

**BUY** (From: SELL)

Change in Recommendation

**TP: Bt 125.00** (From: Bt 93.00)

**Upside : 13.6%**

**20 JUNE 2025**

# PTT Exp & Production Pcl (PTTEP TB)

## Decent yields at low oil price

We upgrade PTTEP to BUY on our higher oil price assumptions and PTTEP's ability to pay good 7.3/7.0% dividend yields in a low oil price environment in 2025-26F. That is also despite PTTEP still holding on to large cash reserves for existing projects and future investments.



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### Upgrading to BUY

We upgrade PTTEP to BUY from Sell for three key reasons. *First*, we now believe our previous Brent oil forecasts of US\$65/60/60/bbl were too low and have lifted them to US\$70/65/65 in 2025-27F, still reflecting a global slowdown and rising OPEC output, but with a heightened number of global conflicts. That leads us to raise our earnings estimates by 16/16/17% and our DCF-based 12-month TP (2025F base year) TP to Bt125 (from Bt93). *Second*, despite our oil price hikes, we still consider the price level low. And in such a low oil price environment, we expect PTTEP to be able to pay decent dividend yields of 7.3/7.0% in 2025-26F. That premise is supported by high free cash flow (FCF) yields of 7.3/7.3% in those years. *Finally*, PTTEP trades at just 6.8x 2025F PE — a 42% discount to peers — making it one of the cheapest players in the region.

### Heightened global conflicts and risk premium

Although we do not expect the Israel-Iran war to escalate to a regional or global scale, it has added to global conflicts on top of the ongoing Russia-Ukraine and Israel-Hamas conflicts. The Israel-Iran war is also linked to the world's largest global oil transport route, the Strait of Hormuz, which handles 34% of global seaborne crude oil. Therefore, while we still expect a global economic slowdown over the next two years, we see a higher risk premium for the oil market. We revise our Brent assumptions upward by US\$5/bbl to US\$70/65/65 in 2025-27F. Our earnings sensitivity analysis indicates that each US\$5/bbl oil price increase would lift our TP for PTTEP by Bt14.

### Gas-weighted portfolio limits volatility

PTTEP's gas-dominated portfolio (73% of output) reduces the degree of oil price volatility. Over the past four years, gas prices have remained stable in the US\$5.8-6.7/mmbtu range despite sharp oil price swings. Additionally, output growth of 4/7% in 2025-26F should further help offset potential downside from weaker oil prices. This should help stabilize dividend payments.

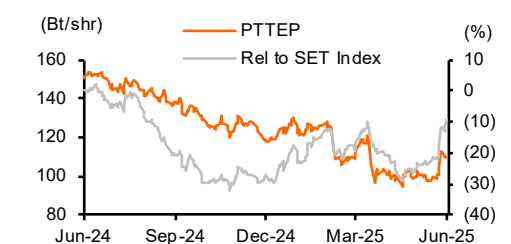
### Strong balance sheet supports yield story

PTTEP is the strongest subsidiary of PTT Pcl (PTT TB, Bt30.00, BUY), and we believe PTT expects a sustainable dividend from it. PTTEP is in a net cash position, and it generates strong cash flows. EBITDA after interest expense is Bt188bn p.a. Factoring in substantial capex as an upstream oil and gas operator, we estimate free cash flow (FCF) of Bt33bn p.a. or 7.7/7.5% FCF yields in 2025-26F, which offers support to our dividend yield estimates of 7.3/7.0% in 2025-26F. We assume a payout ratio of 51%, in line with its five-year average.

### COMPANY VALUATION

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Sales	312,310	284,765	289,424	284,396
Net profit	78,824	64,143	59,274	59,335
Consensus NP	—	64,931	63,527	57,710
Diff frm cons (%)	—	(1.2)	(6.7)	2.8
Norm profit	78,239	64,143	59,274	59,335
Prev. Norm profit	—	55,216	50,305	49,945
Chg frm prev (%)	—	16.2	17.8	18.8
Norm EPS (Bt)	19.7	16.2	14.9	14.9
Norm EPS grw (%)	(0.5)	(18.0)	(7.6)	0.1
Norm PE (x)	5.6	6.8	7.4	7.4
EV/EBITDA (x)	1.7	2.0	2.1	2.2
P/BV (x)	0.8	0.8	0.7	0.7
Div yield (%)	8.8	7.3	7.0	7.0
ROE (%)	15.1	11.5	10.0	9.6
Net D/E (%)	(8.1)	(7.7)	(4.1)	(0.8)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 20-Jun-25 (Bt)	110.00
Market Cap (US\$ m)	13,333.5
Listed Shares (m shares)	3,970.0
Free Float (%)	34.7
Avg Daily Turnover (US\$ m)	34.7
12M Price H/L (Bt)	154.00/94.75
Sector	Energy
Major Shareholder	PTT Pcl 63.79%

Sources: Bloomberg, Company data, Thanachart estimates

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## Upgrading to BUY; decent yields at low oil prices

We upgrade our rating on shares of PTT Exploration & Production Pcl (PTTEP) to BUY from Sell for three key reasons:

**Factoring in increased geopolitical risk**

*First*, we raise our Brent oil price assumptions by US\$5/bbl to US\$70/65/65 in 2025-27F (from US\$65/60/60), as we believe our previous estimates were too conservative. While a full-scale regional war between Israel and Iran remains unlikely, in our view, the growing number of global geopolitical flashpoints — such as the Russia-Ukraine and Israel-Hamas conflicts — has introduced a structural risk premium to oil markets.

### Ex 1: Raising Our Brent Oil Price Assumptions By US\$5/bbl To Reflect Geopolitical Risk

	2021	2022	2023	2024	2025F	2026F	2027F
<b>Brent oil (US\$/bbl)</b>							
- New	71	99	82	80	70	65	65
- Old					65	60	60
- Change (%)					7.7	8.3	8.3

Sources: Bloomberg, Thanachart estimates

**Raising our earnings estimates and TP**

With our higher oil price forecasts, we raise our earnings estimates by 16/16/17% over 2025-27F and lift our DCF-based 12-month TP (2025F base year) to Bt125 from Bt93.

### Ex 2: Earnings Changes

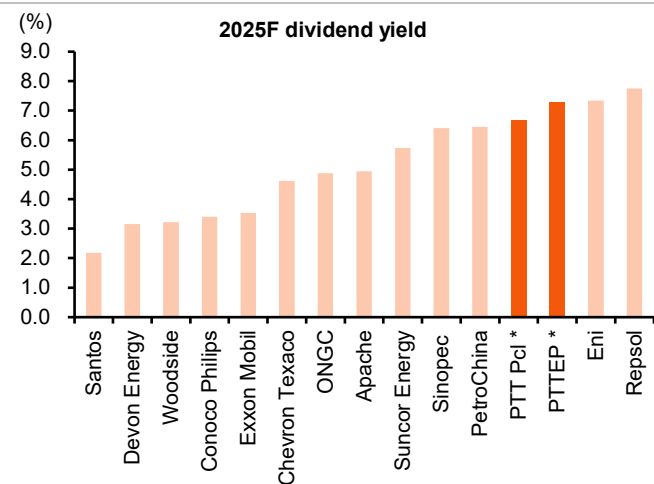
	2021	2022	2023	2024	2025F	2026F	2027F
<b>Norm profit (Bt m)</b>							
- New	42,888	90,721	78,656	78,239	63,786	58,262	58,305
- Old					55,216	50,305	49,945
- Change (%)					15.5	15.8	16.7
<b>Reported profit (Bt m)</b>							
- New	38,864	70,901	76,706	78,824	63,786	58,262	58,305
- Old					55,216	50,305	49,945
- Change (%)					15.5	15.8	16.7

Sources: Company data, Thanachart estimates

**Despite our low oil price assumptions, PTTEP offers 7% dividend yields**

*Second*, even after our oil price hikes, we believe the overall price level is still on the low side. However, in this kind of environment, PTTEP should still be able to deliver solid dividends – we expect yields of 7.3% and 7.0% in 2025-26F. Our assumptions are backed by strong free cash flow (FCF), with FCF yields of 7% in both years, driven by its gas-heavy portfolio, low capex needs, and steady earnings.

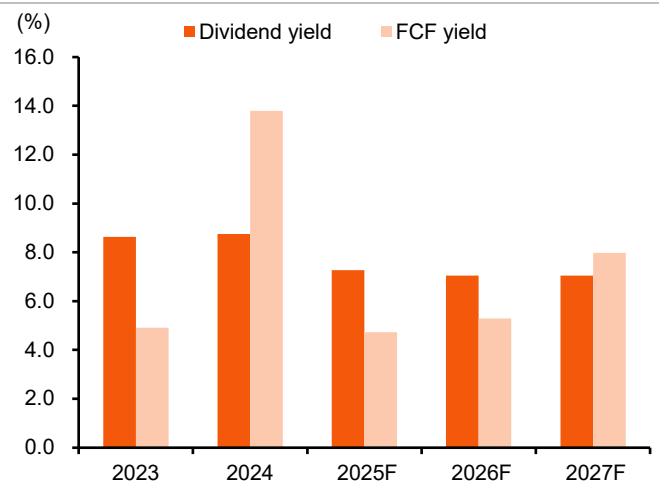
Ex 3: Dividend Yield Vs. Peers



Sources: Company data, Thanachart estimates

Note: \*Company under our coverage

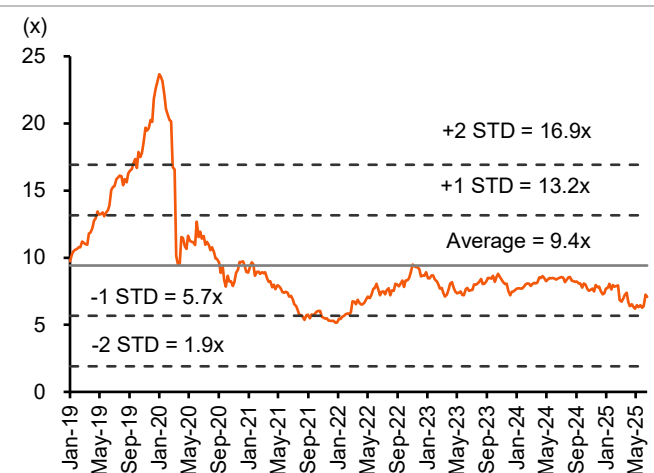
Ex 4: Dividend Yield Vs. FCF Yield



Sources: Company data, Thanachart estimates

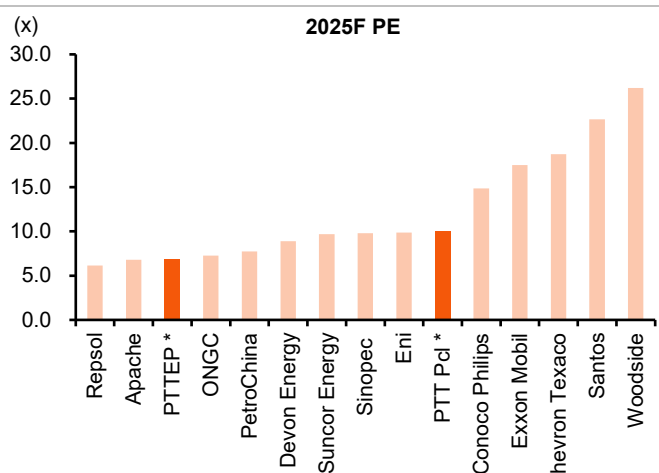
Finally, we view PTTEP's valuation as undemanding. It is trading at just 6.8x 2025F PE – one of the lowest levels among regional peers and a steep 42% discount to its peers' average of 12.2x.

Ex 5: PE Band Chart



Sources: Bloomberg, Thanachart estimates

Ex 6: PE Vs. Regional Peers



Sources: Company data, Thanachart estimates

Note: \*Company under our coverage

### Heightened global conflicts and risk premium

#### Direct Israeli strike marks a major escalation

The Israel-Iran war has reignited the focus on the Strait of Hormuz, a critical chokepoint for roughly 34% of global seaborne crude oil. On 13 June, Israel launched an attack on Iranian soil, targeting nuclear-related sites. Unlike previous covert or “shadow” operations, this was a direct operation openly acknowledged by Israel, marking a more severe escalation that has heightened fears over broader regional stability. While the situation has not yet led to a military confrontation in the Strait, the risk of miscalculation or proxy escalation remains elevated, in our view.

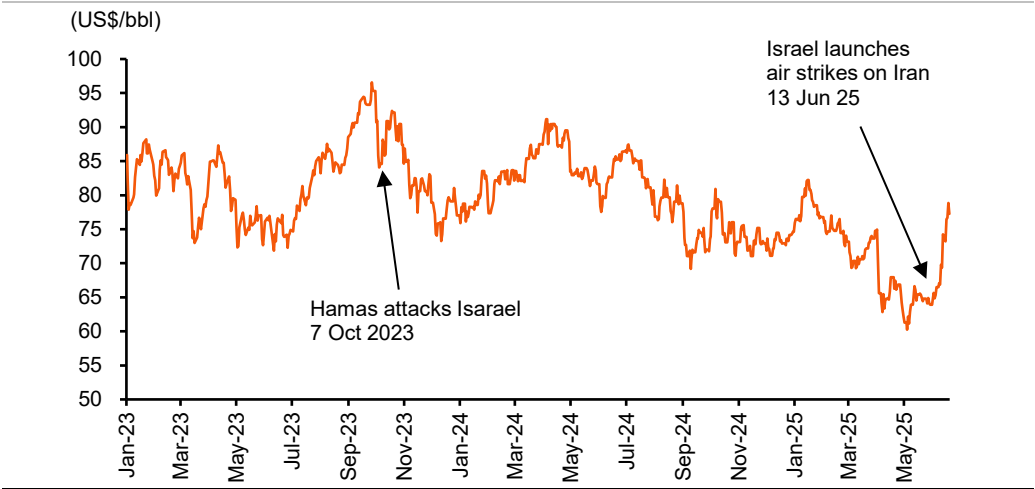
*Strait of Hormuz closure unlikely — but critical*

*Iran also exports most of its oil via the Strait of Hormuz*

Although we believe a complete closure of the Strait is unlikely, the mere possibility of disruption introduces a structural risk premium to oil markets. Even temporary interruptions or threats to tanker safety can drive volatility and push prices higher.

For Iran, the Strait is a strategic asset. Of its 3.3m bpd oil output, around 1.8m bpd is exported almost entirely via the Strait of Hormuz. Any serious disruption would not only affect global supply but also severely undermine Iran’s own revenue stream.

Ex 7: Brent Crude Oil Price



Ex 8: Strait Of Hormuz Is Critical To Oil Flows



Source: Bloomberg

Ex 9: Country Exports Via Strait Of Hormuz

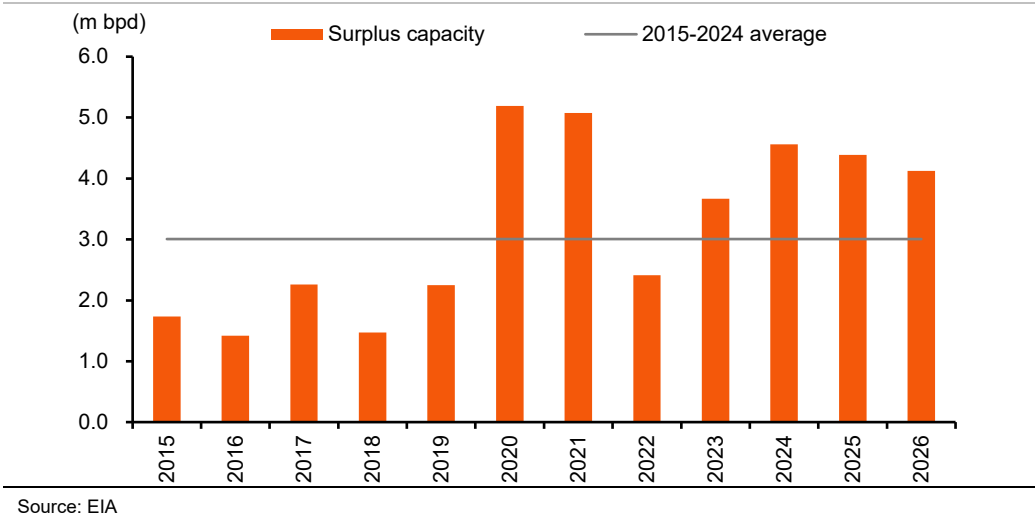
(m bpd)	Crude	Product	Total
UAE	2.8	1.6	4.4
Saudi Arabia	6.0	1.2	7.2
Kuwait	1.4	1.0	2.3
Iran	1.8	0.4	2.1
Qatar	0.7	0.5	1.2
Iraq	3.2	0.4	3.6
Bahrain	-	0.2	0.2
Oman	-	-	-
<b>Strait of Hormuz</b>	<b>15.9</b>	<b>5.2</b>	<b>21.2</b>

Source: Kepler

*Spare capacity is a buffer*

OPEC’s spare capacity – around 5m bpd, mainly from Saudi Arabia and the UAE – provides some buffer against supply shocks. Should there be a disruption to Iran’s oil production, currently exporting about 1.8m bpd, this spare capacity could likely cover the shortfall. However, if the Strait of Hormuz were to close entirely, OPEC’s spare capacity would not be sufficient to offset the resulting global supply disruption.

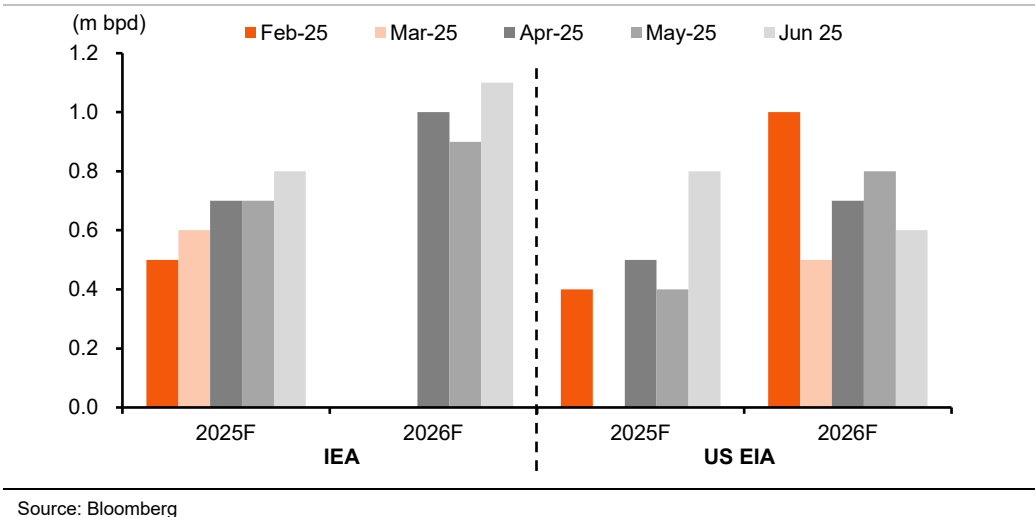
Ex 10: OPEC’s Surplus Crude Oil Production Capacity



Macro still sluggish, but oil risk premium on the rise

We maintain our view that global oil demand growth will remain sluggish through 2025-26F. However, we believe the geopolitical risk premium will keep oil prices elevated above long-term fundamentals, even in the face of a well-supplied market. In an environment shaped by rising fiscal deficits, trade fragmentation, and global rearmament, commodities such as oil are increasingly valued as a geopolitical hedge, not merely as a function of demand and supply. Despite persistent Israel-Iran hostilities, both the IEA and EIA project a comfortable supply outlook for 2025. The IEA has trimmed its 2025 demand estimate by 0.1m bpd while keeping its supply projections steady, signaling a looser market balance. Meanwhile, the EIA has revised its 2025 forecast by lowering demand and raising supply, effectively doubling the projected surplus to 0.8m bpd.

Ex 11: Evolution Of Oil Balance Estimates For 2025-26 By Key Agencies

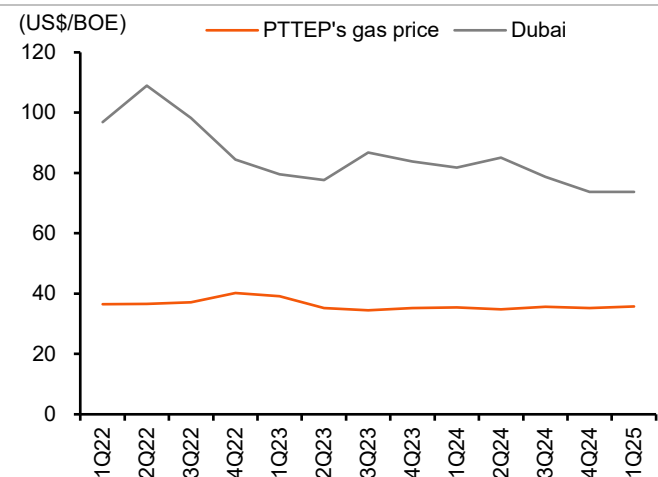


### Gas-weighted portfolio limits volatility

**Stable gas price supports  
stable dividend**

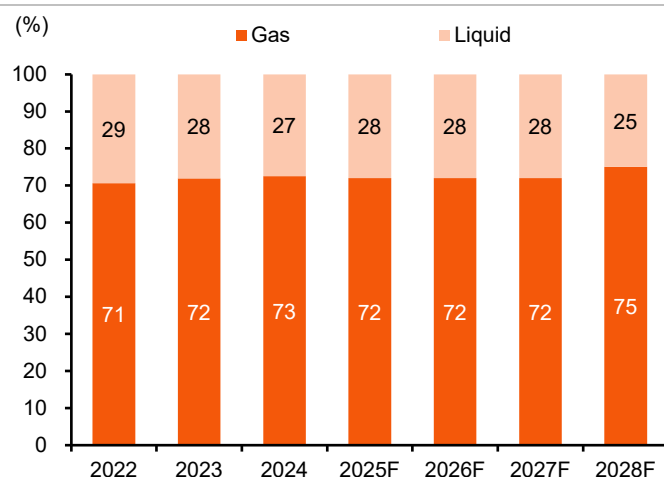
We see PTTEP's stable dividend being supported by a stable revenue stream from its gas portfolio, which accounts for 72-75% of total volume in 2025-27F. PTTEP's gas price formula is primarily linked to benchmark crude prices (Dubai or high sulfur fuel oil) with a three- to six-month lag, ensuring gradual price adjustments. The structure combines fixed and floating components, balancing stability and market responsiveness. As shown in Exhibit 12, PTTEP's gas price remains less sensitive to oil price fluctuations. On top of this, it should see support from a 3.4% CAGR in total volume over the next five years.

**Ex 12: PTTEP's Gas Price Vs. Dubai Price**



Sources: Company data, Thanachart estimates

**Ex 13: PTTEP's Sales Volume Mix**



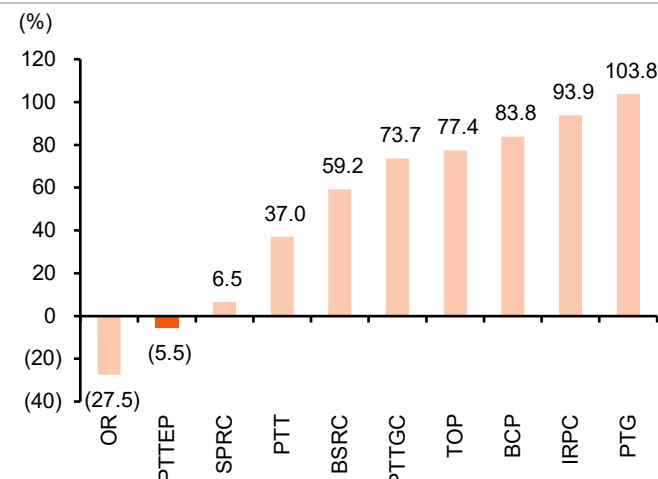
Source: Company data, Thanachart estimates

### Strong balance sheet supports yield story

**PTTEP has one of the  
strongest balance sheet  
among Thai energy names**

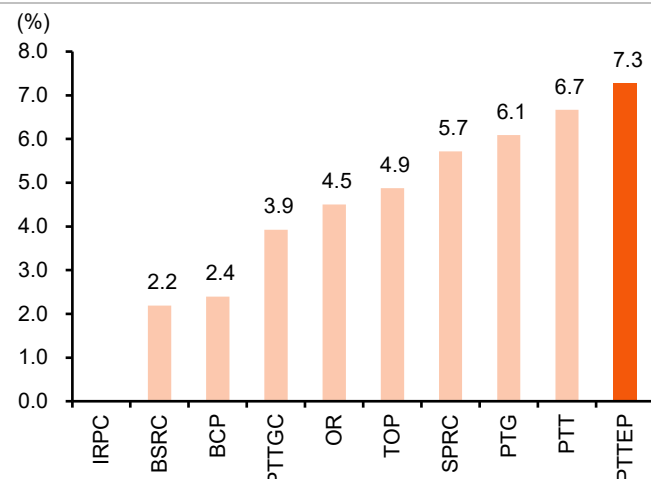
PTTEP is the strongest subsidiary of PTT Pcl (PTT TB, Bt30.00, BUY), and we believe PTT expects a sustainable dividend from it. PTTEP is in a net cash position, generating strong cash flows. EBITDA after interest expense is Bt185bn p.a. Factoring in substantial capex as an upstream oil and gas operator, we estimate free cash flow (FCF) of Bt32bn p.a. or 7.3/7.3% FCF yields in 2025-26F, which provides support to our dividend yield estimates of 7.3/7.0% in 2025-26F. We assume a payout ratio of 51%, in line with its five-year average.

**Ex 14: Net D/E Comparison**



Sources: Company data, Thanachart estimates

**Ex 15: 2025F Dividend Yield Comparison**



Sources: Company data, Thanachart estimates

Ex 16: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	Terminal Value
EBITDA	196,649	196,107	193,227	209,063	208,363	211,229	214,124	217,048	220,001	222,983	225,995	229,038	
Free cash flow	(12)	1,971	11,879	60,143	57,821	28,343	42,216	45,274	48,348	51,439	54,546	57,672	728,942
PV of free cash flow	(12)	1,627	8,910	40,974	35,788	15,938	21,567	21,008	20,382	19,701	18,980	18,227	230,376
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.2												
WACC (%)	10.1												
Terminal growth (%)	2.0												
Enterprise value	453,478												
Net debt	(43,496)												
Minority interest	281												
Equity value	496,693												
# of shares	3,970												
Equity value / share	125												

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 17: Comparison With Regional Peers

Company	Code	Country	EPS Growth		— PE —		— P/BV —		EV/EBITDA		Div. Yield		— ROE —	
			25F (%)	26F (%)	25F (x)	26F (x)	25F (x)	26F (x)	25F (x)	26F (x)	25F (%)	26F (%)	25F (%)	26F (%)
Refining & Marketing														
Ampol	ALD AU	Australia	46.2	38.1	17.1	12.4	1.8	1.7	7.5	6.6	3.8	5.9	12.0	14.5
BPCL	BPCL IN	India	(50.6)	14.8	10.1	8.8	1.6	1.5	7.7	6.8	4.0	4.2	15.8	17.3
HPCL	HPCL IN	India	(59.9)	51.8	12.1	8.0	1.6	1.4	9.9	7.0	2.7	3.9	14.3	19.9
IOCL	IOCL IN	India	(77.2)	98.8	19.4	9.7	1.0	1.0	10.0	7.1	2.6	4.0	6.4	10.3
Reliance Industries	RIL IN	India	0.8	13.7	na	na	na	na	13.8	12.3	na	na	8.6	9.0
SK Energy	096770 KS	S.Korea	na	na	na	19.9	0.6	0.6	14.5	10.0	2.0	2.2	na	3.1
S-OIL	010950 KS	S.Korea	na	179.3	35.3	12.6	0.8	0.8	8.9	6.3	1.0	1.9	2.0	6.0
Formosa Petrochemical	6505 TT	Taiwan	(20.1)	32.3	29.4	22.2	1.1	1.1	11.3	10.1	2.8	3.4	4.1	4.9
Bangchak *	BCP TB	Thailand	(38.8)	26.5	10.4	8.2	0.7	0.6	3.7	3.9	2.4	3.0	6.6	8.0
Bangchak Sriracha *	BSRC TB	Thailand	40.5	23.6	10.2	8.3	0.6	0.6	5.5	3.7	2.2	3.1	5.9	7.1
IRPC Pcl *	IRPC TB	Thailand	na	na	na	na	0.2	0.2	12.5	8.3	0.0	0.0	(3.6)	(1.2)
PTT Oil And Retail *	OR TB *	Thailand	17.2	7.8	13.9	12.9	1.1	1.1	5.1	5.0	4.5	4.9	8.2	8.5
PTG Pcl *	PTG TB	Thailand	2.3	4.3	9.2	8.8	1.0	1.0	3.3	2.8	6.1	7.0	11.3	11.2
PTT Global Chemicals *	PTTGC TB	Thailand	na	na	na	18.7	0.3	0.3	8.9	7.2	3.9	1.7	(0.7)	1.8
Star Petroleum Refining *	SPRC TB	Thailand	6.5	(13.6)	9.0	10.4	0.6	0.6	4.7	4.5	5.7	4.9	6.4	5.5
Thai Oil *	TOP TB	Thailand	(43.5)	(7.3)	6.1	6.6	0.4	0.3	8.6	9.2	4.9	5.0	5.9	5.9
Average			(14.7)	36.2	15.2	12.0	0.9	0.8	8.5	6.9	3.2	3.7	6.9	8.2
Integrated oils														
PetroChina	857 HK	China	(5.8)	1.3	7.7	7.7	0.8	0.7	4.1	4.0	6.5	6.3	10.3	9.9
Sinopec	386 HK	China	(10.6)	9.7	9.8	8.9	0.6	0.6	5.9	5.5	6.4	7.0	5.9	6.3
Total	FP	France	(16.8)	5.0	na	na	na	na	na	na	na	na	13.5	12.8
Eni	ENI IM	Italy	(17.8)	10.2	9.9	9.0	0.8	0.8	4.2	4.0	7.3	7.6	8.2	8.7
Repsol	REP SM	Spain	(20.0)	11.1	6.1	5.5	0.5	0.5	3.6	3.5	7.7	8.2	8.3	8.5
Chevron Texaco	CVX US	USA	(23.1)	24.3	18.7	15.1	1.7	1.8	7.2	6.1	4.6	4.8	9.8	12.1
Exxon Mobil	XOM US	USA	(15.8)	17.2	17.5	14.9	1.9	1.9	7.6	6.9	3.5	3.7	11.0	12.6
Conoco Philips	COP US	USA	(17.6)	8.9	14.9	13.6	1.8	1.8	5.3	5.2	3.4	3.5	12.1	12.8
PTT Pcl *	PTT TB	Thailand	(6.8)	(5.5)	10.0	10.6	0.7	0.7	4.1	3.7	6.7	6.7	7.4	6.9
Average			(14.9)	9.1	11.8	10.7	1.1	1.1	5.2	4.9	5.8	6.0	9.6	10.1
Exploration and Production														
Santos	STO AU	Australia	(16.7)	25.0	22.6	18.1	1.6	1.5	6.0	5.0	2.2	3.1	7.0	7.7
Woodside	WDS AU	Australia	(36.2)	(28.9)	26.2	36.8	1.4	1.4	4.7	5.3	3.2	2.3	5.4	3.7
Suncor Energy	SU US	Canada	(22.7)	2.7	9.7	9.4	1.1	1.1	5.5	5.4	5.7	5.9	10.9	10.5
ONGC	ONGC IN	India	(5.6)	(3.5)	7.3	7.5	0.9	0.8	5.6	5.2	4.9	4.8	12.4	12.2
RIL	RIL IN	India	0.8	13.7	na	na	na	na	13.8	12.3	na	na	8.6	9.0
Apache	APA US	USA	(26.5)	(11.7)	6.8	7.7	1.2	1.1	2.7	2.9	4.9	5.2	16.4	11.6
Devon Energy	DVN US	USA	(19.8)	8.6	8.9	8.2	1.4	1.3	4.0	4.0	3.1	3.2	15.5	15.2
PTTEP *	PTTEP TB	Thailand	(18.5)	(8.7)	6.8	7.5	0.8	0.7	2.1	2.2	7.3	7.0	11.5	9.9
Average			(18.1)	(0.3)	12.6	13.6	1.2	1.1	5.6	5.3	4.5	4.5	10.9	10.0

Sources: Bloomberg, \* Thanachart estimates  
Based on 20 June 2025 closing prices

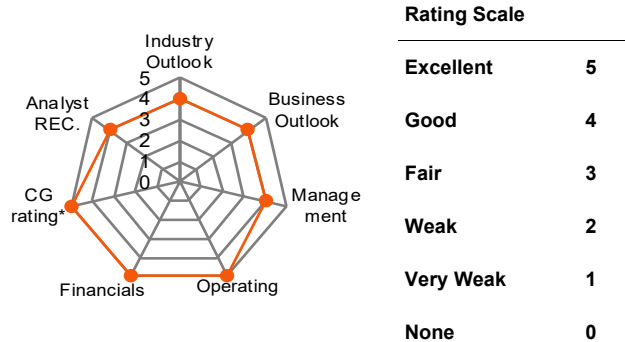


## COMPANY DESCRIPTION

PTT Exploration and Production (PTTEP) is a pure upstream exploration and production (E&P) company with production of 464,000 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 2,286m boe with a reserve life of 10.7 years. PTTEP is the upstream arm of PTT Pcl (PTT TB, BUY, Bt30.00), 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
Target price (Bt)	129.67	125.00	-4%
Net profit 25F (Bt m)	64,526	63,786	-1%
Net profit 26F (Bt m)	63,130	58,262	-8%
Consensus REC	BUY: 21	HOLD: 8	SELL: 3

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2025-26F net profit estimates are some 1-8% below the Bloomberg consensus forecasts.
- Consequently, our DCF-based TP is 4% below the Street's.

## RISKS TO OUR INVESTMENT CASE

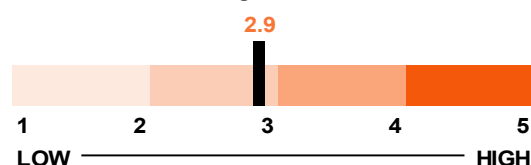
- The key downside risk to our call would come from lower oil and/or gas prices.
- A secondary downside risk would be higher-than-expected operating costs.
- Another secondary downside risk would arise from new investments that are not value-accretive.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

PTTEP is PTT's oil and gas exploration arm. PTTEP's product mix is 30% oil and 70% gas, which emits less carbon than oil. Despite its operations emitting high greenhouse gas levels, we assign PTTEP an ESG score of 2.9, in line with peers, due to its strong commitment and clear targets for improvement and its plan to diversify into non-E&P businesses for long-term business sustainability.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
PTTEP	YES	AA	-	BBB	66.22	58.12	65.00	45.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)  
Note: Please see third party on "terms of use" toward the back of this report.

## Factors

## Our Comments

## ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- PTTEP is the national oil company PTT's E&P arm. Its production volume was 489K BOED in 2024, with around 3-4% p.a. volume growth. The E&P business nature produces high levels of greenhouse gas (GHG). However, our E score for PTTEP is not very low at 2.9, as the company has clear decarbonization targets, including net-zero GHG emissions by 2050 and a GHG intensity reduction of at least 30% by 2030. PTTEP is also exploring non-E&P investments to diversify and reduce its carbon footprint.
- CO<sub>2</sub> emissions were 6.7m tonnes in 2023, up 63% from 2018 due to project acquisitions. However, PTTEP has made significant progress in reducing energy intensity. In 2023, it achieved a 21% reduction in GHG intensity from 2020, reducing CO<sub>2</sub> equivalent by 4.1m tonnes through hydrocarbon recovery and energy efficiency improvement.
- PTTEP has launched Thailand's first Carbon Capture and Storage (CCS) project study at the Arthit Field, aiming to cut CO<sub>2</sub> emissions by 0.7-1.0m tpa as a commitment to sustainability and low-carbon operations.

## SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- We assign a social score of 2.2 vs. its peer average of 2.9.
- PTTEP experienced several oil spills in the past, including the Montara oil spill in 2009. Since then, PTTEP has strengthened its emergency response preparedness to mitigate future risks.
- On a positive note, PTTEP has launched a 10-year social development project under its "Ocean for Life" strategy (2020-30) to restore marine biodiversity, support sustainable fisheries, and boost community livelihoods in Thailand.

GOVERNANCE &  
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- We assign PTTEP a strong governance score of 3.6, above its peer average of 3.0, reflecting its robust board structure and financial discipline.
- The company's board is chaired by an independent director, with over two-thirds of board members also being independent, which we see as an ideal ratio.
- Financially, PTTEP maintains a net cash position with strong cash flow generation. While it has a high customer concentration, primarily selling gas to its parent PTT (Thailand's sole gas buyer), pricing remains market-based and linked to oil prices, mitigating risks.
- For long-term sustainability, PTTEP faces the challenge of domestic resource depletion. To address this, the company is diversifying into non-E&P businesses, including AI and robotics ventures and renewable power projects, as part of its strategic shift toward a more sustainable future.

Source: Thanachart

## INCOME STATEMENT

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
Sales	300,694	312,310	284,765	289,424	284,396
Cost of sales	142,926	162,773	159,084	171,883	170,439
<b>Gross profit</b>	<b>157,768</b>	<b>149,537</b>	<b>125,681</b>	<b>117,541</b>	<b>113,957</b>
% gross margin	52.5%	47.9%	44.1%	40.6%	40.1%
Selling & administration expenses	16,979	18,115	18,735	19,992	19,511
<b>Operating profit</b>	<b>140,788</b>	<b>131,422</b>	<b>106,946</b>	<b>97,550</b>	<b>94,446</b>
% operating margin	46.8%	42.1%	37.6%	33.7%	33.2%
Depreciation & amortization	81,322	95,039	89,704	98,558	98,781
<b>EBITDA</b>	<b>222,110</b>	<b>226,462</b>	<b>196,649</b>	<b>196,107</b>	<b>193,227</b>
% EBITDA margin	73.9%	72.5%	69.1%	67.8%	67.9%
Non-operating income	10,336	14,520	15,542	16,582	17,622
Non-operating expenses	0	0	0	0	0
Interest expense	(10,243)	(11,813)	(7,830)	(9,519)	(7,375)
<b>Pre-tax profit</b>	<b>140,881</b>	<b>134,130</b>	<b>114,658</b>	<b>104,613</b>	<b>104,693</b>
Income tax	63,704	57,214	52,189	47,669	47,704
<b>After-tax profit</b>	<b>77,177</b>	<b>76,915</b>	<b>62,469</b>	<b>56,945</b>	<b>56,989</b>
% net margin	25.7%	24.6%	21.9%	19.7%	20.0%
Shares in affiliates' Earnings	1,477	1,317	1,317	1,317	1,317
Minority interests	2	7	0	0	0
Extraordinary items	(1,949)	585	0	0	0
<b>NET PROFIT</b>	<b>76,706</b>	<b>78,824</b>	<b>63,786</b>	<b>58,262</b>	<b>58,305</b>
<b>Normalized profit</b>	<b>78,656</b>	<b>78,239</b>	<b>63,786</b>	<b>58,262</b>	<b>58,305</b>
EPS (Bt)	19.3	19.9	16.1	14.7	14.7
Normalized EPS (Bt)	19.8	19.7	16.1	14.7	14.7

*Despite a lower profit trend, cash flow remains strong*

## BALANCE SHEET

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
<b>ASSETS:</b>					
Current assets:	234,800	222,131	216,709	219,328	218,231
Cash & cash equivalent	144,387	143,741	143,741	143,741	143,741
Account receivables	62,241	43,270	39,454	40,100	39,403
Inventories	20,914	22,759	22,243	24,033	23,831
Others	7,259	12,361	11,271	11,455	11,256
Investments & loans	9,783	31,145	52,506	73,868	95,230
Net fixed assets	440,271	490,484	536,435	574,656	599,268
Other assets	217,967	221,541	208,614	211,633	211,695
<b>Total assets</b>	<b>902,821</b>	<b>965,301</b>	<b>1,014,265</b>	<b>1,079,485</b>	<b>1,124,424</b>
<b>LIABILITIES:</b>					
Current liabilities:	88,590	105,502	100,981	107,508	109,758
Account payables	49,412	61,089	59,705	64,508	63,966
Bank overdraft & ST loans	3,560	5,236	0	0	0
Current LT debt	0	0	3,356	4,201	6,405
Others current liabilities	35,619	39,176	37,921	38,799	39,386
<b>Total LT debt</b>	<b>95,320</b>	<b>95,009</b>	<b>108,505</b>	<b>135,824</b>	<b>153,718</b>
Others LT liabilities	219,468	228,915	228,365	232,742	229,998
<b>Total liabilities</b>	<b>403,378</b>	<b>429,425</b>	<b>437,851</b>	<b>476,074</b>	<b>493,474</b>
Minority interest	116	281	281	281	281
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	22,951	19,137	30,873	30,873	30,873
<b>Retained earnings</b>	<b>366,988</b>	<b>407,071</b>	<b>435,871</b>	<b>462,870</b>	<b>490,408</b>
Shareholders' equity	499,327	535,595	576,133	603,131	630,669
<b>Liabilities &amp; equity</b>	<b>902,821</b>	<b>965,301</b>	<b>1,014,265</b>	<b>1,079,485</b>	<b>1,124,424</b>

Sources: Company data, Thanachart estimates

*PTTEP generates strong cash flows, which lead to a robust balance sheet*

## CASH FLOW STATEMENT

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
Earnings before tax	140,881	134,130	114,658	104,613	104,693
Tax paid	(74,429)	(52,892)	(55,736)	(46,529)	(48,450)
Depreciation & amortization	81,322	95,039	89,704	98,558	98,781
Chg In working capital	(25,403)	28,803	2,948	2,368	357
Chg In other CA & CL / minorities	10,040	442	4,699	871	2,848
<b>Cash flow from operations</b>	<b>132,411</b>	<b>205,523</b>	<b>156,272</b>	<b>159,881</b>	<b>158,230</b>
Capex	(110,978)	(145,253)	(135,654)	(136,778)	(123,394)
Right of use	4,978	(1,597)	(1,597)	(1,597)	(1,597)
ST loans & investments	0	0	0	0	0
LT loans & investments	(174)	(21,362)	(21,362)	(21,362)	(21,362)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	53,758	3,051	13,973	2,955	(1,210)
<b>Cash flow from investments</b>	<b>(52,417)</b>	<b>(165,161)</b>	<b>(144,640)</b>	<b>(156,782)</b>	<b>(147,562)</b>
Debt financing	(13,476)	1,548	11,616	28,164	20,099
Capital increase	0	0	0	0	0
Dividends paid	(36,720)	(38,705)	(34,985)	(31,264)	(30,767)
Warrants & other surplus	(7,780)	(3,851)	11,737	0	0
<b>Cash flow from financing</b>	<b>(57,977)</b>	<b>(41,008)</b>	<b>(11,633)</b>	<b>(3,100)</b>	<b>(10,668)</b>
<b>Free cash flow</b>	<b>21,433</b>	<b>60,270</b>	<b>20,618</b>	<b>23,103</b>	<b>34,837</b>

PTTEP continues to generate high cash flows from operations

## VALUATION

FY ending Dec	2023A	2024A	2025F	2026F	2027F
Normalized PE (x)	5.6	5.6	6.8	7.5	7.5
Normalized PE - at target price (x)	6.3	6.3	7.8	8.5	8.5
PE (x)	5.7	5.5	6.8	7.5	7.5
PE - at target price (x)	6.5	6.3	7.8	8.5	8.5
EV/EBITDA (x)	1.8	1.7	2.1	2.2	2.3
EV/EBITDA - at target price (x)	2.0	2.0	2.4	2.5	2.7
P/BV (x)	0.9	0.8	0.8	0.7	0.7
P/BV - at target price (x)	1.0	0.9	0.9	0.8	0.8
P/CFO (x)	3.3	2.1	2.8	2.7	2.8
Price/sales (x)	1.5	1.4	1.5	1.5	1.5
Dividend yield (%)	8.6	8.8	7.3	7.0	7.0
FCF Yield (%)	4.9	13.8	4.7	5.3	8.0
<b>(Bt)</b>					
Normalized EPS	19.8	19.7	16.1	14.7	14.7
EPS	19.3	19.9	16.1	14.7	14.7
DPS	9.5	9.6	8.0	7.8	7.8
BV/share	125.8	134.9	145.1	151.9	158.9
CFO/share	33.4	51.8	39.4	40.3	39.9
FCF/share	5.4	15.2	5.2	5.8	8.8

Sources: Company data, Thanachart estimates

At 6.8x 2025F PE, we see PTTEP's valuation as attractive

## FINANCIAL RATIOS

FY ending Dec	2023A	2024A	2025F	2026F	2027F
<b>Growth Rate</b>					
Sales (%)	(9.3)	3.9	(8.8)	1.6	(1.7)
Net profit (%)	8.2	2.8	(19.1)	(8.7)	0.1
EPS (%)	8.2	2.8	(19.1)	(8.7)	0.1
Normalized profit (%)	(13.3)	(0.5)	(18.5)	(8.7)	0.1
Normalized EPS (%)	(13.3)	(0.5)	(18.5)	(8.7)	0.1
Dividend payout ratio (%)	49.2	48.5	49.8	52.8	52.8
<b>Operating performance</b>					
Gross margin (%)	52.5	47.9	44.1	40.6	40.1
Operating margin (%)	46.8	42.1	37.6	33.7	33.2
EBITDA margin (%)	73.9	72.5	69.1	67.8	67.9
Net margin (%)	25.7	24.6	21.9	19.7	20.0
D/E (incl. minor) (x)	0.2	0.2	0.2	0.2	0.3
Net D/E (incl. minor) (x)	(0.1)	(0.1)	(0.1)	(0.0)	0.0
Interest coverage - EBIT (x)	13.7	11.1	13.7	10.2	12.8
Interest coverage - EBITDA (x)	21.7	19.2	25.1	20.6	26.2
ROA - using norm profit (%)	8.9	8.4	6.4	5.6	5.3
ROE - using norm profit (%)	16.3	15.1	11.5	9.9	9.5
<b>DuPont</b>					
ROE - using after tax profit (%)	16.0	14.9	11.2	9.7	9.2
- asset turnover (x)	0.3	0.3	0.3	0.3	0.3
- operating margin (%)	50.3	46.7	43.0	39.4	39.4
- leverage (x)	1.8	1.8	1.8	1.8	1.8
- interest burden (%)	93.2	91.9	93.6	91.7	93.4
- tax burden (%)	54.8	57.3	54.5	54.4	54.4
WACC (%)	10.1	10.1	10.1	10.1	10.1
ROIC (%)	16.8	16.6	11.8	9.8	8.6
NOPAT (Bt m)	77,127	75,363	58,268	53,100	51,410
invested capital (Bt m)	453,820	492,099	544,252	599,414	647,051

Sources: Company data, Thanachart estimates

*We see room for ROE to improve via higher gearing and margin expansion*

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Score range	Description
CCC - B	<b>LAGGARD:</b> A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	<b>AVERAGE :</b> A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	<b>LEADER:</b> A company leading its industry in managing the most significant ESG risks and opportunities

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The Dow Jones Sustainability Indices (DJSI) are a family of best-in-class benchmarks for investors who have recognized that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. Created jointly by S&P Dow Jones Indices and SAM, the DJSI combine the experience of an established index provider with the expertise of a specialist in Sustainable Investing to select the most sustainable companies from across 61 industries. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for investors who wish to encourage companies to improve their corporate sustainability practices.

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

### Moody's ESG Solutions

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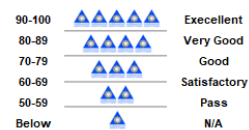
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