PTT Exp. & Production (PTTEP TB) - HOLD, Price Bt159.5, TP Bt161 | Results Comment

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2Q22 – In-line

- PTTEP reported 2Q22 profit of Bt20.6bn (+96%% q-q, 189% y-y) due to higher selling price and lower hedging loss. This is in-line with our and Bloomberg consensus estimate. HOLD
- **Lower non-recurring loss**. Non-recurring loss reported at US$47m in 2Q22 vs US$252m in 1Q22 and US$127m in 2Q21. The non-recurring loss is mainly from oil hedging loss which company booked US$38m in this quarter.
- **Volume trended higher q-q**. Average sales volume was at 465,459 BOED in 2Q22 (+8% q-q, +5% y-y), primarily from first production of G1/61 Project since the end of April 2022, together with Oman Block 61 Project due to higher gas sales volume. This is broadly in-line with PTTEP's guidance in 1Q22.
- **Higher selling price.** The average selling price increased 8% to US$55.61/BOE in 2Q22 (vs. US$51.35/BOE 1Q22), mainly led by liquid selling price given higher oil price during the quarter. Gas price slightly flat q-q at US$6.1/mmbtu
- **Cost rise due to higher Erawan expenses**. Unit cost up 8% q-q and 6% y-y to US$28.8/BOE mainly from higher operating cost. We believe this is due to higher expense related to ramping up Erawan's production. Consequently, company raises unit cost guidance slightly by US$1/BOE to be in a range of US$29-30/BOE.
- **A steady to higher profit in 2H22**. We expect 3Q to trend steady to higher as higher sale volume to be offset by lower selling price and higher cost.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	54,830	58,295	63,189	68,149	83,088
Gross profit	**24,490**	**25,116**	**30,990**	**38,928**	**46,920**
SG&A	2,600	2,357	4,190	3,061	3,865
Operating profit	21,890	22,759	26,800	35,867	43,055
EBITDA	**41,636**	**42,708**	**39,592**	**52,954**	**62,498**
Other income	793	457	3,112	742	1,549
Other expense	0	0	0	0	0
Interest expense	1,611	1,712	1,696	1,718	2,194
Profit before tax	**21,072**	**21,504**	**28,216**	**34,891**	**42,410**
Income tax	10,063	10,746	14,919	16,436	21,042
Equity & invest. income	88	228	109	350	445
Minority interests	0	0	0	0	0
Extraordinary items	(3,957)	(1,441)	(2,793)	(8,286)	(1,213)
Net profit	**7,140**	**9,545**	**10,612**	**10,519**	**20,600**
Normalized profit	**11,097**	**10,986**	**13,406**	**18,805**	**21,813**
EPS (Bt)	1.80	2.40	2.67	2.65	5.19
Normalized EPS (Bt)	2.80	2.77	3.38	4.74	5.49

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	22	52	49	309,763	288,633
Gross profit	**21**	**92**	**53**	**160,846**	**152,160**
SG&A	26	49	41	16,875	16,731
Operating profit	20	97	55	143,971	135,430
EBITDA	**18**	**50**	**51**	**225,904**	**218,582**
Other income	109	95	141	1,620	1,706
Other expense			na	0	0
Interest expense	28	36	45	8,646	7,546
Profit before tax	**22**	**101**	**56**	**136,945**	**129,589**
Income tax	28	109	65	58,088	58,450
Equity & invest. income	27	408	265	300	300
Minority interests			na	0	0
Extraordinary items	na	na	116	(8,160)	0
Net profit	**96**	**189**	**44**	**70,997**	**71,439**
Normalized profit	**16**	**97**	**51**	**79,157**	**71,439**
EPS (Bt)	96	189	44	17.88	17.99
Normalized EPS (Bt)	16	97	51	19.94	17.99

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	59,298	67,848	85,528	111,413	99,057
A/C receivable	27,353	29,013	33,430	34,660	37,879
Inventory	13,530	14,406	14,069	14,267	15,846
Other current assets	7,969	6,173	6,557	11,662	13,266
Investment	13,961	14,728	14,408	10,403	10,816
Fixed assets	375,772	393,855	380,307	373,065	412,899
Other assets	246,730	261,863	249,237	248,411	264,030
Total assets	**744,614**	**787,886**	**783,536**	**803,881**	**853,794**
S-T debt	6,411	4,092	12,738	12,092	14,033
A/C payable	29,422	33,144	36,660	34,948	41,245
Other current liabilities	48,967	51,788	55,105	82,360	34,624
L-T debt	93,102	97,909	102,661	102,391	119,530
Other liabilities	181,404	191,561	161,022	159,126	191,720
Minority interest	0	0	0	0	0
Shareholders' equity	**385,308**	**409,392**	**415,350**	**412,964**	**452,641**
Working capital	11,461	10,275	10,839	13,980	12,479
Total debt	99,513	102,001	115,399	114,483	133,563
Net debt	**40,215**	**34,153**	**29,871**	**3,070**	**34,506**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	61.1	48.5	57.5	59.4	51.5
Operating profit growth	206.2	93.7	131.1	134.0	96.7
EBITDA growth	83.2	53.2	39.6	66.1	50.1
Norm profit growth	171.3	81.8	160.9	117.4	96.6
Norm EPS growth	171.3	81.8	160.9	117.4	96.6
Gross margin	44.7	43.1	49.0	57.1	56.5
Operating margin	39.9	39.0	42.4	52.6	51.8
EBITDA margin	75.9	73.3	62.7	77.7	75.2
Norm net margin	20.2	18.8	21.2	27.6	26.3
D/E (x)	0.3	0.2	0.3	0.3	0.3
Net D/E (x)	0.1	0.1	0.1	0.0	0.1
Interest coverage (x)	25.8	24.9	23.3	30.8	28.5
Interest rate	6.1	6.8	6.2	6.0	7.1
Effective tax rate	47.8	50.0	52.9	47.1	49.6
ROA	6.0	5.7	6.8	9.5	10.5
ROE	11.6	11.1	13.0	18.2	20.2

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