

23 February 2021

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Woodside Petroleum Limited

Energy

BUY

WPL A\$25.48
TARGET PRICE A\$30.81

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	962.2 M
Market Capitalisation	\$24,979.4 M
Free float (%)	99.9
12-month high/low	\$33.25/\$15.27
Average Daily Turnover (\$m)	88.2610
% S&P/ASX200	1.30%
DDM Ranking	218
% All Ordinaries	1.11%
GICS Industry Group	Energy

Source: FactSet, Barclay Pearce Capital

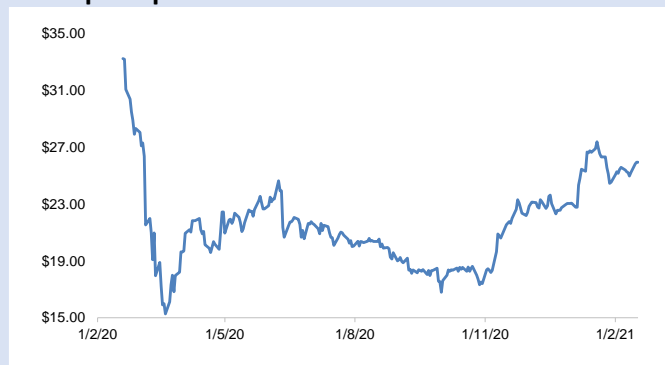
Earnings Summary (AUD)

Year end December	2020A	2021F	2022F	2023F
Revenue (\$M)	4,650.9	5,344.9	5,653.2	6,111.2
EBITDA (\$M)	2,931.3	4,088.6	4,332.1	4,735.3
Reported NPAT (\$M)	-5,203.8	1,103.5	1,192.4	1,301.2
Adjusted NPAT (\$M)	577.5	1,045.3	1,191.5	1,466.0
Reported EPS (c)	-547.1	109.8	125.0	143.6
Adjusted EPS (c - FD)	60.7	121.3	131.3	134.4
Adjusted EPS growth (%)	-64.1	99.8	8.3	2.4
Adjusted P/E (x)	41.7	20.9	19.3	18.9
Dividend (c/sh)	49.1	85.0	87.8	91.9
Gross yield (%)	2.8	4.9	5.1	5.3
Net yield (%)	1.9	3.4	3.5	3.7
ROIC (%)	2.8	4.9	5.1	4.6

Source: Barclay Pearce Capital

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

Share price performance.



Source: FactSet, Barclay Pearce Capital

Full Year 2020 Results

On 19th February, Woodside Petroleum Limited (WPL) released the results for the full year ended 31 December 2020 with the following highlights:

Financial Headlines

- NPAT of -US\$4,028 million;
- Underlying NPAT of US\$447 million;
- Record annual sales volume 106.8 MMboe;
- High cash margin of 78%;
- Low unit production cost of \$4.8 per boe;
- Operating cashflow of US\$1,849 million;
- Operating revenue of US\$3,600 million;
- Cash on hand of US\$3,604 million;
- Liquidity of US\$6.7 billion and gearing of 24.4% and;
- Declared a final dividend of US 12 cps, bringing the full-year dividend to US 38 cps.

Key Business Activities

- Achieved record annual production of 100.3 MMboe;
- Recorded their best-ever total recordable injury rate of 0.88 per million work hours;
- Achieved high operated LNG reliability of 97.6%;
- Protected against COVID-19 with zero interruptions to supply;
- Completed the modified major turnaround schedule;
- Executed fully-termed gas processing agreements for processing third-party gas through the North;
- West Shelf Project facilities and;
- Executed drilling campaigns for Pyxis Hub and Julimar-Brunello Phase 2 under budget.

WPL CEO, Peter Coleman,

“Strong production outcomes were delivered even though we weathered a direct hit from Tropical Cyclone Damien in February, followed by operational challenges posed by the pandemic.

“The outstanding performance of our base business in 2020 was reflected in our low unit production cost of \$4.8 per barrel of oil equivalent and the high reliability of our operated LNG facilities.

“The decisions to defer the targeted final investment decision (FID) on our Scarborough and Pluto Train 2 developments and the review of the value of our assets were appropriate responses to extraordinary market uncertainty caused by the pandemic and lower oil and gas prices.

“Our disciplined balance sheet management has safeguarded Woodside’s financial resilience and positioned us to take advantage of emerging growth opportunities as markets recover. The potential strength of that recovery is already being signalled by the recent increase in oil price and record spot LNG prices achieved in Asia over the northern hemisphere Winter.”

Earnings changes

For the full year ended December 2020, WPL reported operating revenue of US\$3,600 underlying NPAT of US\$447M. This was mostly in line with market consensus. However, WPL has indicated operational challenges posed by the pandemic. Hence, we expect negative earnings revisions of 2% for FY21 and future periods.

Valuation

We are updating our valuation on WPL with a price target of \$30.81 and a BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 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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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)