

Time for sales volume & price fades

- We project PTTEP's net profit growth to soften to THB76.9b in 2025
- We expect PTTEP's unit cost to stay at the high level of USD29-30/bbl in 2025E-26E
- We initiated coverage on PTTEP with a HOLD and a TP of THB150, based on 2.5x 2025E EV/EBITDA

Growths decelerate in 2024E-26E

While we project PTTEP's net profit growth to soften to THB76.9b in 2025, key points are 1) 2-3% y-y weaker average selling price (ASP) due to the lower gas price at USD6.0/mmbtu and the drop in liquid price assumption at USD76/bbl; 2) the rising cost structure that we expect to rise to USD29-30/boe due to the higher depreciation cost and the higher sales volume; and 3) the rising y-y growth in sales volume to 520kboed in 2025 thanks to the rising productions of projects in Thailand

Volume growth slowdown comes at lower ASPs

We expect PTTEP's unit cost to stay at the high level of USD29-30/bbl in 2025E-26E as a result of the rising DD&A cost and operating cost due to the higher production. The sales volume growths, the key drivers for the past few years at 18% y-y in 2021, 12% y-y in 2022, -1% in 2023, an 9% y-y in 2024E, will decelerate to 4% y-y in 2025E and 2% y-y in 2026E. Hence the impacts of lower ASPs and rising costs will manifest in the weak net profits in 2025E-26E.

Structural declines in global oil and gas prices

In 2024E-26E we project the Brent crude oil prices to decline from USD81/bbl in 2024E to USD76/bbl in 2025E and USD75/bbl in 2026E as US, the now-dominant energy powerhouse, will likely exercise its power to "manipulate" global oil price to be in the range of USD70-90/bbl, the level sufficiently high for US shale oil to profit but not for the arch rivals Russia and OPEC to gain lucrative margins.

LNG project remains risky

The 13mtpa Mozambique LNG project, owned 8.5% by PTTEP, is still under Force Majeure and suspension by the key operator Total Energies due to the political unrest. However, we think by 2025 this project should be in the commercial operation date, 6 to 12-month delay from its original plan.

Initiated with and HOLD and a TP of THB150

We initiated coverage on PTTEP with a HOLD and a TP of THB140, based on 2.5x 2025E EV/EBITDA, a discount to its historical average. We see limited catalysts for PTTEP's share price in the next 12 months given the volume growths will decelerate while the cost structure is now on the rise due to the higher exploration and depreciation expenses. While PTTEP is Thailand's best play on the oil and gas prices, we think our bearish view on oil and gas prices coupled with PTTEP's no-catalyst outlook justify our HOLD rating.

Analyst

Siriluck Pinthusoonthorn
Siriluck@globlex.co.th,
+662 672 5806

ESG Rating : AAA

CG Rating : ▲▲▲▲▲

HOLD

Target Price 12M (THB)	140.00
VS. BB Consensus TP (%)	-16.6%
Share Price (THB)	127.50
Upside/Downside	+9.8%

Share Data

Market Cap (THB m)	506,173.14
Par (THB)	1.00
Free Float (%)	34.69
Issued shares (m shares)	3,970

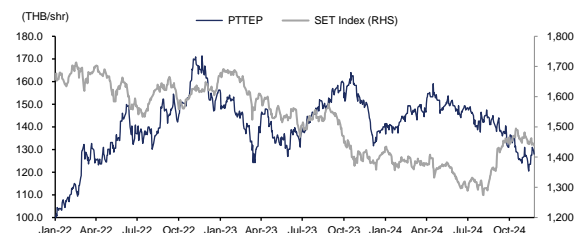
Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	300,694	316,658	319,519	315,398
Net profit	76,706	78,661	76,508	77,496
Core net profit	81,348	78,661	76,508	77,496
vs Consensus (%)	-	4.7	6.8	18.2
Net profit growth (%)	8.2	2.5	(2.7)	1.3
Core net profit growth (%)	(13.1)	(3.3)	(2.7)	1.3
EPS (THB)	19.32	19.81	19.27	19.52
Core EPS (THB)	20.49	19.81	19.27	19.52
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	9.99	5.94	5.78	5.86
P/E (x)	7.74	6.43	6.62	6.53
P/BV (x)	1.19	0.91	0.83	0.76
ROE (%)	16.83	14.93	13.16	12.20
Dividend yield (%)	6.68	4.66	4.53	4.59

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	2.00	(10.84)	(18.27)	(14.72)
Market	3.79	(14.73)	(22.01)	(15.44)
12M High/Low (THB)	164.50 / 120.50			



Major Shareholders (%) as of 14 Aug 2024

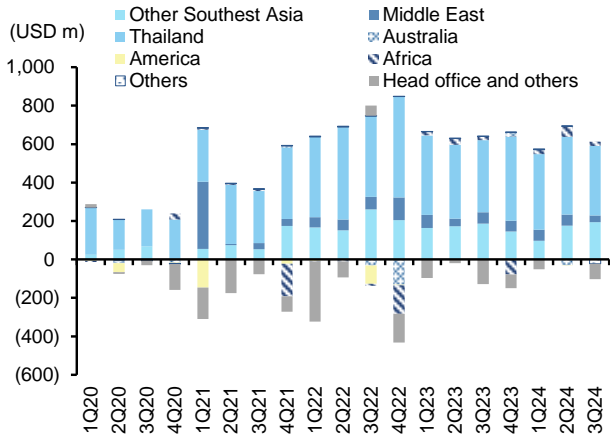
PTT Public Company Limited	63.79
Thai NVDR Company Limited	8.11

Company Profile

The principal business operations of the the Group are exploration and production of petroleum in Thailand and overseas, foreign gas pipeline transportation, and investment in projects strategically connected to the energy business

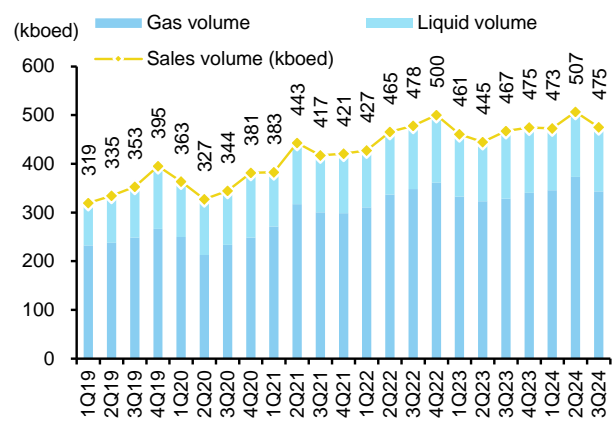
Source: SETSMART, SET

Exhibit 1: PTTEP's net profit breakdown by region



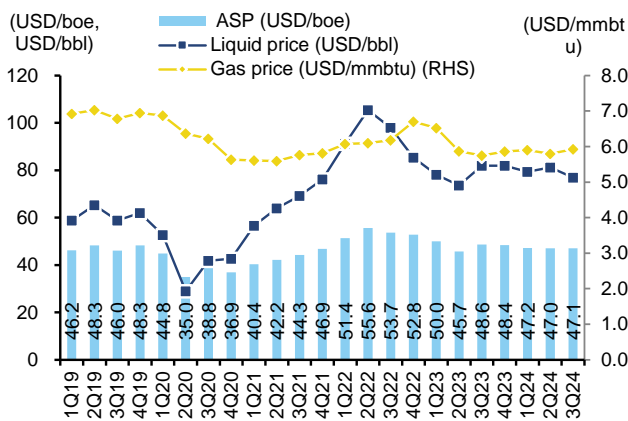
Sources: PTTEP, Glolex Research

Exhibit 2: PTTEP's gas volume vs liquid volume



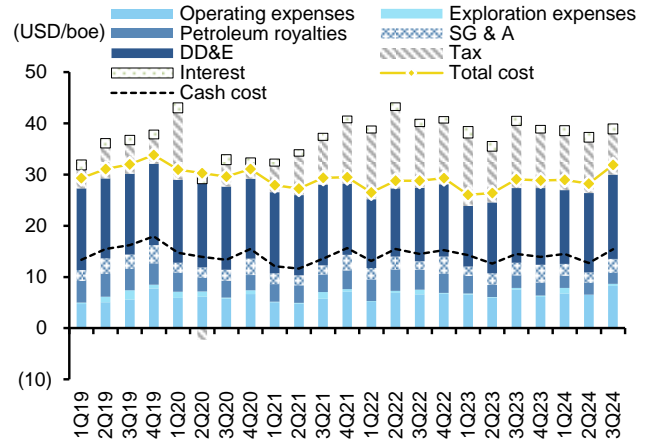
Sources: PTTEP, Glolex Research

Exhibit 3: PTTEP's ASP vs liquid price vs gas price



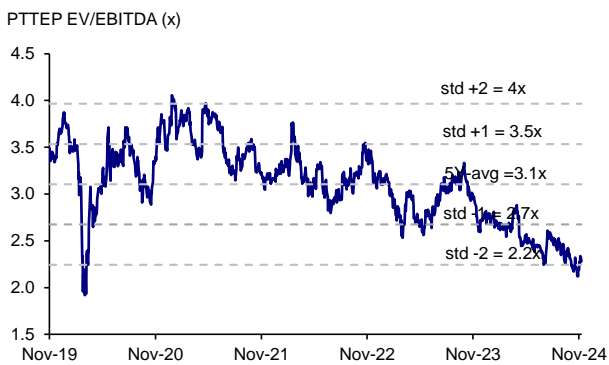
Sources: PTTEP, Glolex Research

Exhibit 4: PTTEP's total cost vs cash cost breakdown



Sources: PTTEP, Glolex Research

Exhibit 5: Prospective EV/EBITDA band



Sources: Bloomberg, Glolex Research

Exhibit 6: Prospective P/BV band



Sources: Bloomberg, Glolex Research

Balance sheet (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Current assets					
Cash & ST investment	122,324	137,542	77,878	102,351	147,518
Account receivable	42,166	62,241	63,332	63,904	63,080
Inventories	19,115	20,914	16,879	17,032	16,812
Others	22,832	23,871	23,511	23,150	22,790
Non-current assets					
Net fixed assets	410,614	440,271	544,421	618,543	674,121
Others	252,814	217,982	162,590	107,315	52,039
Total Assets	869,864	902,821	888,611	932,295	976,359
Current liabilities					
Account payable	69,827	52,972	14,134	14,262	14,078
ST borrowing	13,208	13,208	13,208	13,208	13,208
Others	31,581	22,411	20,500	18,589	16,678
Long-term liabilities					
Long-term debts	97,095	95,320	75,000	75,000	75,000
Others	191,033	219,468	211,380	203,292	195,204
Total liabilities	402,744	403,378	334,222	324,351	314,168
Paid-up capital	109,388	109,388	109,388	109,388	109,388
Retained earnings	329,065	366,988	422,051	475,606	529,853
Others	28,668	22,951	22,951	22,951	22,951
Minority interest	0	116	0	0	0
Shareholders' equity	467,121	499,443	554,389	607,944	662,191

Key ratios					
Year ending Dec	2022	2023	2024E	2025E	2026E
Growth (%YoY)					
Sales	51.3	(9.3)	5.3	0.9	(1.3)
Operating profit	71.8	(11.2)	3.4	5.2	1.4
EBITDA	71.8	(11.2)	3.4	5.2	1.4
Net profit	82.4	8.2	2.5	(2.7)	1.3
Core net profit	92.8	(13.1)	(3.3)	(2.7)	1.3
EPS	82.4	8.2	2.5	(2.7)	1.3
Core EPS	92.8	(13.1)	(3.3)	(2.7)	1.3
Profitability (%)					
Gross margin	90.2	90.3	81.6	84.0	85.6
Operation margin	58.9	57.6	56.6	59.0	60.6
EBITDA margin	58.9	57.6	56.6	59.0	60.6
Net margin	21.4	25.5	24.8	23.9	24.6
ROE	21.2	16.8	14.9	13.2	12.2
ROA	12.0	9.4	8.9	8.2	7.9
Stability					
Interest bearing debt/equity (x)	0.2	0.2	0.2	0.1	0.1
Net debt/equity (x)	n.a.	n.a.	0.0	n.a.	n.a.
Interest coverage (x)	19.7	13.7	20.6	21.2	21.0
Interest & ST debt coverage (x)	7.6	6.0	7.0	7.2	7.1
Cash flow interest coverage (x)	0.2	0.2	0.4	0.4	0.4
Current ratio (x)	1.8	2.8	3.8	4.5	5.7
Quick ratio (x)	1.4	2.3	3.0	3.6	4.8
Net debt (THB m)	(12,022)	(29,014)	10,329	(14,144)	(59,310)
Activity					
Asset turnover (X)	0.4	0.3	0.4	0.4	0.3
Days receivables	32.4	63.4	72.4	72.7	73.5
Days inventory	186.3	251.3	118.4	121.0	136.1
Days payable	669.2	770.8	210.3	101.3	114.0
Cash cycle days	-450.5	-456.2	-19.5	92.4	95.6

Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Revenue	331,350	300,694	316,658	319,519	315,398
Cost of goods sold	(32,514)	(29,076)	(58,244)	(51,145)	(45,375)
Gross profit	298,837	271,618	258,414	268,374	270,023
Operating expenses	(103,555)	(98,301)	(79,164)	(79,880)	(78,850)
Operating profit	195,282	173,317	179,249	188,494	191,173
EBIT	162,015	140,788	139,709	144,103	142,245
Depreciation	(33,267)	(32,529)	(39,540)	(44,391)	(48,929)
EBITDA	195,282	173,317	179,249	188,494	191,173
Non-operating income	(24,381)	2,288	9,973	1,638	5,304
Other incomes	1,567	5,304	5,304	5,304	5,304
Other non-op income	(25,948)	(3,016)	4,669	(3,666)	0
Non-operating expense	4,895	(4,145)	(7,170)	(7,170)	(7,169)
Interest expense	(8,218)	(10,243)	(6,789)	(6,789)	(6,788)
Other non-op expense	13,113	6,099	(381)	(381)	(381)
Equity income/(loss)	668	1,477	1,477	1,477	1,477
Pre-tax Profit	143,196	140,408	143,989	140,048	141,856
Extraordinary items					
Current taxation	(72,295)	(63,704)	(65,328)	(63,540)	(64,361)
Minorities	0	2	0	0	0
Net Profit	70,901	76,706	78,661	76,508	77,496
Core net profit	93,571	81,348	78,661	76,508	77,496
EPS (THB)	17.86	19.32	19.81	19.27	19.52
Core EPS (THB)	23.57	20.49	19.81	19.27	19.52

Cash flow (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Operating cash flow	90,514	87,176	121,145	120,174	127,468
Net profit	70,901	76,706	78,661	76,508	77,496
Depre. & amortization	33,267	32,529	39,540	44,391	48,929
Change in working capital	(13,654)	(22,059)	2,944	(725)	1,044
Others	0	0	0	0	0
Investment cash flow	(130,794)	(130,332)	(200,867)	(183,263)	(176,063)
Net CAPEX	(131,633)	(131,633)	(203,000)	(185,100)	(177,900)
Change in LT investment	0	0	0	0	0
Change in other assets	838	1,301	2,133	1,837	1,837
Free cash flow	(40,280)	(43,156)	(79,722)	(63,089)	(48,595)
Financing cash flow	77,076	58,374	20,058	87,562	93,761
Change in share capital	0	0	0	0	0
Net change in debt	14,354	(1,775)	(20,320)	0	0
Dividend paid	(20,000)	(20,842)	(23,598)	(22,952)	(23,249)
Others	82,722	80,991	63,976	110,514	117,010
Net cash flow	36,796	15,218	(59,664)	24,473	45,166

Per share (THB)					
EPS	17.86	19.32	19.81	19.27	19.52
Core EPS	23.57	20.49	19.81	19.27	19.52
CFPS	26.24	27.51	29.77	30.45	31.85
BVPS	117.66	125.78	139.65	153.14	166.80
Sales/share	83.46	75.74	79.76	80.48	79.45
EBITDA/share	49.19	43.66	45.15	47.48	48.15
DPS	9.25	9.99	5.94	5.78	5.86
Valuation					
P/E (x)	9.9	7.7	6.4	6.6	6.5
P/BV (x)	1.5	1.2	0.9	0.8	0.8
Dividend yield (%)	5.2	6.7	4.7	4.5	4.6
Dividend payout ratio (%)	51.8	51.7	30.0	30.0	30.0

GENERAL DISCLAIMER

Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.