

Royal Dutch Shell Plc

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Shell is 'ripe to deliver' and 2017 is an inflection year - broker

Royal Dutch Shell Plc's (LON:RDSB) portfolio is 'ripe to deliver', according to JP Morgan, which rates the stock as 'overweight' and sees 2017 as an inflection year for the oil supermajor.

JP Morgan analyst Christyan Malek says investors should buy ahead of further capex cuts and free cash flow uplift.

In a note Malek said: "the recent Brazil field trip left us incrementally positive on scope to cut capex further in 2017-18 as economies of scale on cost improve and internal efficiencies take effect.

"The key pushback following our upgrade has been whether Shell can institutionalize a cultural shift towards capital discipline - we came away reassured that the 'penny has dropped' across the company."

Malek also highlighted that dividend coverage is forecast to improve to 1.8 times by 2018, compared to 0.5 times in 2016. According to the analyst Shell's delivery of high margin barrels in deepwater is key to unlocking free cash flow growth, with 200,000 barrels oil equivalent per day and capex drops of materially.

Significantly, he adds that the combination of lower capex and incremental barrels should see Shell's cash break-even to US\$45 from US\$60 per barrel by 2020.

Price: 2135.5

Market Cap: £168.87 billion

1 Year Share Price Graph



Share Information

Code: RDSB

Listing: LSE

52 week	High	Low
	2647	8.8907

Sector: Energy

Website: www.shell.com

Company Synopsis:

Royal Dutch Shell consists of the upstream businesses of Exploration & Production and Gas & Power and the downstream businesses of Oil Products, Chemicals and Oil Sands with 104,000 employees in more than 110 countries.

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