



**CORE PORTFOLIO – Growth/Income Opportunities**

**RECOMMENDATION**

**Santos Ltd**

**ACCUMULATE / BUY**

**ASX Code: STO**

**Price: \$6.89**

**Company Summary**

- Santos Limited (STO) is an oil & gas exploration and production company, with a diversified portfolio of largely Australia-based assets and high exposure to gas markets via domestic supply and LNG markets. Santos acquired Oil Search in an all-scrip bid in late 2021 to capitalise on interests in PNG.

**Opportunity**

- STO provides investors with the greatest exposure to LNG/Sales of Gas & Methane. A multi-decade thematic of critical need for LNG in facilitating the transition to decarbonisation. Growth can also be supported by STO's balance sheet without equity dilution, and we see the greatest potential for EBITDAX growth coupled with ROIC expansion in the sector.
- Santos continues to de-risk its growth projects, including the progression of Barossa, FID was reached for the Alaskan Pikka oil project in August '22 and an FID expected for Dorado in the next 12 months, albeit delayed slightly.

**Risks**

- Risks are also identified over the delivery of growth projects including Barossa (Santos is expected to resubmit environmental impact plans), PNG LNG, Narrabri CSG and Dorado (FID has been deferred).

**Key Parameters**

**2022 Expectations**

- |                             |       |
|-----------------------------|-------|
| • Price to Earnings Ratio   | 6.3 x |
| • Earnings Per Share Growth | 63.7% |
| • Return on Equity          | 15.1% |
| • Dividend Yield            | 4.9%  |

**PRICE CHART**

STO.ASX@AU\$ 6.89





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