PTT Exploration & Production (PTTEP TB)

3Q26: Net Profit Below Expectations

Highlights

- Net profit came in below our and market consensus estimates, partly due to an impairment loss on Malaysia projects. Excluding exceptional items, 3Q26 core profit was flat qoq, in line with our estimate and 13% above market consensus.
- 3Q26 core profit was supported by lower unit costs, which more than offset the impact of lower ASP and sales volume.
- We expect core profit to remain strong in 4Q26, supported by higher oil prices.
- Maintain BUY with a target price of Bt190.00 (previously: Bt170.00).

3Q26 Results

Year to 31 Dec (Btm)	3Q25	2Q26	3Q26	Chg. %yoy	Chg. %qoq	9M25	9M26	Chg. %yoy
Revenue	68,731	96,139	89,394	30%	-7%	211,076	261,620	24%
Gross profit	31,827	53,818	51,378	61%	-5%	100,800	146,536	45%
Interest expenses	3,184	3,073	3,077	-3%	0%	9,684	9,056	-6%
EBITDA	47,428	68,849	63,783	34%	-7%	149,883	187,002	25%
Core Profit	12,148	24,257	24,307	100%	0%	42,890	68,515	60%
Net Profit	**12,695**	**27,197**	**14,710**	**16%**	**-46%**	**42,771**	**53,742**	**26%**
EPS	3.20	6.85	3.71	16%	-46%	10.77	13.54	26%
Financial ratio (%)								
Gross Profit Margin	46.3%	56.0%	57.5%			47.8%	56.0%	
EBITDA Margin	69.0%	71.6%	71.4%			71.0%	71.5%	
SG&A Exp. / Sales	11.9%	9.8%	9.2%			10.8%	9.9%	
Net profit margin	18.5%	28.3%	16.5%			20.3%	20.5%	

Source: PTTEP, UOB Kay Hian

Analysis

- **3Q26 net profit hit by impairment losses.** PTT Exploration & Production (PTTEP) reported a 3Q26 net profit of Bt14.71b, down 46% qoq but up 16% yoy, missing our and market consensus estimates by 28% and 25%, respectively. The earnings shortfall was partly attributable to a Bt6.64b impairment loss on the Sabah K project. Excluding this impairment, an oil hedging loss of Bt1.68b and a forex loss of Bt1.28b, 3Q26 core profit stood at Bt24.31b, flat qoq but up 100% yoy. This is in line with our estimate and 13% above market consensus.
- **3Q26 core profit in line with expectations.** The key factors supporting 3Q26 core profit were:
- **Lower sales volume.** Sales volume stood at 521,163 barrels of oil equivalent per day (BOED), down 9% qoq but up 2.1% yoy. The qoq decline was mainly due to lower natural gas production in the Gulf of Thailand following PTT's planned gas separation plant maintenance shutdowns. Lower sales contributions from Malaysia and Algeria also weighed on overall volume.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	312,310	281,449	338,953	345,289	319,720
EBITDA	240,397	203,682	258,544	235,278	216,455
Operating profit	145,942	110,704	168,420	161,433	142,593
Net profit (rep./act.)	78,810	60,240	79,931	85,555	75,613
Net profit (adj.)	78,225	58,024	94,703	85,555	75,613
EPS (x)	19.70	15.20	23.85	21.55	19.05
PE (x)	8.37	11.29	8.20	7.66	8.66
P/B (x)	1.26	1.20	1.00	1.00	0.98
EV/EBITDA (x)	2.69	3.44	2.77	2.72	2.91
Dividend yield (%)	5.83	5.30	6.36	6.67	6.36
Net margin (%)	25.23	21.40	23.58	24.78	23.65
Net debt/(cash) to equity (%)		23.86	24.40	18.65	17.26
Consensus net profit	-	-	79,783	73,691	69,639
UOBKH/Consensus (x)	-	-	1.19	1.16	1.09

Source: PTTEP, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Bt165.00
Target Price	Bt190.00
Upside	+15.15%
Previous	Bt170.00

Stock Data

Sector	Energy
Bloomberg ticker	PTTEP TB
Shares issued (m)	3,970.0
Market cap (Btm)	575,648
Market cap (US$m)	17,184
3-mth avg daily t'over (US$m)	31.4

Price Performance (%)

52-week high/low				Bt164.00 / Bt104.00
1mth	**3mth**	**6mth**	**1yr**	**YTD**
-2.68	8.61	-7.64	27.2	28.3

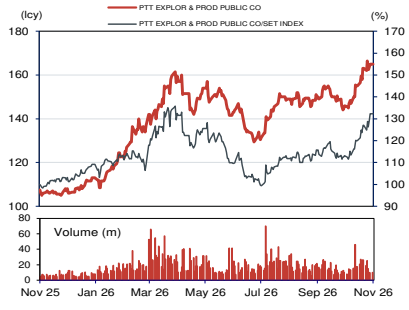
Major Shareholders (%)

PTT	63.79%
Thai NVDR	6.52%
State Street Europe	1.80%

Balance Sheet Metrics

FY26 NAV/Share (Bt)	Bt147.01
FY26 Net Debt/Share (Bt)	Bt26.61

Price Chart



Source: Bloomberg

Company Description

Petroleum exploration and production, renewable energy, and new forms of energy

- **b) Lower ASP.** ASP declined 2% qoq to US$51.52/bbl, in line with the decrease in crude oil prices. However, higher gas selling prices in 3Q26 helped limit the downside in overall ASP. The increase was driven by higher gas prices, which more than offset lower liquid prices in line with the decline in crude oil prices. Gas prices are expected to rise following the new production sharing contract award for the Malaysia-Thailand Joint Development Area (MTJDA) Block A-18-01 project in mid-September, which resulted in an upward adjustment to the gas selling price effective from 1 January through to the end of 3Q26. Consequently, PTTEP's average gas selling price increased to US$6.39/million British thermal units (MMBTU), up 7.2% qoq and 10.2% yoy.
- **Lower unit costs.** Unit costs declined 5.3% qoq to US$28.19/bbl, mainly due to lower depreciation, depletion and amortisation (DD&A) and exploration write-offs expenses, which more than offset higher opex.
- **PTTEP expects Sabah Block K operations to resume in 1Q27.** The longer-than-expected maintenance shutdown at the Sabah K floating production, storage and offloading (FPSO) project due to safety-related requirements has prompted PTTEP to revise down its future cash flow assumptions for the project, resulting in an impairment loss of Bt6.64b in 3Q26. However, PTTEP expects the FPSO to return to service, and production from the Kikeh and Siakap North-Petai (SNP) fields to resume in 1Q27. PTTEP had previously announced a partial shutdown of the Sabah K project in 1Q26. Meanwhile, the Gumusut-Kakap (GK) field, which is also part of Sabah K, continues to operate normally.
- **We expect 4Q26 core profit to increase qoq.** We expect core profit to remain strong in 4Q26, supported by higher crude oil prices and sales volume. The average crude oil price in 4Q26 to date stands at US$109.10/bbl, up 17% qoq. Meanwhile, PTTEP's sales volume guidance for 4Q26 is 548,750 BOED, up 5% qoq, which should more than offset the expected normalisation of gas selling prices to US$6.20/MMBTU (vs US$6.39/MMBTU in 3Q26), as well as higher unit costs of US$29-30/bbl (vs US$28.19/bbl in 3Q26).
- **Sensitivity.** Every US$1.00/bbl decrease in oil prices would lower our 2027 core profit forecast by 1.3%, or Bt1.10b per year. Every US$1.00/bbl decline in unit cost would increase our 2027 core profit estimate by 2.3%, or Bt2.00b per year. Every Bt1.00/US$ depreciation in the Thai baht increases our core profit forecast by Bt3.3b.

Valuation/Recommendation

- **Maintain BUY with a 2027 target price of Bt190.00 (previously Bt170.00),** based on an average five-year regional forward PE of 8.7x. In the oil & gas sector, we prefer Thai oil (TOP TB/BUY/Target: Bt100.00) and SCG Packaging (SCGP TB/BUY/Target: Bt43.00).

Earnings Revision/Risk

- **2026-27 net profit estimate revised.** We raise our 2026-27 core profit estimates by 9% and 12%, respectively, following upward revisions to our crude oil price assumptions to US$95.00/bbl for 2026 and US$80.00/bbl for 2027. The revisions reflect our expectations of crude oil prices remaining elevated in 4Q26 amid ongoing geopolitical tensions in both the Middle East and Russia-Ukraine. Higher crude oil prices in 4Q26 are expected to support qoq earnings growth. Consequently, we forecast core profit of Bt94.7b in 2026 and Bt85.56b in 2027, representing a 10% yoy decline.

Environment, Social, Governance (ESG) Updates

Environmental

- **Carbon capture and storage.** PTTEP is leading Thailand's first carbon capture project, which is 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.

Social

- **Community engagement.** PTTEP invests in education, healthcare, and infrastructure in its operating regions to improve quality of life and support sustainable development.

Governance

- **Supplier ESG assessment.** PTTEP requires suppliers to meet strict ESG criteria, including business ethics, safety, and environmental impacts, to ensure sustainable and ethical procurement.

Key Statistics

	3Q25	2Q26	3Q26	Chg. %yoy	Chg. %qoq
Sales volume (BOED)	510	573	521	2.1%	-9.0%
Avg. selling price (US$/bbl)	43.17	52.89	51.52	19.3%	-2.6%
Gas price (US$/MMBTU)	5.80	5.96	6.39	10.2%	7.2%
Liquid price (US$/bbl)	67.03	99.51	90.25	34.6%	-9.3%
Avg. Dubai (US$/bbl)	69.36	95.87	92.95	34.0%	-3.0%
Unit Cost (US$/bbl)	31.52	29.78	28.19	-10.6%	-5.3%

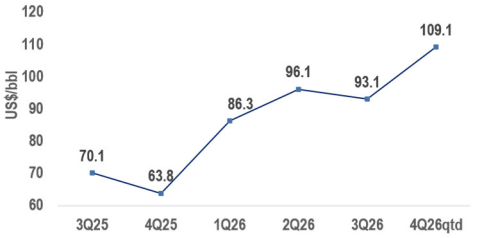
Source: PTTEP

Key Assumption

	---------- 2026F ----------			---------- 2027F ----------		
	Old	New	%Diff	Old	New	%Diff
Average Dubai Price (US$/bbl)	**85.0**	**95.0**	**11.8%**	**70.0**	**80.0**	**14.3%**
Sales Volume (KBOED)	556	556	0.0%	576	576	0.0%
Gas price (US&MMBTU)	6.00	6.15	2.5%	6.00	6.20	3.3%
Average selling price (US$/bbl)	50.0	53.0	6.0%	45.0	48.3	7.5%
PTTEP's Liquid price discount from Dubai	0.0	(2.6)	n.a.	(1.0)	(3.0)	n.a.
Unit Cost	29.7	29.7	0.0%	30.0	30.0	0.0%
Earnings revision (Btm)						
Core profit	86,753	94,703	9%	76,374	85,555	12%
Net Profit	76,100	79,931	5%	76,374	85,555	12%

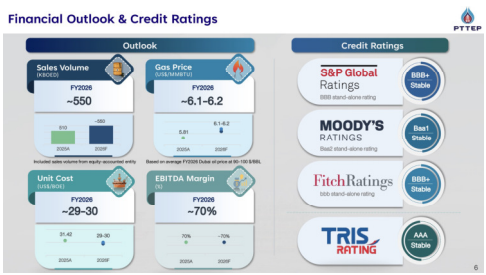
Source: PTTEP

Dubai Crude Oil Prices



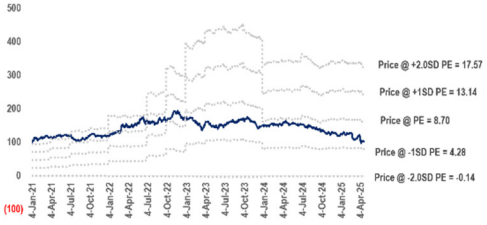
Source: PTTEP

PTTEP's Guidance



Source: PTTEP

Average Five-Year Regional Forward PE Band



Source: Bloomberg

Profit & loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	281,449	338,953	345,289	319,720
EBITDA	203,682	258,544	235,278	216,455
Deprec. & amort.	95,194	75,352	73,845	73,861
EBIT	108,488	183,192	161,433	142,593
Associate contributions	4,251	4,464	4,687	4,921
Net interest income/(expense)	-13,065	-12,783	-10,565	-10,037
Pre-tax profit	104,107	145,329	155,555	137,478
Tax	-43,850	-65,398	-70,000	-61,865
Minorities	-16.6	0.0	0.0	0.0
Net profit	60,240	79,931	85,555	75,613
Net profit (adj.)	58,024	94,703	85,555	75,613

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	511,450	504,278	516,917	541,651
Other LT assets	266,412	310,935	315,840	296,043
Cash/ST investment	73,075	86,606	119,690	130,906
Other current assets	17,756	30,506	34,529	35,169
Total assets	933,938	973,956	1,029,685	1,043,223
ST debt	21,125	0	0	0
Other current liabilities	194,733	234,520	238,904	221,213
LT debt	105,649	105,649	105,649	105,649
Other LT liabilities	194,733	234,520	238,904	221,213
Shareholders' equity	543,708	590,579	636,169	669,004
Total liabilities & equity	933,938	973,956	1,029,685	1,043,223

Cash flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	150,401	142,308	160,056	150,483
Pre-tax profit	104,107	145,329	155,555	137,478
Tax	-43,850	-65,398	-70,000	-61,865
Deprec. & amort.	95,194	75,352	73,845	73,861
Working capital changes	-7,702	-14,652	655	1,008
Other operating cashflows	2,653	1,678	0	0
Investing	-149,863	-72,916	-87,007	-96,489
Investments	-115,071	-68,180	-86,485	-98,595
Others	-34,792	-4,736	-522	2,106
Financing	-54,688	-55,862	-39,965	-42,778
Dividend payments	-36,622	-34,737	-39,965	-42,778
Proceeds from borrowings	-18,065	-21,125	0	0
Net cash inflow (outflow)	-54,150	13,531	33,084	11,216
Beginning cash & cash equiv.	128,482	73,075	86,606	119,690
Changes due to forex impact	-1,257	0	0	0
Ending cash & cash equiv.	73,075	86,606	119,690	130,906

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	73.2	71.9	68.1	67.7
Pre-tax margin	37.0	42.9	45.1	43.0
Net margin	21.4	23.6	24.8	23.6
ROA	7.5	9.7	10.0	8.8
ROE	13.1	16.6	17.0	14.5
Growth (% yoy)				
Turnover	-9.9	20.4	1.9	-7.4
EBITDA	-14.0	20.2	-3.7	-8.0
Pre-tax profit	-24.8	57.1	-2.8	-11.6
Net profit	-23.5	32.6	7.0	-11.6
Net profit (adj.)	-25.8	63.1	-9.7	-11.6
EPS	-23.5	32.6	7.0	-11.6
Leverage				
Debt to total capital	24.4	18.7	17.3	16.4
Debt to equity	23.3	17.9	16.6	15.8
Net debt/(cash) to equity	24.4	18.7	17.3	16.4
Interest cover (x)	15.8	19.1	22.3	21.6

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