

Financial Review of the Global Oil and Natural Gas Industry: Third-Quarter 2019



Markets and Financial Analysis Team

December 2019

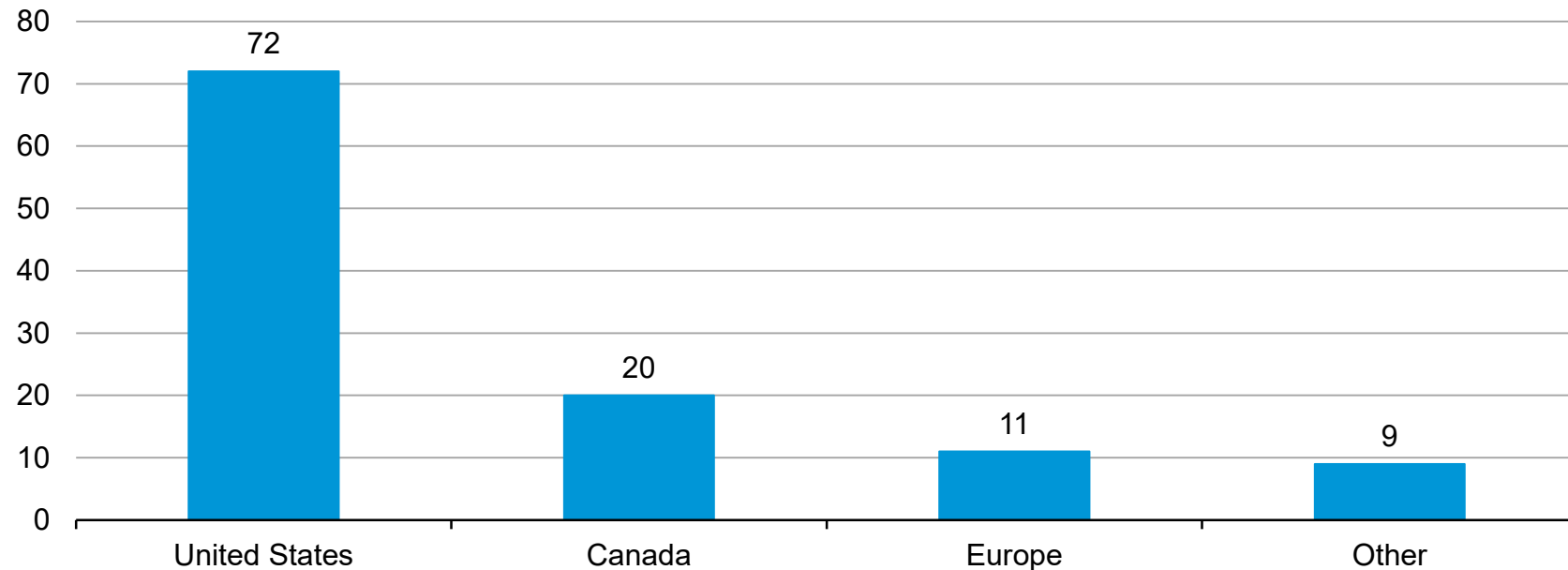
Key findings for third-quarter 2019

- Brent crude oil daily average prices were 18.2% lower in third-quarter 2019 than in third-quarter 2018 and averaged \$62 per barrel.
- Dividends plus net share repurchases equaled 24% of cash from operations, substantially lower than the six-year high of 33% set in first-quarter 2019.
- Cash from operations in third-quarter 2019 was \$128 billion, 12% lower than in third-quarter 2018.
- Capital expenditures were \$75 billion in third-quarter 2019, 9% lower than in third-quarter 2018.
- The percentage of companies reporting positive upstream earnings declined from 88% in second-quarter 2019 to 78% in third-quarter 2019; the percentage of companies reporting positive cash flow increased marginally from 48% to 52%.

Note: The 112 companies analyzed in this study publish publicly available financial statements. A full list of the companies included and a glossary of terms begin on slide 20.

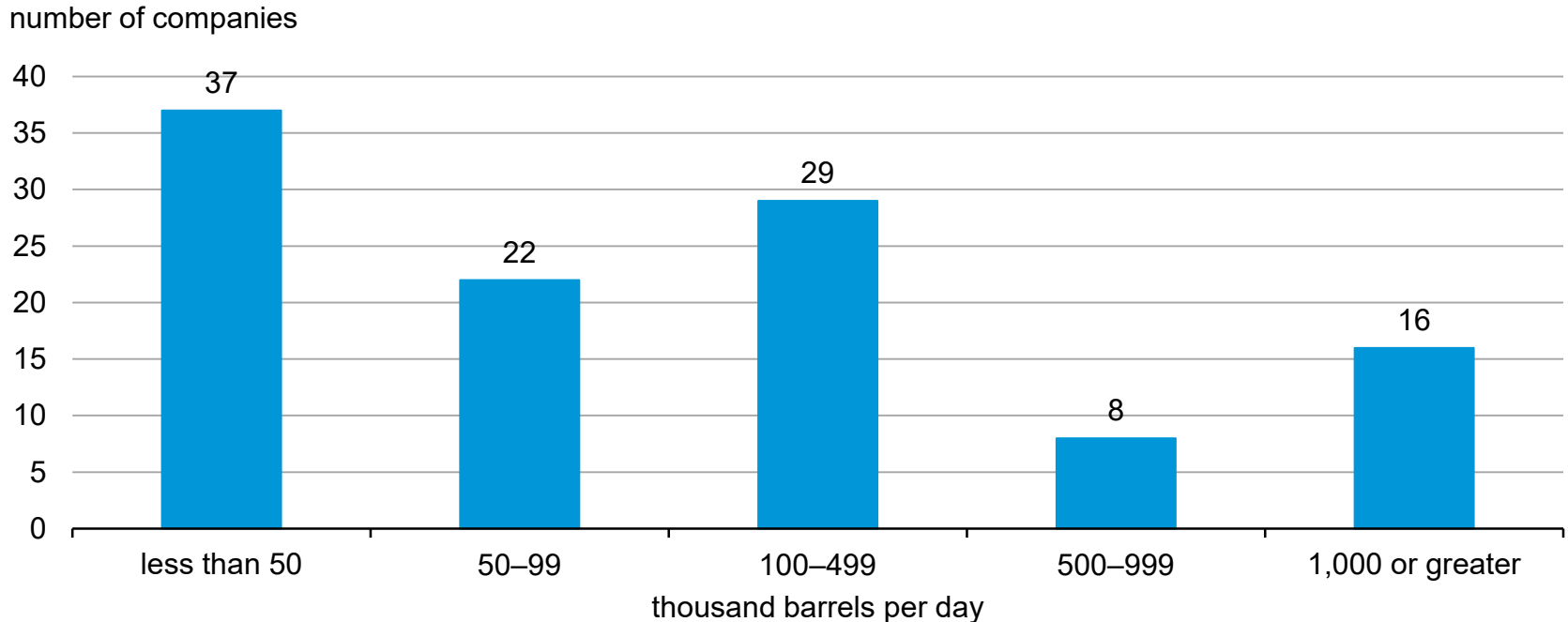
Geographic distribution of global oil and natural gas company headquarters, third-quarter 2019

number of companies



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Distribution of global energy companies by production of petroleum liquids, third-quarter 2019

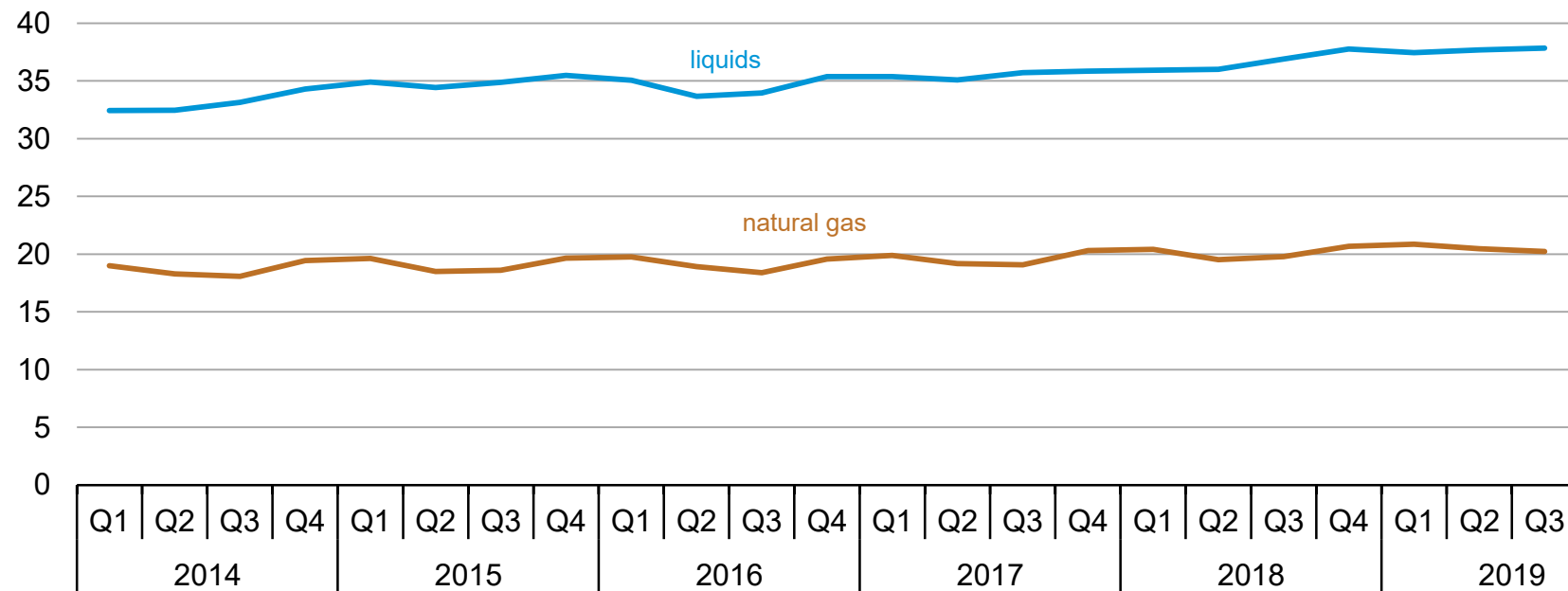


Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Liquids and natural gas production was 37.8 million barrels per day and 20.2 million barrels of oil equivalent per day, respectively, in third-quarter 2019

liquids and natural gas production from reported companies

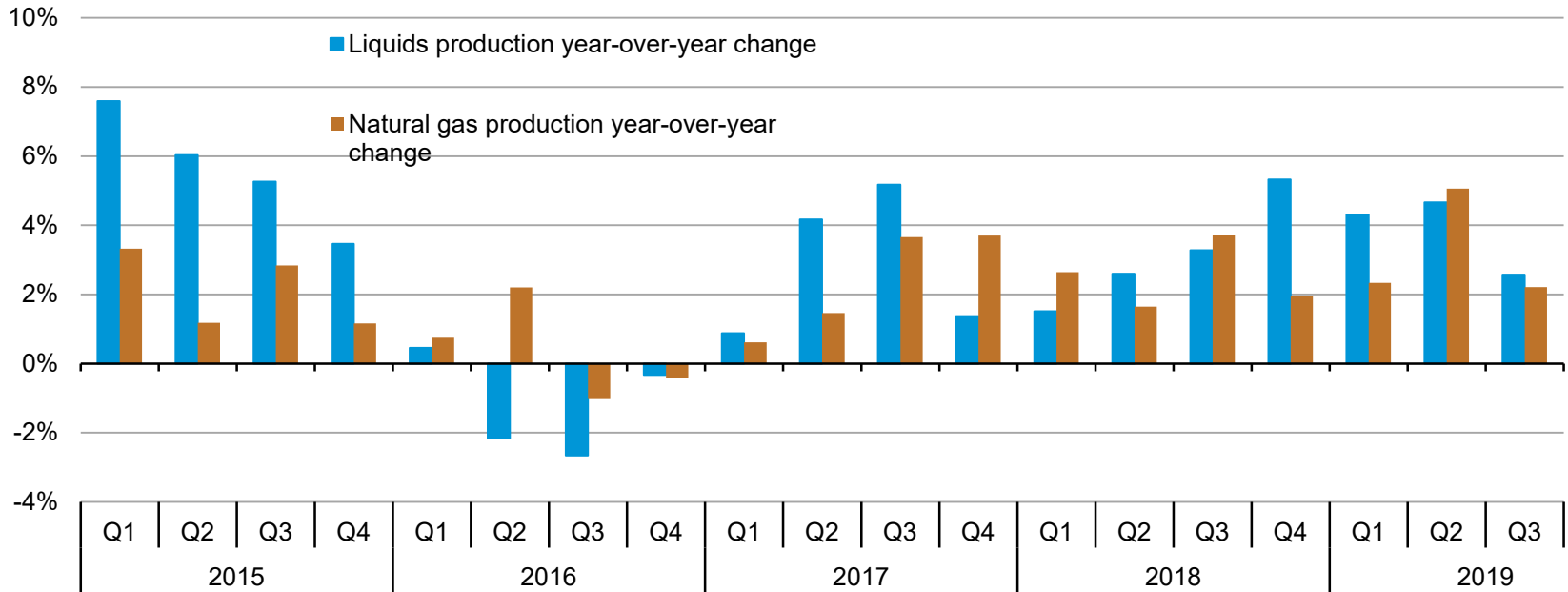
million barrels of oil equivalent per day



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

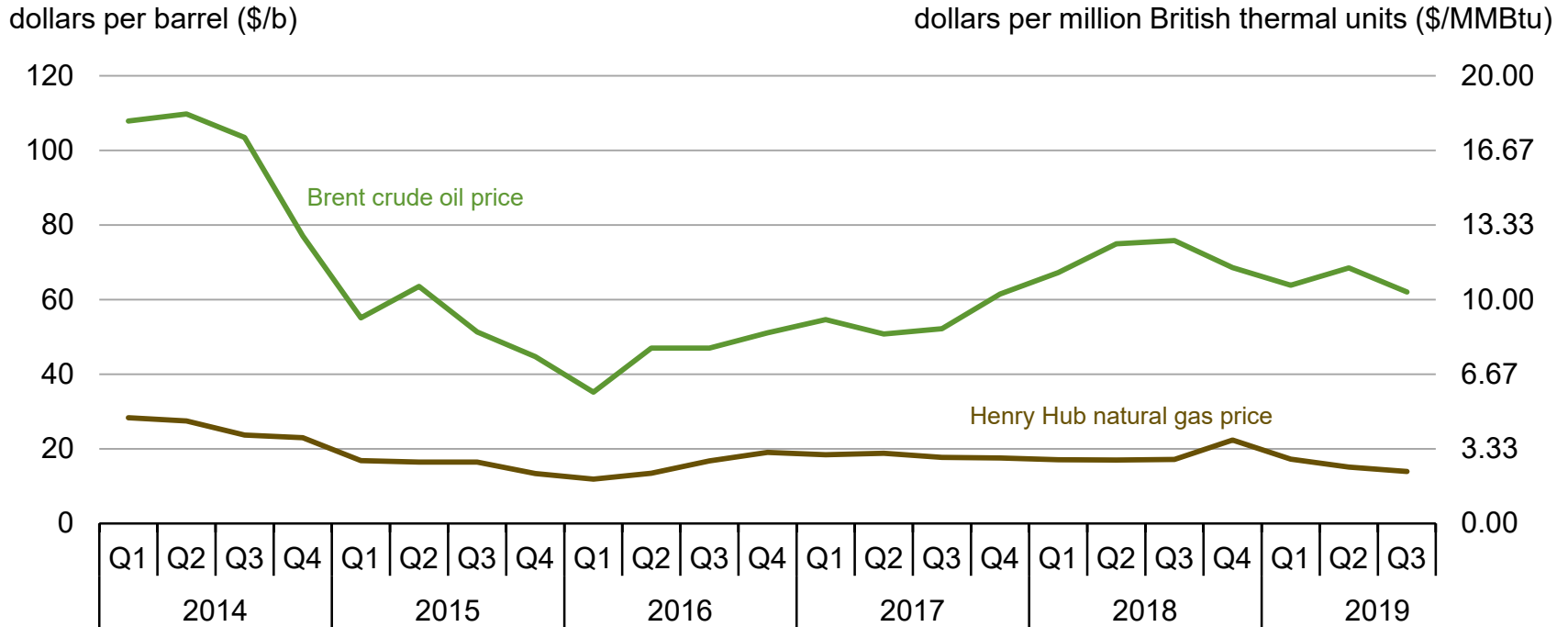
Global liquids production increased 2.6%, and natural gas production increased 2.2% year over year in third-quarter 2019

liquids and natural gas production
year-over-year change



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

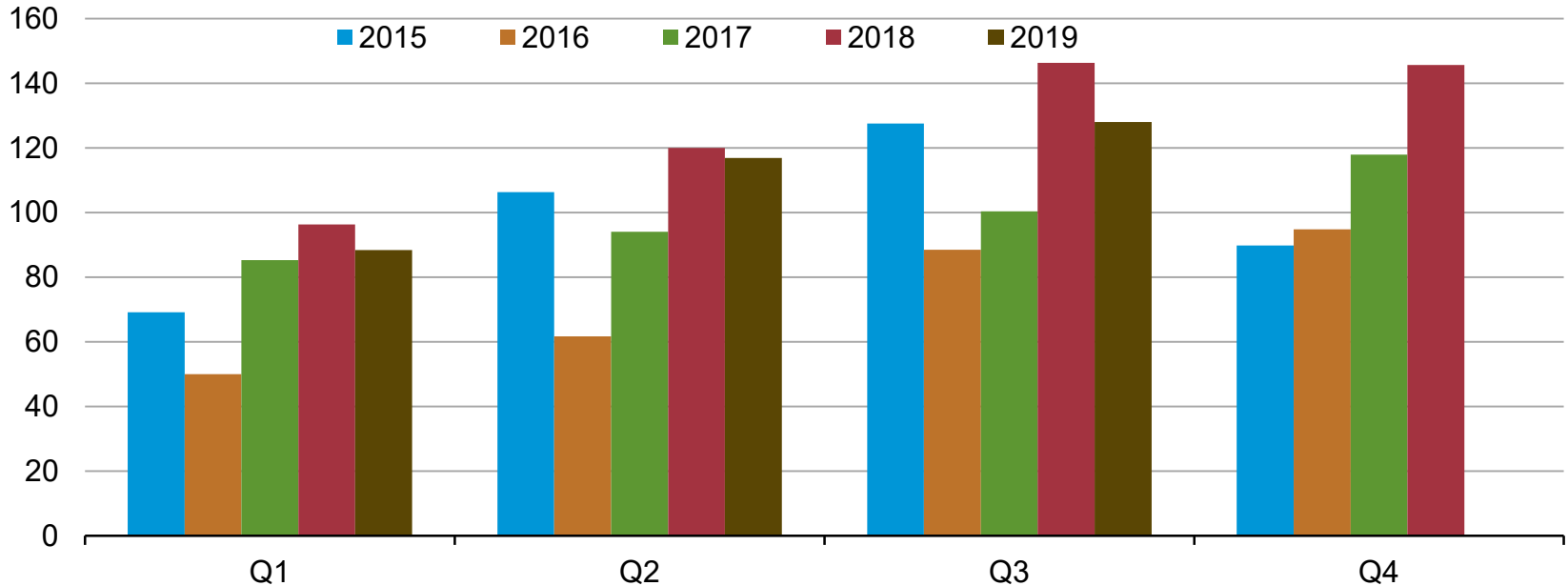
Third-quarter 2019 crude oil prices were 18.2% lower than in third-quarter 2018, and natural gas prices were 18.8% lower during the same period



Source: Bloomberg

Cash from operations in third-quarter 2019 was \$128 billion, 12.5% lower than in third-quarter 2018

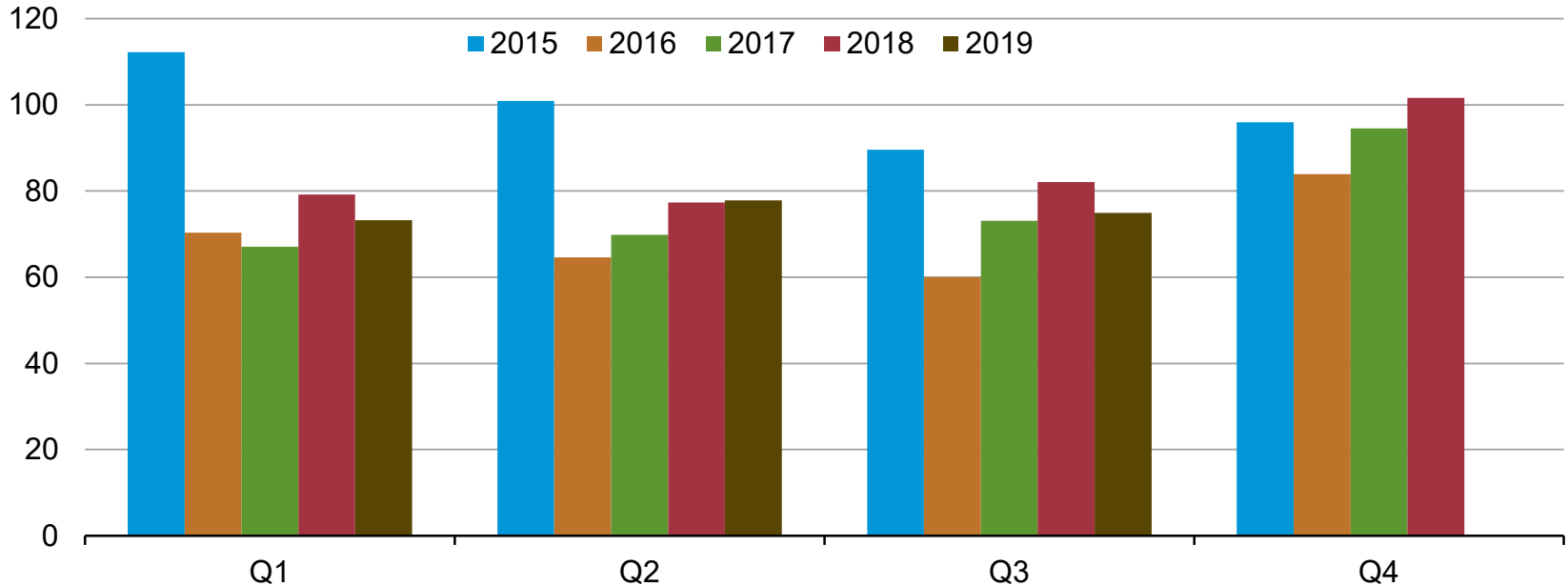
cash from operations
billion dollars



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

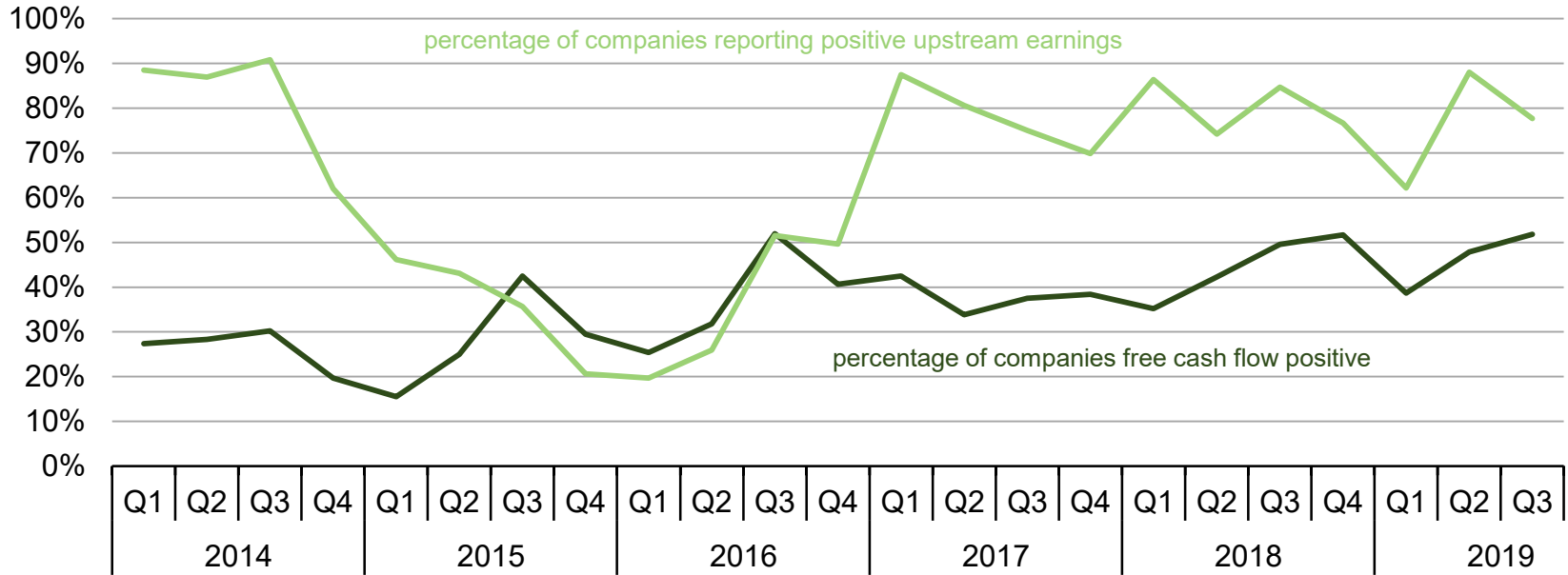
Capital expenditure in third-quarter 2019 was \$75 billion, 8.7% lower than in third-quarter 2018

capital expenditure
billion dollars



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

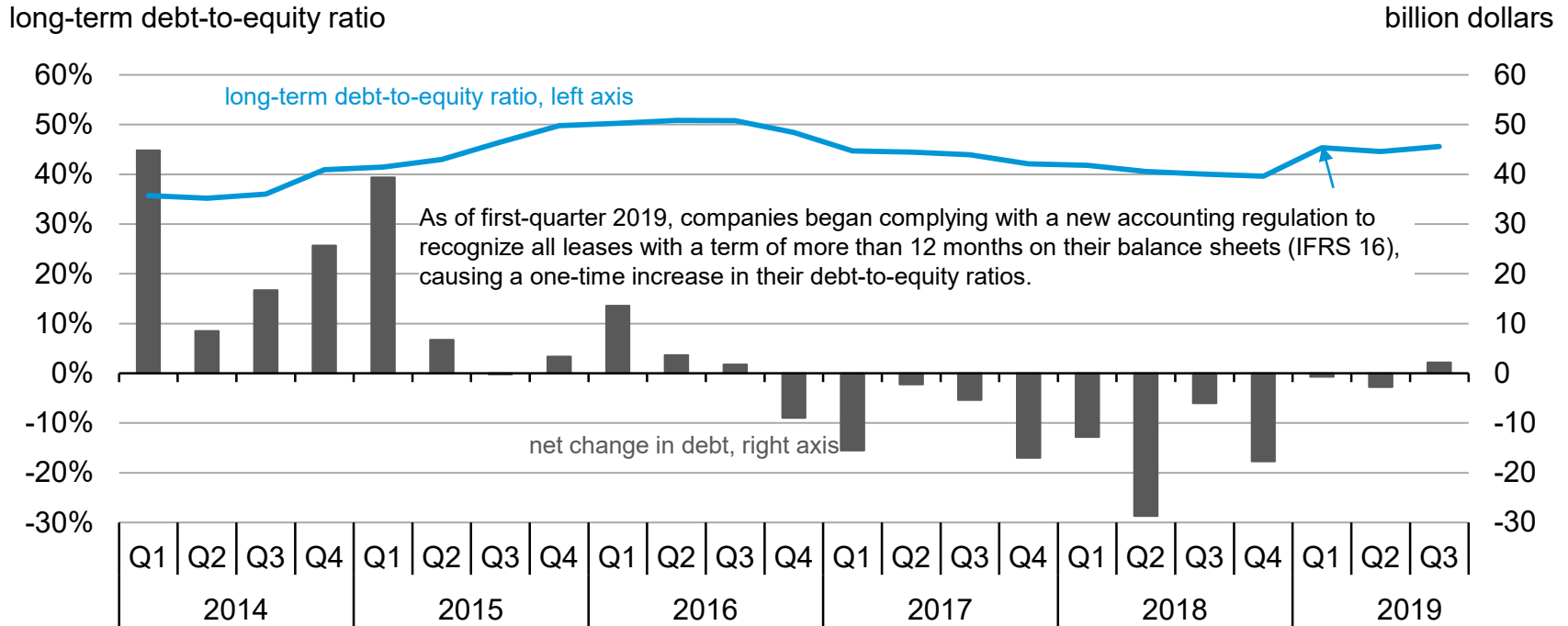
In third-quarter 2019, 52% of companies were free cash flow positive, and 78% of companies reported positive upstream earnings



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: free cash flow=cash from operations minus capital expenditures

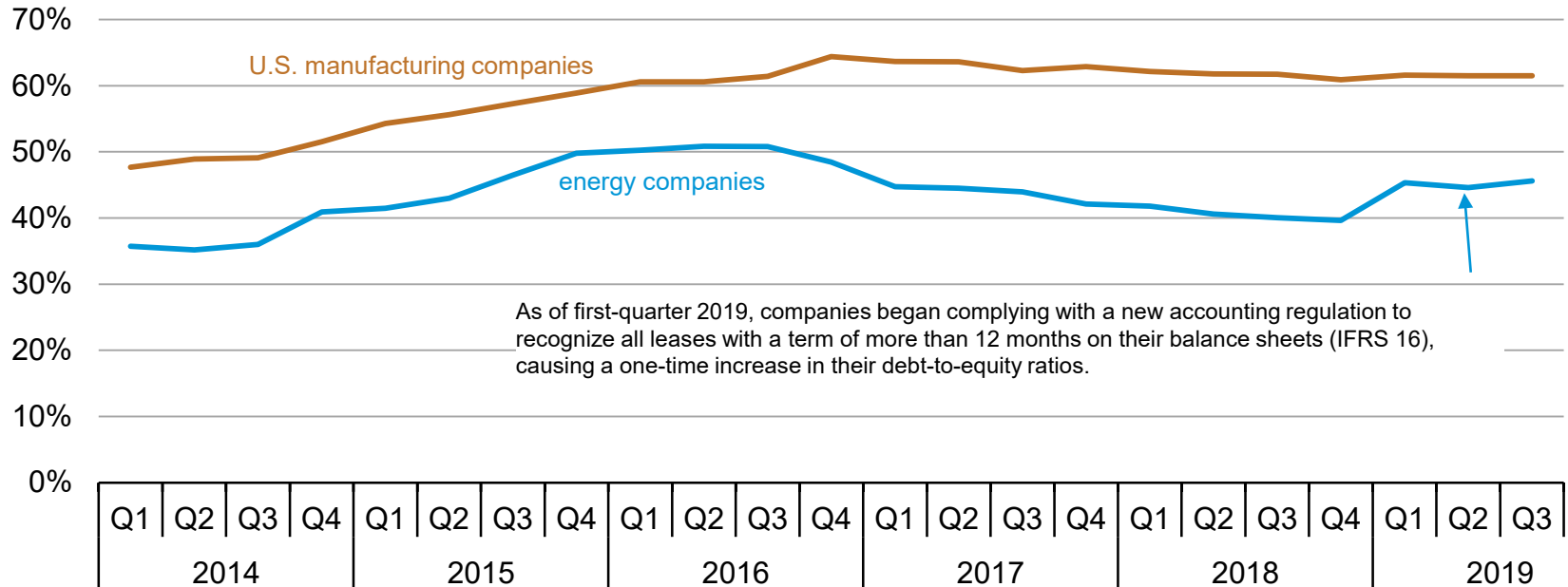
The companies had effectively no net change in debt in third-quarter 2019



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

The long-term debt-to-equity ratio for energy companies was 46% as of third-quarter 2019 and was 62% for U.S. manufacturing companies

long-term debt-to-equity ratio

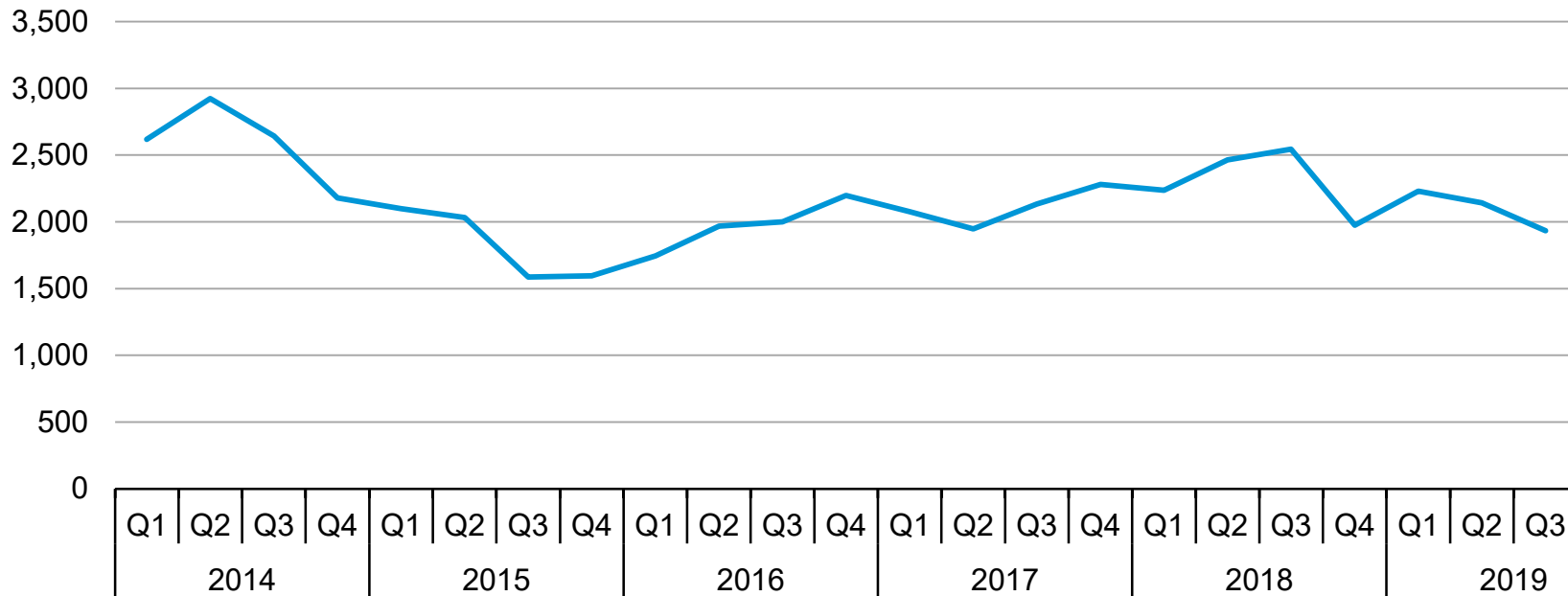


Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements and U.S. Census Bureau data

The energy companies' combined market capitalization in third-quarter 2019 declined 24% from third-quarter 2018

combined market capitalization

billion dollars

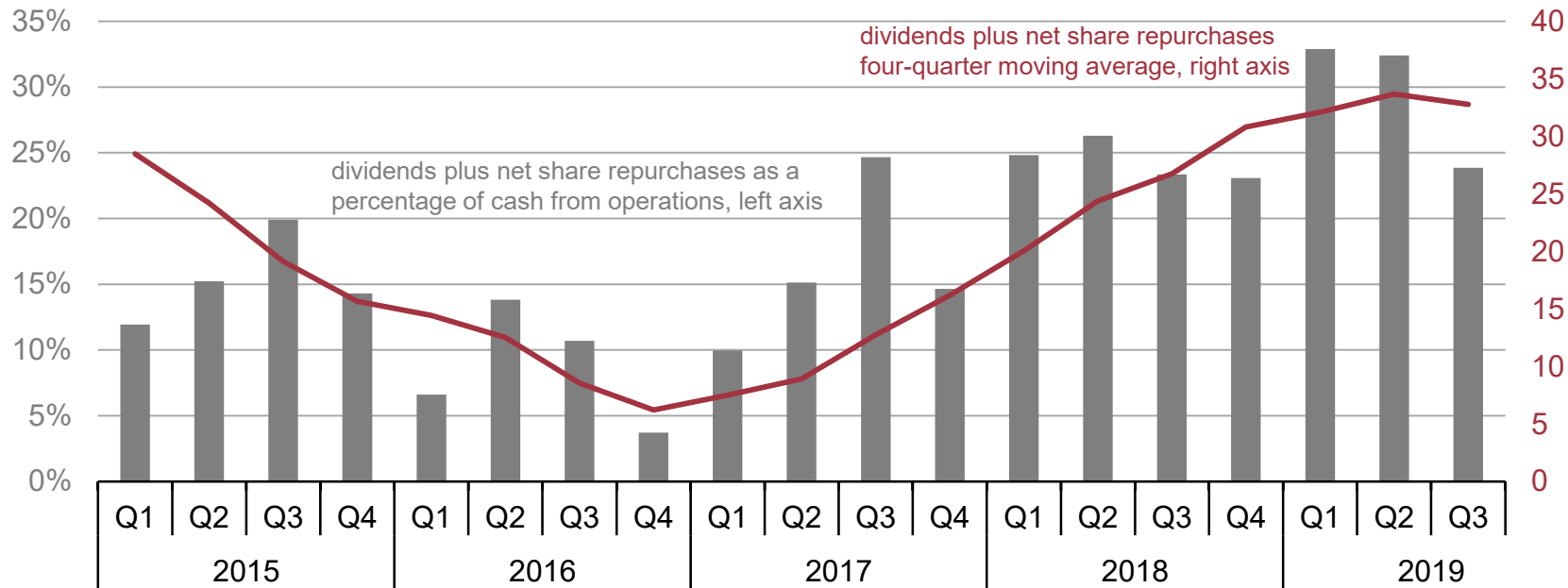


Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Distributions to shareholders via dividends and share repurchases amounted to 24% of cash from operations

dividends plus net share repurchases as a percentage of cash from operations

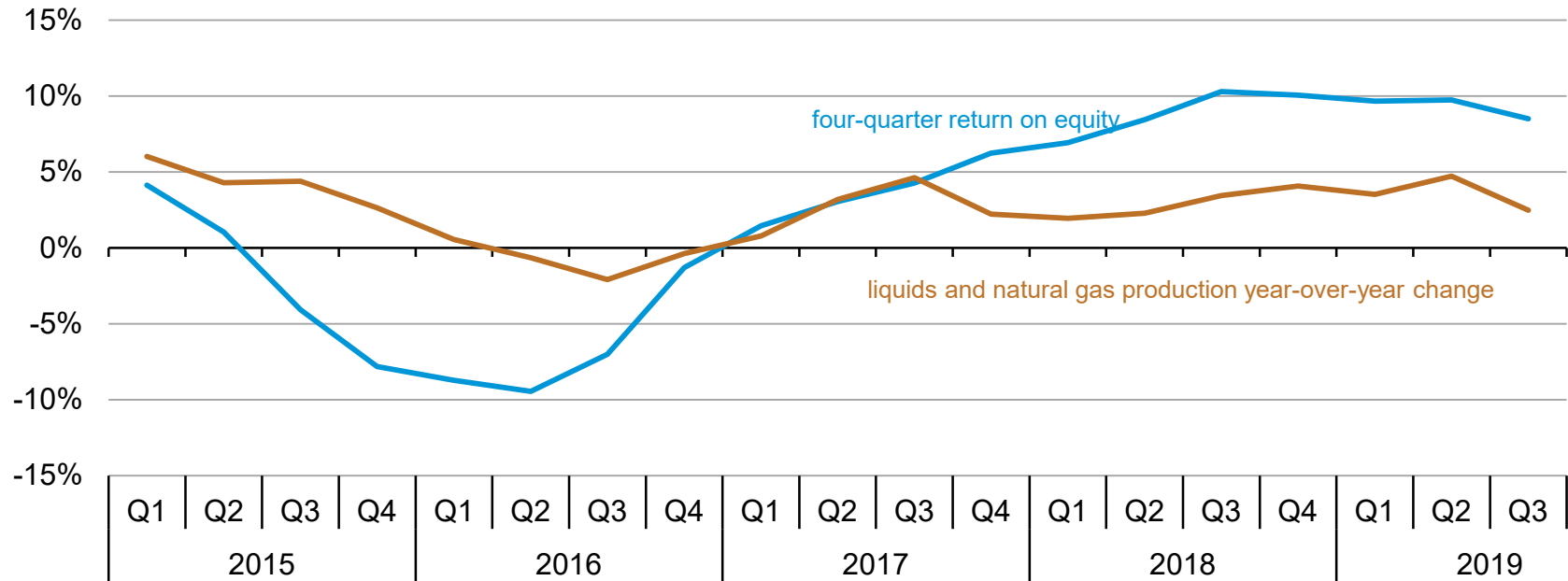
billion dollars



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

The energy companies' return on equity was 8.5% in third-quarter 2019

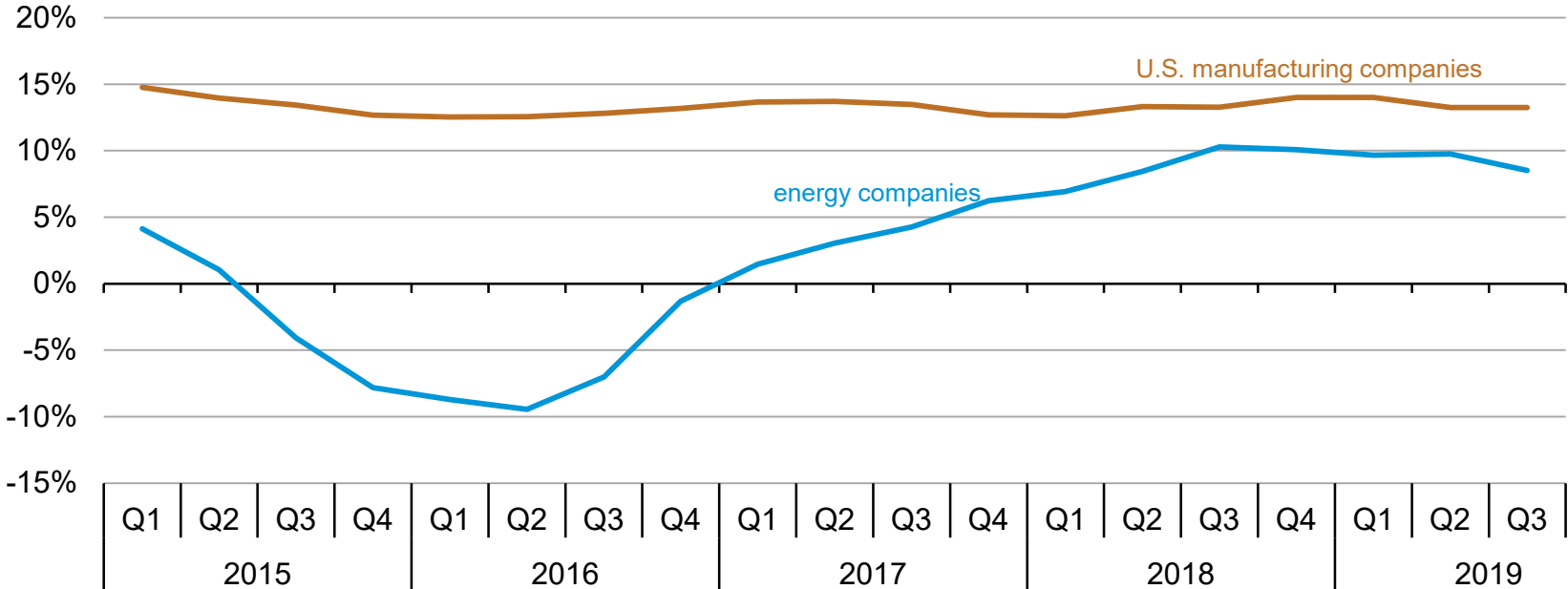
return on equity and production



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

The return on equity for energy companies remained lower than U.S. manufacturing company returns, and experienced a marginal dip in third-quarter 2019

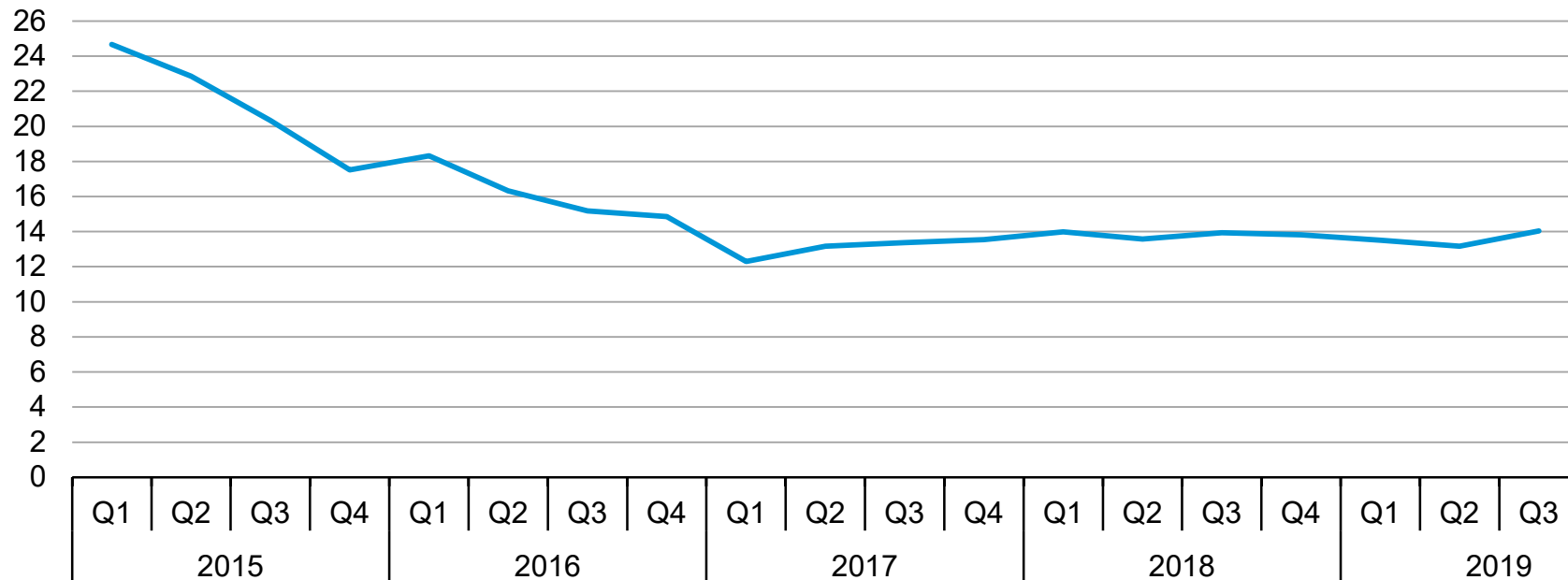
four-quarter return on equity



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements and U.S. Census Bureau data

Average upstream capital expenditures on a per-barrel basis increased by 0.8% in third-quarter 2019 versus third-quarter 2018

upstream capital expenditure/BOE produced
dollars per BOE, four-quarter moving average

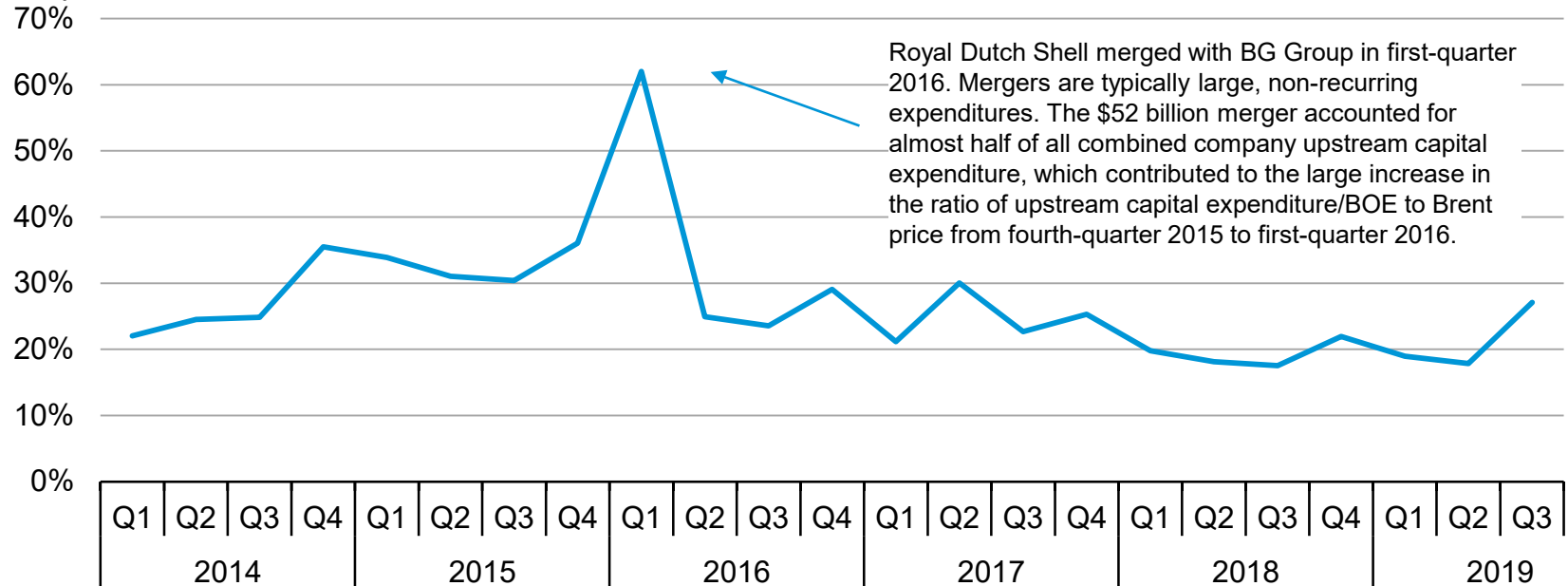


Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: BOE=barrel of oil equivalent

Capital expenditures per barrel of oil equivalent were 27% of crude oil prices in third-quarter 2019, 10 percentage points higher than in second-quarter 2019

ratio of upstream capital expenditure per BOE to Brent price



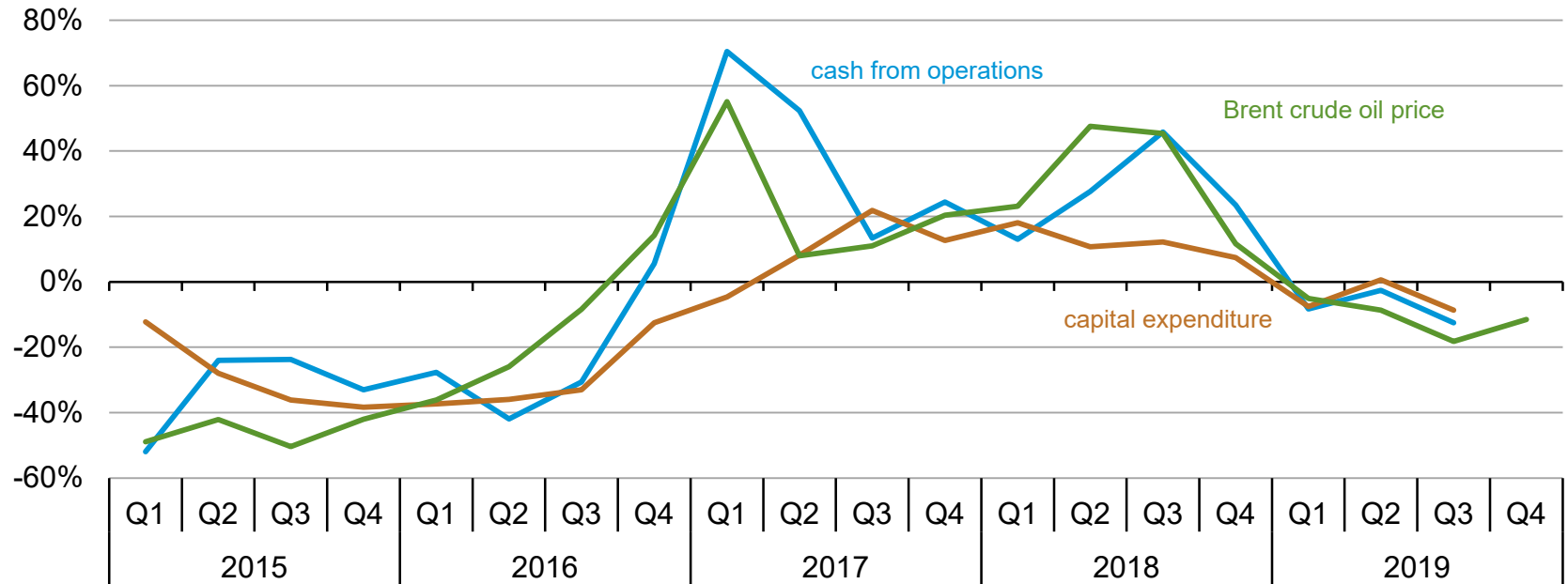
Royal Dutch Shell merged with BG Group in first-quarter 2016. Mergers are typically large, non-recurring expenditures. The \$52 billion merger accounted for almost half of all combined company upstream capital expenditure, which contributed to the large increase in the ratio of upstream capital expenditure/BOE to Brent price from fourth-quarter 2015 to first-quarter 2016.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: BOE=barrel of oil equivalent

Crude oil price increases in fourth-quarter 2019 could contribute to growth in cash from operations or capital expenditures

cash flow items and Brent prices
year-over-year change



Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements and Bloomberg data

Appendix: List of companies

Abraxas Petroleum Corporation	Concho Resources Inc	GeoPark Limited	Northern Oil & Gas, Inc	Northern Oil & Gas, Inc	Royal Dutch Shell	YPF Sociedad Anonima
Aker BP ASA	ConocoPhillips	Gran Tierra Energy Inc.	Oasis Petroleum Inc.	Oasis Petroleum Inc.	Royale Energy Inc.	Yuma Energy, Inc.
Amplify Energy Corp. (Pre-Merger)	Contango Oil and Gas Company	Halcon Resources Corporation	Obsidian Energy Ltd.	Obsidian Energy Ltd.	Sanchez Energy Corp	
Antero Resources Corporation	Continental Resources, Inc.	Hess Corporation	Occidental Petroleum Corporat	Occidental Petroleum Corporation	SandRidge Energy, Inc.	
Apache Corporation	Crescent Point Energy Corp	HighPoint Resources Corporati	OMV	OMV	Seven Generations Energy Ltd.	
Approach Resources Inc	Denbury Resources Inc.	Houston American Energy Corp	Paramount Resources Ltd.	Panhandle Oil & Gas Inc.	Sherritt International Corp	
Baytex Energy Corp.	Devon Energy Corporation	Husky Energy Inc.	Parex Resources Inc.	Paramount Resources Ltd.	Sinopec	
Berry Petroleum Corporation	Diamondback Energy Inc.	International Petroleum Corpo	Parsley Energy Inc.	Parex Resources Inc.	SM Energy Company	
Black Stone Minerals LP	Earthstone Energy Inc.	Jagged Peak Energy Inc.	PDC Energy, Inc.	Parsley Energy Inc.	SRC Energy Inc	
Bonanza Creek Energy Inc	Montage Resources Corporation	Kosmos Energy Ltd	PEDEVCO Corp.	PDC Energy, Inc.	Suncor Energy Inc.	
BP Plc.	Ecopetrol	Laredo Petroleum	Pengrowth Energy Corporation	PEDEVCO Corp.	Talos Energy Inc.	
Cabot Oil & Gas Corp.	Encana Corporation	Legacy Reserves Inc.	Penn Virginia Corporation	Pengrowth Energy Corporation	Total	
California Resources Corporation	Enplus Corporation	Lilis Energy Inc.	Petrobras (IFRS US\$ Current)	Penn Virginia Corporation	TransAtlantic Petroleum Ltd.	
Callon Petroleum	ENI	Lonestar Resources US, Inc.	PetroChina	Petrobras (IFRS US\$ Current)	TransGlobe Energy Corporation	
Camber Energy, Inc.	EOG Resources	Lukoil (IFRS)	Pioneer Natural Resources Com	PetroChina	Unit Corp	
Canadian Natural Resources Limite	EP Energy Corporation	Lundin Petroleum AB	QEP Resources Inc	Petrominerales Ltd.	Vaalco Energy Inc	
Carrizo Oil & Gas, Inc	Equinor ASA	Magnolia Oil & Gas Corporatio	Range Resources Corporation	PetroQuest Energy, Inc	Grizzly Energy LLC	
Cenovus Energy Inc.	Extraction Oil & Gas, Inc.	Marathon Oil Corp.	Repsol	Pioneer Natural Resources Company	Vermillion Energy Inc.	
Centennial Resource Development	ExxonMobil	Matador Resources Company	Ring Energy Inc	QEP Resources Inc	W & T Offshore	
Chesapeake Energy Corp.	Frontiera Energy Corporation	Mid-Con Energy Partners, LP	Roan Resources Inc.	Range Resources Corporation	Whitecap Resources Inc.	
Chevron Corporation	Galp Energia	Murphy Oil Corporation	Rosehill Resources Inc.	Repsol	Whiting Petroleum Corporation	
Cimarex Energy Co.	Gazprom Neft	Noble Energy	Rosneft	Resolute Energy Corporation	WPX Energy, Inc.	

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: Some companies merged, split, or de-listed before 2019. A total of 112 companies existed in third-quarter 2019.

Background

- This analysis focuses on the financial and operating trends of 112 global oil and natural gas companies (called the *energy companies*).
- These data come from the public financial statements each company publishes, which a data service (Evaluate Energy) aggregates for ease of data analysis.
- An energy company's assets that were acquired by another company in the group after first-quarter 2014 were kept in the data for previous quarters.
- Several charts show comparisons between energy companies and the U.S. manufacturing industry. These data were collected from the U.S. Census Bureau's *Quarterly Financial Report*.

Brief description of terms

- *Cash from operations* is a measure of income from the company's regular business activities.
- *Capital expenditure* represents cash used to purchase property, plant, and equipment.
- *Financing activities* measure inflows and outflows in debt or equity markets, including dividends, share issuances or repurchases, and debt issuances or repayments.
- *Return on equity* is a measure of the profit a company earns on money that shareholders have invested.
- *Market capitalization* is the total value of all of a company's outstanding publicly traded shares.

Brief description of terms

- *Net income* represents profits after taxes and depreciation.
- *Asset impairments* occur when a company lowers the estimated value of a property to reflect current market value, which may result from the loss of production potential or a decline in oil prices.
- *Upstream activities* refers to crude oil exploration, production, and other operations before refining.
- *Downstream activities* refers to refinery operations, product sales, and marketing at the wholesale and retail levels.