PTT Exploration &Production Pcl (PTTEP TB) - HOLD

Earnings Preview

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Better profit q-q on lower hedging loss

- **Core profit up 2% q-q as higher cost offset with higher price**
- **Volume came in-line with initial guidance**
- **2H22F profit to trend better on higher price and volume**
- **But there is a risk on another asset impairment**

Following PTTEP's company update meeting, we expect the company to report a strong profit Bt17.9bn in 2Q22F, up by 70% q-q due to less hedging loss. Stripping out hedging loss of Bt1.3bn, we estimate core profit of Bt19bn, up only by 2% q-q as higher price and volume were offset by higher cost. Looking forward, we expect 2H22F to trend higher due to higher sale volume and selling price. The company will report 2Q22 result on 1st August before market open. We maintain our HOLD rating on PTTEP as we think share price is largely driven by oil price which we see limited upside.

- **Volume came in-line with initial guidance**. PTTEP guided that volume came in at 470k boed which is broadly in-line with initial guidance of 467k boed. The volume increased by 12% q-q due to higher sale volume from Southeast Asia and contribution from new Bongkot and Erawan concession starting in April 2022.
- **Erawan ramp up expense led to higher cost.** Cost is expected to increase to nearly US$30/boe vs US$26.5/BOE in 1Q22 due to higher operating expenses that required to ramp up Erawan production. Note that this is higher than guidance of US$28-29/BOE. The company guided cost to be at this level throughout 2022F.
- **ASP increase in-line with higher price**. PTTEP's average selling price is expected to come in at US$56.2/BOE, up 9% q-q and 29% y-y, mainly from higher oil price benchmark. Gas selling price only up slightly by 2% q-q to US$6.2/mmbtu due to 6-9 months lag adjustment for the fields in Gulf of Thailand. The company expects to see big gas price adjustment in 4Q22.
- **2H to trend better but there is risk another asset impairment risk**. Overall, we expect 2H22F to trend higher volume higher volume and selling price. However, PTTEP could book another asset impairment if the company can't resume activities by September.

Key Valuations

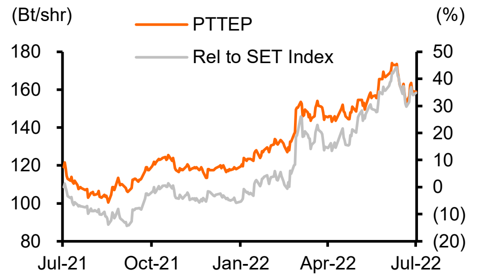
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	219,068	309,763	288,633	284,615
Net profit	38,864	70,997	71,439	64,914
Norm net profit	43,989	79,157	71,439	64,914
Norm EPS (Bt)	11.1	19.9	18.0	16.4
Norm EPS gr (%)	105.6	79.9	(9.8)	(9.1)
Norm PE (x)	14.3	8.0	8.8	9.7
EV/EBITDA (x)	4.2	3.0	3.0	3.0
P/BV (x)	1.5	1.3	1.2	1.1
Div. yield (%)	3.1	3.8	4.4	4.4
ROE (%)	11.4	17.8	14.3	12.0
Net D/E (%)	7.2	7.8	3.8	2.1

Source: Thanachart estimates

Stock Data

Closing price (Bt)	159.00
Target price (Bt)	161.00
Market cap (US$ m)	17,702
Avg daily turnover (US$ m)	56.8
12M H/L price (Bt)	154.50/100.50

Price Performance



Source: Bloomberg

Ex 1: 2Q22F result preview

(Bt m)	2Q21	1Q22	2Q22F	(q-q%)	(y-y%)
Revenue	54,830	68,149	82,486	*21.0*	*50.4*
Cost	(34,552)	(34,000)	(44,511)	*30.9*	*28.8*
Operating profit	**20,279**	**34,149**	**37,975**	***11.2***	***87.3***
Other non-op income	645	601	601		
Interest income	148	141			
Equity income	88	350			
Fx gain/loss	(56)	(159)			
Other non-op	(3,901)	(8,127)	(1,360)	*(83.3)*	*(65.1)*
EBT	**17,203**	**26,955**	**37,216**	***38.1***	***116.3***
Income tax	(10,034)	(16,199)	(19,288)	*19.1*	*92.2*
Tax rate (%)	-49%	-47%	-50%		
Net profit	**7,140**	**10,519**	**17,928**	***70.4***	***151.1***
Core profit	**11,122**	**18,854**	**19,301**	***2.4***	***73.5***

Sources: Company data, Thanachart estimates

Ex 2: Key operating items

Key opearating items	2Q21	1Q22	2Q22F	(q-q%)	(y-y%)
Volume (KBOED)	443,126	420,965	470,000	*11.6*	*6.1*
Gas price (US$/mmbtu)	5.6	6.1	6.2	*2.1*	*10.9*
Average selling price (US$/BOE)	43.6	51.4	56.2	*9.4*	*29.0*
Unit cost (US$/BOE)	26.3	26.5	29.3	*10.2*	*11.1*

Sources: Company data, Thanachart estimates

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