

## Company Report: CNOOC (00883 HK)

公司报告: 中国海洋石油 (00883 HK)

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# 1H20 Results Beat on Record Low All-In Costs, "Accumulate"

桶油成本创新低助2020上半年业绩超越预期, “收集”

- **With the occasional resurgence of COVID-19 cases globally, we have yet to observe prominent oil demand recovery trend in markets where data is timely released (except for China).** The long-term oil demand curve could fundamentally change in the post-COVID world caused by changes in people's behaviour and the potentially accelerated energy transition. Our current assumptions for 2020-2022 Brent crude oil prices are US\$42/bbl, US\$48/bbl and US\$56/bbl, respectively.
- **CNOOC's 1H20 earnings came in at RMB10,383 mn, well above our estimate, thanks to a record low all-in costs per boe of US\$25.72 (-11.3% yoy) and lower-than-expected impairment provision.** During the first half, oil and gas production increased steadily by 6.1% yoy to 257.9 mmboe, primarily driven by growth from offshore China.
- **Raise 2020F-2022F earnings forecasts by 150.3%/ 47.9%/ 21.6% to RMB24,644 mn/ RMB42,453 mn/ RMB61,738 mn, respectively,** to reflect our lower impairment estimate, higher oil price assumptions, as well as the Company's latest efforts in cost reduction.
- **Upgrade from "Neutral" to "Accumulate" with a TP of HK\$8.30.** Our investment upgrade is mainly based on 1) improved oil market fundamentals in the short-to-medium term, 2) CNOOC's excellent execution capacity, both in production and cost control, and 3) cheap valuation at 0.7x 2020F PB. Our TP has a 21.5% discount to our DCF-derived NAV of HK\$10.58 per share, and corresponds to 2020F-2022F PB of 0.8x/ 0.7x/ 0.7x, respectively.
- 在全球新冠病例数仍不时回升的情况下, 我们尚未在数据披露及时的市场中发现强劲的石油需求复苏趋势 (中国除外)。受到人们行为习惯改变以及潜在的能源转型进程加速影响, 长期石油需求曲线或于后疫情时代发生根本改变。我们目前对 2020-2022 年布伦特原油价格假设分别为 42 美元/桶、48 美元/桶和 56 美元/桶。
- 中海油 2020 上半年录得盈利人民币 103.83 亿元, 大幅好于我们预期, 主要由于桶油成本创下历史新低至 25.72 美元 (同比-11.3%) 以及减值拨备少于预期。上半年油气产量同比上涨 6.1% 至 2.579 亿桶油当量, 主要受到中国近海产量增长所推动。
- 分别上调 2020-2022 年盈利预测 150.3% / 47.9% / 21.6% 至人民币 246.44 亿元 / 人民币 424.53 亿元 / 人民币 617.38 亿元, 以反映我们下调的减值估计、更高的油价假设, 以及公司在控本降费方面最新的进展。
- 由“中性”上调至“收集”, 目标价 8.30 港元。我们此次上调评级, 主要基于 1) 油市基本面上在中短期内得到一定好转, 2) 公司在生产和控本降费方面出色的执行能力, 以及 3) 较低的估值 (0.7 倍 2020 年市净率)。我们的目标价较我们用折现现金流方法得出的 10.58 元/股的估值有 21.5% 的折让, 并分别对应 0.8 倍 / 0.7 倍 / 0.7 倍 2020-2022 年市净率。

Rating:

**Accumulate**

Upgraded

评级:

收集 (上调)

6-18m TP 目标价:

**HK\$8.30**

Revised from 原目标价:

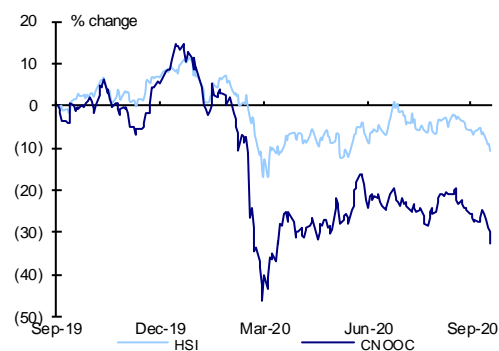
HK\$8.90

Share price 股价:

HK\$7.450

### Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. %	(13.9)	(12.3)	(37.0)
绝对变动 %			
Rel. % to HS Index	(6.1)	(8.7)	(27.3)
相对恒指变动 %			
Avg. Share price(HK\$)	8.1	8.4	9.5
平均股价 (港元)			

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	227,711	52,675	1.180	114.5	5.5	9.403	0.7	0.700	10.7	13.2
2019A	233,199	61,045	1.370	16.1	4.9	10.038	0.7	0.780	11.7	14.1
2020F	154,983	24,644	0.552	(59.7)	11.9	9.995	0.7	0.414	6.3	5.5
2021F	187,359	42,453	0.951	72.3	6.9	10.471	0.6	0.428	6.5	9.3
2022F	229,207	61,738	1.383	45.4	4.7	11.329	0.6	0.622	9.5	12.7
Shares in issue (m) 总股数 (m)				44,647.5	Major shareholder 大股东				CNOOC 64.4%	
Market cap. (HK\$ m) 市值 (HK\$ m)				332,623.9	Free float (%) 自由流通比率 (%)				35.6	
3 month average vol. 3 个月平均成交股数 ('000)				67,702.1	FY20 Net gearing (%) FY20 净负债/股东资金 (%)				27.1	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				14.040 / 6.240	FY20 Est. NAV (HK\$) FY20 每股估值 (港元)				10.6	

Source: the Company, Guotai Junan International.

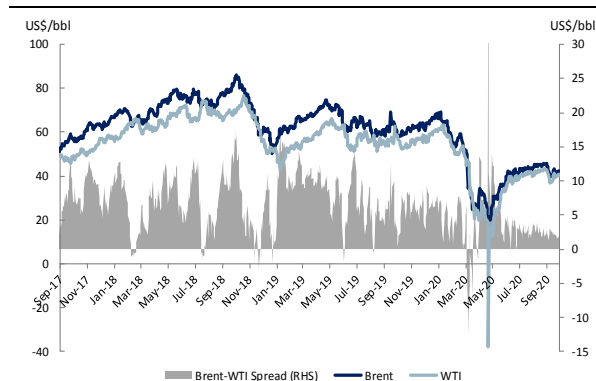
## Oil Market Review – Has the Inflection Point Emerged?

While the oil market has undoubtedly made progress since "Black April", the rebalancing of oil supply-demand remains delicate in our view.

- Oil demand recovery is on its way, but is still bumpy with the occasional resurgence of COVID-19 cases and subsequent lockdown measures around the world. Except for China, we have yet to observe prominent recovery trend in markets where data is timely released. As at 18 Sep., US implied oil product demand (rolling 4-week) was still 15.0% lower yoy, and dropped 1.6% wow due to seasonality; In India, demand continued to deteriorate in August as fuel consumption was down 7.5% mom and 16.0% yoy according to the Indian Ministry of Petroleum and Natural Gas. The weakness in the aviation industry is also expected to weigh on short-to-medium term demand – in July, the IATA forecasted that global air traffic will not return to the 2019 level until 2024. The IEA in its August report reduced its estimate for 2020 global oil demand by around 140kb/d to 91.9 mb/d, about 8.1 mb/d lower than 2019 level.
- In August, OPEC production stood at 23.94 mb/d, up by 0.5 mb/d compared with last month as production quota has been raised by around 2 mb/d since August. OPEC 10 compliance in August was strong at 104.6%, higher than the 93.4% in July. The OPEC supply agreement has so far been effective in bringing the market back from its unprecedented glut between April and May, but further tightening of the market will rely more on continued demand recovery, especially considering the potential return of Libyan oil (crude production in Libya was only 0.1 mb/d between April and August, while in 2019 the nation's production stood at around 11.0 mb/d).
- The latest data on US crude production and rig counts still shows no sign of a significant rebound. As at 18 Sep., US crude production was 10.7 mb/d, around 2.3 mb/d lower than the peak of 13.0 mb/d seen at the start of the year. US oil rig count, as at 25 Sep., remained at a 15-year low at around 180, which is far from sufficient in sustaining future production volume. According to the 3Q20 Dallas Fed Energy Survey conducted on 18 Sep., only 11% of the participants (mainly executives at US energy firms) believed that the rig count would rise with oil prices at or below US\$50/bbl, and around 68% of them believe that US oil production has already peaked.
- US commercial stocks continued to decline at a slow pace, while lagged data on OECD commercial stocks has yet to show a downward trend. As at 18 Sep., US crude stocks fell 1.6 mb wow, but was still 13.3% above their 5-year average. OECD commercial stocks continued to increase by 0.52 mb/d in June, and in the first half they increased at an average rate of 1.78 mb/d.

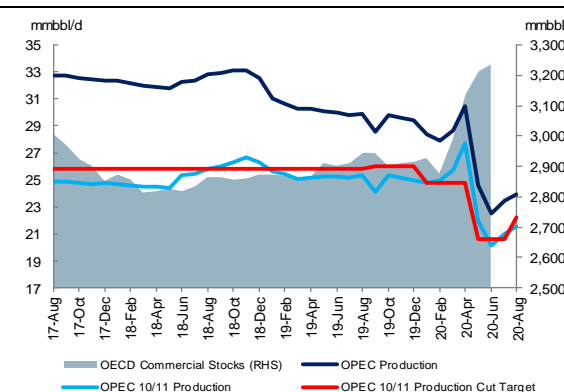
**The long-term oil demand curve could fundamentally change in the post-COVID world.** One bearish factor is increased preference for remote working and telecommuting, while another one is related to the potentially accelerated energy transition. The pandemic has made the concept of global threats and social responsibility less abstract – this could mean growing pressure for governments around the world to implement new energy policies and increased focus of investors on ESG issues, thus potentially accelerating the energy transition. The changes brought by COVID-19 are also likely to drive more and more oil companies, which have currently adopted a more or less 'wait-and-see' strategy, to implement drastic changes. In line with this view, our current assumptions for 2020-2022 Brent crude oil prices are US\$42/bbl, US\$48/bbl and US\$56/bbl, respectively.

**Figure-1: Brent vs. WTI and Spreads**

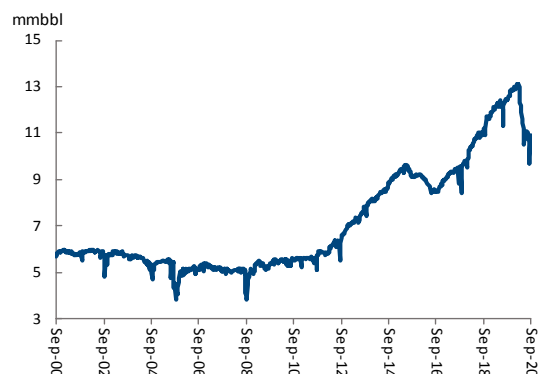


Source: Bloomberg.

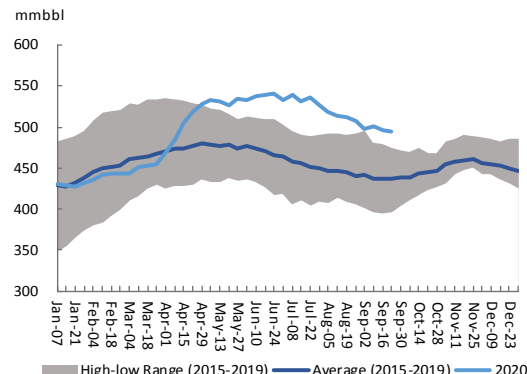
**Figure-2: OPEC Production and OECD Commercial Stocks**



Source: Bloomberg, IEA.

**Figure-3: US Crude Production**


Source: EIA, Bloomberg.

**Figure-4: US Commercial Stocks (Ex-SPR)**


Source: EIA, Bloomberg.

## 1H20 Results Review

**Core earnings beat on record low all-in costs per boe.** In 1H20, CNOOC (the "Company") recorded earnings of RMB10,383 mn, down 65.7% yoy. If excluding the impairment loss associated with oil and gas properties, CNOOC's earnings would be RMB13,812 mn, beating our estimate by 36.5%, primarily due to better-than-expected all-in costs per boe at US\$25.72 (-11.3% yoy). While the all-in costs surprise was without doubt driven by effective cost control, we think it had more to do with the shift in CNOOC's production mix in the first half – more output was from offshore China where the Company has more cost advantages (please see Table-2). CNOOC announced 2020 interim dividend of HK\$0.20 per share, down 39.4% yoy, reflecting a payout ratio of 77.5%.

**Table-1: CNOOC's 1H20 Results Highlights**

(RMB mn)	1H20	1H19	Yoy change
<b>Financial Results:</b>			
Total revenue	74,560	109,307	(31.8%)
- Oil and gas sales	66,335	94,686	(29.9%)
- Marketing and other revenue	8,225	14,621	(43.7%)
EBITDA	45,021	69,744	(35.4%)
Shareholders' profit	10,383	30,288	(65.7%)
Basic EPS (RMB)	0.23	0.68	(65.7%)
DPS (RMB)	0.20	0.33	(39.4%)
<b>Operational Data:</b>			
Total oil and gas production (mmboe)	257.9	243.0	6.1%
- Crude and liquids (mmbbl)	205.5	199.0	3.3%
- Natural gas (bcf)	304.5	257.9	18.1%
Average realised oil price (US\$/bbl)	38.72	64.60	(40.1%)
Average realised gas price (US\$/bbl)	6.29	6.47	(2.8%)
All-in cost per boe (US\$)	25.72	29.00	(11.3%)

Source: the Company, Guotai Junan International.

**Table-2: CNOOC's 1H20 Production by Locations**

Location	1H20 Oil and Gas Production (mmboe)	Yoy change
<b>China:</b>		
Bohai	86.8	6.0%
Western South China Sea	33.2	20.7%
Eastern South China Sea	48.4	10.3%
East China Sea	2.8	21.7%
Onshore	2.7	350.0%
<b>Subtotal</b>	<b>173.9</b>	<b>11.4%</b>
<b>Overseas:</b>		
Asia (ex. China)	12.6	11.5%
Oceania	5.1	41.7%
Africa	17.3	(18.0%)

North America (ex. Canada)	15.8	9.7%
Canada	9.6	(25.0%)
South America	12.9	20.6%
Europe	10.7	(17.7%)
<b>Subtotal</b>	<b>83.9</b>	<b>(3.5%)</b>

Source: the Company, Guotai Junan International.

**In 1H20, CNOOC achieved a total production of 257.9 mmboe, up 6.1% yoy, primarily driven by an 11.4% yoy increase in production from China while overseas production saw a 3.5% yoy decline.** Full-year oil and gas production target is maintained at 505-515 mmboe (vs. 520-530 mmboe guided in Jan. 2020).

**CNOOC's FY20 capex budget was kept at RMB75-85 bn (vs. RMB85-95 bn guided in Jan. 2020).** The lower capex budget primarily affects overseas projects, according to CNOOC's management. During the first half, the Company's capex increased 5.6% yoy to RMB35.6 bn, and 4 out of 10 key capex projects planned for the year successfully came on stream, while the Buzzard oil field phase II project in the UK was postponed to 2021.

**Table-3: CNOOC's New Projects for 2020**

Project	Location	Status	Peak Production (boe/d)	Working Interests
1. Liza oil field phase I	Guyana	Commenced production	120,000	25%
2. Penglai 19-3 oil field block 4 adjustment / 19-9 oil field phase II	Bohai	Commenced production	12,700	51%
3. Qinhuangdao 33-1S oil field phase I	Bohai	Commenced production	6,000	100%
4. Luda 21-2 / 16-3 regional dev. project	Bohai	Commenced production	26,500	100%
5. Bozhong 19-6 condensate gas field pilot area	Bohai	Commissioning	12,000	100%
6. Nanbao 35-2 oil field S1 area	Bohai	Commissioning	1,800	100%
7. Jinzhou 25-1 oil field 6/11 area	Bohai	Onshore construction	16,500	100%
8. Liuhua 29-1 gas field dev. project	Eastern South China Sea	Commissioning	10,300	25%
9. Linhua 16-2 oil field / 20-2 oil field joint dev. project	Eastern South China Sea	Commissioning	72,800	100%
10. Buzzard oil field phase II	UK	Postponed to 2021	37,000	43.21%

Source: the Company, Guotai Junan International.

**1H20 impairment seems underdone – what are the implications?** In 1H20, CNOOC recorded impairment losses of RMB3,429 mn related to oil and gas properties, about 0.8% of the carrying value of its oil and gas properties as at end of 2019, much lower than our estimate of around 2.3% and international integrated oil majors' provision of 6%-12%. CNOOC's management did not specify under what oil price assumption the impairment provision was made, but indicated that they did not expect any sizable impairment in 2H20 given oil prices have recovered. The seemingly low provision by CNOOC should not be an overhang in our view, since it does not affect cash flows and even if there is indeed under-provision, investors should have already priced in the gap, assuming there is no significant information asymmetry.

## Earnings Revisions

**We have made the following major changes to our valuation model:**

- Raise our 2020 Brent crude oil price assumption again from US\$40/bbl to US\$42/bbl (we assumed US\$37/bbl in our last CNOOC Company Report).
- Revise down our estimate for 2020 impairment losses from around 2.3% to around 0.8% of total carrying value of oil and gas properties as at the end of 2019.
- Our all-in costs estimates in 2020F-2022F are now at US\$26-27/boe, down from US\$30-31/boe, reflecting the Company's latest effort in cost reduction.

Our revised 2020F-2022F earnings are RMB24,644 mn/ RMB42,453 mn/ RMB61,738 mn, respectively, up 150.3%/ 47.9%/ 21.6%, respectively, compared with our previous forecasts. We forecast 2020F-2022F oil and gas sales of RMB138,101 mn/ RMB168,282 mn/ RMB208,548 mn, respectively, with total production estimates during the period unchanged at 510 mmboe/ 555 mmboe/ 590 mmboe, respectively, in line with the Company's guidance. We forecast 2020F-2022F DPS of RMB0.414/ RMB0.428/ RMB0.622, respectively, reflecting payout ratios of 75.0%/ 45.0%/ 45.0%, respectively.

**Table-4: Earnings and Assumptions Revisions**

(RMB mn)	New			Old			Change		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Oil and gas sales	138,101	168,282	208,548	127,061	159,916	202,292	8.7%	5.2%	3.1%
EBITDA	91,586	118,782	151,416	78,618	111,153	146,900	16.5%	6.9%	3.1%
Shareholders' profit	24,644	42,453	61,738	9,845	28,702	50,792	150.3%	47.9%	21.6%
Basic EPS (RMB)	0.55	0.95	1.38	0.22	0.64	1.14	150.3%	47.9%	21.6%
<b>Other adjustments:</b>									
All-in costs per boe (US\$)	26.4	26.0	26.7	30.8	29.7	30.3	-14.1%	-12.6%	-11.9%
O&G production (mmboe)	510	555	590	510	555	590	0.0%	0.0%	0.0%
Brent crude assumption (US\$/bbl)	42	48	56	37	45	55	13.5%	6.7%	1.8%

Source: the Company, Guotai Junan International.

## Valuation

**Upgrade to "Accumulate" with a TP of HK\$8.30.** Taking a short- to medium-term view, we upgrade CNOOC from "Neutral" to "Accumulate", given 1) improved oil market fundamentals compared with the first half, and 2) the Company's excellent execution capacity, both in production and cost control, and 3) cheap valuation at 0.7x 2020F PB, lower than the Company's 5-year average forward PBR of 0.9x and international E&P peers' weighted average 2020F PBR of 1.0x. Our TP of HK\$8.30 has a 21.5% discount to our DCF-derived NAV of HK\$10.58 per share, and corresponds to 2020F-2022F PBR of 0.8x/ 0.7x/0.7x, respectively.

**Figure-5: CNOOC's Forward PB Ratio**


Source: Bloomberg, Guotai Junan International.

**Table-5: Peers Comparison**

Company	Stock Code	Currency	Last price	Market Cap	PE (fiscal year)				PB (fiscal year)				ROE(%)	D/Y(%)	EV/EBITDA
				(HKD mn)	19A	20F	21F	22F	19A	20F	21F	22F	20F	20F	20F
HK-listed Peers															
Cnooc Ltd	883 HK	HKD	7.45	336,195	4.8	13.4	8.1	5.8	0.7	0.6	0.6	0.6	4.7	4.9	4.7
Petrochina Co Ltd-H	857 HK	HKD	2.37	800,115	8.4	n.a.	19.9	9.2	0.3	0.3	0.3	0.3	(0.7)	6.3	5.4
China Petroleum & Chemical-H	386 HK	HKD	3.14	502,645	5.8	27.5	8.9	6.5	0.5	0.4	0.4	0.4	2.1	5.9	4.6
Simple Average					6.3	20.5	12.3	7.2	0.5	0.5	0.5	0.4	2.0	5.7	4.9
Weighted Average					6.8	21.9	14.1	7.7	0.4	0.4	0.4	0.4	1.3	5.9	5.0
International Peers															
Occidental Petroleum Corp	OXY US	USD	10.34	74,538	n.a.	n.a.	n.a.	n.a.	0.4	0.6	0.7	0.6	(14.9)	10.7	8.6
Eog Resources Inc	EOG US	USD	37.44	168,946	7.9	106.1	19.5	12.3	1.0	1.1	1.0	1.0	0.4	3.9	5.7
Repsol Sa	REP SM	EUR	5.88	86,551	n.a.	20.1	6.7	4.8	0.4	0.4	0.4	0.4	(0.4)	15.7	4.7
Canadian Natural Resources	CNQ CN	CAD	22.38	153,157	4.9	n.a.	50.4	12.8	0.8	0.8	0.9	0.9	(4.1)	7.5	9.7
Murphy Oil Corp	MUR US	USD	9.20	10,952	1.3	n.a.	n.a.	51.1	0.3	0.3	0.3	0.3	(8.0)	7.6	4.4
Conocophillips	COP US	USD	33.71	280,214	5.2	n.a.	44.4	17.7	1.0	1.2	1.2	1.3	(3.2)	5.0	8.7
Oil & Natural Gas Corp Ltd	ONGC IN	INR	71.85	93,044	3.0	8.3	10.6	5.5	0.4	0.4	0.4	0.4	5.1	7.3	4.0
Pioneer Natural Resources Co	PXD US	USD	88.31	112,432	19.6	50.0	18.3	11.8	1.2	1.3	1.2	1.1	2.5	2.4	7.2
Devon Energy Corp	DVN US	USD	9.80	29,074	n.a.	n.a.	26.6	8.3	0.6	1.1	1.2	1.1	(1.9)	4.9	4.1
Woodside Petroleum Ltd	WPLAU	AUD	18.33	97,393	34.7	24.9	16.2	13.5	0.7	0.9	1.0	1.0	2.8	3.1	6.0
Hess Corp	HES US	USD	41.03	97,668	n.a.	n.a.	n.a.	n.a.	1.4	1.8	2.0	2.0	(16.6)	2.5	8.7
Noble Energy Inc	NBL US	USD	8.75	32,870	n.a.	n.a.	n.a.	37.4	0.5	1.0	1.0	1.0	(1.8)	2.0	6.7
Tatneft Pjsc	TATN RM	RUB	474.50	107,717	6.0	10.0	6.5	5.2	1.3	1.3	1.1	1.0	13.7	7.0	6.1
Inpex Corp	1605 JP	JPY	574.60	62,063	8.7	n.a.	10.7	7.9	0.3	0.3	0.3	0.3	(3.0)	4.2	8.7
Husky Energy Inc	HSE CN	CAD	3.19	18,579	n.a.	n.a.	n.a.	42.0	0.2	0.2	0.2	0.2	(11.3)	6.6	8.5
Simple Average					10.2	15.8	14.4	12.5	0.7	0.9	0.9	0.8	(2.7)	6.0	6.8
Weighted Average					9.8	15.6	14.0	12.3	0.9	1.0	1.0	1.0	(1.6)	5.8	7.2

Source: Bloomberg, Guotai Junan International.



**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F	Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Total revenue	227,711	233,199	154,983	187,359	229,207	PPE	413,383	440,554	463,384	489,297	516,836
- Oil and gas sales	186,557	197,173	138,101	168,282	208,548	Investment in JV/associates	24,701	45,490	47,356	49,219	51,160
- Marketing & other revenue	41,154	36,026	16,882	19,077	20,659	Intangibles	16,073	25,485	24,385	24,939	24,784
Operating expenses	(24,388)	(24,735)	(22,191)	(21,994)	(24,080)	Deferred tax assets	27,465	25,992	24,073	20,741	18,549
Selling and admin expenses	(7,429)	(8,062)	(6,384)	(7,331)	(9,002)	Other non-current assets	13,608	14,265	15,773	15,154	15,602
Exploration expenses	(13,135)	(12,342)	(9,216)	(8,639)	(9,071)	Total non-current assets	495,230	551,786	574,972	599,351	626,931
Depreciation, depletion and amortisation	(50,838)	(57,699)	(55,162)	(60,698)	(66,755)	Cash & cash equivalents	14,995	33,679	22,184	29,876	42,373
Crude oil and product purchases	(33,558)	(29,040)	(13,612)	(18,876)	(24,103)	Time deposits	13,760	16,855	17,024	17,194	17,366
Special oil gain levy	(2,599)	(894)	(85)	(95)	(112)	Inventories	5,853	6,314	4,030	4,871	5,959
Taxes other than income tax	(9,141)	(9,156)	(4,403)	(4,684)	(5,730)	Trade and other receivables	21,979	24,794	15,498	18,736	22,921
Impairment and provision	(666)	(2,094)	(3,271)	(2,617)	(1,308)	Other financial assets	125,283	114,513	101,917	92,744	97,381
Others	(5,790)	(4,982)	(4,235)	(4,341)	(4,384)	Others current assets	9,281	9,790	9,888	10,877	11,964
Operating profit	80,167	84,195	36,424	58,084	84,661	Total current assets	191,151	205,945	170,540	174,298	197,964
EBITDA	131,005	141,894	91,586	118,782	151,416	Total assets	686,381	757,731	745,512	773,648	824,895
Finance income/(cost), net	(4,364)	(4,798)	(5,142)	(4,160)	(4,030)	Short-term debt	8,991	12,590	13,849	14,126	14,267
FX gains/(losses), net	(141)	(213)	(32)	(129)	(125)	Trade and accrued payables	33,307	40,146	41,845	41,219	44,695
Investment income	3,685	4,632	2,619	3,645	3,632	Tax payables	15,739	13,956	10,467	12,212	11,339
Share of profit of associates and JV	(5,187)	1,002	124	973	1,005	Other current liabilities	16,120	24,557	22,838	23,375	25,011
Others	997	831	236	550	605	Total current liabilities	74,157	91,249	88,999	90,931	95,313
Profit before tax	75,157	85,649	34,228	58,963	85,748	Long-term debt	133,479	136,152	129,344	131,931	137,209
Income Tax	(22,482)	(24,604)	(9,584)	(16,510)	(24,009)	Provision for dismantlement	54,204	64,163	66,088	68,071	70,113
Profit after tax	52,675	61,045	24,644	42,453	61,738	Other non-current liabilities	4,631	17,941	14,788	15,167	16,406
Non-controlling interest	0	0	0	0	0	Total non-current liabilities	192,314	218,256	210,220	215,168	223,727
Shareholders' profit / loss	52,675	61,045	24,644	42,453	61,738	Total liabilities	266,471	309,505	299,219	306,100	319,040
Basic EPS	1.180	1.370	0.552	0.951	1.383	Total shareholders' equity	419,900	448,187	446,246	467,500	505,803
Diluted EPS	1.180	1.370	0.552	0.951	1.383	Minority interest	10	39	47	49	52
						Total equity	419,910	448,226	446,293	467,549	505,855
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F		2018A	2019A	2020F	2021F	2022F
Profit before tax	75,157	85,649	34,228	58,963	85,748	Margins					
DD&A	50,838	57,699	55,162	60,698	66,755	Operating margin	35.2%	36.1%	23.5%	31.0%	36.9%
Finance costs/(income), net	4,364	4,798	5,142	4,160	4,030	EBITDA margin	57.5%	60.8%	59.1%	63.4%	66.1%
Working capital adjustments	1,081	(3,078)	11,455	(5,172)	(1,262)	Net profit margin	23.1%	26.2%	15.9%	22.7%	26.9%
Income tax paid	(15,684)	(22,458)	(14,415)	(18,622)	(26,916)	Return Ratios					
Others	8,642	911	5,471	3,132	2,486	ROA	8.1%	8.5%	3.3%	5.6%	7.7%
Cash from operating activities	124,398	123,521	97,044	103,159	130,840	ROE	13.2%	14.1%	5.5%	9.3%	12.7%
CapEx	(51,002)	(66,395)	(80,000)	(88,000)	(95,000)	Liquidity & leverage					
Purchase of other financial assets, net	(50,236)	10,147	11,655	9,508	(4,944)	Total debt to equity	35.6%	34.3%	32.0%	32.0%	31.1%
Others	5,786	(11,209)	2,297	3,216	3,714	Net gearing	31.9%	26.5%	27.1%	25.4%	22.4%
Cash from investing activities	(95,452)	(67,457)	(66,048)	(75,276)	(96,230)	Interest coverage ratio (x)	15.5	14.4	5.9	11.5	16.3
Proceeds from borrowings, net	1,717	4,037	(9,490)	3,550	6,275	Assumptions & others					
Dividend paid	(23,589)	(28,973)	(26,984)	(18,783)	(23,296)	Brent oil prices (US\$/bbl)	71.7	64.0	42.0	48.0	56.0
Others	(5,236)	(12,755)	(5,985)	(4,829)	(4,968)	Average realised oil price (US\$/bbl)	67.2	62.0	39.9	46.0	55.0
Cash from financing activities	(27,108)	(37,691)	(42,459)	(20,063)	(21,989)	Production (mmboe)	475	507	510	555	590
Cash at beg of year	12,949	14,995	33,679	22,184	29,876	All-in cost per boe	30.4	29.8	26.4	26.0	26.7
Net changes in cash	1,838	18,373	(11,463)	7,820	12,621	Payout ratio	44.8%	47.5%	75.0%	45.0%	45.0%
Effect of foreign exchanges	208	311	(32)	(129)	(125)						
Cash at end of year	14,995	33,679	22,184	29,876	42,373						

Source: the Company, Guotai Junan International.

See the last page for disclaimer

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29 September 2020

CNOOC 中国海洋石油 (00883 HK)

Company Report

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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