

Quarterly trends in oil and gas

Optimism abounds, as companies reiterate efficiency, capital discipline and portfolio optimization

Q1 2019



Building a better working world

Overview

2019 has started on a positive note. Earnings reports continue to impress analysts and although average prices were lower in Q1 2019 than in Q4 2018, OPEC and production cuts were enough to offset continued North American production growth and drive an upward trend in oil prices. Revenue growth stalled as crude and LNG prices combined with thinner refining margins, but the companies we track posted better operating incomes. The investor community seems encouraged by the sector's ability to sustain and build on efficiency improvements, grow production and strengthen fundamentals. The focus now is on incremental sources of

value. M&A opportunities have come to the fore, with particular awareness of consolidation in the US onshore segment. Cash has been and always will be a focal point with an increased focus on distribution and stock buybacks, leading us to question investor confidence in the sector's capacity to grow profitably. Project developments and FIDs are of interest as investors seek to understand "what's next?" as we approach energy transition. Company optimism abounds, as they reiterate efficiency, capital discipline and portfolio optimization.

Top three themes Q1 2019

1 Portfolio optimization

2 Cashflow

3 Project updates

Financial trends



The results of oil, product and natural gas trading are high on the minds of the analyst community. Although the supply demand picture is favorable for now, the age of resource abundance is with us for the foreseeable future and investors will want companies to squeeze every bit of profit from every asset and every molecule. We see an increased focus on trading as a driver of oil and gas profitability and with that, the need to optimize capital and manage risks.



Andy Brogan
EY Global Oil & Gas Leader

Strategic trends



The portfolio has always been a focal point and capital allocation and M&A were front and center. North America had the most attention. Big deals were announced, deals that closed in previous quarters have begun to show up in financials and speculation about more deals is everywhere. We anticipate more in coming quarters as the North American landscape consolidates in the hands of operators with deep pockets, leading supply chains and the best technology.



Jeff Williams
EY Global Oil & Gas Advisory Leader

Operational trends



The momentum toward best-in-class operations continues. Although the price environment has improved for now, analysts and companies are relentlessly focused on cost reduction and efficiency improvement all along the oil and gas value chain. We see upstream capital efficiency, refinery performance and value extraction, aided by digitalization, as key priorities for many quarters to come.



Ioanna-Andreea Ene
EY Nordics Oil & Gas OPEX Leader

Percentage of analyst questions pertaining to financial, operational and strategic themes



The financial performance of the gas, refining and downstream segments of the companies dominated Q1 2019 earnings calls. Project expansions and FIDs featured heavily and consolidation in the US onshore space was a recurring theme.

Scope, limitations and methodology

The purpose of this review is to examine the key themes arising from the questions asked by analysts during the Q1 2019 earnings reporting season among 12 global oil and gas companies. The identification of the top 10

themes is based solely on an examination of the transcripts of the earnings conference calls. For this analysis, the following companies were included:

BP plc	Eni SpA	Repsol SA	Suncor Energy Inc
Chevron Corporation	Exxon Mobil Corporation	Royal Dutch Shell plc	TOTAL S.A.
ConocoPhillips	Husky Energy Inc	Equinor ASA	Woodside Petroleum Ltd

Looking forward

We expect to see more response to macro developments, especially LNG pricing and IMO 2020. Gas's growing importance in the portfolio could be a headwind in the short term with pricing pressures. Crude price volatility

will constantly govern operational decisions and cost control momentum will continue as margins continue to be under pressure. North American shale consolidation will continue and interest in alternative energy will grow.



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