



SUMMARY OF INVESTMENT ANALYSIS

Instrument: Royal Dutch Shell Plc.**Ticker (Stock Exchange)/Price: RDS.A (NYSE)/54.72 USD****Sector: Energy****Industry: Integrated Oil and Gas****Description:**

One of the most well-known companies, Royal Dutch Shell is one of direct and most prominent competitors to Exxon Mobil company. With its reserves estimated at 11.9 billion barrels worldwide it surely is one of the biggest players on the oil market. It has established production of oil in Nigeria, Oman, the US and the United Kingdom. Besides exploration, transportation and production of oil and chemical products, it is developing the oil sands business through Athabasca project in Alberta. The plan involves extracting bitumen from the oil sands and then converting it to synthetic crude oil. The company is also engaged in research of various renewable energy sources. **Royal Dutch Shell operates 46.000 gas station units, which constitutes world's largest network.**

Commentary:**Graph:**

- In the first quarter 2009 company's production has increased by approximately 4 mln. Barrels per day – about 2.5% more, compared with a year earlier.
- In such dire economic circumstances, dividends are highly valued by investors. First quarter of the year was affected by the weaker global economy. Dividends for first quarter will be 0.42 USD per share, which I increase by 5%. The company extended its investment in their future profitability. Industry continues to be challenging and the company's focus on capital discipline and cost.
- Net income of the Company decreased by 64 % to 2.56 billion dollars from 7.09 billion dollars year earlier. Revenue fell by 47 % to 48.09 billion dollars. The main reason is that the price of oil fell by about 60 % for the year of 97 dollars one year ago, to 44 dollars in the first quarter, which is a significant decrease by 53%.
- Since the beginning of the year OPEC is fighting effectively with the price drop of oil cutting the production numerous times and probably this policy will prolong by the end of the year. The result so far is positive-oil futures climbed more than 130% and at the moment it is at 70\$ per barrel, as investors poured money into the commodity as a hedge against a weakening U.S. dollar and inflation.
- **Shell** plans to invest \$32 billion in 2009, which is the biggest investment by a public company in the world. CFO of the company stated that the amount is not a problem for **Shell** and it won't increase net debt as a proportion of capital employed too much and that shows the financial stability of the company.
- **Shell** is close to completion of its huge investment projects two of which are the Pearl plant for converting gas to liquid fuels and the QatarGas 4 liquefied natural gas project, both in Qatar. The construction is expected to be finished around the end of 2010. Thus, the company expects its in production to rise 2-3% a year to 2012.
- Current increasing oil prices will help the company to





enhance its revenue and profit in second quarter of 2009. This will reflect positively on the share price. From February onwards, when was the biggest oil drop, Shell's shares jumped 30 percent.

Basic fundamental data:

Market Capitalization:	170.77 billion USD	P/E (price/earnings):	8.17
Beta:	0.87	EPS:	6.70
ROA:	5.00%	Net Income	3,488 billion USD
ROE:	11.03%	Net profit margin	6.04%

Main competitors

BP (BP)
Chevron (CVX)
Exxon Mobil (XOM)

Market Price:**54.72**

1 month change: +9.81%
3 months change: +30.63%

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Sources: www.bloomberg.com, www.reuters.com, www.yahoo.com, www.biqcharts.com,

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