

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

KEY HIGHLIGHTS

Update

PTT Exploration & Production (PTTEP TB/BUY/Bt152.00/Target: Bt200.00) Page 2
Arthit CCS off to a good start.

KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,306.41	8.12	0.63
SET50	808.74	1.57	0.19
Value (Btm) - SET	53,090		
Top 5 Sector			
BANK	352.98	2.48	0.71
PETRO	598.77	18.40	3.17
PROP	198.61	1.75	0.89
ENERG	18,346.77	214.89	1.19
ICT	154.10	0.02	0.01

Source: Bloomberg

TOP VOLUME

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
CPALL	54.50	0.46	1,776.7
DELTA	84.75	(2.87)	2,011.4
SCB	106.00	0.47	925.3
PTTGC	30.75	4.24	853.5
AOT	60.25	(0.82)	1,444.6

TOP GAINERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
NRF	1.89	30.34	379.8
BYD	1.95	30.00	131.1
TRC	0.16	23.08	6.8
NEX	2.00	20.48	626.6
EVER	0.14	16.67	0.5

TOP LOSERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
URBNPF	0.28	(9.68)	0.0
TGPRO	0.10	(9.09)	0.5
CHASE	1.53	(5.56)	12.8
BUI	14.10	(4.73)	0.1
NWR	0.28	(3.45)	1.2

*ADT: Average daily turnover

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	84.8	3.7	1.6	11.4
Dubai crude*	84.7	1.8	(1.0)	10.8
Baltic Dry Index	1,997.0	11.1	(9.1)	(4.6)
Gold Spot***	2,320.8	(0.6)	7.2	12.5

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

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(43.0)	(711.7)	(2,992.4)	(4,828.5)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 36.80

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

Thai Lending Rate (%)* - MLR = 7.10

COMPANY UPDATE

PTT Exploration & Production (PTTEP TB)

Arthit CCS Off To A Good Start

We are positive on PTTEP's Arthit project, a significant gas production field. Additionally, we will gather information on the CCSaaS project, which marks the start to achieving net-zero GHG emissions by 2065. In the short term, there is still support from the expected core profit in 2Q24 that is forecast to grow both qoq and yoy on the back of increases in ASP and sales volume. PTTEP is our top pick in the oil and gas sector. **Maintain BUY. Target price: Bt200.00.**

WHAT'S NEW

- **Information from PTT Exploration & Production's (PTTEP) site visit in Arthit field.**
- **CCSaaS Project and net-zero 2065 target.** The Carbon Capture and Storage as a Service (CCSaaS) project is part of PTTEP's sustainability and environmental management strategy. The company aims to reduce greenhouse gas (GHG) emissions by 40% by 2030 (from the baseline of 2020) and achieve net-zero GHG emissions by 2065.
- **A good start from Arthit.** The CCSaaS project is one of PTTEP's new businesses in decarbonisation (capex US\$300m-400m from 2024-33). It is an initiative aimed at reducing carbon dioxide (CO2) emissions from the natural gas production operations of Arthit in the Gulf of Thailand. The CCSaaS project will transport and store the captured CO2 in the rock layer. PTTEP will use the north of the Gulf of Thailand as a CO2 storage area to prevent it from entering the atmosphere and causing climate change. The gas production process of the Arthit project emits 1.0m tons of CO2 per year.
- **Thailand considered one of the areas with high potential for developing CCSaaS projects.** Asia Pacific is one of the three areas in the world with a large number of CCSaaS projects, after North America and Europe, because it is an area with high potential for project development. Currently, there are many successful projects such as Sleipner of Norway and Hynet of England. Meanwhile, PTTEP plans to develop the north of the Gulf of Thailand as a storage area for CO2 from the Arthit project and CO2 from the production process of PTT Group, with factories in the Eastern Economic Corridor (EEC) area, including the possibility of expanding the CCSaaS project to receive CO2 from countries with high CO2 emissions but no potential for storage, such as Japan, South Korea and Taiwan, which will be a long-term extension of PTTEP's CCSaaS project.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	331,350	300,694	319,617	345,503	352,148
EBITDA	253,734	232,446	251,346	273,102	281,601
Operating profit	170,566	151,124	142,122	150,888	150,097
Net profit (rep./act.)	70,901	76,705	79,400	84,167	83,747
Net profit (adj.)	90,721	78,654	79,400	84,167	83,747
EPS (Bt)	22.9	19.8	20.0	21.2	21.1
PE (x)	6.6	7.6	7.5	7.1	7.1
P/B (x)	1.4	1.2	1.1	1.1	1.0
EV/EBITDA (x)	2.5	2.8	2.6	2.4	2.3
Dividend yield (%)	6.1	6.3	6.6	7.3	7.3
Net margin (%)	21.4	25.5	24.8	24.4	23.8
Net debt/(cash) to equity (%)	2.3	(1.6)	9.0	11.8	11.2
Interest cover (x)	30.9	22.7	25.1	25.2	26.0
ROE (%)	16.7	16.6	15.8	15.5	14.2
Consensus net profit	-	-	74,666	69,824	65,629
UOBKH/Consensus (x)	-	-	1.06	1.21	1.28

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

BUY

(Maintained)

Share Price	Bt152.00
Target Price	Bt200.00
Upside	+31.6%

COMPANY DESCRIPTION

PTTEP explores for crude oil and natural gas, develops fields for production.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PTTEP TB
Shares issued (m):	3,970.0
Market cap (Btm):	597,482.8
Market cap (US\$m):	16,225.8
3-mth avg daily t'over (US\$m):	37.6
Price Performance (%)	

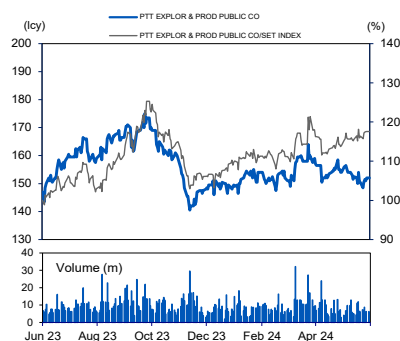
52-week high/low Bt175.00/Bt140.50

1mth	3mth	6mth	1yr	YTD
(2.9)	(2.3)	2.0	(1.6)	0.7

Major Shareholders

PTT	64.8
NVDR	6.2
Social Security Office	2.0
FY24 NAV/Share (Bt)	131.52
FY24 Net Debt/Share (Bt)	11.83

PRICE CHART



Source: Bloomberg

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- **There are still challenges in developing the CCSaaS project.** However, the development of CCSaaS projects still has challenges from: a) regulations and government support measures must be clear. Currently, there are many countries in ASEAN, especially Indonesia, which have made the most progress in regulations and government support measures, while Thailand is still unclear on this issue, and b) exploring potential target areas for sequestration, as reaching the goal of net-zero GHG emissions by 2065 requires 40m tons of carbon sequestration, and the northern Gulf of Thailand is still insufficient.
- **The project is starting with the collaboration of the PTT Group and G2G.** The CCSaaS project has initiated study and development for the first time in Thailand at the Arthit field since 2021, with plans to start utilising CCSaaS technology at the Arthit natural gas field by 2027. Concurrently, the CCSaaS project in the northern Gulf of Thailand is the start to the feasibility study of both the Eastern CCS Hub in partnership with the PTT Group and a joint study with INPEX Corporation, Japan's largest petroleum exploration and production company, under the government to government collaboration project. This initiative involves the Thai Ministry of Energy and Japan's Ministry of Economy, Trade and Industry. Additionally, PTTEP is also in the process of studying and developing the CCSaaS project at the Lang Lebah as part of the Malaysia SK 410B project.

STOCK IMPACT

- **Expect 2Q24 core profit to increase both qoq and yoy.** The positive factors supporting PTTEP's core profit growth in 2Q24 include: a) increased sales volume, with petroleum sales volume projected at 514KBD, up 9% qoq and 16% yoy, driven by higher output from the Erawan and B8/32 projects; and b) higher ASPs, which should increase qoq and yoy, in line with crude oil price trends, while gas prices should remain stable at US\$5.90/MMBTU. These factors will offset higher production costs, expected at US\$28-29/bbl (vs US\$28.96/bbl in 1Q24 and US\$26.41/bbl in 2Q23).

EARNINGS REVISION/RISK

- **Earnings revision:** None.

VALUATION/RECOMMENDATION

- **Maintain BUY with target price of Bt200.00,** based on average five-year regional forward PE of 10x. PTTEP will continue to benefit from strong crude oil prices and 2Q24 core profit expectations that will grow both qoq and yoy. Our top picks in the oil and gas sector are PTT Exploration and Production (PTTEP TB/BUY/Target: Bt200.00), Bangchak Corporation (BCP TB/BUY/Target: Bt52.00), and Bangchak Sriracha (BSRC TB/BUY/Target: Bt15.00).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

CG Report: 5
SET ESG Rating: AAA
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Carbon Capture and Storage (CCS): PTTEP is leading Thailand's first carbon capture project, set for completion by 2026. This project is key to PTTEP's plan to reach carbon neutrality by 2050 and net-zero emissions by 2065, focusing on reducing oil production emissions with potential for broader industry applications. - Renewable Energy Investments: PTTEP has invested in a 25.5% stake in Scotland's Seagreen Offshore Wind Farm. This investment is part of its strategy to shift to cleaner energy, aiming to cut its carbon footprint and diversify its energy sources. • Social <ul style="list-style-type: none"> - Community Engagement: PTTEP invests in education, healthcare, and infrastructure in its operating regions to improve quality of life and support sustainable development. - Employee Welfare: PTTEP prioritises fair labour, safety, and continuous training to ensure a safe and supportive work environment for its employees. • Governance <ul style="list-style-type: none"> - Supplier ESG Assessment: PTTEP requires suppliers to meet strict ESG criteria, including business ethics, safety, and environmental impacts, to ensure sustainable and ethical procurement. - ESG Risk Management: PTTEP maintains a strong ESG risk management framework with regular assessments to comply with international standards and address operational risks, as reflected in its Sustainability ESG rating.

GLOBAL CCS STATUS



Source: PTTEP and UOB Kay Hian

THAILAND'S DECARBONISATION GOAL



Source: PTTEP and UOB Kay Hian

PTTEP'S COMMITMENT TO HELP THE COUNTRY



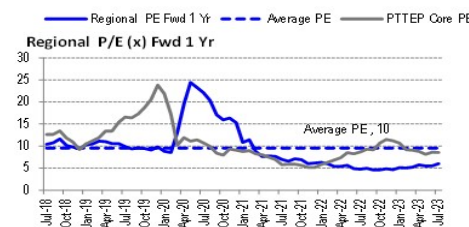
Source: PTTEP and UOB Kay Hian

FUTURE PROJECT



Source: PTTEP and UOB Kay Hian

FIVE-YEAR REGIONAL FORWARD PE BAND



Source: PTTEP, Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	300,694	319,617	345,503	352,148
EBITDA	232,446	251,346	273,102	281,601
Deprec. & amort.	81,322	109,224	122,214	131,505
EBIT	151,124	142,122	150,888	150,097
Associate contributions	1,477	1,550	1,628	1,709
Net interest income/(expense)	(10,243)	(10,002)	(10,820)	(10,820)
Pre-tax profit	140,408	133,670	141,696	140,986
Tax	(63,704)	(54,271)	(57,529)	(57,241)
Minorities	0	0	0	2
Net profit	76,705	79,400	84,167	83,747
Net profit (adj.)	78,654	79,400	84,167	83,747

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	151,851	135,580	200,678	213,254
Pre-tax profit	140,408	133,670	141,696	140,986
Tax	(63,704)	(54,271)	(57,529)	(57,241)
Deprec. & amort.	81,322	109,224	122,214	131,505
Working capital changes	(22,089)	(53,043)	(5,702)	(1,996)
Other operating cashflows	15,914	0	0	0
Investing	(82,447)	(152,533)	(181,565)	(173,032)
Investments	(76,751)	(151,060)	(179,550)	(172,515)
Others	(5,696)	(1,473)	(2,015)	(517)
Financing	(51,416)	(47,327)	(39,040)	(41,384)
Dividend payments	(36,720)	(37,715)	(39,040)	(41,384)
Proceeds from borrowings	(14,696)	(9,612)	0	0
Net cash inflow (outflow)	17,988	(64,279)	(19,927)	(1,162)
Beginning cash & cash equivalent	122,324	137,542	73,262	53,336
Changes due to forex impact	(2,770)	0	0	0
Ending cash & cash equivalent	137,542	73,262	53,336	52,174

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	440,271	482,107	539,443	580,454
Other LT assets	227,750	241,467	260,231	265,048
Cash/ST investment	137,542	73,262	53,336	52,174
Other current assets	97,259	106,129	115,176	117,998
Total assets	902,821	902,966	968,186	1,015,673
ST debt	9,612	0	0	0
Other current liabilities	78,978	34,806	38,150	38,976
LT debt	120,225	120,225	120,225	120,225
Other LT liabilities	194,563	206,807	223,557	227,856
Shareholders' equity	480,462	522,147	567,274	609,633
Total liabilities & equity	902,821	902,966	968,186	1,015,673

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	77.3	78.6	79.0	80.0
Pre-tax margin	46.7	41.8	41.0	40.0
Net margin	25.5	24.8	24.4	23.8
ROA	8.7	8.8	9.0	8.4
ROE	16.6	15.8	15.5	14.2
Growth				
Turnover	(9.3)	6.3	8.1	1.9
EBITDA	(8.4)	8.1	8.7	3.1
Pre-tax profit	(1.9)	(4.8)	6.0	(0.5)
Net profit	8.2	3.5	6.0	(0.5)
Net profit (adj.)	(13.3)	0.9	6.0	(0.5)
EPS	(13.3)	0.9	6.0	(0.5)
Leverage				
Debt to total capital	20.6	18.2	17.0	16.1
Debt to equity	27.0	23.0	21.2	19.7
Net debt/(cash) to equity	(1.6)	9.0	11.8	11.2
Interest cover (x)	22.7	25.1	25.2	26.0

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