

Woodside Energy Group

15% sell down in Scarborough a positive, further sell downs expected

Reiterate Rating: BUY | PO: 34.70 AUD | Price: 30.51 AUD

Scarborough sell down positive, reduced risk and capex

Woodside has agreed to sell a 15.1% interest in its 90% owned Scarborough gas project to JERA (a JV between TEPCO and Chubu Electric) for US\$740m effective 1 January 2022. However, including reimbursed expenditure, WDS will receive US\$1,400m upon completion expected in 2H 2024, subject to various approvals. Based on sale proceeds of \$1,400m, the transaction implies a look through valuation for Scarborough of US\$9.2bn, nearly double our unrisks project NAV of US\$4.7bn which is clearly positive. For a while Woodside has said it is willing to sell down equity in Scarborough for value so we are not surprised by this 15% sell down and we expect further potential sell-downs by Woodside, possibly to 50%. We view the sell down as a positive as Woodside's share of capex is reduced by US\$370m during 2024-26, development risk is slightly reduced and the balance sheet remains strong with net gearing below 10%.

Reiterate Buy and raise PO to \$34.70/share = 20% TSR

We make minor (1-2%) changes to our FY24-26e EBITDA and raise our price objective to \$34.70/sh reflecting the \$1.4bn sale proceeds to be received in 2H24, partially offset by Woodside's reduced Scarborough project from 90.0% to 74.9%. We reiterate our Buy on Woodside with 20% potential return. Woodside will report FY23 results on 27th February. We forecast underlying EBITDA of \$9.6bn and a FY23 dividend of 143 UScps (80% payout) vs consensus of 129 UScps. With Woodside remaining disciplined and terminating merger discussions with Santos, we expect a continued focus on value accretive acquisitions targeting either LNG assets or deepwater oil projects.

70% of Scarborough equity LNG volumes now contracted

Woodside and JERA have also entered into a non-binding HOA for sale of 6 LNG cargoes per year for 10 years from 2026. Based on 75kt per cargo the total offtake agreement represents 0.45Mtpa, or ~6% of Scarborough volumes. We estimate 70% of Woodside's Scarborough equity LNG volumes are now contracted. We view contracted volumes positively in the medium term as we see significant growth in LNG supply from the US and Qatar from 2025 which could put downward pressure on spot LNG prices.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
Net Profit b/f Abnormals	1,620	5,080	3,406	2,787	3,529
EPS	1.67	3.33	1.78	1.46	1.85
EPS Change (YoY)	254.8%	99.9%	-46.5%	-18.2%	26.6%
Dividend / Share	1.35	3.17	1.43	1.17	1.48
Free Cash Flow / Share	1.43	3.72	0.989	0.901	2.46
Valuation (Dec)					
P/E	13.30x	6.21x	11.68x	13.73x	10.84x
Dividend Yield	6.07%	15.33%	6.85%	5.83%	7.38%
EV / EBITDA*	6.75x	3.53x	5.16x	4.86x	4.14x
Free Cash Flow Yield*	3.65%	14.93%	4.98%	4.53%	12.36%

* For full definitions of *IQmethod*SM measures, see page 5.

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 25 February 2024 02:00PM EST

26 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	A\$34.00	A\$34.70
2023E EPS	1.72	1.78
2025E EPS	1.56	1.85
2023E EBITDA (m)	9,568.6	9,620.8
2024E EBITDA (m)	9,650.9	9,441.6
2025E EBITDA (m)	10,582.2	10,654.4

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Stock Data

Price	30.51 AUD
Price Objective	34.70 AUD
Date Established	25-Feb-2024
Investment Opinion	B-1-7
52-Week Range	28.76 AUD-39.03 AUD
Mrkt Val / Shares Out (mn)	38,006 USD / 1,898.7
Market Value (mn)	57,931 AUD
Average Daily Value (mn)	112.15 USD
Free Float	100.0%
BofA Ticker / Exchange	WOPEF / ASX
Bloomberg / Reuters	WDS AU / WDS.AX
ROE (2023E)	9.6%
Net Dbt to Eqty (Dec-2022A)	-2.9%

iQprofileSM Woodside Energy Group

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(US\$ Millions)					
Sales	6,778	16,615	14,056	13,520	14,816
Associates & Other Revenue	184	202	193	195	195
Operating Expenses	(2,840)	(5,583)	(4,628)	(4,273)	(4,357)
EBITDA	4,122	11,234	9,621	9,442	10,654
Depreciation & Amortization	(1,687)	(2,948)	(4,233)	(4,586)	(4,911)
EBIT	2,435	8,286	5,388	4,855	5,743
Net Interest & Other income	(203)	(12)	2	35	201
Pretax Income	2,232	8,274	5,390	4,890	5,945
Tax (expense) / Benefit	(1,254)	(2,599)	(1,575)	(1,967)	(2,283)
Outside Equity interest in Npat	642	(595)	(409)	(136)	(132)
Preference dividends	NA	NA	NA	NA	NA
Net Profit b/f Abnormals	1,620	5,080	3,406	2,787	3,529
Non-Recurring Items	363	1,268	(1,656)	0	0
Net Income (Reported)	1,983	6,348	1,750	2,787	3,529

Key Cash Flow Statement Data	2021A	2022A	2023E	2024E	2025E
EBITDA	4,122	11,234	9,621	9,442	10,654
Change in Working Capital	(212)	(900)	(314)	(805)	(466)
Other Cflow Items before int & tax	6	19	6	0	0
Net Interest Paid	11	108	277	392	651
Tax Paid	(271)	(1,218)	(2,624)	(1,467)	(1,783)
Other Cflow from Operations	136	(432)	548	(857)	(950)
Cash Flow from Operations	3,792	8,811	7,514	6,704	8,106
Capital Expenditure (PP&E)	(2,406)	(3,136)	(5,623)	(4,982)	(3,409)
(Acquisition) / Disposal of Investments	(544)	(343)	0	0	0
Other Cflow from Investing	9	1,214	(172)	1,930	(350)
Cash Flow from Investing	(2,941)	(2,265)	(5,795)	(3,052)	(3,759)
Shares Issue / (Repurchase)	0	(144)	0	0	0
Dividend paid	(289)	(2,558)	(3,946)	(2,230)	(2,823)
Other Cflow from Financing	(1,135)	(662)	517	2,328	2,000
Cash Flow from Financing	(1,424)	(3,364)	(3,429)	98	(823)
Free Cash Flow	1,386	5,675	1,891	1,722	4,697
Net Debt	2,405	(1,063)	1,423	1	(1,523)

Key Balance Sheet Data	2021A	2022A	2023E	2024E	2025E
Cash Equivalents	3,025	6,201	4,466	8,216	11,740
Receivables & Inventories	1,275	3,112	2,579	2,640	2,791
Property, Plant & Equipment	215	265	258	258	258
Intangibles	0	0	0	0	0
Other assets	21,959	49,743	48,683	47,149	45,996
Total Assets	26,474	59,321	55,985	58,263	60,785
Payables	639	2,130	1,957	2,112	2,197
Provisions	3,510	10,271	8,307	7,407	7,007
Short term debt & Long term debt	5,430	5,138	5,889	8,217	10,217
Other Liabilities	2,666	4,655	4,276	4,276	4,276
Total Liabilities	12,245	22,194	20,429	22,012	23,697
Total Equity	14,229	37,127	35,557	36,250	37,088

iQmethod SM - Bus Performance*	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	5.2%	15.0%	7.7%	6.0%	7.2%
Return on Equity	12.7%	20.4%	9.6%	8.0%	9.9%
Operating Margin	35.9%	49.9%	38.3%	35.9%	38.8%
EBITDA Margin	59.2%	66.8%	67.5%	68.8%	71.0%

iQmethod SM - Quality of Earnings*	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.3x	1.7x	2.2x	2.4x	2.3x
Dividend Payout Ratio	80.7%	95.2%	80.0%	80.0%	80.0%
Tax Rate (Reported)	56.2%	31.4%	29.2%	40.2%	38.4%
Net Debt-to-Equity Ratio	16.9%	-2.9%	4.0%	0%	-4.1%
Interest Cover	10.6x	49.6x	19.0x	13.6x	12.8x

Key Metrics	2021A	2022A	2023E	2024E	2025E
Franking	100%	100%	100%	100%	100%

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Oil & Gas Producers

Company Description

Woodside is Australia's largest oil & gas company with annual production of c.200 mmboe and is also a top 10 global E&P and supplier of LNG. Woodside's asset portfolio mainly comprises large, low cost, long life LNG assets in Australia and high margin oil production in the US Gulf of Mexico.

Investment Rationale

We rate Woodside as a Buy with the shares below our risked NAV and offering an attractive dividend yield. Woodside benefits from a diversified portfolio of assets comprising LNG focused operations in Australia and deepwater oil assets in the US Gulf of Mexico, low operating costs, a strong balance sheet and attractive growth projects including Scarborough/Pluto Train 2 and Trion.

Stock Data

Price to Book Value

1.1x

Exhibit 1: Woodside summary valuation

Our \$34.70/sh risked uses a DCF methodology and assumes \$70/bbl Brent crude long term, AUD/USD of 0.72 and a 9.5% WACC

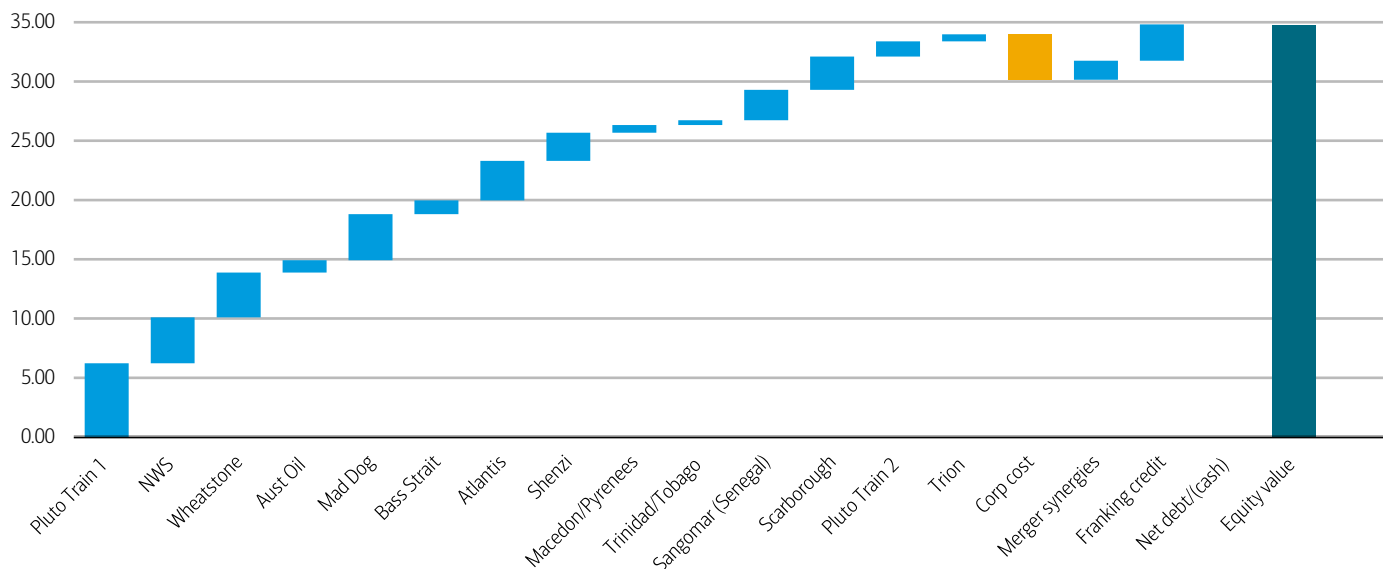
	WDS Interest %	Unrisked NAV A\$m	Risk Factor %	Riskd NAV A\$m	Unrisked NAV A\$/sh	Riskd NAV A\$/sh
Producing Assets						
Pluto Train 1	90.0%	11,886	100%	11,886	6.22	6.22
North West Shelf	33.4%	7,404	100%	7,404	3.88	3.88
Wheatstone	13.0%	7,239	100%	7,239	3.79	3.79
Mad Dog	23.9%	7,418	100%	7,418	3.88	3.88
Bass Strait	50.0%	2,230	100%	2,230	1.17	1.17
Atlantis	44.0%	6,359	100%	6,359	3.33	3.33
Shenzi	72.0%	4,532	100%	4,532	2.37	2.37
Greater Enfield	60.0%	1,983	100%	1,983	1.04	1.04
Macedon/Pyrenees	71.4%	1,253	100%	1,253	0.66	0.66
Trinidad/Tobago	45%/68.5%	781	100%	781	0.41	0.41
Producing NAV		51,085		51,085	26.74	26.74
Development projects (post-FID)						
Sangomar (Senegal)	82.0%	5,142	95%	4,885	2.69	2.56
Scarborough	74.9%	6,335	85%	5,385	3.32	2.82
Pluto Train 2	51.0%	2,872	85%	2,441	1.50	1.28
Trion	60.0%	1,503	75%	1,127	0.79	0.59
Development NAV		15,852		13,838	8.30	7.24
Total Asset valuation		66,937		64,923	35.0	33.98
Less corporate costs				(7,333)	(3.84)	(3.84)
Merger synergies				3,071	1.61	1.61
Total enterprise value		66,937		60,661	32.8	31.75
Franking Credits				5,842	3.08	3.08
Gross debt				12,928	6.77	6.77
Cash				12,640	6.62	6.62
Net Debt (31 Dec 2024)				288	0.15	0.15
Equity Value (A\$m)				66,215	35.70	34.70

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 2: Woodside NAV waterfall

Pluto is Woodside's largest asset by value



Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Woodside Energy Group (WOPEF)

Our \$34.70/sh price objective is based on our riskd NAV, which is a sum of the parts DCF valuation. Our DCF methodology assumes \$70/bbl Brent crude long term, AUD/USD of 0.72 and a 9.5% WACC (RfR 5%, ERP 5% and Beta of 1.0). As DCF is based on life of field cash flows including abandonment costs and there is no terminal value.

Upside risks to our PO: higher than forecast oil and LNG prices, lower than forecast capex and opex and progress in sanctioning its growth projects.

Downside risks to our PO: lower than forecast oil and LNG prices, lower than expected production due to unplanned outages, higher operating costs and cost overruns or delays at its growth projects.

Analyst Certification

I, James Redfern, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

APR - Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ampol Ltd	CTXAF	ALD AU	David Errington
	COSL	CHOLF	2883 HK	Yiming Wang
	Formosa Plastics	FSAPF	1301 TT	Joon-Ho Lee
	GS Holdings	GSHDF	078930 KS	Joon-Ho Lee
	Indorama Ventures Public Company Limited	INDMF	IVL TB	Komsun Suksumrun
	Karoon Energy	KRNGF	KAR AU	James Redfern
	Kumho Petrochemical	KKMHF	011780 KS	Joon-Ho Lee
	Kunlun Energy - H	KUNUF	135 HK	Yiming Wang
	LG Chem	LGCLF	051910 KS	Joon-Ho Lee
	LG Energy Solution	XQIEF	373220 KS	Joon-Ho Lee
	Oil and Natural Gas Corporation Limited	XOFOF	ONGC IN	Bharat Subramanian
	Oil India Limited	XLCRF	OINL IN	Bharat Subramanian
	People & Technology	XDFYF	137400 KS	Joon-Ho Lee
	PetroChina	PCCYF	857 HK	Matty Zhao
	Petrochina Co Ltd-A	XPCLF	601857 CH	Matty Zhao
	POSCO Future M	XTAMF	003670 KS	Joon-Ho Lee
	PTT Exploration	PTXLF	PTTEP TB	Komsun Suksumrun
	PTT Global Chemical PLC	XPGOF	PTTGC TB	Komsun Suksumrun
	PTT pcl	PTTPF	PTT TB	Komsun Suksumrun
	Reliance Inds	XRFLF	RELIANCE IN	Sachin Salgaonkar
	Santos Ltd	STOSF	STO AU	James Redfern
	Sinopec	SNPMF	386 HK	Matty Zhao
	Sinopec -A	SNPAF	600028 CH	Matty Zhao
	Sinopec Engineering	SENGF	2386 HK	Yiming Wang
	SK IE Technology	XKWRF	361610 KS	Joon-Ho Lee
	SK Innovation	SKOVF	096770 KS	Joon-Ho Lee
	SKC	XSXOF	011790 KS	Joon-Ho Lee
	S-Oil	SOOCF	010950 KS	Joon-Ho Lee
	Star Petroleum Refining	XJSJF	SPRC TB	Komsun Suksumrun
	Thai Oil - L	TOIJF	TOP TB	Komsun Suksumrun
	Viva Energy	XVWWF	VEA AU	David Errington
	Wanhua Chemical	YWNHF	600309 CH	Yiming Wang
	Woodside Energy Group	WOPEF	WDS AU	James Redfern
NEUTRAL				
	Beach Energy Limited	BEPTF	BPT AU	James Redfern
	Envicool	XPTIF	002837 CH	Cheng Gao
	Formosa Chemicals & Fibre	XFUMF	1326 TT	Joon-Ho Lee

APR - Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Hanwha Solutions Corp.	HNWFF	009830 KS	Joon-Ho Lee
	Indian Oil Corporation Limited	IOCOF	IOCL IN	Bharat Subramanian
	L&F	XLNTF	066970 KS	Joon-Ho Lee
	Nan Ya Plastics	NNYPF	1303 TT	Joon-Ho Lee
	PTT Oil and Retail Business	XNINF	OR TB	Komsun Suksumrun
	Solus Advanced Materials	XSOAF	336370 KS	Joon-Ho Lee

UNDERPERFORM

	Bharat Petroleum Corporation Limited	XBPCF	BPCL IN	Bharat Subramanian
	COSL	XCNRF	601808 CH	Yiming Wang
	Ecopro BM	XKURF	247540 KS	Joon-Ho Lee
	Formosa Petrochemical	FPTCF	6505 TT	Joon-Ho Lee
	Hindustan Petroleum Corporation Limited	XHTPF	HPCL IN	Bharat Subramanian
	IRPC	IRPSF	IRPC TB	Komsun Suksumrun
	Lotte Chemical Corporation	XLCCF	011170 KS	Joon-Ho Lee
	Petronas Chemicals	PECGF	PCHEM MK	Joon-Ho Lee
	Pylon Tech	XPTDF	688063 CH	Cheng Gao
	Sinopec Shanghai Petrochemical Co	SPTJF	338 HK	Yiming Wang
	Sinopec Shanghai Petrochemical Co	SINFF	600688 CH	Yiming Wang

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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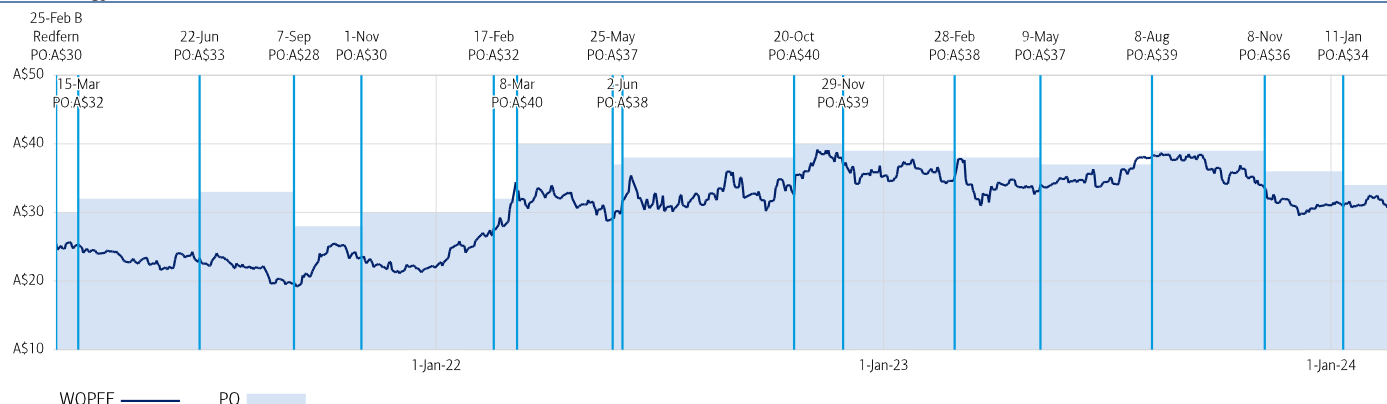
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Disclosures

Important Disclosures

Woodside Energy (WOPEF) Price Chart



WOPEF — PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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