

# Knight Bridge Investment Consultants Limited – Oil and Gas Earnings Season Preview

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HONG KONG, HONG KONG, HONG KONG, July 25, 2018 /EINPresswire.com/ -- [Knight Bridge](#)'s purpose is to provide access to alternative investment strategies for clients seeking to achieve a diverse and profitable portfolio. Today's asset allocation landscape is more than just equities and bonds. Our goal is to keep our clients fully informed as to the different alternatives available in today's climate, maximizing returns and allocating investment products for long-term results that support clients' retention for their investment cycle.



Six oil and gas majors will report second-quarter financials this week, with earnings expected to trend higher on the back of higher crude prices and robust refining margins, said Adam Sherwin of [KBICL](#). Based on its expectations going into the second quarter, the majors are set to achieve cash flow neutrality at an average of \$55/bbl in 2018 after dividends and buybacks. Despite growing profitability, the firm expects messages of capital discipline and offered themes to look for next week.

Balance sheet strength: Bringing down gearing will remain a top priority for Royal Dutch Shell PLC (progress on the disposal program will help), BP PLC (second-quarter Macondo payments will impact) and Equinor SA (gearing could be up on the back of recent acquisitions). Less of a concern for ExxonMobil Corp., Chevron Corp., Eni SPA, and Total SA, which reported gearing below 20% at the end of the first quarter.

Investment and costs: Expect adherence to tight capital budgets set at the start of the year; revisions are more likely to be down than up. There will be more evidence of falling conventional breakevens paving the way for new project sanctions.

Key project updates: Most of the majors have trumpeted strong growth prospects, and investors will want to hear positive news on the likes of Zohr (Eni and BP), Guyana (ExxonMobil), Johan Castberg (Equinor and Eni), Tengiz (Chevron and ExxonMobil), Appomattox (Shell) and Icthys (Total). Tight oil growth will be a focus for Chevron and ExxonMobil. There will be questions on presanction LNG projects—LNG Canada (Shell), Mozambique (ExxonMobil and Eni), Arctic LNG-2 (Total), and Mauritania-Senegal (BP)—but no big announcements just yet.

Disposal programs: Shell will come within a whisker of its \$30-billion disposal target, having closed \$4.8 billion of deals in the second quarter. Additional announcements could be imminent,

with reports last week of a possible \$2-billion disposal onshore Nigeria. BP will be questioned on the pace on its disposal program. KBICL thinks other majors could step up restructuring: Chevron and (perhaps) Total are selling in Europe; Equinor could look to offset recent acquisitions; opportunity-rich ExxonMobil could be poised for a phase of high-grading.

As for US independents, KBICL said, second-quarter results will focus on exposure to Permian basin challenges such as export bottlenecks and Midland price differentials. Analysts will want detail on firm pipeline capacity, truck, and rail takeaway options. Knight Bridge expects differentials to stay wide (averaging around \$7/bbl) until fourth-quarter 2019, when new pipeline capacity will provide relief. Bad news on parent-child wells, gas-oil ratios, or steep decline rates would further damage confidence following operational hiccups of second-quarter 2017.

The progressive increase in oil prices over the year will have a knock-on effect for other oil and gas related sectors as the major oil companies post profits throughout the year. One stock to watch is the Rowan Companies Plc. This oil and gas drilling exploration company has significant ties with several of the key industry leaders and looks set to continue deploying its fleet on their behalf. Rowan has consistently been an integral part of the exploration process for Exxon Mobil specifically and they have joint ventures with Saudi Aramco which have solidified their presence within the industry.

To find out how you can get involved in this market, visit [www.knightbridgeinvestment.com](http://www.knightbridgeinvestment.com) or contact us at [info@knightbridgeinvestment.com](mailto:info@knightbridgeinvestment.com) for further information.

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