

Buy (unchanged)

 Share price: Bt175.00
 Target price: Bt181.00 (unchanged)

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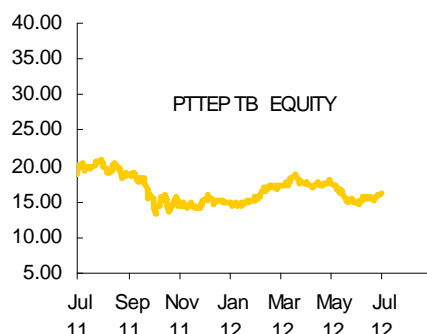
Stock Information

Description : 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

Ticker :	PTTEP
Shares Issued (mn) :	3,320
Market Cap (Btmn):	580,997
Market Cap (US\$m):	18,390
3-mth Avg. Daily Turnover (Btmn):	583.79
SET Index:	1,188.74
Free float (%) :	34.66

Major Shareholders :

	%
PTT	65.29
BNP PARIBAS SECURITIES	
SERVICES LUXEMBOURG	2.25

Historical Chart

Performance

52-week High/Low	Bt187.00/Bt130.50				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	13.3	-0.8	-2.2	-2.0	3.9
Relative (%)	6.3	0.0	-14.1	-10.1	-10.4

PTT Exploration and Production (PTTEP) 2Q12 profit to drop slightly QoQ

Strong earnings, but risk of capital call remains. The PTTEP 2Q12 earnings are projected to drop QoQ, but will still be the strongest in the sector, as the net profit is projected to decline more than the core profit, which should drop slightly due to an F/X loss and an increase in deferred tax. For the 2H12, earnings will soften inline with oil prices. Importantly, the risk of a capital call remains a major concern whether or not PTTEP wins the Cove bid. We maintain a Hold with a TP of Bt181.

2Q12 earnings to drop QoQ. We project the 2Q12 earnings at Bt14.3bn (-21.9% QoQ, +27.9% YoY.) with the core profit dropping slightly QoQ on the 1.4% QoQ decline in ASP with Dubai crude dipping 8.2% QoQ to an average US\$106.4/bbl (-3.6% YoY). This will be offset by the 3% QoQ increase in gas price from the upward adjustment of the Bongkot project in April as well as the opening of the S. Bongkot project with a higher than average gas price. Sales volume is forecast at 263,000BOED, (+3.8% QoQ), supported by gas from S Bongkot and better production at the S1 project. Other expenses in the quarter will be i) a US\$23mn write-off, ii) a US\$17mn F/X loss from the C\$ drop vs. the US\$, and iii) the weaker baht against the US\$ causing a high deferred tax. Meanwhile, an insurance reimbursement of US\$30mn for the Montara fire was received.

2H12 earnings to fall HoH on lower oil prices. The 1H12 average Dubai price was US\$111/bbl, compared with US\$94/bbl now. This causes a lower ASP for 2H12 along with the profit. However, gas prices will provide some cushion, as they are less volatile than oil. Exploration expenses are to surge in 2H12, given the lower-than-expected 1H12, compared with 2011 data. We have kept our 2012 forecast unchanged at Bt52.1bn, despite the 1H12 reaching 61% of the yearly projection.

Progress on Cove bid. Currently, PTTEP remains the highest bidder for Cove at Pence240/share. However, Shell could raise their offer before 17 July. If there is no other bidder before 21 July, Shell and PTTEP will enter into a final round with an auction. PTTEP believes this process will only last 3-4 days. Hence, a result should be announced by August. Nonetheless, if there is another offer from a newcomer, the process will be extended for at least another 1.5-2 months.

PTTEP – Summary Earnings Table

FYE: Dec 31 (Btmn)	2009	2010	2011	2012F	2013F
Revenue	119,310	140,656	169,646	198,322	241,118
EBITDA	80,723	100,531	116,256	126,608	160,725
Recurring Net Profit	31,748	48,543	47,190	48,998	63,888
Recurring Basic EPS (Bt)	9.70	14.63	14.21	14.76	19.24
EPS growth (%)	(24.5)	50.9	(2.9)	3.8	30.4
DPS (Bt)	2.68	5.03	5.40	6.27	7.70
PER	25.87	13.26	12.98	11.16	9.09
EV/EBITDA (x)	7.38	5.96	5.69	4.82	3.32
Div Yield (%)	1.53	2.87	3.09	3.59	4.40
P/BV(x)	4.01	3.56	2.90	2.61	2.17
Net Gearing (%)	17.25	13.02	41.69	15.19	Net cash
ROE (%)	15.99	28.60	24.65	24.64	26.04
ROA (%)	10.23	17.20	14.61	14.98	17.33

Source: Company reports and KELIVE Research estimates.

1Q12 earnings preview

Btmn	2Q12F	2Q11	YoY (%)	1Q12	QoQ (%)	2012F	2011	YoY (%)
Sales revenue	50,504	43,969	14.9	48,538	4.1	198,322	169,646	16.9
Gross profit	33,268	28,697	15.9	32,329	2.9	113,100	109,902	2.9
SG&A expense & royalty	(7,326)	(6,998)	4.7	(7,491)	(2.2)	(27,179)	(27,700)	(1.9)
EBITDA	36,290	30,153	20.4	34,885	4.0	126,608	116,256	8.9
Interest expenses	(978)	(957)	2.2	(991)	(1.3)	(3,628)	(3,771)	(3.8)
Corporate tax	(12,320)	(10,560)	16.7	(7,515)	63.9	(35,638)	(35,045)	1.7
Forex gains (Losses)	(504)	102	(592.8)	1,064	(147.4)	0	(1,938)	N.A.
Extraordinary items	940	0	N.A.	15	N.A.	3,075	(504)	N.A.
Net profit	14,290	11,170	27.9	18,288	(21.9)	52,073	44,748	16.4
Normalised Profit	13,854	11,068	25.2	17,210	(19.5)	48,998	47,190	3.8
EPS (Bt)	4.34	3.37	28.8	5.51	(21.2)	15.68	13.48	16.4
Percent	2Q12F	2Q11	YoY	1Q12	QoQ (%)	2012F	2011	YoY
Gross margin (%)	65.9	65.3	0.6	66.6	(0.7)	57.0	64.8	(7.8)
EBITDA margin (%)	71.9	68.6	3.3	71.9	(0.0)	63.8	68.5	(4.7)
Key Items	2Q12F	2Q11	YoY (%)	1Q12	QoQ (%)			
Avg. sales price (US\$/BOE)	63.9	56.3	13.6	64.8	(1.4)			
Sales volume (BOED)	263,041	273,310	(3.8)	253,411	3.8			

Source: Company reports and KELIVE estimates.

INCOME STATEMENT (Btmn)

FY December	2010	2011	2012F	2013F
Revenue	140,656	169,646	198,322	241,118
EBITDA	91,097	109,902	113,100	160,725
Depreciation & Amortisation	32,304	34,055	40,688	49,661
Operating Profit (EBIT)	68,227	82,201	85,920	111,064
Interest (Exp) / Inc	(3,295)	(3,771)	(3,628)	(3,195)
Associates	(46)	75	0	0
One-offs	(4,769)	(2,442)	3,075	0
Pre-Tax Profit	67,782	82,160	84,636	110,151
Tax	(19,194)	(35,045)	(35,638)	(46,264)
Minority Interest	0	0	0	0
Net Profit	43,774	44,748	52,073	63,888
Recurring Net Profit	48,543	47,190	48,998	63,888
Revenue Growth %	17.9	20.6	16.9	21.6
EBITDA Growth (%)	24.5	15.6	8.9	26.9
EBIT Growth (%)	34.1	20.5	2.7	30.6
Net Profit Growth (%)	97.6	2.2	16.4	22.7
Recurring Net Profit Growth (%)	52.9	(2.8)	3.8	30.4
Tax Rate %	28.3	42.7	42.1	42.0

CASH FLOW (Btmn)

FY December	2010	2011	2012F	2013F
Profit before taxation	67,782	82,160	84,636	110,151
Depreciation	32,304	34,055	40,688	49,661
Net interest receipts / (payments)	(3,295)	(3,771)	(3,628)	(3,195)
Working capital change	11,256	(1,340)	(2,387)	(2,994)
Cash tax paid	(19,194)	(35,045)	(35,638)	(46,264)
Others (exceptional items)	(7,449)	3,228	6,703	3,195
Cash flow from operations	81,404	79,287	90,374	110,555
Capex	(30,374)	(124,049)	(4,557)	(15,137)
Disposals / (purchases)	0	0	0	0
Others	0	0	0	0
Cash flow from investing	(30,374)	(124,049)	(4,557)	(15,137)
Debt raised / (repaid)	6,108	44,867	(30,695)	(21,800)
Equity raised / (repaid)	403	231	0	0
Dividends (paid)	(8,776)	(16,687)	(17,928)	(20,829)
Interest payments	(3,295)	(3,771)	(3,628)	(3,195)
Others	(34,465)	3,237	(13,639)	5,831
Cash flow from financing	(40,025)	27,877	(65,890)	(39,993)
Change in cash	11,006	(16,884)	19,927	55,425

BALANCE SHEET (Btmn)

FY December	2010	2011	2012F	2013F
Fixed Assets	204,867	294,757	259,212	224,688
Other LT Assets	32,895	66,321	68,170	70,727
Cash / ST Investments	59,684	42,800	62,727	118,152
Other Current Assets	24,985	44,834	51,954	59,469
Total Assets	322,430	448,712	442,063	473,035
ST Debt	0	0	0	0
Other Current Liabilities	58,013	100,373	95,110	82,831
LT Debt	69,933	90,949	70,250	65,250
Other LT Liabilities	31,425	57,365	53,978	56,899
Minority Interest	0	0	0	0
Shareholders' Equity	163,059	200,024	222,724	268,055
Total Liabilities-Capital	322,430	448,712	442,063	473,035
Share Capital (mn)	3,317	3,320	3,320	3,320
Gross Debt / (Cash)	80,919	126,189	96,562	75,394
Net Debt / (Cash)	21,235	83,389	33,835	(42,758)
Working Capital	75,053	113,411	125,264	137,300

RATES & RATIOS

FY December	2010	2011	2012F	2013F
EBITDA Margin %	71.47	68.53	63.84	66.66
Op. Profit Margin %	48.51	48.45	42.56	45.71
Net Profit Margin %	64.04	50.13	55.36	46.72
ROE %	28.60	24.65	24.64	26.04
ROA %	17.20	14.61	14.98	17.33
Net Margin Ex. EI %	71.02	52.86	52.09	46.72
Dividend Cover (x)	2.62	2.50	2.50	2.50
Interest Cover (x)	20.70	21.80	23.27	34.50
Asset Turnover (x)	0.53	0.49	0.57	0.62
Asset / Debt (x)	2.02	1.80	2.02	2.31
Debtors Turn (days)	30.47	43.25	40.00	40.00
Creditors Turn (days)	22.39	21.04	19.32	19.07
Inventory Turn (days)	57.24	55.86	60.00	60.00
Net Gearing %	13.02	41.69	15.19	Net cash
Debt / EBITDA (x)	0.21	0.72	0.27	(0.27)
Debt / Market Cap (x)	0.04	0.14	0.06	(0.07)

Source: Company reports and KELIVE Research estimates.

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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2011

						Score Range	Number of Logo	Description			
ADVANC	BMCL	ICC	PS	ROBINS	THRE	90-100	▲▲▲▲▲	Excellent			
AOT	CPN	IRPC	PSL	RS	TIP						
BAFS	CSL	KBANK	PTT	SAT	TIPCO						
BANPU	EASTW	KK	PTTAR ***	SC	TISCO						
BAY	EGCO	KTB	PTTCH ***	SCB	TKT						
BBL	ERW	LPN	PTTEP	SCC	TMB						
BCP	GRAMMY	MCOT	QH	SE-ED	TOP						
BKI	HEMRAJ	NMG	RATCH	SIS	*** PTTAR and PTTCH are now PTTGC						
▲▲▲▲▲											
ACAP	BWG	GC	LANNA	NINE	S&P				SPPT	THCOM	TSTH
AF	CENTEL	GFPT	LH	NKI	SABINA	SSF	THIP	TTA			
AMANAHA	CGS	GLOW	LOXLEY	NOBLE	SAMCO	SSSC	TIC	TTW			
AMATA	CIMBT	HANA	LRH	OCC	SCCC	STA	TK	TUF			
AP	CK	HMPRO	LST	OGC	SCG	STANLY	TMT	TVO			
ASIMAR	CM	HTC	MACO	OISHI	SCSMG	STEC	TNITY	TYM			
ASP	CPALL	IFEC	MAJOR	PB	SEAFCO	SUSCO	TNL	UAC			
AYUD	CPF	INET	MAKRO	PG	SPF	SVI	TOG	UMI			
BEC	CSC	INTUCH	MBK	PHATRA	SICCO *	SYMC	TPC	UP			
BECL	DELTA	IVL	MFC	PM	SINGER	SYNTEC	TRC	UP OIC			
BFIT	DEMCO	JAS	MFEC	PR	SIRI	TASCO	TRT	UV			
BH	DRT	KCE	MILL	PRANDA	SITHAI	TCAP	TRU	VNT			
BIGC	DTAC	KEST **	MINT	PRG	SMT	TFD	TRUE	WACOAL			
BJC	DTC	KGI	MK	PT	SNC	TFI	TSC	WAVE			
BLA	ECL	KSL	MTI	PYLON	SPALI	THAI	TSTE	ZMICO			
BROOK	FORTH	KWC	NBC	S&J	SPI						
BTS	GBX	L&E	NCH	** KEST is now MBKET, * SICCO has been delisted							
▲▲▲▲▲											
2S	BOL	DCC	IRC	MBAX	PHOL	SENA	TCP	TR			
A	BROCK	DRACO	IRCP	M-CHAI	PICO	SHANG	TEAM	TTCL			
AEONTS	B SBM	EASON	IT	MCS	PL	SIAM	TF	TTI			
AFC	BTNC	EIC	ITD	MDX	POST	SIMAT	TGCI	TWFP			
AGE	CCET	ESSO	JTS	MJD	PPM	SKR	THANA	TWZ			
AH	CFRESH	FE	JUTHA	MOONG	PREB	SMIT	THANI	TYCN			
AHC	CHARAN	FOCUS	KASET	MPIC	PRECHA	SMK	TICON	UBIS			
AI	CI	FSS	KDH	MSC	PRIN	SMM	TIW	UEC			
AIT	CITY	GENCO	KH	NC	PTL	SPC	TKS	UOBKH			
AJ	CMO	GFM	KKC	NEP	Q-CON	SPG	TLUXE	UPF			
AKR	CMR	GL	KMC	NNCL	QLT	SST	TMD	US			
APRINT	CNS	GLAND	KTC	NSI	RASA	STAR	TNH	UT			
APURE	CNT	GOLD	KWH	NTV	RCI	SUC	TNPC	UVAN			
AS	CPI	GUNKUL	KYE	NWR	RCL	SVOA	TOPP	VARO			
ASK	CPL	GYT	LALIN	OFM	ROJNA	SWC	TPA	VIBHA			
BAT-3K	CRANE	HFT	LEE	PAF	RPC	SYNEX	TPAC	VNG			
BGT	CSP	HTECH	LHK	PAP	SAUCE	TBSP	TPCORP	WG			
BLAND	CSR	IFS	MATCH	PATO	SCBLIF	TCB	TPJPL	WORK			
BNC	CTW	ILINK	MATI	PDI	SCP	TCC	TPP	YUASA			

Source: Thai Institute of Directors (IOD)

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