

27 March 2015

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## 改革空间

### 中国石油股份 (857:HK)

#### Market Data: Mar,26

Closing Price (HK\$)	8.35
Price Target (HK\$)	7.89
HSCEI	11,969
HSCCI	4,525
52-week High/Low (HK\$)	11.70/7.93
Market Cap (USD Mn)	193,727
Market Cap (HK\$ Mn)	1,502,602
Shares Outstanding (Mn)	183,021
Exchange Rate (RMB-HK\$)	1.26

#### Price Performance Chart:



Source: Bloomberg

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#### Related Reports

"PetroChina (857:HK): Battening down" Feb 16,2015

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#### Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (RMB million)	2,258,124.00	2,282,962.00	1,832,603.84	2,077,023.24	2,187,927.41
YOY (%)	2.86	1.10	(19.73)	13.34	5.34
Net income (RMB million)	109,599.00	107,172.00	28,406.11	80,976.32	92,492.48
YOY (%)	(4.97)	(2.21)	(73.49)	185.07	14.22
EPS (RMB)	0.61	0.59	0.16	0.45	0.51
Diluted EPS (RMB)	0.61	0.59	0.16	0.45	0.51
ROE (%)	9.67	9.11	2.35	6.47	7.10
Debt/asset (%)	45.78	45.22	42.52	41.94	40.13
Dividend Yield (%)	4.88	5.60	1.07	3.05	3.48
P/E (x)	10.90	11.15	42.06	14.76	12.92
P/B (x)	1.05	1.02	0.99	0.95	0.92
EV/EBITDA (x)	3.76	3.81	5.84	4.28	3.94

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

**业绩符合预期。**中石油在昨晚闭市之后公布了 2014 年财报并随后举办了分析师会议。公司 2014 年录得净利润人民币 1070 亿（每股盈利人民币 0.59 元），与我们预期的净利润 1050 亿（每股盈利人民币 0.58 元）以及彭博预期的净利润人民币 1100 亿（每股盈利人民币 0.6 元）基本一致。

**改革。**管理层指出或对中石油的大部分油气管网进行重组改革，而不仅仅是西气东输一线和二线。另外，管理层还指出会在新疆以及华东两个省份进行销售业务的试点改革，虽然未透露太多细节。

**进一步成本控制。**除了市场所期望的操作成本控制之外，我们认为公司潜在的成本控制将会落实在销售管理和行政费用以及一些其他费用上面。2014 年公司操作成本上升 0.6 美元/桶至 13.8 美元/桶（同比增长 4%），而销售管理行政费用和其他则下降了 2 美元/桶至 25.4 美元/桶，但中石化（386:HK）销售管理行政费用和其他费用为 5-6 美元/桶。我们认为两者之间的差异主要是在于地理位置较为偏僻的中石油油田需要更高的销售管理和行政费用以及运输费用等。但是从另一个角度看，中石油相比中石化会存在更多的角度来加强其成本控制。此外，2014 年除了折旧（同比增长 1.2 美元/桶）以外，其他所有费用均在降低，其中包括原油特别收益金（同比下降 1.5 美元/桶），资源税（同比下降 0.2 美元/桶）和勘探成本（同比下降 0.4 美元/桶）。

**重申持有评级。**我们维持 2015 年每股盈利预测为人民币 0.15 元（同比下降 74%），2016 年每股盈利预测为人民币 0.44 元（同比增长 188%），2017 年每股盈利预测为人民币 0.51 元（同比增长 14%）。值得一提的是，我们尚未将任何因高于预期的转让一部分管道股权所获得的一次性盈利贡献计入在模型中。由于公司拥有从转让管道股权所获得的充裕现金，因此我们认为中石油会选择派发特别股息或者等待更好的并购机会。我们维持目标价港币 7.89 元，对应 15 年 40x PE，16 年 14x PE，以及 17 年 12x PE。我们认为对于中石油的高估值反应了对油价和气价过高的预期，而低估了公司的改革预期。基于仍有 6% 的下行空间，我们重申持有评级。

### Investment Highlights:

**Earnings in line.** PetroChina reported 2014 net profit of Rmb107bn and EPS of Rmb0.59, broadly in line with our forecast of Rmb105bn or EPS of Rmb0.58 and compares with consensus forecasts of Rmb110bn and EPS of Rmb0.6.

**Reforms.** Management indicated that it may carry out a restructuring of a majority of its natural gas and crude oil pipelines, a change in approach from the company's original plan in 2014 to divest its East-West Pipelines (I&II). In addition, management said it would trial a reform of its marketing business in Xinjiang and two provinces in Eastern China, although it did not disclose further details.

**Cost control on the way.** We see potential for PetroChina to control costs in the sales, general and administrative expenses line, as well as in its lifting costs, as expected by the market. For 2014, lifting costs rose US\$0.6/boe to US\$13.8/boe (+4% YoY), while SG&A expenses fell US\$2/boe to US\$25.4/boe, vs Sinopec's (386:HK) US\$5-6/boe. We see the key difference between the two oil majors' SG&A costs is that PetroChina's oilfield locations are remote, requiring higher SG&A as well as higher transportation costs. However, this provides another important angle for PetroChina to enhance its cost control. In addition, with the exception of depreciation, depletion & amortization (DD&A) costs, which rose US\$1.2/boe YoY, all other costs falls in 2014, including crude oil special gains levy (down US\$1.5/bbl), resources tax (down US\$0.2/boe) and exploration costs (down US\$0.4/bbl).

**Maintain Hold.** We maintain our EPS forecasts Rmb0.15 (-74% YoY) in 15E and Rmb0.44 (+188% YoY) in 16E, and forecast 17E EPS of Rmb0.51 (+15.9% YoY). Notably, we have not factored in any one-off earnings contribution from the larger than expected divestment in pipeline division. Given its likely stronger cash position after its pipeline divestment, PetroChina may choose to pay a special dividend or await M&A opportunities. We maintain our target price of HK\$7.89, representing 40x 15E PE, 14x 16E PE and 12x 17E PE. We believe the stock's valuation is already relatively demanding, and reflects the market's more positive expectations of oil and gas price rebound, although we believe the market has yet to factor in the benefits of the pipeline restructuring. With 6% downside, we maintain our Hold rating on PetroChina.

## APPENDIX

### Consolidated Income Statement

Rmb Mn	2013	2014	2015E	2016E	2017E
Revenue	2,258,124	2,282,962	1,826,518	2,069,749	2,180,195
E&P	783,694	777,574	506,295	605,265	634,905
Refining and chemical	871,815	846,082	587,479	704,974	747,139
Marketing	1,946,806	1,938,501	1,654,628	1,834,990	1,925,353
Natural gas import and pipeline	232,751	284,262	344,704	360,132	385,163
Corporate and others	2,687	3,027	2,687	2,687	2,687
Eliminations	-	-	-	-	-
	1,579,629	1,566,484	1,269,275	1,438,300	1,515,051
EBITDA	352,007	347,296	226,691	309,577	336,143
EBIT	188,642	169,833	62,290	133,909	149,208
E&P	189,698	186,897	30,341	91,961	104,741
Refining and chemical	-24,392	-23,560	-5,962	2,085	1,172
Marketing	7,562	5,421	18,036	21,204	22,053
Natural gas import and pipeline	28,888	13,126	27,875	26,659	29,243
Corporate and others	-13,114	-12,051	-8,000	-8,000	-8,000
Finance Costs	-20,807	-24,036	-23,931	-24,230	-23,619
Profit before tax	178,063	156,759	40,360	115,179	131,589
Income tax expense	-35,789	-37,731	-8,072	-23,036	-26,318
Minority interests	12,675	11,856	3,875	11,057	12,633
Profit attributable to shareholders	109,599	107,172	28,413	81,086	92,638
EPS	0.61	0.59	0.16	0.45	0.00

Source: Company data, SWS Research

### Consolidated Cash Flow Statement

Rmb Mn	2013	2014	2015E	2016E	2017E
Profit before taxation	178,063	156,759	40,360	115,179	131,589
Plus: Depr. and amortisation	163,365	177,463	164,401	175,668	186,935
Finance cost	20,807	24,036	23,931	24,230	23,619
Losses from investments	-10,228	-10,962	-2,000	-5,500	-6,000
Change in working capital	-10,305	16,395	-42,490	702	2,045
Others	-53,173	-7,214	-8,072	-23,036	-26,318
CF from operating activities	288,529	356,477	176,130	287,244	311,870
CAPEX	-311,744	-296,500	-225,340	-225,340	-225,340
Other CF from investing activities	45,234	40,000	40,000	40,000	40,000
CF from investing activities	-266,510	-290,838	-185,340	-185,340	-185,340
Equity financing	0	0	0	0	0
Net change in liabilities	53,619	-3,639	33,524	3,626	-33,664
Dividend and interest paid	-80,263	-72,263	-36,717	-60,719	-65,307
Other CF from financing activities	14,405	31,590	-12,486	-25,000	-20,000
CF from financing activities	-12,239	-44,312	-15,679	-82,093	-118,970
Net cash flow	9,780	21,327	-24,889	19,810	7,560

Source: Company data, SWS Research

### Consolidated Balance Sheet

Rmb Mn	2013	2014	2015E	2016E	2017E
<b>Current Assets</b>	430,953	391,308	377,784	433,815	459,801
Bank balances and cash	57,250	76,021	51,132	70,942	78,502
Trade and other receivables	78,387	65,931	62,983	71,371	75,179
Inventories	227,017	165,977	202,785	222,510	233,447
Other current assets	68,299	83,379	60,884	68,992	72,673
Long-term investment	0	0	0	0	0
<b>PP&amp;E</b>	1,648,516	1,747,286	1,852,821	1,902,493	1,940,897
Intangible and other assets	262,641	266,782	194,300	159,800	125,800
<b>Total Assets</b>	2,342,083	2,405,376	2,424,939	2,496,141	2,526,532
<b>Current Liabilities</b>	645,489	579,829	562,228	602,776	589,584
Borrowings	575,771	533,188	503,420	538,248	521,884
Trade and other payables	46,641	58,808	64,528	67,700	0
Other current liabilities	0	0	0	0	0
Long-term liabilities	426,686	507,787	467,862	442,862	422,862
<b>Total Liabilities</b>	1,072,175	1,087,616	1,030,090	1,045,638	1,012,446
Minority Interests	137,058	141,750	145,625	156,682	169,314
<b>Shareholder Equity</b>	1,132,850	1,176,010	1,207,422	1,252,019	1,302,970
Share Capital	183,021	183,021	183,021	183,021	183,022
Reserves	280,414	294,435	309,156	324,614	340,845
Equity attributable	669,300	698,554	715,244	744,384	779,103
<b>Total Liabilities and equity</b>	2,342,083	2,405,376	2,424,939	2,496,141	2,526,532

Source: Company data, SWS Research

### Key Financial Ratios

	2013	2014	2015E	2016E	2017E
<b>Ratios per share (Rmb)</b>					
Earnings per share	0.61	0.59	0.16	0.45	0.51
Diluted EPS	0.61	0.59	0.16	0.45	0.51
Operating CF per share	1.60	1.98	0.98	1.59	1.73
Dividend per share	0.32	0.37	0.07	0.20	0.23
Net assets per share	6.28	6.52	6.70	6.94	7.23
<b>Key Operating Ratios(%)</b>					
ROIC	10.47	9.29	3.29	6.20	6.44
ROE	9.67	9.11	2.35	6.48	7.11
EBITDA Margin	15.59	15.21	12.41	14.96	15.42
EBIT Margin	8.35	7.44	3.41	6.47	6.84
Growth rate of Revenue(YoY)	2.86	1.10	-19.99	13.32	5.34
Growth rate of Profit(YoY)	-4.97	-2.21	-73.49	185.38	14.25
Debt-to-asset ratio	45.78	45.22	42.48	41.89	40.07
Turnover rate of net assets	199.33	194.13	151.27	165.31	167.33
Turnover rate of total assets	96.42	94.91	75.32	82.92	86.29
Effective tax rate (%)	20.10	24.07	20.00	20.00	20.00
Dividend yield (%)	4.88	5.60	1.07	3.05	3.49
<b>Valuation Ratios (X)</b>					
P/E	10.90	11.15	42.05	14.74	12.90
P/B	1.05	1.02	0.99	0.95	0.92
EV/Sale	0.74	0.73	0.91	0.81	0.77
EV/EBITDA	3.76	3.81	5.84	4.28	3.94

Source: Company data, SWS Research

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