



Rating
Hold

Asia
China

Energy
Oil & Gas

Company
CNOOC Ltd Alert

Reuters 0883.HK	Bloomberg 883 HK	Exchange HKG	Ticker 0883
ADR Ticker CEO	ISIN US1261321095		

Date
17 March 2015

Market Update

Price at 16 Mar 2015 (HKD)	10.28
Price target - 12mth (HKD)	11.03
52-week range (HKD)	15.68 - 9.80
HANG SENG INDEX	23,950

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The market is not buying it

CNOOC Ltd – Oil price proxy

The price of Brent oil bottomed at US\$ 45.25/ bbl on 26-January 2015. By 17-February, Brent was pushing back up over US\$ 61/ bbl (+35.3%). Brent remained at this US\$ 60/ bbl level through early March 2015. Despite the 35.3% uptick in oil price CNOOC's share price rose only 5.12% (vs. -0.5% HSI) over the same time period and has since settled back down to pre-26-January levels. Evidently, the market does not currently believe in US\$ 60/ bbl Brent.

What will it take?

If Brent were to rally to US\$ 70/ bbl, would that get CNOOC's share price to levitate? Given the dramatic decline in US oil rig-counts since July 2014 (Bbrg symbol: BAKEOIL Index), the IEA in its February 2015, Medium-Term Oil Market Report 2015, suggested that "the dramatic (US) inventory build of the last few months grinds to a halt as early as mid-2015 and markets start tightening appreciably. Nonetheless, this is not what we have seen in the US shale gas markets. Gas rig counts in North America collapsed mid-2008, and production continues to grow today with current Henry Hub gas prices of US\$ 2.66/ mmBtu reflecting an over supplied market. How long might it take?

Stock data

Market cap (HKDm)	458,733
Market cap (USDm)	59,081
Shares outstanding (m)	44,623.9
Major shareholders	CNOOC (71%)
Free float (%)	22
Avg daily value traded (USDm)	96.7

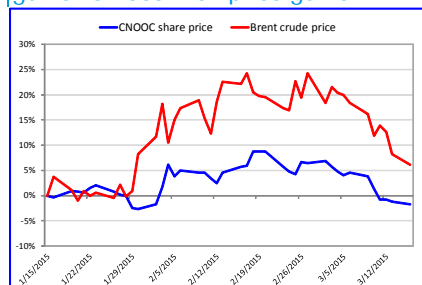
Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Sales (CNYm)	284,622	264,074	181,391
Net Profit (CNYm)	55,226.2	50,564.1	15,072.7
DB EPS (CNY)	1.24	1.13	0.34
PER (x)	9.6	7.3	24.6
Yield (net) (%)	3.7	4.1	1.2

Source: Deutsche Bank

Figure 1: CNOOC Ltd share price gains vs. recent oil price gains



Source: Deutsche Bank; Bloomberg Finance LP

Figure 2: US natural gas production vs. rig count -



Source: Deutsche Bank; EIA

Deutsche Bank AG/Hong Kong

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