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KEY HIGHLIGHTS

Update

PTT Exploration & Production

(PTTEP TB/BUY/Bt164.50/Target: Bt195.00)

Expect a slight qoq decline in 3Q22 core earnings but stronger qoq earnings in 4Q22.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,580.27	2.27	0.14
SET50	948.33	1.44	0.15
Value (Btm) - SET	53,126		
Top 5 Sector			
BANK	370.14	2.14	0.58
PETRO	931.20	(0.02)	(0.00)
PROP	246.53	1.20	0.49
ENERG	24,310.95	47.76	0.20
ICT	167.04	(1.47)	(0.87)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
GULF	50.00	(1.96)	51,659.1
PTT	34.50	0.00	69,696.7
PTTEP	168.00	1.82	13,948.3
KBANK	142.00	(0.35)	16,290.7
24CS	5.15	(27.97)	361,028.9

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
UREKA	1.85	14.20	266,081.0
NBC	2.40	11.11	44,759.7
FANCY	0.81	9.46	1,985.9
HPT	1.17	9.35	522,694.9
TEAMG	14.20	8.40	18,972.8

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
24CS	5.15	(27.97)	361,028.9
BRR	7.65	(11.56)	16,306.0
TITLE	1.54	(6.67)	2,570.2
U	1.51	(6.21)	568,224.3
AKP	1.78	(5.82)	10,389.4

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	93.9	2.1	2.3	28.0
Dubai crude*	92.0	(3.9)	(21.8)	20.2
Baltic Dry Index	1,865.0	67.4	(8.7)	(15.9)
Gold Spot***	1,721.5	1.1	(1.0)	(5.9)

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
6.0	39.4	4,557.0	7,167.9

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 37.37

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.25

COMPANY UPDATE

PTT Exploration & Production (PTTEP TB)

Expect A Slight qoq Decline In 3Q22 Core Profit But Stronger qoq Earnings In 4Q22

We expect PTTEP's 3Q22 net profit to decrease 12.4% qoq, dragged down by a qoq increase in unit cost of production after aggressive investment activities in Erawan G1 gas field and the expense write-off in the Australian field. We maintain BUY on PTTEP with a target price of Bt195.00. We prefer PTTEP and OR as our top picks in the longer term due to their strong earnings outlook in the next couple of quarters, and SPRC as our wild card pick given the potential higher utilisation rate in 4Q22.

WHAT'S NEW

- **Expect 3Q22 core profit to decrease qoq.** We expect PTT Exploration & Production (PTTEP) to post a core profit of Bt20.8b in 3Q22, down 12.4% qoq but up 89.3% yoy. The qoq decline in core profit should come from a 5.1% qoq increase in unit cost of production to US\$30.2 per barrel of oil equivalent (boe) mainly from: a) the upfront investment in Erawan G1 gas field aiming to boost gas production volume to the target of 400 million cubic feet per day (mmscfd) in 2023 from 200-220 mmscfd in 2H22, and b) a US\$30m expense write-off in the Australian field. However, the negative factors are partially offset by: a) a 2.2% qoq increase in sale volumes to 475,700 boed a day on the back of contribution from the full quarter contribution from Erawan G1 gas field and the resumption of production in Sabah H gas field after the maintenance shutdown in 2Q22, and b) higher blended ASP on better gas prices (+3.3% qoq) in 3Q22.
- The sharp yoy increase in its 3Q22 earnings was mainly due to a big hike in oil prices (+43.1% yoy) and gas prices (+9.4% yoy).
- **To book extraordinary expenses in 3Q22 (3Q22: Bt958m loss, 2Q22: Bt3.1b loss, 3Q21: Bt1.4b loss).** We expect PTTEP to book smaller extraordinary expenses in 3Q22. It is expected to record a Bt2.65b hedging gain in 3Q22 compared with the hedging losses of Bt1.2b in 2Q22 and Bt165m in 3Q21. However, PTTEP is expected to record an investment loss of US\$90m in 3Q22 due to the divestment of its projects in Brazil. Thus, we expect PTTEP to report a net profit of Bt19.8b in 3Q22, down 3.7% qoq but up 107.8% yoy.

KEY FINANCIALS

Year to 31 Dec (Btm)	2020	2021	2022F	2023F	2024F
Net turnover	160,401	219,068	324,332	314,231	314,253
EBITDA	109,453	160,161	240,965	234,771	233,216
Operating profit	44,203	89,867	162,822	151,750	146,273
Net profit (rep./act.)	22,664	38,864	71,792	75,288	72,663
Net profit (adj.)	24,507	45,115	81,871	75,288	72,663
EPS (Bt)	6.2	11.4	20.6	19.0	18.3
PE (x)	26.6	14.5	8.0	8.7	9.0
P/B (x)	1.8	1.6	1.4	1.2	1.1
EV/EBITDA (x)	6.0	4.1	2.7	2.8	2.8
Dividend yield (%)	2.6	3.0	5.5	5.8	5.6
Net margin (%)	14.1	17.7	22.1	24.0	23.1
Net debt/(cash) to equity (%)	(2.1)	12.3	1.3	(9.4)	(16.2)
Interest cover (x)	16.1	27.0	32.1	30.8	32.0
ROE (%)	6.4	10.1	16.1	14.8	12.7
Consensus net profit	-	-	76,481	73,237	64,935
UOBKH/Consensus (x)	-	-	1.07	1.03	1.12

Source: PTT Exploration & Production, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt164.50
Target Price	Bt195.00
Upside	+18.5%

COMPANY DESCRIPTION

PTTEP is a Thai state-owned oil and gas company engaged in oil exploration and production activities. It has more than 51 projects worldwide, with focus on Thailand, Southeast Asia and the Middle East.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PTTEP TB
Shares issued (m):	3,970.0
Market cap (Btm):	653,062.6
Market cap (US\$m):	17,125.9
3-mth avg daily t'over (US\$m):	65.5
Price Performance (%)	

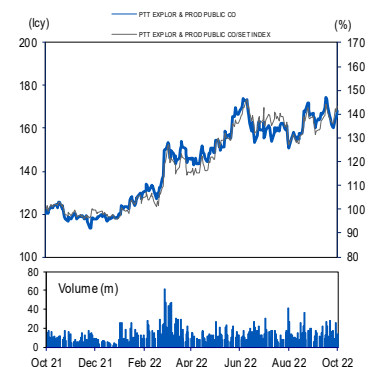
52-week high/low Bt174.50/Bt113.50

1mth	3mth	6mth	1yr	YTD
(1.2)	3.5	12.7	40.0	39.4

Major Shareholders

	%
PTT	64.8
NVDR	6.2
Social Security Office	2.0
FY22 NAV/Share (Bt)	119.91
FY22 Net Debt/Share (Bt)	1.55

PRICE CHART



Source: Bloomberg

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3Q22 RESULTS

Year to 31 Dec (Btm)	3Q21	2Q22	3Q22F	yoy % chg	qoq % chg
Revenue	58,295	83,088	89,538	53.6	7.8
Operating cost	7,236	8,478	8,058	11.4	-5.0
Exploration cost	1,648	568	568	-65.6	0.0
Income tax	10,746	21,042	20,348	89.4	-3.3
Recurring-Profit	10,986	23,747	20,794	89.3	-12.4
FX gain/(loss)	-1,276	-1,531	-200	84.3	86.9
Other extra-items	-165	-1,617	-758	-359.8	53.1
Net income	9,545	20,600	19,836	107.8	-3.7
EPS (Bt)	2.4	5.2	5.0	107.8	-3.7
Gross margin (%)	44	59	53		
EBITDA margin (%)	76	80	74		
Net profit margin (%)	17	25	22		
Gas Price (US\$/mmbtu)	5.8	6.1	6.3	9.4	3.3
Liquid Price (US\$/bbl)	69.2	105.5	99.0	43.1	-6.1
Weighted Avg. (US\$/boe)	44.3	55.6	56.2	26.9	1.0
Unit cost (US\$/boe)	29.4	28.8	30.2	2.9	5.1
Selling volume (k boed)	417.2	465.5	475.7	14.0	2.2

Source: PTT Exploration & Production, UOB Kay Hian

STOCK IMPACT

- Good earnings momentum for 4Q22 core profit.** We expect PTTEP to post strong 4Q22 core earnings which are expected to be a quarterly peak of the year driven by: a) a 7.9% qoq increase in its gas ASP to US\$6.8/mmBTU in 4Q22 on the gas price adjustments of its gas fields contracts, and b) the seasonal high in sales volume, which is expected to increase 2.9% qoq to 490,000 boed in 4Q22. Dubai oil prices are expected to stay at a high level of US\$90-95/bbl in 4Q22, (PTTEP: US\$90.0/bbl, Bloomberg: US\$93.8/bbl) to support PTTEP's earnings in 4Q22.
- Oil price sensitivity.** Every US\$1/bbl decrease in oil prices would lower our 2022 core profit forecast by 0.8%, or Bt584m. Our Dubai price assumption for 2022 is US\$102/bbl (vs PTTEP's assumption of US\$99/bbl).
- Unit cost sensitivity.** Every US\$1/boe decline in unit cost would raise our 2022 core profit forecast by 4.7%, or Bt3.4b. Our unit cost assumption for 2022 is US\$29.5/bbl (vs PTTEP's assumption of US\$29-30/bbl).

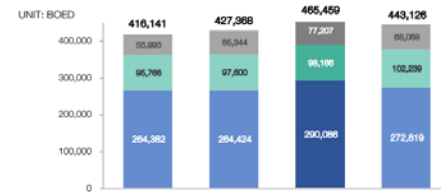
EARNINGS REVISION/RISK

- None.** If our forecast on 3Q22 core profit is in line, our 9M22 core earnings should account for 77.6% of our 2022 core earnings forecasts. Our Dubai oil price assumptions are US\$102/bbl for 2022 and US\$92/bbl for 2023.

VALUATION/RECOMMENDATION

- Maintain BUY with a target price of Bt195.00**, based on five-year regional forward PE mean of 11x. We see the positive earnings momentum in 4Q22 on the back of higher sales volume and gas ASP. In the oil & gas sector, we prefer PTTEP and PTT Oil & Retail Business (OR TB/BUY/Bt33.00) as our top picks in the longer term due to their strong earnings outlook in the next couple of quarters and Star Petroleum Refining (SPRC TB/BUY/Bt15.00) as our wild card pick given that it will benefit from the higher utilisation rate after two major Thai refiners (PTTGC and IRPC) shut down for maintenance in 4Q22.

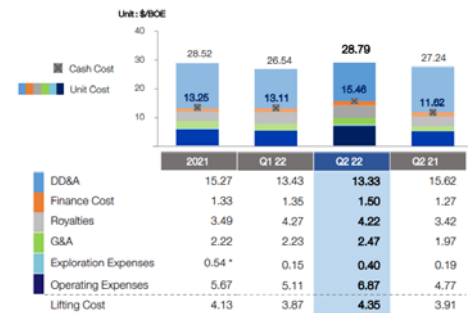
VOLUME AND PRICE



Product Price	2021	Q1 22	Q2 22	Q2 21
Gas (\$/MMBTU)	5.69	6.07	6.10	5.59
Liquid (\$/BBL)	66.70	91.19	105.47	63.98
Weighted Avg. (\$/BOE)	43.49	51.35	55.61	42.19
Avg. Dubai (\$/BBL)	69.39	96.21	106.22	67.02
Avg. HSFO (\$/BBL)	64.42	87.96	104.67	61.21
High Sulphur Fuel Oil				

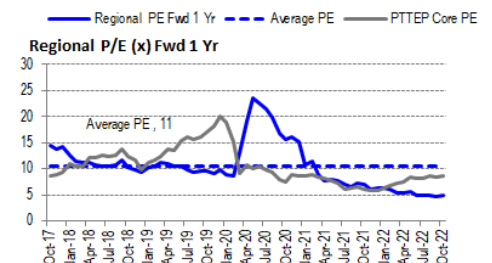
Source: PTTEP

UNIT COST



Source: PTTEP

FIVE-YEAR REGIONAL FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Net turnover	219,068	324,332	314,231	314,253
EBITDA	160,161	240,965	234,771	233,216
Deprec. & amort.	70,294	78,143	83,022	86,943
EBIT	89,867	162,822	151,750	146,273
Net interest income/(expense)	(5,940)	(7,517)	(7,621)	(7,290)
Pre-tax profit	87,655	156,833	145,911	140,765
Tax	(41,528)	(75,700)	(70,623)	(68,102)
Minorities	n.a.	n.a.	n.a.	n.a.
Net profit	38,864	71,792	75,288	72,663
Net profit (adj.)	45,115	81,871	75,288	72,663

CASH FLOW

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Operating	172,163	172,411	180,475	173,145
Pre-tax profit	87,655	156,833	145,911	140,765
Tax	(41,528)	(75,700)	(70,623)	(68,102)
Deprec. & amort.	107,485	93,683	98,559	101,278
Associates	n.a.	n.a.	n.a.	n.a.
Working capital changes	18,551	(2,404)	6,629	(796)
Non-cash items	n.a.	n.a.	n.a.	n.a.
Other operating cashflows	n.a.	n.a.	n.a.	n.a.
Investing	(191,325)	(95,272)	(100,872)	(105,446)
Investments	(191,325)	(95,272)	(100,872)	(105,446)
Others	n.a.	n.a.	n.a.	n.a.
Financing	277	(31,926)	(33,513)	(32,033)
Dividend payments	(19,850)	(35,896)	(37,644)	(36,332)
Proceeds from borrowings	20,127	3,970	4,131	4,299
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	(18,885)	45,214	46,090	35,666
Beginning cash & cash equivalent	111,257	85,528	130,641	187,722
Changes due to forex impact	(6,845)	(100)	10,991	10,881
Ending cash & cash equivalent	85,528	130,641	187,722	234,268

BALANCE SHEET

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Fixed assets	564,702	580,144	596,213	612,935
Other LT assets	79,250	80,936	82,718	84,499
Cash/ST investment	85,528	130,641	187,722	234,268
Other current assets	54,056	64,025	53,681	53,816
Total assets	783,536	855,746	920,333	985,518
ST debt	21,166	21,166	21,166	21,166
Other current liabilities	83,336	90,901	87,185	86,524
LT debt	115,645	115,645	115,645	115,645
Other LT liabilities	148,038	152,008	156,139	160,438
Shareholders' equity	415,350	476,026	540,197	601,745
Total liabilities & equity	783,536	855,746	920,333	985,518

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	73.1	74.3	74.7	74.2
Pre-tax margin	40.0	48.4	46.4	44.8
Net margin	17.7	22.1	24.0	23.1
ROA	5.3	8.8	8.5	7.6
ROE	10.1	16.1	14.8	12.7
Growth				
Turnover	36.6	48.1	(3.1)	0.0
EBITDA	46.3	50.5	(2.6)	(0.7)
Pre-tax profit	129.4	78.9	(7.0)	(3.5)
Net profit	71.5	84.7	4.9	(3.5)
Net profit (adj.)	84.1	81.5	(8.0)	(3.5)
EPS	84.1	81.5	(8.0)	(3.5)
Leverage				
Debt to total capital	24.8	22.3	20.2	18.5
Debt to equity	32.9	28.7	25.3	22.7
Net debt/(cash) to equity	12.3	1.3	(9.4)	(16.2)
Interest cover (x)	27.0	32.1	30.8	32.0

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