



RESEARCH & INFORMATION

Client / Target Briefing: Shell Plc

July 2024 - contact the Research & Information Team via the Enquiries Desk if an updated pack required

Compiled by the Research & Information Team

Fundamentals

- **Description:** Provider of crude oil, natural gas, and natural gas liquids (NGLs); transports oil and gas; operates upstream and midstream infrastructure to deliver oil and gas
- **Segments:** Downstream, Integrated Gas, Upstream, Corporate
- **Key brands:** Shell and V- Power
- **Listed:** London Stock Exchange, Bern Stock Exchange, Boerse Berlin, Boerse Duesseldorf, Boerse Frankfurt, Boerse Hamburg, Boerse Hannover, Boerse Munchen, Boerse Stuttgart, Bolsa Mexicana de Valores, Euronext Amsterdam, Prague Stock Exchange, US Exchange, XETRA Stock Exchange
- **Market cap:** £ 166.90 bn
- **Locations:** Europe, Asia, Oceania, Africa, and the Americas. Headquartered in London.
- **Employees:** 100,000
- **Competitors:** BP Plc, Chevron Corporation, ConocoPhillips, Exxon Mobil Corporation, Hess Corporation, Petroleo Brasileiro SA, TotalEnergies S.E.

Source: Fame, MarketLine (December 2023)

Advisers

Law Firm	Baker & Mckenzie, London; Morrison & Foerster; Cravath, Swaine & Moore; Slaughter and May
Accounting	Ernst & Young
Financial	Jefferies; BNP Paribas

Source: Capital IQ, Adviser Rankings

Key Financials

	2021 FY	2022 FY	2023 FY
Period Ended	31/12/2021	31/12/2022	31/12/2023
Reported Currency Code	USD	USD	USD
Total Revenue (\$M)	261,504	381,314	316,620
Total Revenues, 1 Year Growth (%)	44.84	45.82	(16.97)
Gross Profit (\$M)	62,770	97,308	78,497
Gross Profit Margin (%)	24.00	25.52	24.79
EBITDA (\$M)	50,184	78,866	46,218
EBITDA Margin (%)	19.19	20.68	14.60
EBIT (\$M)	25,155	64,880	35,398
EBIT Margin (%)	9.62	17.02	11.18
Earnings from Cont. Ops. (\$M)	20,630	42,874	19,636
Earnings from Cont Ops Margin (%)	7.89	11.24	6.20
Net Income (\$M)	20,101	42,309	19,359
Net Income Margin (%)	7.69	11.10	6.11
Diluted EPS Excl. Extra Items (\$)	2.57	5.71	2.85
Diluted EPS Before Extra, 1 Year Growth (%)	NM	122.18	(50.09)
Owned/Operated Same Store Sales Growth (%)	NA	NA	NA

Source: Capital IQ

Share price over 3 years



Key: FTSE 100 compared to Shell PLC



Shell PLC

Source: Financial Times

M&A transactions (last 6 months)

- **Shell sells interest in SouthCoast Wind to existing joint venture partner Ocean Winds.** Shell New Energies US, a subsidiary of Shell, has sold its 50% equity share in SouthCoast Wind, a joint venture established to develop offshore wind projects off the coast of Massachusetts, to Ocean Winds North America. (21 March 2024)
- **Pavilion Energy owner Temasek selects Shell, Saudi Aramco for final bids.** Shell and Saudi Aramco have been identified by Singapore's sovereign wealth fund Temasek as the final bidders for most of the assets of Pavilion Energy, a Singapore-based LNG merchant. (5 March 2024)
- **Shell's Savion begins marketing about 25% of solar assets.** Jefferies is managing the sale of a portfolio that includes up to 10.6 gigawatts of solar generation and storage facilities in development, and parts of the projects, Reuters reported. (29 Feb 2024)
- **Shell to divest 80% stake in Munmu Baram to JV partner Hexicon.** Shell has reached an agreement to divest its entire 80% stake in the 1.25GW Munmu Baram offshore wind project near Ulsan, South Korea, to the joint venture partner Hexicon, reported The Guru. (23 Feb 2024)
- **Shell plans sale of 75% of Sprng's operational assets.** Shell, which acquired Sprng Energy for USD 1.55bn in 2022 from UK-based Actis, plans to sell the majority of the close to 2.5 GW operational or de-risked portfolio while retaining 100% in the up to 700 MW development phase assets. (31 Jan 2024)
- **Sale of Shell's stake in Sakhalin-2 project to Novatek at stage of terms legal consideration.** The sale of Shell-owned stake in Sakhalin 2 energy project in Russia to Novatek, a Russian independent gas producer, is at a stage of terms legal consideration, Prime reported. (18 Dec 2023)
- **Shell hires Ambit for valuation exercise on Sprng Energy ahead of stake sale.** Shell has hired Ambit Group to value Indian renewable energy platform Sprng Energy ahead of its planned minority stake sale in the latter's operational assets, mint reported. (8 Nov 2023)
- **Shell Petroleum executes SPA to sell 77.42% stake in Pakistan unit to Wafi Energy.** The Shell Petroleum Company, a unit of British energy group Shell, has executed an SPA to sell a 77.42% stake in Pakistan-based petroleum product unit Shell Pakistan to Saudi Arabia-based fuel retailer Wafi Energy, according to a stock exchange filing. Legal Advisers: Baker McKenzie. (1 Nov 2023)

Source: Mergermarket

Strategy

Generating shareholder value

- Generate more value for shareholders through disciplined capital allocation and a focus on delivering strong performance
- Provide enhanced distributions through progressive dividend policy and share buyback programmes, which target shareholder distributions of 30-40% of cash flow from operations through the cycle

Achieving net-zero emissions

- Target to become net-zero emissions energy business by 2050
- Target covers emissions from operations (Scope 1), emissions from energy we buy to run operations (Scope 2), emissions from customers' use of energy products we sell (Scope 3)
- Target to halve Scope 1 and 2 absolute emissions from assets and activities under our operational control by 2030, compared with 2016 levels on a net basis

Powering lives

- Make a positive impact on the lives of people around the world
- Help to power lives and livelihoods by providing vital energy for homes, businesses, transport

Respecting nature

- Having a positive impact on biodiversity
- Aiming for zero waste and using water, other resources and materials efficiently

Source: Shell Strategic Report 2023

Analyst comment

- Shell or BP moving to US listing 'counterproductive', says analyst. European energy companies considering relocating their primary listing to the bright lights of New York may find it "counterproductive", **UBS** thinks, though undoubtedly there are some short-term valuation benefits.... UBS notes that achieving full valuation benefits from a US listing requires meeting several requirements, including being included in key equity indices, which necessitates having headquarters in the US. This may be impractical for European companies due to the significant costs and disruption involved in changing office and tax residency. Furthermore, UBS highlights that European energy companies already have substantial US investor ownership and sufficient liquidity in their shares. (*Proactive Investors, 22 May 2024*)
- Shell winds down SA operations as part of new global strategy. Analysts say Shell could offload its retail assets to another large player. Rod Crompton, a visiting adjunct professor at the **African Energy Leadership Centre of Wits Business School**, said Shell's recent undertaking was more likely a head office global strategy decision to move out of less profit-able businesses (the downstream service stations), especially in more risky countries like South Africa and instead to focus on the more profitable upstream (oil and gas exploration and mining of oil and gas) business. Crompton said he expected Shell would sell its retail assets to another large player. (*Cape Times (South Africa), 09 May 2024*)
- Shell's first-quarter results show what the business could look like when firing on all cylinders, as it booked higher cash flow than its U.S. counterparts, **RBC Capital Markets** says. While the British energy major's significant beat to earnings and strong cash generation were obvious highlights, the strong operational indicators were equally encouraging, RBC analysts write in a research note. There is much discussion around a potential listing move to New York, and Shell does indeed trade much lower than Chevron and Exxon, but part of that discussion can unwind if Shell continues to perform, they say. (*Dow Jones Institutional News, 03 May 2024*)
- Shell to keep going with buybacks at current share price, according to **Barclays**. Shell's management believes buybacks are an obvious move with the share price so low, Barclays said after attending an analyst sit down with the oil group's chief executive and CFO. Other takeaways were that the focus will be on improvements from within, with the first objective being to build the credibility of the management team. (*Proactive Investors, 05 Feb 2024*)

Key individuals

CEO: Wael Sawan

Appointed

- 1st January 2023

Previous roles

- Trustee of Shell Foundation
- Director of Grated Gas, and Renewables and Energy Solutions of Shell
- Upstream Director of Shell
- Executive Vice President of Deep Water of Shell
- Managing Director and Chairman of Shell Qatar

CFO: Sinead Gorman

Appointed

- 1st April 2022

Previous roles

- EVP Finance for Upstream of Shell
- EVP Projects & Technology of Shell
- EVP Integrated Gas and New Energies of Shell

Chairman: Sir Andrew Mackenzie
Appointed

- 18th May 2021

Other current roles

- Fellow of the Royal Society (FRS)
- Chair of UK Research and Innovation (UKRI)

Previous roles

- CEO of BHP
- Head of Industrial Minerals of Rio Tinto
- Head of Industrial Minerals and Diamonds of Rio Tinto
- Chief Reservoir Engineer of BP
- Chief Technology Officer of BP

Non-executive directors:

- Neil Carson OBE
- Ann Godbehere
- Jane Holl Lute
- Catherine J. Hughes
- Sir Charles Roxburgh
- Abraham (Bram) Schot
- Leena Srivastava
- Cyrus Taraporevala

Legal Director: Philippa Bounds
Appointed

- July 2023

Previous roles

- General Counsel for Trading and Supply of Shell
- Senior Legal Counsel in Gas and Power and in Corporate of Shell
- Special advisor to the EU Commission's Director General Internal Markets on securities laws

Source: Company website

News and developments (last 6 months)

- **Shell weakens climate targets but stands by net zero pledge.** In the first shake-up of its three-year old energy transition strategy, Shell said the net carbon intensity of its products would fall more slowly by 2030 than previously planned and it scrapped a 2035 target completely. (Financial Times, 15 Mar 2024)
- **Shell projects a rise in LNG demand of 50% by 2040.** (Financial Times, 15 Feb 2024)
- **Shell raises dividend after profits.** Shell forecast resilient demand for energy products to continue as it raised the dividend and announced another round of share buybacks after reporting annual profits for 2023 of more than \$28bn. (Financial Times, 2 Feb 2024)
- **Shell offloads Nigeria oil unit for \$1.3bn to local-led group.** The 68-year-old Shell Petroleum Development Company of Nigeria (SPDC) will be acquired by a consortium of local and international companies for at least \$1.3bn. (Financial Times, 17 Jan 2024)
- **Europe's largest investor pushes Shell for better climate policy.** Europe's largest asset manager, Amundi, has been joined by 26 investors demanding that Shell improve its climate targets at its annual meeting, in the biggest shareholder push on climate policy the oil and gas group has faced. (Financial Times, 16 Jan 2024)
- **Shell sells 37.5% stake in Rosneft.** (Financial Times, 16 Dec 2023)
- **Shell sues Greenpeace for \$2.1mn.** The lawsuit follows a protest in February when six Greenpeace activists boarded a ship in the Atlantic Ocean. (Financial Times, 10 Nov 2023)
- **Shell boss backs 'leaner' renewables operation.** Plans to make Shell "leaner" and more selective about how it invests in the energy transition... defended a shift in focus that has led several senior executives to leave the company's green divisions in the past six months. (Financial Times, 6 Nov 2023)
- **Shell pledge major plans \$3.5bn share buybacks.** (Financial Times, 3 Nov 2023)

- **LNG push puts Shell 's net zero plans in focus.** At Shell's first capital markets day under new chief executive Wael Sawan this summer, the energy group angered environmentalists with its plans to hold oil output steady rather than allowing it to decline... also underlined the company's greater dependence on another carbon-emitting fuel, liquefied natural gas, with executives telling investors that boosting output from LNG assets was a "top priority" and outlining plans to invest \$4bn a year in LNG projects until 2025. (Financial Times, 9 Oct 2023)

Source: LexisNexis

For further information contact the Research and Information team via the Enquiries Desk enquiries@slaughterandmay.com