Quarterly analyst themes of oil and gas earnings Q3 2019

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Overview
The third quarter of Q3 2019 saw oil and gas companies struggling amid low commodity prices and rising uncertainties. Combined net loss was slightly down from Q2 2019 and slightly up from Q3 2018. Combined net loss was €13.9 billion, compared to €14.8 billion in Q2 2019 and €11.4 billion in Q3 2018. Combined net margin was 10%, down from 12% in Q2 2019 and 14% in Q3 2018. Also, the combined net margin was the lowest since the fourth quarter of 2016.

Top three themes
1. Financial matters dominated Q3 2019 earnings calls with a key focus on shareholder distributions, capital spending, and cash flow. Fuel cycle oversupply and rising uncertainties continue to weigh on capital allocation and cash return targets. Analysts wanted to understand the key factors that led to the current capital allocation strategy and forward-looking plans.
2. Shareholders and capital return were also on the radar, with many companies explicitly discussing plans to boost shareholder returns in an effort to maintain or regain market confidence. With pressure mounting on reducing carbon emissions, interest in strategic shifts to alternative energy business is climbing, it still accounts for a marginal share of the overall portfolio. However, there is growing acceptance of the need for change.
3. Capital spending was also on the radar for several analysts, with some companies even explicitly stating they have plans to boost spending. However, analysts were keen to understand the potential risks with free cash flow.

Looking forward
The market capitalization of our sample declined 3.3% during the quarter. Oil prices were up 1.9% during the quarter and 12% year over year. Unsurprisingly, those volatile market headwinds may continue. Not surprisingly, companies were asked questions on learnings from the project’s execution to fine tune the entire process. A multi-party owned Eurasian project facing cost overruns and significant delays, got a lot of attention. Analysts asked straightforward and difficult questions on learnings from the project’s execution to fine tune the entire process.

Scope, limitations and methodology
The selection of the top three non-financial themes is based solely on an examination of the transcripts of the earnings conference calls. The themes are relevant sector issues. With our deep sector focus, we can help your organization drive down costs and compete more effectively.

© 2019 EYGM Limited. All rights reserved. No part of this document may be duplicated, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, or otherwise, without the written permission of EYGM Limited. Costs and capital return targets were the key themes of oil and gas earnings calls in the third quarter of 2019. Financial matters dominated Q3 2019 earnings calls with a key focus on shareholder distributions, capital spending, and cash flow. Fuel cycle oversupply and rising uncertainties continue to weigh on capital allocation and cash return targets. Analysts wanted to understand the key factors that led to the current capital allocation strategy and forward-looking plans. The market capitalization of our sample declined 3.3% during the quarter.