

## ARETE CAPITAL VIEW

- After recovering from the Oil price rout and after successfully completing British Gas mega merger, Royal Dutch Shell represents a solid and safe addition to portfolios, with attractive dividend yields.
- We believe that shares will be stable and move upwards in the 12 months to come and view price weakness as an interesting opportunity to accumulate shares with a > 7% dividend yield.

## OPPORTUNITIES

- RDSB is one of the largest integrated oil companies in the world, and has been in a rebuilding phase after the great oil price fall out. This position is intended as a long-term hold.
- Mega merger with British Gas now largely completed, management has been selling non-strategic assets and cost cutting to pay down increased debt load associated with the BG purchase.
- Strategically the move Natural Gas makes sense given support from China and India. In the meantime, RDSB provides a high dividend that is well covered.
- Recent softness in shares, despite stronger oil prices, provides opportunity to accumulate and add to position.

## RISKS

- Further moves lower in energy prices, particularly natural gas
- New technologies increasing oil supply, decreasing prices, and giving rise to alternate sources of energy.
- Management has work cut out in increasing return on invested capital, which currently lags weighted average cost of capital.
- Any issues in maintaining strong Free Cash Flow in order to protect the dividend, which is a major focus amongst investors.

## BUSINESS SUMMARY

The Royal Dutch Shell plc explores for crude oil and natural gas around the world, both in conventional fields and from sources, such as tight rock, shale and coal formations. The Company's segments include Integrated Gas, Upstream, Downstream and Corporate. The Integrated Gas segment is engaged in the liquefaction and transportation of gas and the conversion of natural gas to liquids fuels and other products. The Upstream segment engaged in the exploration and extraction of crude oil, natural gas and liquids, the marketing and transportation of oil, gas, and Oil Sands. The Downstream segment is engaged in oil products and chemicals manufacturing, and marketing activities.

## FINANCIAL SUMMARY

For the six months ended 30 June 2017, Royal Dutch Shell plc revenues increased 35% to \$143.93B. Net income from \$1.66B to \$5.08B. Revenues reflect Downstream segment increase of 35% to \$124.33B, Oil Equivalent Production (Barrels/Day) increase of 4% to 2.8M barrels per day. Net income benefited from Exploration and Development Costs decrease of 30% to \$698M, Selling and Distribution expenses decrease of 24% to \$4.81B (expense).

## 5 YEAR CHART



## RATIOS

Dividend Yield	6.59
P/E (Trailing)	29x
P/E Forward Est.	14x
Annual free cash flow	- 1.5 billion USD

## INCOME STATEMENT Billion (USD)

	2012	2013	2014	2015	2016
Revenue	467,153,000,000	451,235,000,000	421,105,000,000	264,960,000,000	233,591,000,000
Total Operating Expense	430,130,000,000	424,283,000,000	401,214,000,000	268,178,000,000	232,733,000,000
Operating Income	37,023,000,000	26,952,000,000	19,891,000,000	-3,218,000,000	858,000,000
Net Income Before Taxes	50,512,000,000	33,592,000,000	28,314,000,000	2,047,000,000	5,606,000,000
Net Income After Taxes	26,960,000,000	16,526,000,000	14,730,000,000	2,200,000,000	4,777,000,000
Net Income Before Extra. Items	26,712,000,000	16,371,000,000	14,874,000,000	1,939,000,000	4,575,000,000

## PROFITABILITY ANALYSIS

	2012	2013	2014	2015	2016	Latest
ROE Tot Equity, %	16.03	9.23	8.45	1.16	2.62	4.17 *
ROA Tot Assets, %	7.84	4.67	4.15	0.63	1.27	2.01 *
Income Aft Tax Margin, %	5.77	3.66	3.50	0.83	2.05	3.08 *
Revenue/Tot Assets	1.36	1.28	1.19	0.76	0.62	0.65 *
Long Term Debt/Equity, %	17.12	20.12	22.29	32.45	44.46	41.82 **
Total Debt/Equity, %	21.60	24.75	26.48	35.84	49.55	46.80 **