	0	12,738	0	0	0
Current LT debt	4,069	0	15,840	6,133	19,800
Others current liabilities	25,344	55,105	42,158	37,272	37,792
<b>Total LT debt</b>	<b>102,878</b>	<b>102,661</b>	<b>102,022</b>	<b>147,197</b>	<b>177,077</b>
Others LT liabilities	162,091	161,022	196,123	170,580	171,771
<b>Total liabilities</b>	<b>321,226</b>	<b>368,186</b>	<b>400,559</b>	<b>401,842</b>	<b>449,243</b>
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	(21,049)	18,955	30,873	30,873	30,873
<b>Retained earnings</b>	<b>266,073</b>	<b>287,007</b>	<b>328,049</b>	<b>350,141</b>	<b>366,196</b>
Shareholders' equity	354,411	415,350	468,310	490,402	506,457
<b>Liabilities &amp; equity</b>	<b>675,637</b>	<b>783,536</b>	<b>868,869</b>	<b>892,243</b>	<b>955,701</b>

Sources: Company data, Thanachart estimates

PTTEP has strong cash generation which lead to strong balance sheet.

## CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	38,854	85,029	114,022	86,785	79,419
Tax paid	(29,624)	(30,528)	(47,193)	(42,018)	(36,423)
Depreciation & amortization	65,250	69,192	81,933	83,153	89,291
Chg In working capital	3,691	(3,775)	(5,003)	3,870	1,040
Chg In other CA & CL / minorities	14,082	15,904	(18,852)	(540)	1,313
<b>Cash flow from operations</b>	<b>92,254</b>	<b>135,822</b>	<b>124,907</b>	<b>131,250</b>	<b>134,640</b>
Capex	(39,239)	(154,009)	(106,161)	(111,441)	(120,351)
Right of use	(14,501)	(2,867)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	480	(21)	(21)	(21)	(21)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	5,074	(36,873)	(6,799)	548	(26)
<b>Cash flow from investments</b>	<b>(48,186)</b>	<b>(193,769)</b>	<b>(112,981)</b>	<b>(110,914)</b>	<b>(120,397)</b>
Debt financing	4,352	7,139	2,463	35,468	43,547
Capital increase	0	(0)	0	0	0
Dividends paid	(20,986)	(19,325)	(21,835)	(25,805)	(27,790)
Warrants & other surplus	(4,326)	41,400	11,918	0	0
<b>Cash flow from financing</b>	<b>(20,960)</b>	<b>29,214</b>	<b>(7,454)</b>	<b>9,663</b>	<b>15,757</b>
<b>Free cash flow</b>	<b>53,015</b>	<b>(18,187)</b>	<b>18,746</b>	<b>19,809</b>	<b>14,289</b>

PTTEP continues to generate high cash flows from operations

## VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	27.3	13.3	9.3	12.2	13.3
Normalized PE - at target price (x)	27.5	13.4	9.3	12.3	13.4
PE (x)	25.7	15.0	9.3	12.2	13.3
PE - at target price (x)	25.9	15.1	9.3	12.3	13.4
EV/EBITDA (x)	5.3	3.9	3.0	3.5	3.6
EV/EBITDA - at target price (x)	5.3	4.0	3.0	3.5	3.6
P/BV (x)	1.6	1.4	1.2	1.2	1.2
P/BV - at target price (x)	1.7	1.4	1.3	1.2	1.2
P/CFO (x)	6.3	4.3	4.7	4.4	4.3
Price/sales (x)	3.6	2.7	2.1	2.4	2.4
Dividend yield (%)	2.9	3.4	4.1	4.8	4.8
FCF Yield (%)	9.1	(3.1)	3.2	3.4	2.4
<b>(Bt)</b>					
Normalized EPS	5.4	11.1	15.8	12.1	11.0
EPS	5.7	9.8	15.8	12.1	11.0
DPS	4.3	5.0	6.0	7.0	7.0
BV/share	89.3	104.6	118.0	123.5	127.6
CFO/share	23.2	34.2	31.5	33.1	33.9
FCF/share	13.4	(4.6)	4.7	5.0	3.6

Sources: Company data, Thanachart estimates

At 1.2x 22F P/BV, we see valuation is no longer attractive.

## FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
<b>Growth Rate</b>					
Sales (%)	(16.0)	36.6	29.8	(14.3)	0.8
Net profit (%)	(53.6)	71.5	61.8	(23.8)	(8.5)
EPS (%)	(53.6)	71.5	61.8	(23.8)	(8.5)
Normalized profit (%)	(56.2)	105.6	42.9	(23.8)	(8.5)
Normalized EPS (%)	(56.2)	105.6	42.9	(23.8)	(8.5)
Dividend payout ratio (%)	74.4	51.1	37.9	58.0	63.4
<b>Operating performance</b>					
Gross margin (%)	33.8	44.8	48.4	44.9	42.5
Operating margin (%)	27.7	39.5	42.5	38.1	35.5
EBITDA margin (%)	68.4	71.1	71.3	72.2	71.9
Net margin (%)	12.5	19.9	22.0	19.5	17.7
D/E (incl. minor) (x)	0.3	0.3	0.3	0.3	0.4
Net D/E (incl. minor) (x)	(0.0)	0.1	0.1	0.1	0.1
Interest coverage - EBIT (x)	5.6	13.4	14.4	12.1	9.1
Interest coverage - EBITDA (x)	13.8	24.1	24.1	23.0	18.3
ROA - using norm profit (%)	3.2	6.0	7.6	5.4	4.7
ROE - using norm profit (%)	6.0	11.4	14.2	10.0	8.8
<b>DuPont</b>					
ROE - using after tax profit (%)	5.6	11.3	14.2	9.9	8.7
- asset turnover (x)	0.2	0.3	0.3	0.3	0.3
- operating margin (%)	29.2	41.8	43.1	38.8	36.3
- leverage (x)	1.9	1.9	1.9	1.8	1.9
- interest burden (%)	83.0	92.9	93.1	91.9	89.2
- tax burden (%)	51.7	51.2	54.9	54.8	54.8
WACC (%)	9.1	9.1	9.1	9.1	9.1
ROIC (%)	6.2	12.8	14.9	10.2	9.1
NOPAT (Bt m)	23,011	44,320	66,302	50,856	47,803
invested capital (Bt m)	347,097	445,221	496,171	523,732	553,334

Sources: Company data, Thanachart estimates

*We see room for ROE improvement on higher gearing and margin expansion*

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