

22 October 2020

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Woodside Petroleum Ltd (WPL)

Energy

HOLD

WPL A\$18.16

TARGET PRICE A\$18.68

Woodside Petroleum Ltd provides management services and operation of hydrocarbon development, production, transportation, and marketing; operator of the North West Shelf Gas Project and Pluto LNG in Western Australia; exploration and development of gas, oil and condensate reserves.

Company Data

Number of shares (M)	962.2
Market Capitalisation	\$ 17,868.5M
Free float (%)	99.9
12-month high/low	\$36.28/\$14.93
Average Daily Turnover (\$m)	99.1044
% S&P/ASX200	1.04%
DDM Ranking	218
% All Ordinaries	0.89%
GICS Industry Group	Energy

Source: FactSet, Barclay Pearce Capital

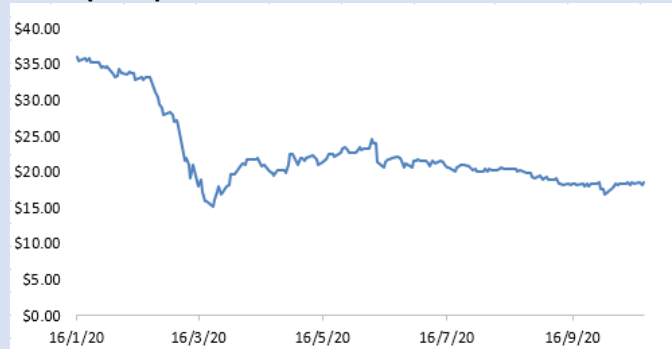
Earnings Summary (AUD)

Year end December	2020A	2021F	2022F	2023F	2024F
Revenue (\$M)	7,238.0	3,935.9	5,131.9	5,860.3	6,190.7
Reported NPAT (\$M)	509.5	-4,432.7	871.6	1,146.6	1,651.9
Adjusted NPAT (\$M)	1,578.9	494.5	808.6	1,191.3	1,953.9
Reported EPS (c)	55.0	-475.1	93.7	127.6	174.5
Adjusted EPS (c - FD)	168.9	58.4	97.7	123.3	150.9
Adjusted EPS growth (%)	-19.1	-65.5	67.4	26.3	22.4
Adjusted P/E (x)	11.0	31.8	19.0	15.1	12.3
Dividend (c/sh)	135.2	45.2	73.0	87.1	105.7
Gross yield (%)	10.4	4.3	5.7	6.8	8.3
Net yield (%)	7.3	3.0	4.0	4.8	5.8
ROIC (%)	5.6	2.9	3.8	4.6	5.5

Source: Barclay Pearce Capital

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

Share price performance



Source: FactSet, Barclay Pearce Capital

Third Quarter 2020 Report

On 22 October 2020 Woodside Petroleum Ltd (WPL) announced a quarterly update with the following highlights:

Performance

- Delivered production of 25.3 MMboe, up 2% from Q3 2019;
- Delivered sales volume of 26.7 MMboe, up 10% from Q3 2019;
- Delivered sales revenue of \$699 million, down 9% from Q2 2020 and 42% from Q3 2019;
- Continued to implement appropriate responses to the combined impact of COVID-19 and lower commodity prices;
- Conducted an organisational review of the company's future workforce requirements, resulting in an approximately 8% reduction in the size of our direct employee workforce;

Executing a clear plan

- Executed a binding sale and purchase agreement to increase Woodside's participating interest in Sangomar;
- Completed drilling activity for Pyxis Hub and Julimar-Brunello Phase 2;
- Shortlisted to apply for funding from the Australian Renewable Energy Agency (ARENA) for two renewable hydrogen projects;
- Concluded first phase of the Greening Australia and Woodside Native Reforestation Project;

Guidance

- Production guidance unchanged at 97-103 MMboe;
- Total expenditure guidance unchanged at \$2,400m, and;
- Investment expenditure guidance unchanged at \$1,500-\$1,700m.

Earnings changes

WPL has reported quarterly revenue of \$699m, down 9% on pcp. Sales revenue for 2020 ytd is at \$2,655m. We expect the coronavirus pandemic to have significant impact on the lagged oil price and therefore the financial performance of WPL for fiscal FY21. Hence, we have revised revenue down by 20% for FY21 and we have also made negative earnings revisions of 2% for future periods.

We are initiating on WPL with a 12-month price target of \$18.68 and a HOLD recommendation. The price target is underpinned by our DDM Valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 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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Hold – Describes stocks that are neither a buy nor underperform.

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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.

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