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Royal Dutch Shell

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Shell's 2018 profits jump by a third to best levels since 2014, cash generation strong

Royal Dutch Shell PLC (LON:RDSA) saw shares advance on Thursday as the oil giant's 2018 profits jumped by over a third to its best levels since 2014 and it reported a strong rise in cash generation as crude prices rose over the year and cost-cutting bore fruit.

The FTSE 100-listed group said its full-year earnings based on a current cost of supplies (CCS) and excluding identified items rose by 36% to US$21.4bn, above consensus estimates for US$20.98bn.

READ: Royal Dutch Shell slips on lukewarm reaction to third-quarter earnings jump
For the fourth quarter, it said CCS earnings excluding identified items, increased by 32% to US$5.69bn, also beating the company-provided forecast of US$5.28bn.

The Anglo-Dutch company reported a sharp rise in cash generation, with free cash flow - the cash available to pay for dividends and share buybacks - rising to US$39.4bn in 2018, up from US$27.6bn in 2017.

The firm's cash flow from operations in the fourth quarter rose to US$22bn, boosted by a U$9bn increase in working capital, taking the annual figure up to US$53bn.

Production rises slightly

The group's oil and gas production for the year rose slightly to 3.666mln barrels of oil equivalent per day as new fields that came online offset the effect of disposals.

Shell's chief executive officer Ben van Beurden commented: "We delivered on our promises for the year, including the completion of the US$30bn divestment programme and starting up key growth projects while maintaining discipline on capital investment."

He added: "We will continue with a strong delivery focus in 2019, with a disciplined approach to capital investment and growing both our cash flow and returns."

Shell also announced the launch of the next tranche of its share buyback programme, with a maximum aggregate consideration of US$2.5bn in the period up to and including 29 April 2019.

In late morning trading, Royal Dutch Shell A shares were 3.7% higher at 2,359p.

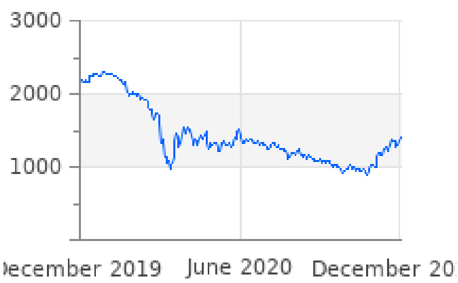
More efficient operation

Russ Mould, investment director at AJ Bell commented: "Every other quarterly set of figures for 2018 saw Shell come in short of expectations. But not this time. The company's main measure of profit beat consensus and even came in ahead of the third quarter number - buoyed in particular by its refining, marketing and integrated gas operations.

Price: 1402.4

Market Cap: £109.49 billion

1 Year Share Price Graph



Share Information

Code:		RDSA
Listing:		LSE
52 week	**High**	**Low**
	2338.59	**878.1**
Sector:		**Energy**
Website:		**www.shell.co.uk**

Company Synopsis:
Shell are a global group of energy and petrochemicals companies with around 93,000 employees in more than 90 countries and territories. Their innovative approach ensures we are ready to help tackle the challenges of the new energy future.

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"This is testament to the progress Shell has made in becoming a more efficient operation, particularly when you consider the average oil price in the fourth quarter was around $64 compared with $73 In the third quarter."

He added: "The big improvement year-on-year in full-year profit, to the highest level in four years, is less of a surprise.

"It reflects the fact that, although oil declined in the last weeks of 2018, it still was on average materially higher than it had been in 2017."

However, Mould continued: "A longer-term concern for shareholders will be a significant drop-off in reserves replacement.

"In 2018, the company only added around half the number of barrels in new reserves as it pumped out of the ground - though this was affected by the mothballing of its Groningen natural gas field in the Netherlands due to earthquake fears."

-- Adds share price, analyst comment --

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