China Energy: Oil: 3Q26 Preview: Widening valuation discount signals Upstream re-rating potential; Buy CNOOC, PetroChina

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While the valuation gap between Chinese oil majors and DM peers has widened (Exhibit 1), we see a potential transition from *Phase 1* (where DM names have commanded a premium for cleaner exposure to higher prices of oil, gas and refined products, and more direct earnings translation into shareholder distributions) to *Phase 2* (where sustained commodity prices and a wide valuation gap redirect investor focus toward discounted names with high FCF yields). Within our coverage, upstream-leveraged CNOOC and PetroChina look well-positioned to re-rate toward global peers given their better cash flow generation profiles (Exhibit 3-Exhibit 4); meanwhile, Sinopec's refining margins face persistent headwinds[1] in 2H26, and we see the stock as more fairly valued relative to the sector average (Exhibit 5-Exhibit 6). Even absent a re-rating, we believe CNOOC and PetroChina offer attractive dividend yields (7%/6% in 2027E respectively) backed by robust FCF yields (14%/10% in 2027E respectively), with our base case Brent oil prices at US$80/$75 per bbl in 2027E/28E.

With this note, we refresh our earnings estimates of PetroChina, Sinopec and CNOOC, marking-to-market for 2Q & 3Q key commodity prices and margins (Exhibit 8). For upstream-leveraged names (PetroChina and CNOOC), we expect a moderate sequential decline in 3Q earnings relative to 2Q, largely driven by softer qoq realized crude prices (Exhibit 10-Exhibit 11); for Sinopec, we expect a moderate increase in 3Q earnings vs. 2Q, reflecting a sequential recovery in refining utilization and downstream product demand (though both indicators remain low yoy, Exhibit 12-Exhibit 14).

We reiterate our **Buy ratings on CNOOC** (new 12-month TP HK$31.60, vs. HK$31.90 prior) and **PetroChina** (new 12-month H/A-share TPs of HK$12.10/Rmb15.50, vs. HK$11.90/Rmb15.80 prior). We assess that current share prices of CNOOC and PetroChina are discounting long-term Brent prices of c.US$60/bbl. We maintain our **Neutral rating on Sinopec**, lifting our 12-month H/A-share TPs to HK$4.50/Rmb6.00 (from HK$4.10/Rmb5.60), mainly reflecting a mark-to-market adjustment of the target EV/EBITDA multiple to an updated 5-year average of 3.9X (from 3.7X).

[1] Our refining margins tracking assumes a uniform crude purchasing pace regardless of crude prices and freight costs; actual procurement schedules are tactical and may cause realized average costs to diverge from the simplified modeling.

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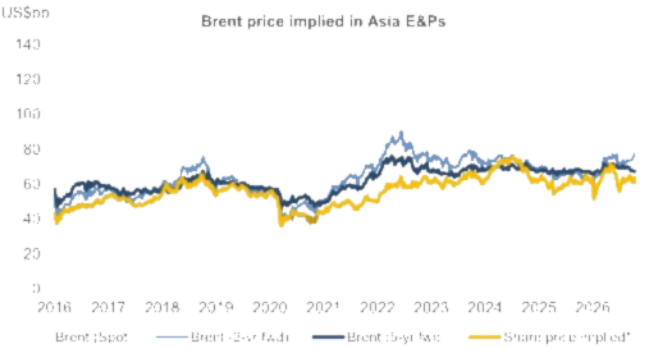
Exhibit 1: The valuation discount for Chinese oil majors vs. DM peers widened following Middle East supply disruptions



*China: PetroChina, Sinopec, CNOOC / **DM: Conoco, BP, Total, Chevron, Exxon, Occidental, Diamondback, EOG, Devon, Coterra, Aker BP

Source: Company data, Goldman Sachs Global Investment Research

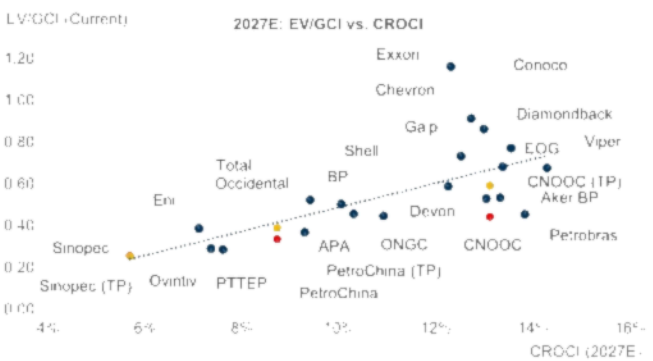
Exhibit 2: Valuations of Asia E&P stocks reflect Brent oil prices below the five-year forward Brent prices



*Include: PetroChina, CNOOC, ONGC and PTTEP

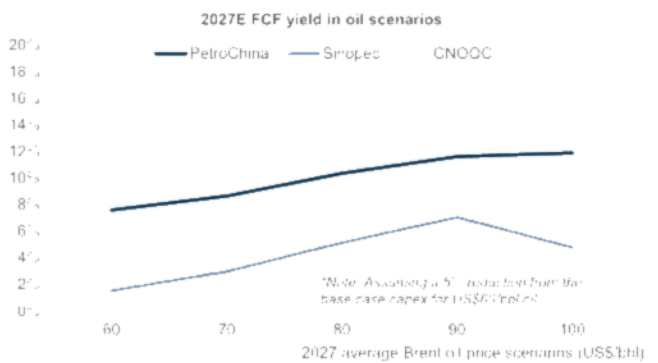
Source: Datastream, Goldman Sachs Global Investment Research

Exhibit 3: Within our coverage, upstream-leveraged CNOOC and PetroChina are well-positioned to re-rate toward global peers



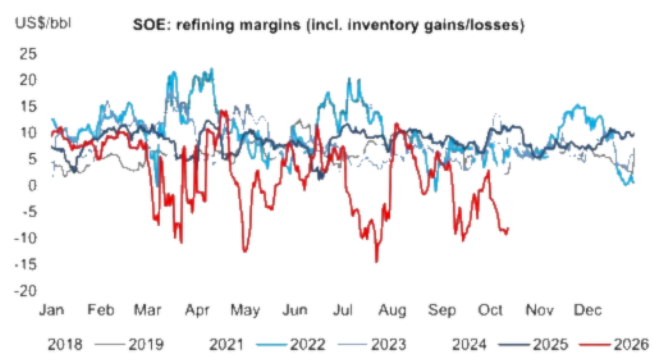
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: PetroChina and CNOOC see higher FCF yield across oil price scenarios among China oil majors



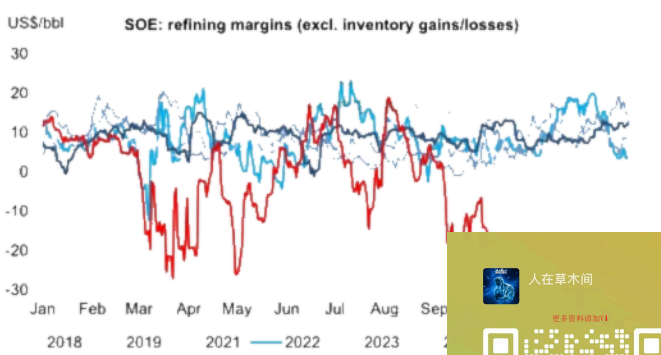
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: Domestic refining margins faced persistent headwinds in 3Q...



Source: Wind, Company data, Goldman Sachs Global Investment Research

Exhibit 6: ...with fresh weakness emerging into 4Q



Source: Wind, Company data, Goldman Sachs Global In

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Exhibit 7: CNOOC and PetroChina offer attractive dividend yield backed by robust FCF yield

		2027 FCF Yield (%)	2027 Dividend Yield (%)	2027 EV/DACF (X)	2026 EV/GCI (X)	EV/1P Reserves ($/BOE)	2027 CROCI (%)	2026 Net Debt / Equity (%)	2024-27E E&P Volume Growth CAGR (%)
A	**Chinese Big Oils**								
1	CNOOC	14%	7%	3.4X	0.46X	22.1	13%	(12%)	5%
2	PetroChina	10%	6%	3.9X	0.36X	15.0	9%	4%	2%
3	Sinopec	5%	6%	4.6X	0.31X		6%	36%	2%
B	**India/ASEAN Oils**								
1	PTTEP	6%	6%	3.9X	0.31X	11.9	8%	7%	5%
2	PTT	9%	8%	6.3X	0.50X		8%	35%	
3	ONGC	14%	8%	4.2X	0.46X	7.5	11%	32%	(0%)
C	**Upstream**								
1	ConocoPhillips	8%	2%	6.8X	0.95X	28.5	13%	21%	6%
2	Chevron Corp	9%	3%	7.3X	1.00X	38.4	13%	8%	8%
D	**Integrated Oil**								
1	Shell	14%	3%	4.8X	0.63X	32.5	12%	15%	3%
2	BP	14%	4%	4.0X	0.48X	20.5	11%	17%	(1%)
3	Exxon Mobil	6%	2%	9.6X	1.27X	40.9	12%	6%	6%
4	TotalEnergies	11%	5%	5.6X	0.56X	19.0	9%	20%	5%
E	**Downstream**								
1	Phillips 66	10%	2%	8.4X	1.83X		20%	40%	
2	Marathon Petroleum	10%	1%	8.5X	1.86X		20%	78%	
3	Neste	12%	4%	6.5X	1.12X		16%	16%	
	Average	**10%**	**5%**	**5.9X**	**0.81X**	**23.7**	**12%**	**21%**	**4%**

Note: Green highlight representing top quartile among global peers.

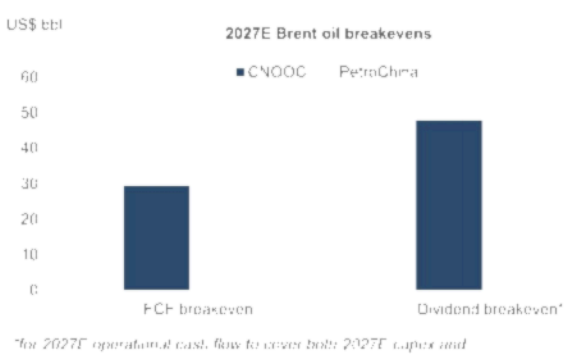
Source: Goldman Sachs Global Investment Research

Exhibit 8: Earnings and TP update

		Target price					EBITDA GS Estimate				GS Revisions			GS vs Cons		
		Old	New	Change %	Upside/ Downside	Total returns	2025 mn rmb	2026E mn rmb	2027E mn rmb	2028E mn rmb	2026E %	2027E %	2028E %	2026E %	2027E %	2028E %
PetroChina	0857.HK	hk$ 11.90	hk$ 12.10	2%	17%	23%	467,366	519,099	528,154	544,628	-4%	-2%	2%	3%	6%	10%
	601857.SS	rmb 15.80	rmb 15.50	-2%	24%	28%										
Sinopec	0386.HK	hk$ 4.10	hk$ 4.50	10%	-2%	4%	184,366	195,776	209,734	228,392	0%	1%	3%	-2%	-1%	3%
	600028.SS	rmb 5.60	rmb 6.00	7%	6%	11%										
CNOOC	0883.HK	hk$ 31.90	hk$ 31.60	-1%	28%	34%	249,364	305,060	297,917	288,035	0%	2%	-2%	1%	2%	-1%

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

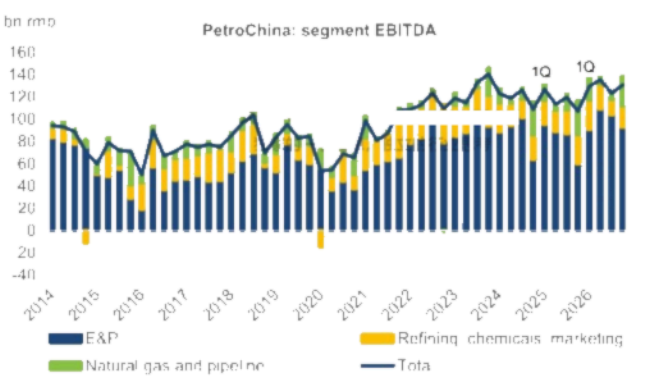
Exhibit 9: PetroChina and CNOOC could achieve FCF breakeven at c.US$30/bbl Brent oil prices



*for 2027E operational cash flow to cover both 2027E capex and

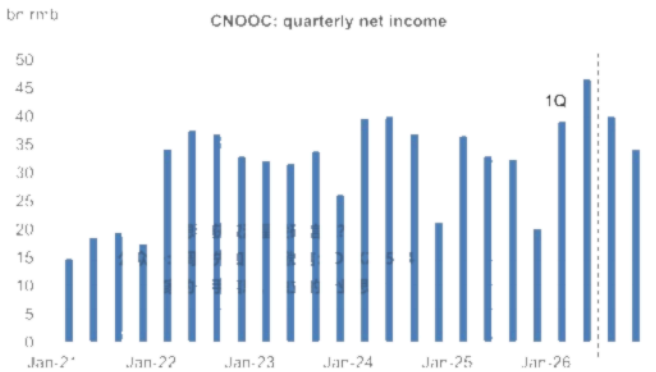
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: For upstream names, we expect a moderate sequential decline in 3Q earnings relative to 2Q...
GSe for 2H26



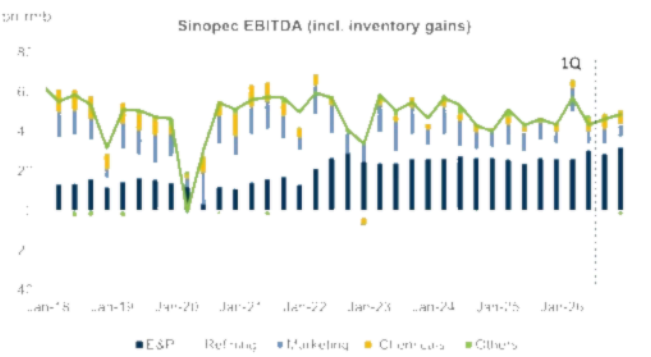
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: ...largely driven by softer qoq realized crude prices
GSe for 2H26



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 12: For Sinopec, we expect a moderate increase in 3Q earnings vs. 2Q
GSe for 2H26



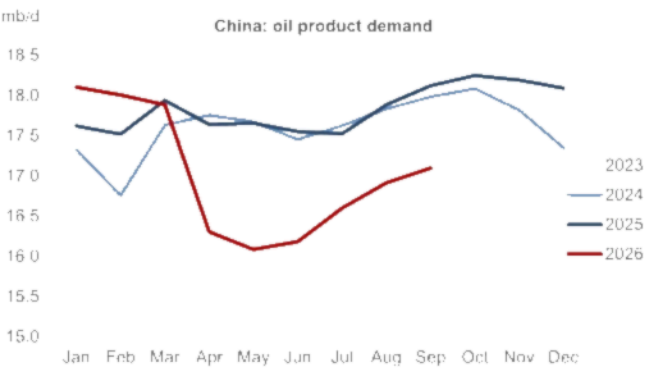
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: Refining utilization saw a sequential increase in 3Q vs. 2Q...



Source: Wind, Bloomberg

Exhibit 14: ...as well as oil product demand



Source: S&P

Earnings, Price Targets, Risks & Methodology

PetroChina (Buy)

Earnings/TP changes: Our new 12m TPs for the H/A are HK$12.10/Rmb15.50 (vs. HK$11.90/Rmb15.80 prior), which continue to be SOTP-based. The TP changes reflect higher commodity assumptions - our macro team earlier raised the 2027E oil price to US$80/bbl (from $75/bbl) and expected shallower declines across 2027-28E JKM gas prices; these gains are partially offset by higher operating costs reported in 2Q results and widened imported gas losses resulting from higher oil-indexed import costs. The TP changes also reflect raising the EV/EBITDA multiple to 3.9X (from 3.7X) for the refining & chemical and marketing segments - in line with Sinopec (which reflects a refreshed rolling 5 year average), and marking-to-market the A-share premium to 39% from 45%, aligned with the refreshed 3-year average (a period coinciding with the latest round of SOE reform).

0857.HK	12m Price Target: HK$12.1	Price: HK$10.34			Upside: 17%
Buy	GS Forecast:				
		12/25	**12/26E**	**12/27E**	**12/28E**
Market cap: HK$1.9tr / $241.1bn	**Revenue (Rmb mn) New**	**2,864,469.0**	**3,015,561.0**	**2,995,872.3**	**2,927,948.5**
Enterprise value: HK$2.2tr / $286.6bn	Revenue (Rmb mn) Old	2,864,469.0	3,023,784.2	2,910,894.2	2,912,652.6
3m ADTV :HK$739.2mn/ $94.2mn	EBITDA (Rmb mn)	467,366.0	519,099.1	528,153.9	544,627.5
China	**EPS (Rmb) New**	**0.86**	**1.05**	**1.08**	**1.12**
Asia Energy & Chemicals	EPS (Rmb) Old	0.86	1.13	1.12	1.08
	P/E (X)	7.5	8.4	8.2	7.8
M&A Rank: 3	P/B (X)	0.7	0.9	0.9	0.8
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	7.3	6.1	6.4	6.6
	CROCI (%)	9.0	9.0	8.7	8.6
		3/26	**6/26**	**9/26E**	**12/26E**
	EPS (Rmb)	0.26	0.30	0.26	0.22

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 14 Oct 2026 close.

601857.SS	12m Price Target: Rmb15.5	Price: Rmb12.55			Upside: 23.5%
Buy	GS Forecast:				
		12/25	**12/26E**	**12/27E**	**12/28E**
Market cap: Rmb2.3tr / $343.2bn	**Revenue (Rmb mn) New**	**2,864,469.0**	**3,015,561.0**	**2,995,872.3**	**2,927,948.5**
Enterprise value: Rmb2.6tr / $388.7bn	Revenue (Rmb mn) Old	2,864,469.0	3,023,784.2	2,910,894.2	2,912,652.6
3m ADTV :Rmb1.6bn/ $241.7mn	EBITDA (Rmb mn)	467,366.0	519,099.1	528,153.9	544,627.5
China	**EPS (Rmb) New**	**0.86**	**1.05**	**1.08**	**1.12**
Asia Energy & Chemicals	EPS (Rmb) Old	0.86	1.13	1.12	1.08
	P/E (X)	10.1	11.9	11.6	11.2
M&A Rank: 3	P/B (X)	1.0	1.3	1.3	1.2
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	5.4	4.3	4.5	4.7
	CROCI (%)	9.0	9.0	8.7	8.6
		3/26	**6/26**	**9/26E**	**12/26E**
	EPS (Rmb)	0.26	0.30	0.26	0.22

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 14 Oct 2026 close.

Exhibit 15: PetroChina's 2027E earnings could benefit from higher oil prices, though the net positive impact on EBITDA narrows when oil goes higher
PetroChina earnings sensitivity analysis

PetroChina										
14-Oct-26										
Share price (HK$/share)	10.340									
		Brent oil price scenarios (2027 average)								
2027E measures		US$ 60/bbl	US$ 70/bbl	US$ 80/bbl	US$ 90/bbl	US$ 100/bbl	70 vs. 60	80 vs. 70	90 vs. 80	100 vs. 90
Total EBITDA	**mn rmb**	**436,892**	**484,538**	**528,154**	**561,691**	**572,131**	11%	9%	6%	2%
Upstream E&P	mn rmb	293,328	349,221	401,082	442,865	479,944	55,893	51,861	41,783	37,079
Refining & chemicals	mn rmb	50,640	55,746	60,853	65,960	52,673	5,107	5,107	5,107	-13,286
Marketing	mn rmb	38,589	38,589	38,589	38,589	38,589	0	0	0	0
Natural gas sales	mn rmb	74,680	61,327	47,975	34,622	21,270	-13,352	-13,352	-13,352	-13,352
Head office and other	mn rmb	(20,345)	(20,345)	(20,345)	(20,345)	(20,345)	0	0	0	0
DACF	mn rmb	404,665	440,957	474,171	499,693	507,597	9%	8%	5%	2%
Net income	mn rmb	134,673	167,458	197,464	220,542	227,772	24%	18%	12%	3%
EPS	rmb/share	0.74	0.91	1.08	1.21	1.24	24%	18%	12%	3%
ROE	%	7.7%	9.6%	11.2%	12.5%	12.9%	24%	17%	11%	3%
CROCI	%	7.4%	8.1%	8.7%	9.2%	9.4%	9%	8%	5%	2%
FCF yield*	%	7.6%	8.6%	10.3%	11.6%	11.9%	14%	20%	12%	2%
Dividend yield	%	4.0%	5.0%	5.9%	6.6%	6.8%	24%	18%	12%	3%
P/E	X	12.89	10.37	8.79	7.87	7.62	-20%	-15%	-10%	-3%
EV/DACF	X	4.7	4.3	3.9	3.69	3.62	-9%	-8%	-6%	-2%

*Note: Assuming a 5% reduction from the base case capex for US$60/bbl oil.

Source: Company data, Goldman Sachs Global Investment Research

PetroChina is a state-owned integrated oil and gas company in China, operating E&P, refining, and downstream distribution businesses nationwide. We are Buy-rated on PetroChina (H/A), whose cash flow could cover both our base case capex and dividend at less than US$60/bbl Brent, while offering attractive dividend yield. PetroChina is supported by robust upstream gas earnings and significant cost-saving potential, via replacing external grid power with self-generated green power, alongside AI/digital initiatives. Downside risks: Lower oil prices than expected; more competitive global gas market leading to gas earnings headwinds over the medium term.

Our 12-month target prices for the H/A shares are HK$12.10/Rmb15.50 based on a sum-of-the-parts (SOTP) methodology, with the valuation base year being blended 2027E/28E. For the E&P segment, we continue to use 50% DCF + 50% EV/DACF in valuation. We use a 3.5X EV/DACF multiple for the 50% blend component of E&P valuations, in line with how we value upstream pure-play E&P names like ONGC. We apply a 3.9X target EV/EBITDA multiple for its refining & chemical and marketing segments. We apply a 4.0X EV/EBITDA multiple for the natural gas segments, at a discount to regional peers, to reflect LNG import losses. We also apply an A-share premium of 39%.

Key downside risks: Downside risks: Lower oil prices than expected; more competitive global gas market leading to gas earnings headwinds over the medium term.

China Petroleum & Chemical (Neutral)

Earnings/TP changes: Our new 12m TPs for the H/A shares are HK$4.50/Rmb6.00 (from HK$4.10/Rmb5.60), which continue to be EV/EBITDA-based. The TP increases mainly reflect a mark-to-market adjustment of the target EV/EBITDA multiple to an updated 5-year average of 3.9X (from 3.7X). We also mark-to-market the A-share premium to 46% from 48%, aligned with the refreshed 3-year average (a period coinciding with the latest round of SOE reform). The earnings changes mainly reflect higher commodity assumptions - our macro team earlier raised the 2027E oil price to US$80/bbl (from $75/bbl), as well as marking-to-market for 2Q26 results & 3Q26 commodity prices and margins.

0386.HK	12m Price Target: HK$4.5	Price: HK$4.59			Downside: 1.9%
Neutral	GS Forecast				
		12/25	**12/26E**	**12/27E**	**12/28E**
Market cap: HK$555.1bn / $70.7bn	**Revenue (Rmb mn) New**	**2,783,583.0**	**2,995,504.1**	**2,870,978.0**	**2,726,141.2**
Enterprise value: HK$1.2tr / $149.6bn	Revenue (Rmb mn) Old	2,783,583.0	3,000,011.5	2,765,814.9	2,753,067.1
3m ADTV :HK$506.2mn/ $64.5mn	EBITDA (Rmb mn)	184,366.0	195,775.5	209,733.8	228,391.8
China	**EPS (Rmb) New**	**0.27**	**0.35**	**0.39**	**0.47**
Asia Energy & Chemicals	EPS (Rmb) Old	0.27	0.35	0.43	0.50
	P/E (X)	14.6	11.1	10.0	8.3
M&A Rank: 3	P/B (X)	0.6	0.6	0.6	0.5
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	5.1	6.3	6.5	7.8
	CROCI (%)	6.0	5.7	5.7	5.9
		3/26	**6/26**	**9/26E**	**12/26E**
	EPS (Rmb)	0.15	0.07	0.07	0.06

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 14 Oct 2026 close

600028.SS	12m Price Target: Rmb6	Price: Rmb5.65			Upside: 6.2%
Neutral	GS Forecast				
		12/25	**12/26E**	**12/27E**	**12/28E**
Market cap: Rmb684.1bn / $102.2bn	**Revenue (Rmb mn) New**	**2,783,583.0**	**2,995,504.1**	**2,870,978.0**	**2,726,141.2**
Enterprise value: Rmb1.2tr / $181.1bn	Revenue (Rmb mn) Old	2,783,583.0	3,000,011.5	2,765,814.9	2,753,067.1
3m ADTV :Rmb1.3bn/ $194.4mn	EBITDA (Rmb mn)	184,366.0	195,775.5	209,733.8	228,391.8
China	**EPS (Rmb) New**	**0.27**	**0.35**	**0.39**	**0.47**
Asia Energy & Chemicals	EPS (Rmb) Old	0.27	0.35	0.43	0.50
	P/E (X)	21.6	16.0	14.5	12.0
M&A Rank: 3	P/B (X)	0.8	0.8	0.8	0.8
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	3.5	4.4	4.5	5.4
	CROCI (%)	6.0	5.7	5.7	5.9
		3/26	**6/26**	**9/26E**	**12/26E**
	EPS (Rmb)	0.15	0.07	0.07	0.06

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 14 Oct 2026 close.

Exhibit 16: We expect Sinopec earnings to likely fall when oil prices rise above US$90/bbl, despite potential inventory gains and upstream earnings boosts
Sinopec earnings sensitivity analysis

Sinopec

14-Oct-26	
Share price (HK$/share)	4.585

		Brent oil price scenarios (2027 average)					Changes			
2027E measures		US$ 60/bbl	US$ 70/bbl	US$ 80/bbl	US$ 90/bbl	US$ 100/bbl	70 vs. 60	80 vs. 70	90 vs. 80	100 vs. 90
Total EBITDA	**mn rmb**	**166,703**	**189,986**	**209,734**	**227,883**	**218,547**	14%	10%	9%	-4%
Upstream E&P	mn rmb	86,887	103,300	116,179	127,459	137,513	16,414	12,879	11,280	10,054
Refining & chemicals**	mn rmb	16,445	23,314	30,183	37,052	17,662	6,869	6,869	6,869	-19,390
Marketing and distribution	mn rmb	35,774	35,774	35,774	35,774	35,774	0	0	0	0
Chemicals	mn rmb	26,890	26,890	26,890	26,890	26,890	0	0	0	0
Corporate and others	mn rmb	708	708	708	708	708	0	0	0	0
Refining (excl. inventory g/l)	mn rmb	40,899	40,899	40,899	40,899	14,639	0	0	0	-26,260
EBITDA (excl. inventory g/l)	**mn rmb**	191,157	207,571	220,450	231,729	215,524	9%	6%	5%	-7%
Net income	mn rmb	18,517	34,055	47,231	59,338	53,167	84%	39%	26%	-10%
EPS	rmb/share	0.15	0.28	0.39	0.49	0.44	84%	39%	26%	-10%
ROE	%	2.2%	4.0%	5.6%	7.0%	6.3%	83%	38%	25%	-10%
CROCI	%	4.7%	5.3%	5.7%	6.1%	5.9%	11%	9%	7%	-4%
FCF yield*	%	1.5%	3.0%	5.1%	7.0%	4.8%	95%	73%	37%	-32%
Dividend yield	%	2.4%	4.4%	6.0%	7.6%	6.8%	84%	39%	26%	-10%
P/E	X	27.47	14.94	10.77	8.57	9.57	-46%	-28%	-20%	12%
EV/EBITDA	X	4.9	4.3	3.9	3.55	3.74	-12%	-10%	-8%	5%

*Note: Assuming a 5% reduction from the base case capex for US$60/bbl oil.
**Inclusive of inventory gain/loss

Source: Company data, Goldman Sachs Global Investment Research

China Petroleum & Chemical (Sinopec) is a state-owned integrated oil and gas company, with relatively higher earnings contribution from refining than its peers. We are Neutral rated on Sinopec (H/A), as we expect Sinopec to experience a period of weak FCF due to weak refining and chemical margins, leading to our preference for the more upstream names (e.g. PetroChina, CNOOC) in our coverage. Key risks: Lower/higher oil prices or weaker/stronger oil time spreads than expected; stronger/weaker refining or chemical margins than expected; higher/weaker-than-expected cost pass-through of imported LNG.

Our 12m TPs for the H/A shares are HK$4.50/Rmb6.00. Our target prices are based on a blended 2027E/2028E EV/EBITDA, applying a target multiple of 3.9X. We apply an A-share premium of 46%.

Key risks: Lower/higher oil prices or weaker/stronger oil time spreads than expected; stronger/weaker refining or chemical margins than expected; higher/weaker-than-expected cost pass-through of imported LNG.

CNOOC (Buy)

Earnings/TP changes: Our new 12m TP is HK$31.60 (vs. HK$31.90 prior), which continues to be based on a 50/50 blend of DCF and EV/DACF. The TP decrease mainly reflects lowered production volume forecast (marking-to-market for 2Q) and a moderate increase in operating cost, which is partially offset by higher oil prices (our macro team earlier raised the 2027E oil price to US$80/bbl from $75/bbl)

0883.HK	12m Price Target: HK$31.6	Price: HK$24.72	Upside: 27.8%

Buy

GS Forecast:

		12/25	12/26E	12/27E	12/28E
Market cap: HK$1.2tr / $149.7bn	**Revenue (Rmb mn) New**	**398,220.0**	**490,176.8**	**468,005.8**	**449,124.2**
Enterprise value: HK$1.1tr / $134.0bn	Revenue (Rmb mn) Old	398,220.0	479,707.6	453,204.6	459,169.9
3m ADTV :HK$1.5bn/ $192.1mn	EBITDA (Rmb mn)	249,364.0	305,060.1	297,917.2	288,035.1
China	**EPS (Rmb) New**	**2.57**	**3.41**	**3.36**	**3.28**
Asia Energy & Chemicals	EPS (Rmb) Old	2.57	3.41	3.25	3.38
	P/E (X)	6.8	6.2	6.3	6.4
M&A Rank: 3	P/B (X)	1.0	1.1	1.0	0.9
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	6.6	7.3	7.2	7.0
	CROCI (%)	12.2	14.2	13.1	12.1
		12/25	**6/26**	**12/26E**	**--**
	EPS (Rmb)	1.11	1.81	1.60	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 14 Oct 2026 close.

Exhibit 17: CNOOC offers clean exposure to higher oil prices, though the net benefit is shaved when oil rises above US$85/bbl due to increased royalties

CNOOC earnings sensitivity analysis

CNOOC

14-Oct-26	
Share price (HK$/share)	24.720

		Brent oil price scenarios (2027 average)					Changes			
2027E measures		US$ 60/bbl	US$ 70/bbl	US$ 80/bbl	US$ 90/bbl	US$ 100/bbl	70 vs. 60	80 vs. 70	90 vs. 80	100 vs. 90
EBITDA	mn rmb	227,277	265,416	297,917	327,371	355,758	17%	12%	10%	9%
Net income	mn rmb	108,084	135,906	159,584	181,014	201,641	26%	17%	13%	11%
EPS	rmb/share	2.27	2.86	3.36	3.81	4.24	26%	17%	13%	11%
DACF	mn rmb	211,473	239,175	262,731	284,039	304,545	13%	10%	8%	7%
ROE	%	11.8%	14.7%	17.1%	19.2%	21.2%	24%	16%	13%	11%
CROCI	%	10.7%	12.1%	13.4%	14.5%	15.6%	13%	10%	8%	7%
FCF yield*	%	9.6%	11.6%	13.7%	15.6%	17.4%	20%	18%	14%	12%
Dividend yield	%	4.5%	5.7%	6.7%	7.6%	8.4%	26%	17%	13%	11%
P/E	X	9.97	7.93	6.75	5.95	5.35	-20%	-15%	-12%	-10%
EV/DACF	X	4.4	3.8	3.4	3.05	2.78	-14%	-11%	-10%	-9%

*Note: Assuming a 5% reduction from the base case capex for US$60/bbl oil.

Source: Company data, Goldman Sachs Global Investment Research

CNOOC is a state-owned upstream oil and gas company, focusing on developing resources mainly in offshore China. We are Buy rated on CNOOC, whose cash flow could cover both our base case capex and dividend at less than US$50/bbl Brent, and is offering attractive dividend yield. The company's upstream oil assets are typically low cost and competitive amongst global peers and stand out from the other Chinese Oil majors. Key risks: Lower oil prices than expected; geopolitical risks; operational risks of offshore E&P activities; M&A, especially the potential injection of the CNOOC group's gas assets into the listed company.

Our 12-month target price of HK$31.60 is based on a 50%/50% blend of DCF and

EV/DACF valuation. We use 50% DCF to comprehensively capture the full cycle cash flow from the projects and incorporate our long-term view on oil prices, balanced by 50% blended 2027E/2028E EV/DACF to better reflect the near- to medium-term oil price view. We apply a 4.6X EV/DACF target multiple, which anchors 0.5SD above the 2014-2026 average.

Key risks: Lower oil prices than expected; geopolitical risks; operational risks of offshore E&P activities; M&A, especially the potential injection of the CNOOC group's gas assets into the listed company.