



Company Report: CNOOC (00883 HK)

公司报告: 中国海洋石油 (00883 HK)

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Growth Story Reinforced, Maintain "Buy"

增长剧情得以强化，维持“买入”

- Recently, concerns on crude oil demand due to rising protectionism have compounded by growing fears over supply surges amid a wave of new projects set to come online in 2020 in Norway and Brazil, **but we maintain our view that Brent crude will remain resilient near the psychologically important level of US\$60/bbl in the short-to-medium term.** Meanwhile, we argue that the market could potentially underestimate the supply risks in the Middle East.
- CNOOC continued to deliver on-track operational results in 3Q19.** During 3Q19, total O&G production increased by 9.7% yoy to 124.8 mboe, in part aided by more favourable weather conditions; Capex increased by 27.9% yoy to RMB19.5 billion, and 1-9M19 capex reached 71% of the mid-point of the FY19 budget range. **Given the current momentum, FY19 production could exceed the upper end of the management's guidance range.** The Company also has promising green-field projects, both domestically and overseas, to support its 3-year production growth strategy.
- We adjust our 2019-2021 earnings estimates by 3.6%/ -0.5%/ -1.4% to RMB60,934 million/ RMB68,202 million/ RMB76,481 million, respectively.** Our adjustments reflect 1) higher production estimates and 2) updated FX assumptions. Our oil price and all-in cost assumptions remain unchanged.
- We maintain our investment rating of "Buy" and our TP of HK\$14.00.** Our TP corresponds to 2019-2021 P/E of 9.2x/ 8.2x/ 7.4x, respectively, representing a 25.7% discount to our DCF-derived NAV of HK\$18.84/share.
- 近期随着挪威和巴西一系列新项目将于 2020 年投产，市场不仅对贸易保护主义抬头形势下的原油需求存在担忧，还愈发担心供给激增问题，**但我们仍维持此前对油价的看法，即中短期内布油在 60 美元每桶的重要心理关口价位附近具有一定韧性。**同时，我们认为中东供应风险或存在被市场低估的潜在可能。
- 中海油于 2019 年第 3 季度再度实现如期运营业绩。**季度内油气总产量同比增长 9.7%至 1.248 亿桶油当量，一定程度上受益于较好天气环境；资本开支同比增长 27.9%至人民币 195 亿元，而前 9 个月资本开支则达到全年预算中间值的 71%。**基于目前趋势，2019 财年产量有望超越管理层指引上限。**此外，公司在国内及海外亦有许多颇具前景的新项目来支持其 3 年增产计划。
- 我们分别调整 2019-2021 年盈利预测 3.6%/-0.5%/-1.4%至人民币 609.34 亿元/人民币 682.02 亿元/人民币 764.81 亿元。**此次调整反映了我们对产量更乐观的估计以及更新后的外汇假设。我们对油价和桶油成本的假设维持不变。
- 我们维持“买入”的投资评级以及 14.00 港元的目标价。**我们的目标价分别对应 9.2 倍/8.2 倍/7.4 倍 2019-2021 年市盈率，且较我们用折现现金流方法得出的 18.84 港元每股的估值有 25.7%的折让。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$14.00

Revised from 原目标价:

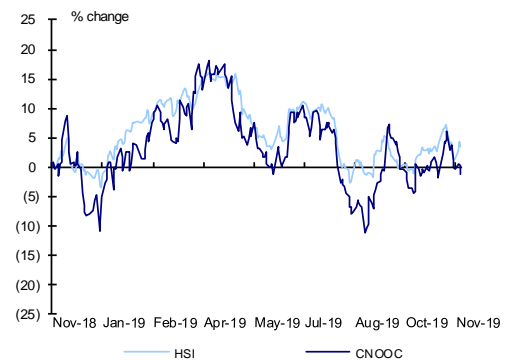
HK\$14.00

Share price 股价:

HK\$11.680

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. % 绝对变动 % | (2.7) | 0.7 | (8.2) |
| Rel. % to HS Index 相对恒指变动 % | (1.7) | (0.1) | (10.1) |
| Avg. share price (HK\$) 平均股价 (港元) | 12.1 | 11.9 | 12.4 |

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) | (%) | (%) |
| 2017A | 186,390 | 24,677 | 0.550 | 3,828.6 | 19.6 | 8.510 | 1.3 | 0.368 | 3.1 | 6.5 |
| 2018A | 226,963 | 52,688 | 1.180 | 114.5 | 9.1 | 9.346 | 1.2 | 0.527 | 4.4 | 13.2 |
| 2019F | 237,017 | 60,934 | 1.365 | 15.7 | 7.9 | 10.180 | 1.1 | 0.531 | 4.4 | 14.0 |
| 2020F | 255,705 | 68,202 | 1.528 | 11.9 | 7.0 | 11.093 | 1.0 | 0.614 | 5.1 | 14.4 |
| 2021F | 282,123 | 76,481 | 1.713 | 12.1 | 6.3 | 12.118 | 0.9 | 0.687 | 5.7 | 14.8 |

| | | | |
|---|-----------------|--|-------------|
| 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) | 521,482.3 | Free float (%) 自由流通比率 (%) | 35.6 |
| 3 month average vol. 3 个月平均成交股数 ('000) | 50,181.5 | FY19 Net gearing (%) FY19 净负债/股东资金 (%) | 28.9 |
| 52 Weeks high/low (HK\$) 52 周高/低 (HK\$) | 15.140 / 10.740 | FY19 Est. NAV (HK\$) FY19 每股估值 (港元) | 18.8 |

Source: the Company, Guotai Junan International.

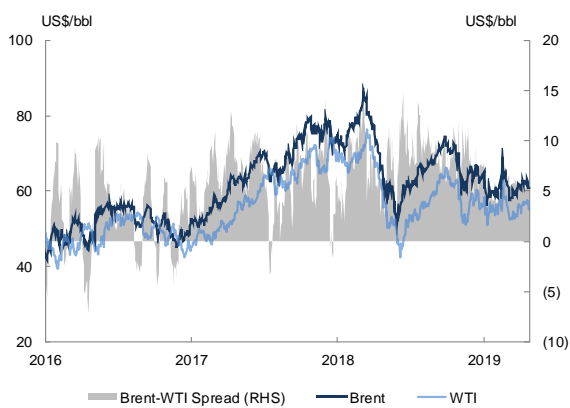
Oil Market Review

While the major trends in global oil markets as identified in our last Company Report on 9th Oct. remain relevant, some emerging conditions are worth discussing. Recently, concerns over crude oil demand due to rising protectionism have been compounded by growing fears over supply surge amid a wave of new projects set to come online in 2020 in Norway and Brazil. To tackle economic slowdown, global central banks continue their rate-cutting frenzy, but ultimately low interest rates are no panacea for bad trade decisions. Currently, the US and China are working to finalise the phase one deal, but optimism that an agreement can be reached soon has faded in recent days as US President Trump dismissed Beijing's claim that the US is ready to roll back tariffs. We expect continued uncertainties in the US-China trade dispute despite recent progress, since both countries remain divided on several key issues, which are beyond the scope of the phase one deal. Meanwhile, we expect global oil markets to continue to experience turbulence amid uncertainties and fears, and the root cause is more of a political nature rather than an economic one.

The recent domestic turmoil in Iran and pro-Iran countries in the wake of the US's "maximum pressure campaign" could potentially drive up supply risk in the Middle East. The recent protest in Iran, triggered by the government's decision to cut fuel subsidy, may prove that the US's 'toughest ever sanctions' have stretched the Iranian economy to its limit. But the side effects could be severe too. Iran could opt to resume its aggressive campaign, which undermines regional energy safety, to obtain leverage for negotiation with the US. Despite a series of tension-heightening events in the Middle East, there is an absence of sustaining geopolitical premium over oil prices. We argue that the lack of a sustaining premium could merely reflect the market's incompetency and overconfidence in assessing black swan events, to which most people have limited information or knowledge. Therefore, we are cautious about the supply disruption risk in the Middle East.

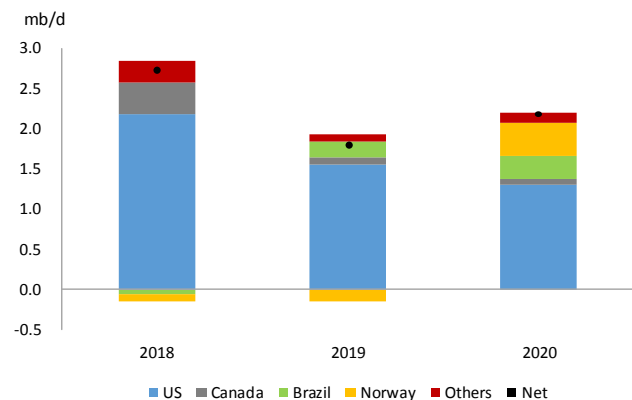
We maintain our view that there is support for Brent crude at near US\$60/bbl in the short-to-medium term. Brent crude oil prices averaged US\$64.1/bbl YTD, and averaged US\$61.0/bbl since our last Company Report on 9th Oct. We do not expect Brent crude oil prices to plunge significantly below the psychologically important level of US\$60/bbl in the short-to-medium term, based on 1) strong OPEC compliance and the cartel's intention to further sustain and deepen the cut; 2) a loosening monetary and fiscal policy environment in major economies to battle economic slowdown; 3) more upside in the current US-China trade scenario despite uncertainties; and 4) potentially underestimated supply risk in the Middle East. The major downside risks to oil prices include worse-than-expected outcomes in the US-China trade dispute and Brexit, and faster-than-expected supply growth from non-OPEC countries, particularly in Norway and Brazil.

Figure-1: Brent vs. WTI Prices and Spread



Source: Bloomberg.

Figure-2: Non-OPEC Oil Supply Growth, yoy



Source: IEA.

3Q19 Operational Results Review

CNOOC (the "Company") delivered another quarter of on-track operational results. In 3Q19, the Company achieved total oil and gas (O&G) production of 124.8 mmboe, up 9.7% yoy, benefiting from more favourable weather conditions during the quarter. With 1-3Q19 O&G production reaching 75.8% of the mid-point of the Company's FY19 production target range, the Company's management is confident that full-year production can reach or even exceed the target range's upper boundary (490

mmboe). 3Q19 total O&G sales was RMB4,834 mn, up 0.8% yoy, thanks to increased O&G production but largely offset by lower average realised O&G prices. During the quarter, average realised oil price was down 14.9% yoy to US\$60.89/bbl, while average realised gas prices decreased 8.8% yoy to US\$5.70/mcf. All-in cost per boe during 3Q19 was kept at the same level as in 1H19, according to CNOOC's management during the results conference call.

3Q19 capex was up 27.9% to RMB19.5 billion, as the Company continued to execute its growth strategy. 1-3Q19 capex was up 46.8% yoy to RMB53.2 billion, reaching 71% of the mid-point of the FY19 budget. The Company's management expects FY19 capex to reach the guidance range of RMB70-80 billion. Our model implies 2019 net cash from operating activities of RMB136.2 billion for CNOOC, sufficient to support the Company's FY19 capex budget. In addition, during the results conference call, CNOOC's management stated that the recently completed acquisition of CUCBM, which was valued at approximately RMB5.335 billion, should be viewed separately from the Company's FY19 capex guidance.

Table-1: CNOOC's Operational Statistics

| | 3Q19 | Δ yoy (%) | 1-3Q2019 | Δ yoy (%) |
|---------------------------------------|--------|-----------|----------|-----------|
| Oil and gas sales (RMB mn) | 48,336 | 0.8 | 142,619 | 3.2 |
| Oil and gas production (mmboe) | 124.8 | 9.7 | 367.8 | 4.5 |
| - Crude and liquids (mmbbls) | 100.3 | 10.1 | 299.3 | 4.9 |
| - Natural gas (bcf) | 142.5 | 8.2 | 397.0 | 2.2 |
| Capex (RMB bn) | 19.5 | 27.9 | 53.2 | 46.8 |
| Average realised oil price (US\$/bbl) | 60.89 | -14.9 | 63.32 | -7.8 |
| Average realised gas price (US\$/mcf) | 5.70 | -8.8 | 6.19 | -2.7 |

Source: the Company, Guotai Junan International

Table-2: CNOOC's New Projects in 2019

| Project | Location | Status | Expected Startup | Peak Production (boe/d) | Working Interests |
|--|-------------------------|------------------------|------------------|-------------------------|-------------------|
| Egina oil field | Nigeria | Commenced production | 1H19 | 200,000 | 45% |
| Huizhou 32-5 oil field comprehensive adjustment/Huizhou 33-1 oil field joint development project | Eastern South China Sea | Commenced production | 1H19 | 19,200 | 100% |
| Bozhong 34-9 oil field | Bohai | Offshore commissioning | 1H19 | 22,500 | 100% |
| Appomattox project | US GoM | Commenced production | 2H19 | 175,000 | 21% |
| Caofeidian 11-1/11-6 comprehensive adjustment project | Bohai | Offshore commissioning | 2H19 | 28,700 | 51%~60% |
| Wenchang 13-2 comprehensive adjustment project | Western South China Sea | Offshore commissioning | 2H19 | 11,500 | 100% |

Source: the Company.

CNOOC is likely to beat its FY19 production target, given its current momentum. If assuming a moderate 4Q19 production growth rate of 2.1%, the same speed achieved in 1H19 without the help of favourable weather conditions, the Company's full-year production will exceed the upper boundary of the management's target range by around 3mmboe. In the beginning of 2019, CNOOC announced its strategic plan to increase production by a CAGR of 4.4% over the next three years. The Company has since made its growth story more convincing by delivering yoy production growth of 4.5% during the past three quarters. Meanwhile, the Company also has promising green-field projects, notably in Norway (Liza), Brazil (Libra) and China's Bohai (Bozhong 19-6/29-6), to support its 3-year growth plan. Yet, we argue that as CNOOC is still in the early stage of its 3-year growth plan, a considerable gap between the Company's true upside and market expectations could still exist.

Forecast Revisions and Valuation

We adjust our 2019-2021 earnings estimates by 3.6%/ -0.5%/ -1.4% to RMB60,934 mn/ RMB68,202 mn/ RMB76,481 mn, respectively. Our adjustments reflect 1) a more optimistic assumption that the Company will slightly exceed the upper boundary

of its current production targets for FY19-21, and 2) changed FX assumptions (a more resilient RMB against the USD between 2019 and 2021). We maintain our assumptions for the Company's 2019-2021 average realised oil prices at US\$62/bbl, US\$64/bbl and US\$67/bbl, respectively. Our 2019-2021 all-in cost assumptions remain unchanged at around US\$31-US\$32 per boe

We maintain our investment rating of "Buy" and TP of HK\$14.00. Our TP corresponds to 2019-2021 P/E of 9.2x/ 8.2x/ 7.4x, respectively, representing a 25.7% discount to our DCF-derived NAV of HK\$18.84 per share.

Table-3: DCF Analysis

| DCF Assumptions | | Calculation | |
|-------------------------|-------|---|---------|
| Perpetual growth rate | 1.4% | PV Free Cash Flows to the Firm (RMB mn) | 594,899 |
| | | PV Terminal Value (RMB mn) | 288,158 |
| Risk free rate | 1.57% | Enterprise Value (RMB mn) | 883,057 |
| Adjusted Beta | 1.05 | - Debt (RMB mn) | 145,386 |
| Market risk premium | 9.3% | + Cash & Cash Equivalents (RMB mn) | 19,343 |
| Cost of Equity | 11.4% | - Minority Interest | 0 |
| | | Total NAV (RMB mn) | 757,014 |
| Borrowing interest rate | 3.7% | | |
| Effective tax rate | 25.0% | Shares outstanding | 44,656 |
| Cost of Debt | 2.8% | NAV per share (RMB) | 17.0 |
| | | RMB:HKD | 1.11 |
| E/ (D+E) | 76% | NAV per share (HKD) | 18.84 |
| D/ (D+E) | 24% | | |
| WACC | 9.5% | | |

Source: Bloomberg, Guotai Junan International.

Table-4: Peers Comparison

| Company | Stock Code | Currency | Last price | Market Cap (HKD mn) | PE (fiscal year) | | | | PB (fiscal year) | | | | ROE(%) | D/Y(%) | EV/EBITDA |
|------------------------------|------------|----------|------------|------------------------|------------------|-------------|-------------|-------------|------------------|------------|------------|------------|-------------|------------|------------|
| | | | | | 18A | 19F | 20F | 21F | 18A | 19F | 20F | 21F | 19F | 19F | 19F |
| HK-listed Peers | | | | | | | | | | | | | | | |
| Cnooc Ltd | 883 HK | HKD | 11.68 | 521,482 | 9.8 | 8.6 | 8.2 | 7.2 | 1.2 | 1.1 | 1.0 | 0.9 | 13.8 | 6.0 | 3.6 |
| Petrochina Co Ltd-H | 857 HK | HKD | 3.67 | 1,087,400 | 10.7 | 12.1 | 11.0 | 9.9 | 0.5 | 0.5 | 0.5 | 0.5 | 4.0 | 4.5 | 4.5 |
| China Petroleum & Chemical-H | 386 HK | HKD | 4.42 | 637,615 | 7.3 | 8.3 | 7.9 | 7.8 | 0.7 | 0.7 | 0.6 | 0.6 | 7.9 | 8.0 | 3.5 |
| Simple Average | | | | | 9.3 | 9.7 | 9.0 | 8.3 | 0.8 | 0.7 | 0.7 | 0.7 | 8.6 | 6.2 | 3.8 |
| Weighted Average | | | | | 9.5 | 10.2 | 9.5 | 8.7 | 0.7 | 0.7 | 0.6 | 0.6 | 7.4 | 5.8 | 4.0 |
| International Peers | | | | | | | | | | | | | | | |
| Occidental Petroleum Corp | OXY US | USD | 38.48 | 269,042 | 7.1 | 21.3 | 36.2 | 17.9 | 1.4 | 1.1 | 1.3 | 1.4 | 5.4 | 8.1 | 8.0 |
| Encana Corp | ECA CN | CAD | 5.42 | 41,411 | 3.8 | 7.0 | 7.2 | 7.9 | 0.5 | 0.6 | 0.5 | 0.5 | 8.1 | 1.9 | 3.9 |
| Eog Resources Inc | EOG US | USD | 72.06 | 328,110 | 12.2 | 14.9 | 14.4 | 12.8 | 2.2 | 1.9 | 1.8 | 1.6 | 13.0 | 1.4 | 5.8 |
| Repsol Sa | REP SM | EUR | 14.55 | 201,589 | 10.0 | 9.5 | 7.8 | 7.7 | 0.7 | 0.7 | 0.7 | 0.7 | 7.7 | 6.6 | 4.3 |
| Canadian Natural Resources | CNQ CN | CAD | 37.36 | 259,959 | 17.5 | 11.4 | 14.8 | 13.2 | 1.4 | 1.3 | 1.2 | 1.2 | 13.1 | 4.0 | 5.7 |
| Murphy Oil Corp | MUR US | USD | 23.83 | 29,325 | 10.0 | 22.1 | 27.6 | 23.9 | 0.9 | 0.7 | 0.7 | 0.7 | 4.4 | 4.2 | 3.9 |
| Conocophillips | COP US | USD | 59.36 | 509,783 | 11.1 | 15.5 | 17.1 | 15.3 | 2.1 | 1.9 | 1.9 | 1.9 | 12.1 | 2.2 | 4.6 |
| Oil & Natural Gas Corp Ltd | ONGC IN | INR | 133.70 | 180,644 | 7.8 | 5.6 | 5.7 | 5.5 | 0.8 | 0.8 | 0.7 | 0.7 | 14.4 | 4.4 | 4.2 |
| Pioneer Natural Resources Co | PXD US | USD | 130.47 | 169,150 | 22.8 | 16.8 | 14.6 | 12.8 | 1.8 | 1.8 | 1.7 | 1.5 | 10.1 | 0.7 | 6.7 |
| Devon Energy Corp | DVN US | USD | 21.95 | 65,987 | 3.6 | 17.7 | 14.4 | 11.7 | 1.1 | 1.4 | 1.3 | 1.2 | 7.6 | 1.5 | 4.3 |
| Apache Corp | APA US | USD | 22.87 | 67,309 | 207.9 | n.a. | n.a. | n.a. | 1.2 | 1.4 | 1.5 | 1.7 | (0.3) | 4.4 | 4.9 |
| Woodside Petroleum Ltd | WPL AU | AUD | 33.99 | 168,205 | 17.1 | 19.1 | 14.8 | 14.9 | 1.3 | 1.3 | 1.2 | 1.2 | 6.3 | 4.4 | 6.9 |
| Hess Corp | HES US | USD | 67.13 | 160,095 | n.a. | n.a. | 283.2 | 66.5 | 2.2 | 2.2 | 2.2 | 2.2 | (2.2) | 1.6 | 10.0 |
| Noble Energy Inc | NBL US | USD | 20.08 | 75,169 | n.a. | n.a. | 94.3 | 39.7 | 1.0 | 1.0 | 1.0 | 1.0 | (1.3) | 2.3 | 7.4 |
| Tatneft Pjsc | TATN RM | RUB | 760.00 | 215,241 | 7.9 | 7.3 | 7.4 | 7.2 | 2.1 | 2.1 | 1.9 | 1.7 | 28.8 | 10.8 | 5.2 |
| Inpex Corp | 1605 JP | JPY | 1,009.00 | 106,036 | 36.5 | 15.3 | 9.9 | 8.3 | 0.5 | 0.5 | 0.5 | 0.4 | 3.2 | 2.3 | 4.6 |
| Simple Average | | | | | 12.9 | 14.1 | 38.0 | 17.7 | 1.3 | 1.3 | 1.2 | 1.2 | 8.7 | 3.8 | 5.7 |
| Weighted Average | | | | | 12.8 | 14.1 | 33.0 | 16.3 | 1.6 | 1.5 | 1.4 | 1.4 | 10.5 | 4.0 | 5.8 |

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

| Income Statement | | | | | | Balance Sheet | | | | | |
|--|----------|----------|----------|----------|----------|-------------------------------|---------|---------|---------|---------|---------|
| Year end 31 Dec (RMB m) | 2017A | 2018A | 2019F | 2020F | 2021F | Year end 31 Dec (RMB m) | 2017A | 2018A | 2019F | 2020F | 2021F |
| Total revenue | 186,390 | 226,963 | 237,017 | 255,705 | 282,123 | PPE | 395,868 | 407,337 | 409,049 | 416,407 | 423,512 |
| - Oil and gas sales | 151,888 | 185,872 | 192,176 | 207,006 | 229,047 | Investment in JV/associates | 29,146 | 24,701 | 25,232 | 26,917 | 28,163 |
| - Marketing & other revenue | 34,502 | 41,091 | 44,841 | 48,699 | 53,076 | Intangibles | 15,070 | 15,717 | 15,810 | 15,532 | 15,687 |
| Operating expenses | (24,282) | (24,251) | (23,702) | (25,059) | (27,648) | Other non-current assets | 38,297 | 40,942 | 42,777 | 43,016 | 43,172 |
| Selling and admin expenses | (6,861) | (7,286) | (6,636) | (6,904) | (7,617) | Total non-current assets | 478,381 | 488,697 | 492,868 | 501,872 | 510,533 |
| Exploration expenses | (6,881) | (12,924) | (7,073) | (6,804) | (7,272) | Cash & cash equivalents | 12,572 | 14,432 | 19,343 | 25,923 | 43,505 |
| Depreciation, depletion and amortisation | (61,257) | (50,640) | (64,897) | (69,808) | (75,226) | Time deposits | 15,380 | 13,760 | 13,818 | 20,353 | 32,602 |
| Crude oil and product purchases | (27,643) | (33,558) | (37,116) | (40,728) | (44,928) | Inventories | 7,354 | 5,852 | 7,111 | 7,671 | 8,464 |
| Special oil gain levy | (55) | (2,599) | (780) | (858) | (2,625) | Trade and other receivables | 20,787 | 21,686 | 23,702 | 25,571 | 28,212 |
| Taxes other than income tax | 0 | (9,127) | (6,162) | (6,648) | (7,335) | Other financial assets | 74,344 | 125,283 | 160,016 | 163,216 | 168,113 |
| Others | (22,361) | (6,339) | (5,557) | (5,097) | (4,938) | Others | 8,401 | 9,069 | 10,079 | 11,087 | 12,196 |
| Operating profit | 37,050 | 80,239 | 85,093 | 93,799 | 104,534 | Total current assets | 138,838 | 190,082 | 234,068 | 253,821 | 293,091 |
| EBITDA | 98,307 | 130,879 | 149,990 | 163,607 | 179,759 | Total assets | 617,219 | 678,779 | 726,936 | 755,693 | 803,624 |
| Finance income/(cost), net | (4,391) | (4,241) | (4,598) | (4,106) | (3,410) | Short-term debt | 13,892 | 7,042 | 17,386 | 13,909 | 12,779 |
| FX gains/(losses), net | 356 | (141) | (211) | 108 | (232) | Trade and accrued payables | 26,713 | 32,686 | 37,923 | 38,356 | 39,497 |
| Investment income | 2,409 | 3,685 | 2,956 | 3,017 | 3,219 | Tax payables | 6,701 | 15,701 | 13,000 | 14,351 | 13,675 |
| Share of profit of associates and JV | 855 | (5,187) | 666 | 791 | 788 | Other current liabilities | 14,106 | 14,813 | 15,629 | 16,372 | 17,465 |
| Others | 78 | 822 | 491 | 464 | 592 | Total current liabilities | 61,412 | 70,242 | 83,937 | 82,987 | 83,416 |
| Profit before tax | 36,357 | 75,177 | 84,396 | 94,072 | 105,491 | Long-term debt | 118,358 | 132,479 | 128,000 | 115,200 | 115,200 |
| Income Tax | (11,680) | (22,489) | (23,462) | (25,870) | (29,010) | Provision for dismantlement | 52,893 | 54,159 | 55,923 | 57,601 | 59,329 |
| Profit after tax | 24,677 | 52,688 | 60,934 | 68,202 | 76,481 | Other non-current liabilities | 4,581 | 4,534 | 4,486 | 4,534 | 4,518 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 | Total non-current liabilities | 175,832 | 191,172 | 188,409 | 177,334 | 179,047 |
| Shareholders' profit / loss | 24,677 | 52,688 | 60,934 | 68,202 | 76,481 | Total liabilities | 237,244 | 261,414 | 272,346 | 260,321 | 262,463 |
| Basic EPS | 0.550 | 1.180 | 1.365 | 1.528 | 1.713 | Total shareholders' equity | 379,975 | 417,365 | 454,590 | 495,372 | 541,162 |
| Diluted EPS | 0.550 | 1.180 | 1.365 | 1.527 | 1.713 | Minority interest | 0 | 0 | 0 | 0 | 0 |
| | | | | | | Total equity | 379,975 | 417,365 | 454,590 | 495,372 | 541,162 |

| Cash Flow Statement | | | | | |
|---|----------|----------|-----------|----------|-----------|
| Year end 31 Dec (RMB m) | 2017A | 2018A | 2019F | 2020F | 2021F |
| Profit before tax | 36,357 | 75,177 | 84,396 | 94,072 | 105,491 |
| DD&A | 61,257 | 50,640 | 64,897 | 69,808 | 75,226 |
| Finance costs/(income), net | 4,391 | 4,241 | 4,598 | 4,106 | 3,410 |
| Working capital adjustments | 1,173 | 753 | 1,768 | (2,261) | (2,309) |
| Income tax paid | (15,891) | (15,471) | (26,175) | (24,470) | (29,714) |
| Others | 7,447 | 8,543 | 6,745 | 5,597 | 5,622 |
| Cash from operating activities | 94,734 | 123,883 | 136,230 | 146,852 | 157,726 |
| CapEx | (47,734) | (50,411) | (75,000) | (85,000) | (90,000) |
| Purchase of other financial assets, net | (20,922) | (50,219) | (36,685) | (3,380) | (5,082) |
| Others | 4,245 | 5,769 | 3,795 | (3,358) | (8,395) |
| Cash from investing activities | (64,411) | (94,861) | (107,891) | (91,738) | (103,477) |
| Proceeds from borrowings, net | (9,669) | 1,300 | 5,829 | (16,279) | (1,117) |
| Dividend paid | (16,448) | (23,523) | (23,710) | (27,420) | (30,691) |
| Others | (5,154) | (5,147) | (5,337) | (4,941) | (4,628) |
| Cash from financing activities | (31,271) | (27,370) | (23,217) | (48,640) | (36,435) |
| Cash at beg of year | 13,735 | 12,572 | 14,432 | 19,343 | 25,923 |
| Net changes in cash | (948) | 1,652 | 5,122 | 6,473 | 17,814 |
| Effect of foreign exchanges | (215) | 208 | (211) | 108 | (232) |
| Cash at end of year | 12,572 | 14,432 | 19,343 | 25,923 | 43,505 |

| Financial Ratios | | | | | |
|---------------------------------------|-------|-------|-------|-------|-------|
| | 2017A | 2018A | 2019F | 2020F | 2021F |
| Margins | | | | | |
| Operating margin | 19.9% | 35.4% | 35.9% | 36.7% | 37.1% |
| EBITDA margin | 52.7% | 57.7% | 63.3% | 64.0% | 63.7% |
| Net profit margin | 13.2% | 23.2% | 25.7% | 26.7% | 27.1% |
| Return Ratios | | | | | |
| ROA | 3.9% | 8.1% | 8.7% | 9.2% | 9.8% |
| ROE | 6.5% | 13.2% | 14.0% | 14.4% | 14.8% |
| Return on invested capital | 6.9% | 13.3% | 14.3% | 15.0% | 16.2% |
| Liquidity & leverage | | | | | |
| Total debt to equity | 34.7% | 35.0% | 33.3% | 27.2% | 24.7% |
| Net gearing | 31.4% | 31.4% | 28.9% | 21.7% | 16.3% |
| Interest coverage ratio (x) | 8.4 | 15.9 | 15.9 | 19.0 | 22.6 |
| Assumptions & others | | | | | |
| Brent oil prices (US\$/bbl) | 54.8 | 71.7 | 63.0 | 65.0 | 70.0 |
| Average realised oil price (US\$/bbl) | 52.7 | 67.2 | 62.0 | 63.5 | 67.0 |
| Production (mmboe) | 470 | 475 | 494 | 517 | 546 |
| All-in cost per boe | 32.5 | 30.4 | 30.5 | 31.1 | 31.8 |
| Payout ratio | 66.7% | 44.6% | 45.0% | 45.0% | 45.0% |

Source: the Company, Guotai Junan International.

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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