Quarterly trends in oil and gas

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

Q1 2019

Overview

The financial performance of the oil & gas industry continued to improve in Q1 2019. Although several companies reported lower than expected revenues and earnings, increased natural gas prices and higher oil prices contributed to overall improvements. The impact of the oil price collapse in Q4 2018 continued to weigh on the industry, but the recovery in Q1 2019 was notable. The results of companies with significant exposure to oil and gas prices, such as ConocoPhillips, Chevron Corporation and BP plc, were particularly strong. The bottom line was further improved by lower operating costs and increased efficiencies.

Top three themes Q1 2019

1. Portfolio optimization
   - The results of oil, product and natural gas trading are highly dependent on the minds of the analytics community. Although the supply-demand picture is favorable for now, the ups and downs illustrate volatility in all types of assets and volatility in all markets. 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.

2. Casflow
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3. Project updates
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Financial trends

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Strategic trends

The portfolio has always been a focal point and capital allocation and M&A were front and center. North American had the most attention. The deals that were announced, deals that are being consummated that amount of where deals are in the process of consummating. We anticipate more in coming quarters in the North American landscape consolidates in the hands of operators with deep pockets, leading supply chains and the best technology.

Operational trends

The momentum toward best-in-class operations continues. Although the price environment has improved for many, analysts and companies are still focused on cost reduction and efficiency improvements. Now all along the oil and gas value chain. We see operators focus capital efficiency, refinery performance and value creation, asked by digitization, as they prioritize for many quarters to come.

Scope, limitations and methodology

The selection of 30 companies to examine for this report was based on a study of all Q1 2019. Several companies are included in this analysis, including EY Global Oil & Gas Leader.

Looking forward

We expect that the more companies in many developments, especially oil, pricing and midstream, are seeing greater increases in the portfolio could be a headwind to the short term with pricing pressures. Concern with capital and manage risks.