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ENERGY

Shell takes Exxon's cash-flow crown

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LONDON: Royal Dutch Shell Plc has taken Exxon Mobil Corp's cash-flow crown, a year after completing the biggest deal in its history.

Europe's largest energy company vaulted ahead on this closely watched indicator of financial health in the first nine months of 2017, as assets acquired from BG Group Plc from Brazil to Australia churned out cash.

For the year as a whole, Shell is on track to surpass its larger US rival on the measure for the first time in about two decades.

Shell generated $28.38 billion of cash flow from operations in the first nine months of this year, compared with $23.52 billion from Exxon.

Chief executive Ben Van Beurden already spelled out that his main long-term goal was overtaking Exxon to become the best-performing oil major.

"This competitive performance is further evidence of Shell's growing momentum, and strengthens my firm belief that our strategy is working," he said in a statement.

Van Beurden's not quite there yet, as his company's market value and total output remain below that of the Irving, Texas-based producer.

Shell piled on borrowings to buy BG Group, and though Van Beurden has made reducing that burden his top financial priority, third-quarter net debt of $67.66 billion was higher than the preceding period.

The company also failed to cover its entire dividend with free cash flow, although it has done in aggregate over the last 12 months.

"It will take time for Shell to surpass Exxon, but it is on the right track," said Ahmed Ben Salem, an analyst at Oddo Securities in Paris. "The company needs to keep generating $10 billion of cash every quarter to cover spending and the full dividend, and it has the assets to achieve that."

Shell's net profit adjusted for one-time items was $4.1 billion, an increase of 47% from a year earlier and beating the average analyst estimate of $3.62 billion.

Oil and gas output was 3.657 million barrels of oil equivalent a day, compared with 3.595 million a year earlier. Exxon produced 3.88 million barrels in the third quarter.

Shell's refining, chemicals and marketing business posted a smaller 28% increase in adjusted profit to $2.67 billion as its Pernis refinery in the Netherlands experienced an unplanned shutdown and Gulf of Mexico hurricanes affected operations at its Deer Park plant in Texas.

The company's B shares rose as much as 1% to 2,440 pence before trading at 2,416.5 pence at 8.15 a.m. in London. They have increased 2.6% this year compared with a 7.1% decline for Exxon.

Shell's purchase of BG made it the world's second-biggest oil company, after years of vying with Chevron Corp for the position. Though its $256 billion market valuation is 26% lower than Exxon's, that gap has narrowed in the past year.

The company's earnings are the latest sign that major energy producers are getting back to normality after three tough years of low, volatile prices.

BP Plc gave the boldest signal yet this week that the worst of the downturn was over, announcing that it would buy back shares for the first time since 2014. BLOOMBERG