

30 March 2015

增持
维持

真改革

中海油(883:HK)

Market Data: Mar,27

| | |
|--------------------------|------------|
| Closing Price (HK\$) | 10.50 |
| Price Target (HK\$) | 12.65 |
| HSCEI | 11,920 |
| HSCCI | 4,515 |
| 52-week High/Low (HK\$) | 15.88/9.72 |
| Market Cap (USD Mn) | 59,774 |
| Market Cap (HK\$ Mn) | 463,441 |
| Shares Outstanding (Mn) | 44,647 |
| Exchange Rate (RMB-HK\$) | 1.26 |

Price Performance Chart:



Source: Bloomberg

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Related Reports

"CNOOC (883 HK): Sea change" Feb 6, 2015

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Financial summary and valuation

| | 2013 | 2014 | 2015E | 2016E | 2017E |
|--------------------|------------|------------|------------|------------|------------|
| Revenue (Rmbm) | 285,857.00 | 274,634.00 | 215,317.23 | 254,014.94 | 260,533.82 |
| YOY (%) | 15.44 | (3.93) | (21.60) | 17.97 | 2.57 |
| Net income (Rmbm) | 56,461.01 | 60,199.01 | 22,995.39 | 53,591.79 | 58,016.25 |
| YOY (%) | (11.35) | 6.62 | (61.92) | 133.05 | 8.26 |
| EPS (Rmb) | 1.26 | 1.35 | 0.51 | 1.20 | 1.30 |
| Diluted EPS (Rmb) | 1.26 | 1.35 | 0.51 | 1.20 | 1.30 |
| ROE (%) | 16.53 | 15.86 | 5.79 | 13.70 | 13.53 |
| Debt/asset (%) | 45.03 | 42.73 | 44.58 | 45.66 | 43.03 |
| Dividend yield (%) | 5.41 | 5.42 | 1.85 | 4.32 | 5.46 |
| PE (x) | 6.59 | 6.18 | 16.18 | 6.94 | 6.41 |
| PB (x) | 1.09 | 0.98 | 1.05 | 0.95 | 0.87 |
| EV/Ebitda (x) | 3.73 | 3.62 | 4.98 | 3.51 | 3.39 |

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

远不止业绩超预期 中海油 2014 年录得净利润人民币 602 亿元（每股盈利人民币 1.35 元），相比 2013 年同比增长 6.6%，较我们预期的净利润人民币 543 亿元（每股盈利人民币 1.22 元）高出 11%，较市场一致预期的净利润人民币 517 亿元（每股盈利人民币 1.16 元）高出 16%，主要因为公司超预期的成本控制。此外，我们认为 2015 中海油将在公司治理上得到显著提升，在改革浪潮中最为成功，主要来自于 1) 公司在多年业绩低于指引或预期之后 2014 年业绩超预期，2) 强有力的成本控制展现了公司执行力的显著提高和 3) 公司更给出了一个非常清晰的长期战略来应对低油价环境。

股息超预期。管理层建议派发每股 0.32 港元（含税）的末期股息，相当于 33.5% 的分红率（14 年上半年则为 26.4%），而股息收益率则为 5.4%。这将消除市场对于在恶劣的市场环境中股息削减的担忧。我们认为好于预期的股息主要得益于审慎的财务政策以及健康的资产负债表（2014 年和 2013 年有息负债率分别为 26.5% 和 27.8%）。

成本控制。作为中国石油公司中第一个作业费用同比下降的公司，中海油好于预期的成本控制将会重塑公司的形象。2014 年是中海油的“质量和效率”之年，所有项目都按照严格的质量管理来运行，其中大部分项目都提前进入商业运行并低于预算，同时实现了超过 10% 的操作成本节省和 10% 的效率提升，从而使公司总费用从 2013 年的高点迎来 2014 年的首次下降，总费用下降了 2.5 美元/桶至 42.3 美元/桶。其中，作业费用，勘探费用和销售及行政管理费用分别下降了 0.03，2.4，0.62 美元/桶。

维持增持评级。我们维持 2015 年每股盈利预测为人民币 0.51 元（同比下降 61.9%），2016 年每股盈利预测为人民币 1.2 元（同比增长 133.1%），并预测 2017 年每股盈利为人民币 1.3 元（同比增长 8.3%）。我们维持目标价港币 12.65 元，对应 15 年 19.3x PE，16 年 8.4x PE，以及 17 年 7.7x PE。基于仍有 19% 的上行空间，我们维持增持评级。在行业中我们依旧首选中海油，基于公司治理能力显著改善，成本优势，以及在行业中相对便宜的估值。

Investment highlights:

Far more than earnings beat. CNOOC reported 2014 net profit of Rmb60.2bn and EPS of Rmb1.35 (+6.6% YoY), 11% higher than our expectation of Rmb54.3bn or EPS of Rmb1.22, 16% higher than consensus forecasts of Rmb51.7bn and EPS of Rmb1.16, mainly due to better than expected cost controls. The results underscore our view that the company stands out in the sector as making genuine changes after years of guidance and consensus forecast misses and better cost controls. We see this as a signal of significantly improved execution and a clearer than ever long-term strategy that is well-prepared for low oil price environment, and expect significant improvements in corporate governance in 2015.

Dividends beat. Management proposed a year-end dividend of HK\$0.32/share (tax inclusive), which indicates a dividend payout ratio of 33.5% (1H14: 26.4%) and a dividend yield of 5.4%. This will eliminate market concerns of dividend cut amid tough market environment. We think this better-than-expected dividend is a result of prudent financial policy adopted by the company and its healthy balance sheet (gearing: 26.5% in 2014 and 27.8% in 2013).

Cost controls. With CNOOC being the first oil company in China to report a YoY fall in lifting cost in addition to an earnings beat, we believe the unexpectedly effective cost controls will help reshape the company's image. In 2014, all projects were conducted with stringent quality control, most of which came on-stream ahead of schedule and below budget, and achieved over 10% operating expenses savings and 10% efficiency improvement, leading to a peak in all-in cost in 2013 and the first fall by US\$2.5/boe to US\$42.3/boe in 2014. Notably, lifting costs fell by US\$0.03/boe, exploration cost fell US\$2.4/boe and SG&A expenses fell US\$0.62/boe.

Maintain Outperform. We maintain our EPS forecast of Rmb0.51 (-61.9% YoY) in 15E and Rmb1.2 (+133.1% YoY) in 16E, and forecast 17E EPS of Rmb1.3 (+8.3% YoY). We maintain our target price of HK\$12.65, representing 19.3x 15E PE, 8.4x 16E PE and 7.7x 17E PE. With 19% upside, we maintain our Outperform rating, and CNOOC as our top pick in the sector given its likely improvements in corporate governance, cost competitiveness and cheaper valuation among peers.

Fig 1: Company's income statements of 2014A vs 2014E

| Mn RMB | 2012A | 2013A | 2014A | YoY | 2014E | 2014A VS 2014E |
|--------------------------------------|-----------------|-----------------|-----------------|--------------|-----------------|----------------|
| Revenue | 247,627 | 285,857 | 274,634 | -3.9% | 276,903 | -2,269 |
| Oil and gas sales | 194,774 | 226,445 | 218,210 | -3.6% | 222,903 | -4,693 |
| Marketing revenues | 50,771 | 55,495 | 50,263 | -9.4% | 50,000 | 263 |
| Other income | 2,082 | 3,917 | 6,161 | 57.3% | 4,000 | 2,161 |
| Expense | -160,486 | -207,354 | -193,719 | -6.6% | -199,019 | 5,300 |
| Operating expenses | -21,445 | -30,014 | -31,180 | 3.9% | -28,963 | -2,217 |
| Production taxes | -15,632 | -15,937 | -11,842 | -25.7% | -15,603 | 3,761 |
| Exploration expenses | -9,043 | -17,120 | -11,525 | -32.7% | -16,660 | 5,135 |
| DD&A | -32,903 | -56,456 | -58,286 | 3.2% | -59,217 | 931 |
| Special oil gain levy | -26,293 | -23,421 | -19,072 | -18.6% | -21,653 | 2,581 |
| Impairment and provision | -31 | 45 | -4,120 | -9255.6% | 0 | -4,120 |
| Crude oil and product purchases | -50,532 | -53,386 | -47,912 | -10.3% | -49,000 | 1,088 |
| SG&A | -3,377 | -7,859 | -6,613 | -15.9% | -6,923 | 310 |
| Others | -1,230 | -3,206 | -3,169 | -1.2% | -1,000 | -2,169 |
| Operating Profit | 87,141 | 78,503 | 80,915 | 3.1% | 77,885 | 3,030 |
| Interest income | 1,002 | 1,092 | 1,073 | -1.7% | 389 | 684 |
| Finance costs | -1,603 | -3,457 | -4,774 | 38.1% | -4,054 | -720 |
| Exchange gains, net | 359 | 873 | 1,049 | 20.2% | 0 | 1,049 |
| Investment income | 2,392 | 2,611 | 2,684 | 2.8% | 2,000 | 684 |
| Share of profits of associates | 284 | 133 | 232 | 74.4% | 234 | -2 |
| Share of profits of joint ventures | -311 | 762 | 774 | 1.6% | 779 | -5 |
| Non-operating income/(expenses), net | 908 | 334 | 560 | 67.7% | 300 | 260 |
| Profit before taxation | 90,172 | 80,851 | 82,513 | 2.1% | 77,532 | 4,981 |
| Income tax expense | -26,481 | -24,390 | -22,314 | -8.5% | -23,260 | 946 |
| Profit for the year | 63,691 | 56,461 | 60,199 | 6.6% | 54,272 | 5,927 |

Source: Company data, SWS Research

APPENDIX

Consolidated Income Statement

| Rmb Mn | 2013 | 2014 | 2015E | 2016E | 2017E |
|---------------------------------|--------|--------|--------|--------|--------|
| Revenue | 285857 | 274634 | 215317 | 254015 | 260534 |
| Oil and gas sales | 226445 | 218210 | 161317 | 200015 | 206534 |
| Marketing revenues | 55495 | 50263 | 50000 | 50000 | 50000 |
| Other income | 3917 | 6161 | 4000 | 4000 | 4000 |
| Expense | 207354 | 193719 | 180917 | 175903 | 176559 |
| Operating expenses | 30014 | 31180 | 30024 | 29358 | 29597 |
| Production taxes | 15937 | 11842 | 18000 | 14001 | 14457 |
| Exploration expenses | 17120 | 11525 | 10238 | 9450 | 9450 |
| DD&A | 56456 | 58286 | 66842 | 65360 | 64573 |
| Special oil gain levy | 23421 | 19072 | 0 | 2654 | 3532 |
| Impairment and provision | -45 | 4120 | 0 | 0 | 0 |
| Crude oil and product purchases | 53386 | 47912 | 49000 | 49000 | 49000 |
| SG&A | 7859 | 6613 | 5814 | 5080 | 4950 |
| Others | 3206 | 3169 | 1000 | 1000 | 1000 |
| EBITDA | 134959 | 139201 | 101242 | 143471 | 148548 |
| EBIT | 78503 | 80915 | 34400 | 78112 | 83974 |
| Finance Costs | 1119 | 32 | -2402 | -2868 | -2486 |
| Profit before tax | 80851 | 82513 | 32745 | 76560 | 82880 |
| Income tax expense | 24390 | 22314 | 9824 | 22968 | 24864 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Profit for the year | 56461 | 60199 | 22922 | 53592 | 58016 |

Source: SWS Research

Consolidated Cash Flow Statement

| Rmb Mn | 2013 | 2014 | 2015E | 2016E | 2017E |
|-------------------------------------|--------|--------|--------|--------|--------|
| Profit before taxation | 80851 | 82513 | 32745 | 76560 | 82880 |
| Plus: Depr. and amortisation | 56456 | 58286 | 66842 | 65360 | 64573 |
| Finance cost | 1492 | 2652 | 4402 | 4868 | 4486 |
| Losses from investments | -3551 | 430 | -2447 | -3015 | -3092 |
| Change in working capital | 3558 | 14726 | -2453 | -9864 | 1882 |
| Others | -24357 | -2329 | -12276 | -32832 | -22982 |
| CF from operating activities | 110891 | 141552 | 89266 | 110940 | 125866 |
| CAPEX | -86717 | -53928 | - | -56340 | -36684 |
| Other CF from investing activities | -83315 | -3369 | 667 | -19618 | -59186 |
| CF from investing activities | - | -57297 | - | -75958 | -95870 |
| Equity financing | 0 | 0 | 0 | 0 | 0 |
| Net change in liabilities | 42656 | 4711 | 3437 | 0 | -10000 |
| Dividend and interest paid | -24058 | -24941 | -11601 | -21328 | -25381 |
| Other CF from financing activities | 3 | 0 | 0 | 0 | 0 |
| CF from financing activities | 18601 | -20230 | -8164 | -21328 | -35381 |
| FCFF | 27410 | 77685 | -64056 | 54299 | 88881 |
| FCFE | 68574 | 79744 | -65021 | 49432 | 74396 |

Source: SWS Research

Consolidated Balance Sheet

| Rmb Mn | 2013 | 2014 | 2015E | 2016E | 2017E |
|-------------------------------------|--------|--------|--------|--------|--------|
| Current Assets | 146552 | 140708 | 70095 | 81464 | 84151 |
| Bank balances and cash | 40536 | 37753 | 22369 | 25128 | 29533 |
| Trade and other receivables | 34136 | 29441 | 26886 | 33336 | 34422 |
| Inventories | 9153 | 10608 | 4840 | 6000 | 6196 |
| Other current assets | 62727 | 62906 | 16000 | 17000 | 14000 |
| Long-term investment | 31195 | 30587 | 23284 | 23000 | 23000 |
| PP&E | 419102 | 463222 | 603507 | 633682 | 665366 |
| Intangible and other assets | 24624 | 28342 | 17000 | 17000 | 17000 |
| Total Assets | 621473 | 662859 | 713886 | 755146 | 790437 |
| Current Liabilities | 128948 | 103498 | 110229 | 108976 | 109140 |
| Borrowings | 49841 | 31180 | 20000 | 20000 | 20000 |
| Trade and other payables | 48558 | 52192 | 45229 | 43976 | 44140 |
| Other current liabilities | 30549 | 20126 | 45000 | 45000 | 45000 |
| Long-term liabilities | 150905 | 179751 | 208000 | 213000 | 208000 |
| Total Liabilities | 279853 | 283249 | 318229 | 321976 | 317140 |
| Minority Interests | 0 | 0 | 0 | 0 | 0 |
| Shareholder Equity | 341620 | 379610 | 395656 | 433170 | 473297 |
| Share Capital | 949 | 43081 | 949 | 949 | 949 |
| Reserves | 340671 | 336529 | 394707 | 432221 | 472347 |
| Equity attributable | 341620 | 379610 | 395656 | 433170 | 473297 |
| Total Liabilities and equity | 621473 | 662859 | 713885 | 755146 | 790436 |

Source: SWS Research

Key Financial Ratios

| Rmb Mn | 2013 | 2014 | 2015E | 2016E | 2017E |
|--------------------------------|--------|-------|--------|--------|-------|
| Ratios per share (yuan) | | | | | |
| Earnings per share | 1.26 | 1.35 | 0.51 | 1.20 | 1.30 |
| Diluted EPS | 1.26 | 1.35 | 0.51 | 1.20 | 1.30 |
| Operating CF per share | 2.48 | 3.17 | 2.31 | 2.48 | 2.82 |
| Dividend per share | 0.45 | 0.45 | 0.15 | 0.36 | 0.45 |
| Net assets per share | 7.65 | 8.50 | 8.86 | 9.70 | 10.60 |
| Key Operating Ratios(%) | | | | | |
| ROIC | 14.45 | 14.72 | 6.21 | 13.19 | 12.97 |
| ROE | 16.53 | 15.86 | 5.79 | 12.37 | 12.26 |
| EBITDA Margin | 47.21 | 50.69 | 47.02 | 56.48 | 57.02 |
| EBIT Margin | 27.46 | 29.46 | 15.98 | 30.75 | 32.23 |
| Growth rate of Revenue(YoY) | 15.44 | -3.93 | -21.60 | 17.97 | 2.57 |
| Growth rate of Profit(YoY) | -11.35 | 6.62 | -61.92 | 133.80 | 8.26 |
| Debt-to-asset ratio | 45.03 | 42.73 | 44.58 | 42.64 | 40.12 |
| Turnover rate of net assets | 83.68 | 72.35 | 54.42 | 58.64 | 55.05 |
| Turnover rate of total assets | 46.00 | 41.43 | 30.16 | 33.64 | 32.96 |
| Effective tax rate (%) | 30.17 | 27.04 | 30.00 | 30.00 | 30.00 |
| Dividend yield (%) | 5.41 | 5.42 | 1.85 | 4.32 | 5.46 |
| Valuation Ratios (X) | | | | | |
| P/E | 6.59 | 6.18 | 16.23 | 6.94 | 6.41 |
| P/B | 1.09 | 0.98 | 0.94 | 0.86 | 0.79 |
| EV/Sale | 1.76 | 1.83 | 2.34 | 1.98 | 1.93 |
| EV/EBITDA | 3.73 | 3.62 | 4.98 | 3.51 | 3.39 |

Source: SWS Research

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