

17 February 2022

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Woodside Petroleum Limited

Energy

BUY

WPL A\$26.63 **TARGET PRICE A\$31.81**

Woodside Petroleum Ltd. engages in the exploration, evaluation, development, and production of hydrocarbon and oil and gas properties. It operates through the following segments: North West Shelf, Pluto, Australia Oil, Wheatstone, and Others. The North West Shelf segment engages in the exploration, evaluation, development, production and sale of liquefied natural gas, pipeline natural gas, condensate, liquefied petroleum gas and crude oil from the North West Shelf ventures.

Company Data

Number of shares	969.6
Market Capitalisation	25,928
Free float (%)	99.7
12-month high/low	\$27.43/\$19.20
Average Daily Turnover (\$m)	78.609371
% S&P/ASX200	1.219
DDM Ranking	137
% All Ordinaries	0.951
GICS Industry Group	Energy

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end December	2021A	2022F	2023F	2024F
Revenue (\$M)	6,962.0	9,729.2	8,635.4	8,883.4
EBITDA (\$M)	2,931.3	7,719.8	6,735.7	7,151.7
Reported NPAT (\$M)	1,983.0	3,215.6	2,499.8	2,795.2
Adjusted NPAT (\$M)	1,620.0	2,923.8	2,341.5	3,140.9
Adjusted EPS (¢ - FD)	146.0	297.4	237.3	267.0
Adjusted EPS growth (%)	-64.1	38.7	-20.6	12.8
Adjusted P/E (x)	44.0	9.4	11.7	10.4
Dividend (¢/sh)	189.3	200.3	144.0	144.4
Gross yield (%)	2.6	10.7	7.7	7.7
Net yield (%)	1.8	7.5	5.4	5.4
ROIC (%)	2.9	10.6	7.7	8.4

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Full Year Results Presentation

On 17th February 2022, Woodside Petroleum Limited (WPL) announced its Full Year Results Announcement with the following highlights:

Financial Highlights:

- NPAT of \$1,983 million, up 149%;
- Underlying NPAT of \$1,620 million, up 262%;
- Operating revenue of \$6,962 million, up 93%;
- Operating cash flow of \$3,792 million, up 105%;
- Free cash flow of \$851 million;
- Annual sales volume 111.6 MMboe;
- Realised price of \$60.3 per boe;
- Unit production cost of \$5.3 per boe;
- Cash on hand of \$3,025 million;
- Liquidity at year-end of \$6,125 million;
- Net debt at year-end of \$3,772 million and gearing of 21.9%;
- Declared a fully-franked final dividend of US 105 cps, bringing the full-year dividend to US 135 cps.

Portfolio Highlights

- Agreed merger with BHP's petroleum business;
- Achieved final investment decisions for the Scarborough and Pluto Train 2 projects;
- Completed sell-down of Pluto Train 2 in January 2022;
- Announced \$5 billion investment target for new energy products and lower-carbon services;
- Delivered annual production of 91.1 MMboe;
- Maintained strong operated LNG reliability of 97.7%;
- Delivered 14% reduction in underlying NWS Project operating costs;
- Completed significant planned turnaround activity at NWS Project;
- Achieved start-up of Pyxis Hub and Julimar-Brunello Phase 2 ahead of schedule and under budget.

Guidance

- WPL's production guidance is 92 – 98 MMboe, excluding any impact from the proposed merger with BHP's petroleum business;
- WPL's investment expenditure guidance is \$3,800 – 4,200 million;
- Investment expenditure guidance excludes the benefit of Global Infrastructure Partners' additional contribution of approximately \$822 million for Pluto Train 2 and excludes any impact from the proposed merger with BHP's petroleum business; and
- 8 million movement in NPAT for each \$1 movement in Brent oil price.

Earnings changes

WPL has reported FY21 underlying NPAT of US\$1.62B. This compares to market expectations of US\$1.45B. However, the FY22 guidance is in line with current market expectations. Hence, we expect positive earning revisions of 2% for FY22 and for future periods.

Valuation

We are updating our 12-month target price from \$30.81 to \$31.81 and retaining our BUY recommendation. The price target is underpinned by our valuation.

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Disclaimer

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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Valuation Methodology

Barclay Pearce Capital's methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

Barclay Pearce Capital Recommendation Proportions

Buy	36.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	31.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	31.8%	(0.0% of stocks with recommendations are Barclay Pearce clients)