PTT Exp. & Production (PTTEP TB) - HOLD, Price Bt148, TP Bt148

Results Comment

Yupapan Polpornprasert | Email: yupapan.pol@thanachartsec.co.th

1Q22 Beat on lower-than-expected cost

- PTTEP reported 1Q22 profit of Bt10.5nbn (-1% q-q, and -9% y-y). We estimate normalized profit of Bt18.8bn which is up by 40% q-q led by higher selling price. This is 10% ahead our estimate due to lower-than-expected cost. HOLD.
- **Larger non-recurring loss**. We estimate total non-recurring loss of -US$252m in 1Q22 vs -US$84m in 4Q21. This is mainly consisted of i) US$240m oil hedging loss and ii) US$12m Fx loss.
- **Volume steady q-q**. PTTEP's sale volume came in at 427K BOED, only up by 2% q-q. This is primary from Arthit Project due to higher gas nomination from buyer and Zawtika Project due to maintenance shutdown in the previous quarter, offset with a decrease in crude sales volume from Malaysia Project.
- **ASP increase**. Overall average selling price was at US$51.4/BOE, which up by 9.6% q-q, mainly led by liquid selling price given higher oil price during the quarter. Gas price slightly increased by 4% q-q to US$6.07/mmbtu.
- **Low than expect cost should be temporary**. Unit cost edge lower y-y and q-q to US$26.5/BOE vs our expectation of US$28/BOE. This is due to lower business activities and smaller volume from assets in Malaysia.
- **Maintain output guidance**. Company still maintains its output guidance of 467K BOED but raise gas price guidance to US$6.4/mmbtu or 8% increase. This also led to higher cost guidance which increase by US$1/BOE to US$28-29/BOE due to higher royalty expense which is linked to selling price.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	42,754	54,830	58,295	63,189	68,149
Gross profit	**17,600**	**24,490**	**25,116**	**30,990**	**38,928**
SG&A	2,269	2,600	2,357	4,190	3,061
Operating profit	15,331	21,890	22,759	26,800	35,867
EBITDA	**31,888**	**41,636**	**42,708**	**39,592**	**52,954**
Other income	508	793	457	3,112	742
Other expense	0	0	0	0	0
Interest expense	1,453	1,611	1,712	1,696	1,718
Profit before tax	**14,386**	**21,072**	**21,504**	**28,216**	**34,891**
Income tax	5,801	10,063	10,746	14,919	16,436
Equity & invest. income	64	88	228	109	350
Minority interests	0	0	0	0	0
Extraordinary items	2,885	(3,957)	(1,441)	(2,793)	(8,286)
Net profit	**11,534**	**7,140**	**9,545**	**10,612**	**10,519**
Normalized profit	**8,649**	**11,097**	**10,986**	**13,406**	**18,805**
EPS (Bt)	2.91	1.80	2.40	2.67	2.65
Normalized EPS (Bt)	2.18	2.80	2.77	3.38	4.74

Income Statement			**3M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	8	59	24	284,311	243,683
Gross profit	**26**	**121**	**28**	**137,684**	**109,458**
SG&A	(27)	35	18	16,875	16,731
Operating profit	34	134	30	120,809	92,728
EBITDA	**34**	**66**	**26**	**202,742**	**175,880**
Other income	(76)	46	46	1,620	1,706
Other expense			na	0	0
Interest expense	1	18	20	8,407	7,648
Profit before tax	**24**	**143**	**31**	**114,022**	**86,785**
Income tax	10	183	32	51,445	39,188
Equity & invest. income	221	446	117	300	300
Minority interests			na	0	0
Extraordinary items	na	na	na	0	0
Net profit	**(1)**	**(9)**	**17**	**62,877**	**47,897**
Normalized profit	**40**	**117**	**30**	**62,877**	**47,897**
EPS (Bt)	(1)	(9)	17	15.84	12.06
Normalized EPS (Bt)	40	117	30	15.84	12.06

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	56,268	59,298	67,848	85,528	111,413
A/C receivable	24,903	27,353	29,013	33,430	34,660
Inventory	12,077	13,530	14,406	14,069	14,267
Other current assets	8,921	7,969	6,173	6,557	11,662
Investment	13,646	13,961	14,728	14,408	10,403
Fixed assets	376,034	375,772	393,855	380,307	373,065
Other assets	238,436	246,730	261,863	249,237	248,411
Total assets	**730,284**	**744,614**	**787,886**	**783,536**	**803,881**
S-T debt	4,698	6,411	4,092	12,738	12,092
A/C payable	27,049	29,422	33,144	36,660	34,948
Other current liabilities	34,542	48,967	51,788	55,105	82,360
L-T debt	106,235	93,102	97,909	102,661	102,391
Other liabilities	176,967	181,404	191,561	161,022	159,126
Minority interest	0	0	0	0	0
Shareholders' equity	**380,793**	**385,308**	**409,392**	**415,350**	**412,964**
Working capital	9,931	11,461	10,275	10,839	13,980
Total debt	110,933	99,513	102,001	115,399	114,483
Net debt	**54,666**	**40,215**	**34,153**	**29,871**	**3,070**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(9.0)	61.1	48.5	57.5	59.4
Operating profit growth	(9.6)	206.2	93.7	131.1	134.0
EBITDA growth	(5.5)	83.2	53.2	39.6	66.1
Norm profit growth	(4.6)	171.3	81.8	160.9	117.4
Norm EPS growth	(4.6)	171.3	81.8	160.9	117.4
Gross margin	41.2	44.7	43.1	49.0	57.1
Operating margin	35.9	39.9	39.0	42.4	52.6
EBITDA margin	74.6	75.9	73.3	62.7	77.7
Norm net margin	20.2	20.2	18.8	21.2	27.6
D/E (x)	0.3	0.3	0.2	0.3	0.3
Net D/E (x)	0.1	0.1	0.1	0.1	0.0
Interest coverage (x)	21.9	25.8	24.9	23.3	30.8
Interest rate	5.3	6.1	6.8	6.2	6.0
Effective tax rate	40.3	47.8	50.0	52.9	47.1
ROA	4.9	6.0	5.7	6.8	9.5
ROE	9.4	11.6	11.1	13.0	18.2

Sources: Company data, Thanachart estimates

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