



Independent Stock Idea

May 30, 2017

Royal Dutch Shell (RDS) High Yield While Waiting

Symbol	RDS-A	Ebitda Next Twelve Months ending 6/30/18 (US\$mm)	49,800
Rating	Buy	North American Natural Gas/Ebitda (%)	2
Price (US\$/sh)	54.41	Natural Gas and Oil Production/Ebitda (%)	65
Pricing Date	5/26/17	Adjusted Reserves/Production NTM	8.6
Shares (mm)	4112	EV/Ebitda	7.1
Market Capitalization (US\$mm)	224,000	PV/Ebitda	9.2
Debt (US\$mm)	131,000	Undeveloped Reserves (%)	25
Enterprise Value (EV) (US\$mm)	355,000	Natural Gas and Oil Ebitda (US\$/boe)	24.60
Present Value (PV) (US\$mm)	460,000	Present Value Proven Reserves(US\$/boe)	23.10
Net Present Value (US\$/share)	80	Present Value Proven Reserves(US\$/mcfe)	3.85
Debt/Present Value	0.28	Earnings Next Twelve Months (US\$/sh)	2.78
McDep Ratio - EV/PV	0.77	Price/Earnings Next Twelve Months	20
Dividend Yield (%/year)	6.9	Indicated Annual Dividend (US\$/sh)	3.76
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.			
For historical analysis of RDS since 2001 see www.mcdep.com/1rd.htm			

Summary and Recommendation

Highest dividend yield among operating companies in our oil and gas coverage appears to be helping buy-recommended **Royal Dutch Shell (RDSA)** outperform in total return in 2017. Only 5 stocks with high distribution yields, including RDS, among 25 McDep stocks delivered positive total return to investors this year. Meanwhile, Shell's business performs well under current industry conditions as evidenced by results disclosed on May 4. Cash flow (Ebitda) of \$50 billion estimated for the next twelve months, highest among McDep companies, would cover interest, tax, dividends and capital expenditures with amounts left over for debt reduction and eventual stock repurchase (see table Operating and Financial Estimates on page 2). Historical trends for RDS and Global Integrated peers track industry economics (see charts Oil and Gas Production per Share, Production Ebitda, and Downstream on pages 3-4). Visualizing more value at a long-term oil price of \$70 a barrel, we estimate Net Present Value (NPV) of \$80 a share compared to current stock price of \$55 (see table Present Value on page 4). While oil price recovery appears stalled recently, investors in RDS enjoy a 6.9% dividend yield while they wait. Finally, a low McDep Ratio of 0.77 supports buy interest (see Tables 1-4 on pages 5-8).

Kurt H. Wulff, CFA



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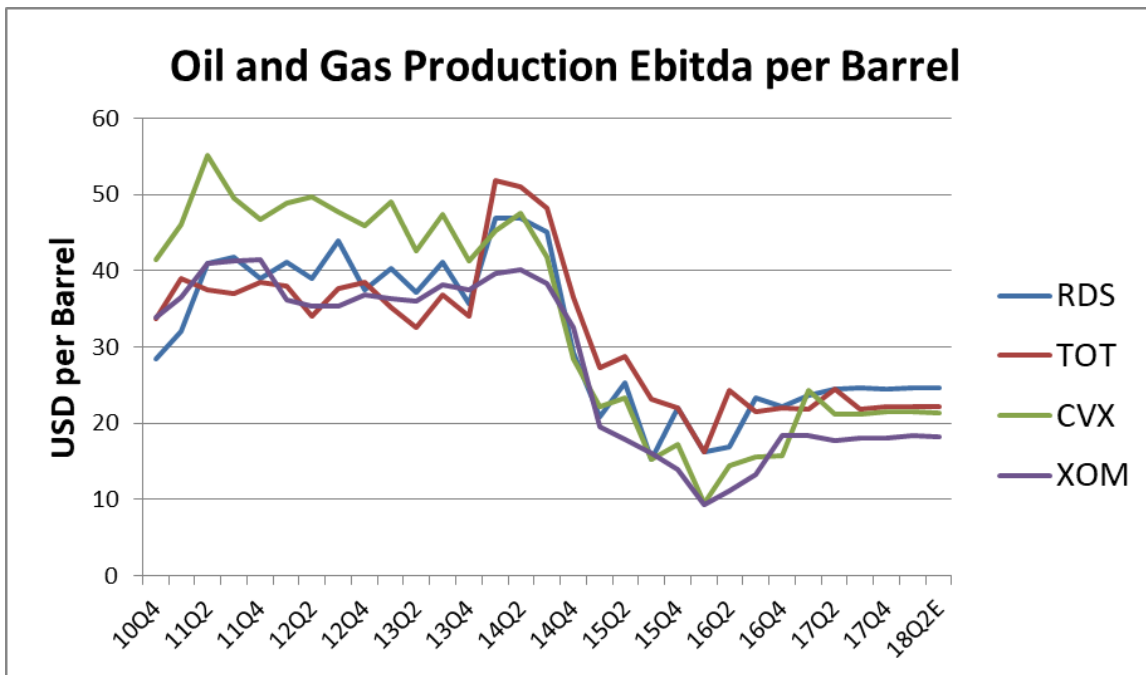
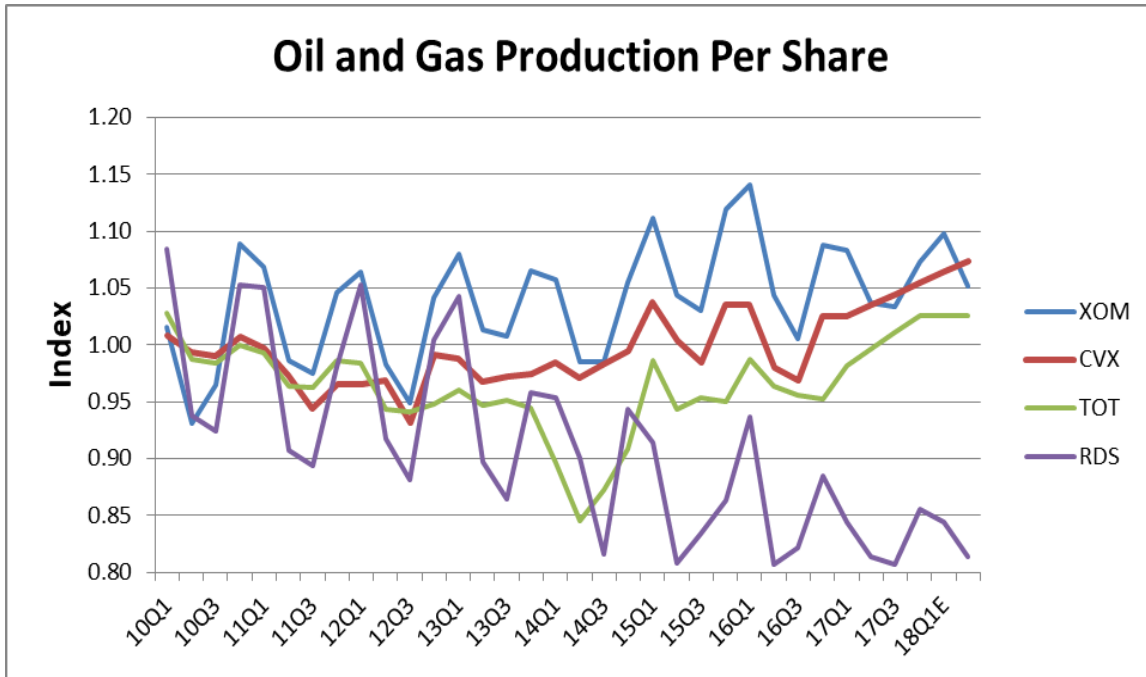
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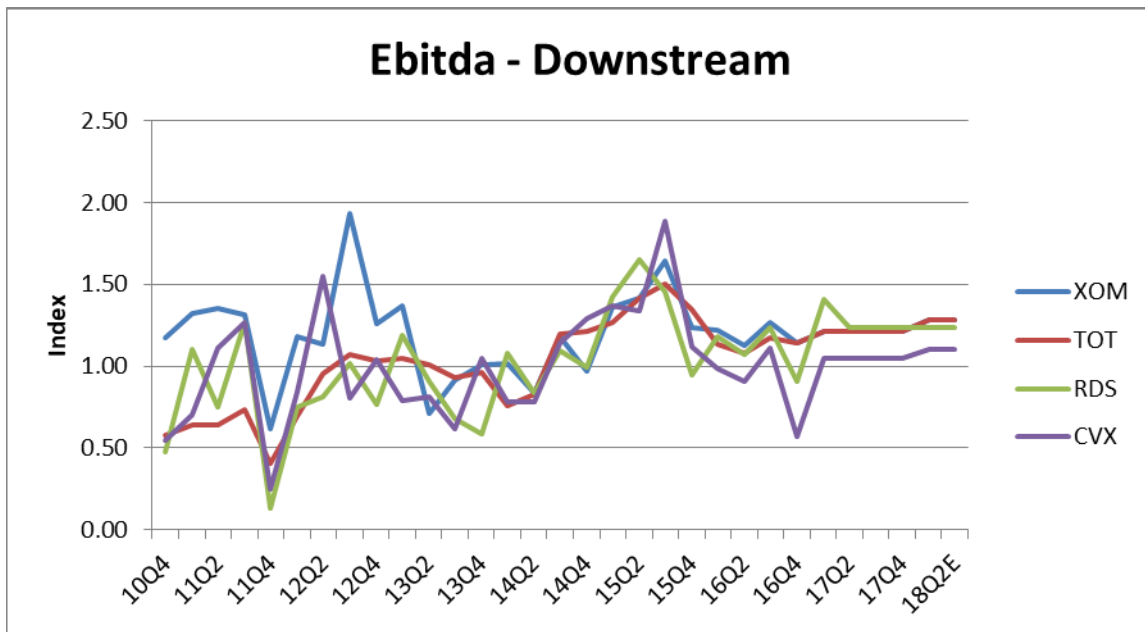
Royal Dutch/Shell										
Next Twelve Months Operating and Financial Estimates										
	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/16	2016	3/31/17	6/30/17	9/30/17	12/31/17	2017	3/31/18	6/30/18	6/30/18
Volume										
Natural Gas (mmcf)										
Americas	1,527	1,538	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443
Rest of World	8,699	9,075	9,492	8,699	8,495	9,792	9,119	9,492	8,699	9,119
Total	10,226	10,613	10,935	10,142	9,938	11,235	10,562	10,935	10,142	10,562
Days	91	366	90	91	92	92	365	90	91	365
Oil (mmb)	159	673	168	170	172	172	681	168	170	681
Oil (mbd)	1,745	1,838	1,866	1,866	1,866	1,866	1,866	1,866	1,866	1,866
Total gas & oil (mmb)	314	1,320	332	324	324	344	1,324	332	324	1,324
Total gas & oil (mbd)	3,449	3,607	3,689	3,556	3,522	3,739	3,626	3,689	3,556	3,626
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	1.95	2.46	3.32	3.18	3.33	3.42	3.31	3.54	2.92	3.30
Americas	1.59	2.01	2.86	2.74	2.87	2.95	2.86	3.05	2.52	2.85
Rest of World	3.49	3.93	4.51	4.51	4.51	4.51	4.51	4.51	4.51	4.51
Total	3.21	3.65	4.29	4.26	4.27	4.31	4.28	4.32	4.22	4.28
Oil (\$/bbl)										
WTI Cushing	45.66	43.31	51.92	49.81	50.03	50.48	50.56	50.67	50.53	50.43
Worldwide	39.59	38.63	46.31	44.43	44.62	45.03	45.09	45.19	45.07	44.98
Total gas & oil (\$/bbl)	29.54	30.44	36.15	35.45	35.68	35.42	35.67	35.66	35.70	35.61
Revenue (\$mm)										
Natural Gas										
Americas	221	1,129	371	360	381	391	1,504	397	331	1,499
Rest of World	2,766	13,062	3,851	3,568	3,523	4,061	15,002	3,851	3,568	15,002
Total	2,987	14,190	4,222	3,928	3,903	4,452	16,506	4,247	3,899	16,501
Oil	6,287	25,986	7,777	7,545	7,660	7,730	30,713	7,590	7,654	30,634
Other	49,141	187,338	187,338	187,338	187,338	187,338	749,351	51,400	51,400	477,476
Total	58,415	233,591	71,796	198,811	198,902	199,519	669,028	63,237	62,953	524,611
Expense (\$mm)										
Exploration and Production	5,288	26,071	7,857	7,913	7,999	8,398	32,168	8,185	7,993	32,576
Other	3,725	15,297	4,913	4,300	4,300	4,300	17,813	4,300	4,300	17,200
Total Ebitda	9,013	41,368	12,770	12,213	12,299	12,698	49,981	12,485	12,293	49,776
Exploration	535	2,108	443	443	443	443	1,772	443	443	1,772
Deprec., Deplet., & Amort.	6,097	24,993	5,396	6,500	6,500	6,500	24,896	6,500	6,500	26,000
Ebit	2,381	14,267	6,931	5,270	5,356	5,755	23,313	5,542	5,350	22,004
Interest	770	3,203	1,112	1,112	1,112	1,112	4,448	1,112	1,112	4,448
Ebt	1,611	11,064	5,819	4,158	4,244	4,643	18,865	4,430	4,238	17,556
Income Tax	564	3,872	2,037	1,455	1,486	1,625	6,603	1,551	1,483	6,144
Net Income (\$mm)										
Exploration and Production	(457)	996	1,721							
Other	1,816	7,243	2,489							
Unallocated	(312)	(1,047)	(427)							
Total	1,047	7,192	3,783	2,703	2,759	3,018	12,262	2,880	2,755	11,411
Shares (millions)	4,027	3,951	4,112	4,112	4,112	4,112	4,112	4,112	4,112	4,112
Per share (\$)	0.26	1.82	0.92	0.66	0.67	0.73	2.98	0.70	0.67	2.78
Ebitda Margin (E&P)	57%	65%	65%	69%	69%	69%	68%	69%	69%	69%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Royal Dutch Shell plc					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u>(US\$mm)</u>	<u>R/P</u>	<u>Ebitda</u>	<u>(US\$mm)</u>	
North American Natural Gas	1,040	5.1	10.6	11,000	2%
Rest of World Natural Gas	10,370	10.0	10.1	105,000	23%
Oil	21,170	7.9	11.1	234,000	51%
Downstream	17,200		6.4	110,000	24%
	49,780	8.6	9.2	460,000	100%
Debt (US\$mm)					131,000
Net Present Value (US\$mm)					329,000
Shares (mm)					4,112
Net Present Value - Standard Estimate (US\$/sh)					80
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					86



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Table 1
McDep Energy Stocks
Ranked by McDep Ratio

		Price (US\$/sh)	Market Cap (US\$mm)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ PV (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)
	Symbol/Rating	26-May 2017								
Global Integrated										
	XOM	81.55	344,000	438,000	1.27	9.8	11.6	49	3.8	0.85
	CVX	104.72	198,000	267,000	1.34	8.8	10.7	60	4.1	0.82
	RDS-A	B 54.41	224,000	355,000	1.59	7.1	9.2	51	6.9	0.77
	TOT	B 53.00	130,000	186,000	1.43	6.1	9.2	53	5.2	0.67
	<i>Total or Median</i>		896,000	1,246,000	1.39	8.0	10.0	52	4.7	0.80
Large Independent										
	PXD	170.24	28,900	30,500	1.06	11.9	10.6	87	0.0	1.13
	EOG	91.22	52,800	60,000	1.14	11.7	11.0	86	0.7	1.06
	DVN	35.82	18,900	26,900	1.42	11.6	13.7	62	0.7	0.85
	OXY	61.00	46,700	59,900	1.28	9.4	11.0	81	5.0	0.85
	MRO	B 13.52	11,480	19,300	1.68	9.6	12.4	90	1.5	0.78
	COP	B 45.35	57,000	81,000	1.42	8.2	11.1	70	2.3	0.74
	<i>Total or Median</i>		215,800	278,000	1.35	10.6	11.1	83	1.1	0.85
Small Independent										
	XEC	110.95	10,600	11,900	1.13	10.2	10.9	63	0.3	0.93
	CRC	11.85	500	6,500	13.0	11.1	13.8	89	-	0.80
	CLR	B 39.61	4,700	6,800	1.44	9.9	12.8	74	-	0.78
	WLL	7.97	2,900	6,400	2.22	6.6	10.3	92	-	0.64
	RRC	B 24.20	5,900	10,300	1.73	8.4	14.8	31	0.3	0.57
	<i>Total or Median</i>		25,000	42,000	1.73	9.9	12.8	74	-	0.78
Income										
	SJT	7.32	340	340	1.00	10.5	11.5	-	9.3	0.91
	PBT	9.79	460	460	1.00	13.5	15.2	78	7.1	0.89
	DMLP	16.40	500	500	1.00	12.2	17.9	70	8.0	0.68
	SBR	B 38.25	560	560	1.00	14.5	22.8	59	6.9	0.64
	CRT	B 15.47	90	90	1.00	9.1	17.0	28	8.9	0.53
	<i>Total or Median</i>		2,000	2,000	1.00	12.2	17.0	59	8.0	0.68
Canada										
	ECA	10.75	10,500	17,000	1.62	9.1	9.7	56	0.6	0.94
	IMO	28.81	7,400	9,200	1.25	7.8	9.8	67	1.5	0.80
	SU	B 31.63	52,700	69,100	1.31	8.6	11.1	84	3.0	0.77
	CVE	9.38	11,400	23,700	2.07	7.2	11.8	84	1.6	0.61
	BIREF	B 4.90	1,400	2,000	1.43	7.1	12.2	36	1.5	0.58
	<i>Total or Median</i>		83,000	121,000	1.43	7.8	11.1	67	1.5	0.77

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation, amort.
 Estimated Ebitda (cash flow) tied to NTM futures prices for oil and natural gas. NTM = Next Twelve Months ending 3/31/18.
 Estimated Present Value (PV) presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.
 McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses. For historical research see www.mcdep.com



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		Price (US\$/sh)		Oil Equiv. Price (\$/boe)	Operating Expense Fixed Var. (\$/boe) (%)	Ebitda NTM (\$/boe)	Ebitda NTM (\$mm)	Oper Lev Ebitda chg/ Price chg	McDep Ratio		
Symbol/Rating	26-May	Volume									
B = Buy	2017	(mmboe)									
Global Integrated (excl. Downstream)											
Exxon Mobil Corporation	XOM	81.55	1,488	38.76	7 35	18.20	27,076	1.38	0.85		
Chevron Corporation	CVX	104.72	845	37.74	8 22	21.40	18,080	1.37	0.82		
Royal Dutch Shell	RDS-A	54.41	1,324	35.61	2 25	24.60	32,576	1.08	0.77		
Total S.A.	TOT	53.00	932	37.09	0 40	22.10	20,592	1.00	0.67		
<i>Total or Median</i>								1.23	0.80		
Large Independent											
Pioneer Natural Resources	PXD	170.24	114	35.55	9 11	22.50	2,567	1.40	1.13		
EOG Resources, Inc.	EOG	91.22	225	34.82	10 6	22.80	5,135	1.44	1.06		
Devon Energy Corporation	DVN	35.82	165	25.34	9 9	14.00	2,317	1.64	0.85		
Occidental Petroleum Corp.	OXY	61.00	292	35.97	8 17	21.90	6,402	1.37	0.85		
Marathon Oil Corporation	MRO	13.52	135	27.64	13 -1	14.80	1,998	1.88	0.78		
ConocoPhillips	COP	45.35	463	34.86	6 22	21.10	9,776	1.28	0.74		
<i>Total or Median</i>								1.42	0.85		
Small Independent											
Cimarex Energy Company	XEC	110.95	70	26.79	6 15	16.70	1,170	1.36	0.93		
California Resources	CRC	11.85	44	39.84	15 29	13.30	588	2.13	0.80		
Continental Resources (32%)	CLR	39.61	28	31.87	3 14	24.40	688	1.12	0.78		
Whiting Petroleum Corporation	WLL	7.97	50	33.98	9 16	19.60	973	1.46	0.64		
Range Resources	RRC	24.20	137	17.95	8 6	8.90	1,221	1.90	0.57		
<i>Total or Median</i>								1.46	0.78		
Income											
San Juan Basin Royalty Trust	SJT	7.32	3	18.02	5 14	10.48	32	1.48	0.91		
Permian Basin RT	PBT	9.79	1	33.20	10 2	22.52	34	1.44	0.89		
Dorchester Minerals, L.P.	DMLP	16.40	2	31.87	7 11	21.35	41	1.33	0.68		
Sabine Royalty Trust	SBR	38.25	1	31.03	2 9	26.21	38	1.08	0.64		
Cross Timbers Royalty Trust	CRT	15.47	0	35.27	8 10	23.84	10	1.34	0.53		
<i>Total or Median</i>								1.34	0.68		
Canada (excl. Downstream)											
EnCana Corporation	ECA	10.75	120	28.47	11 7	15.47	1,864	1.71	0.94		
Imperial Oil Limited (30%)	IMO	28.81	69	35.06	14 11	17.20	1,181	1.81	0.80		
Suncor Energy	SU	31.63	343	45.82	18 9	23.50	8,053	1.77	0.77		
Cenovus Energy Inc.	CVE	9.38	213	27.06	11 2	15.49	3,300	1.71	0.61		
Birchcliff Energy Ltd.	BIREF	4.90	23	18.83	1 29	12.30	283	1.08	0.58		
<i>Total or Median</i>								1.71	0.77		
For historical research see www.mcdep.com											



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Table 3												
McDep Energy Stocks												
Net Present Value Per Share												
Ranked by Reserve Life (Adjustd Resrvs/Prod NTM)												
			Price					Down-	Proven	Adjustd	Net	
			(US\$/sh)					stream/	Undev.	Resrvs/	Present	
	Symbol/Rating		26-May	Shares	Debt	NTM	P/E	PV	Resrvs	Prod	Value	
	B = Buy		2017	(mm)	(\$mm)	(\$/sh)	NTM	(%)	(%)	NTM	(US\$/sh)	
Global Integrated												
	Exxon Mobil Corporation	XOM		81.55	4,223	93,323	3.08	21	27	31	11.3	100.00
	Chevron Corporation	CVX		104.72	1,895	68,305	4.32	25	19	32	9.2	135.00
	Total S.A.	TOT	B	53.00	2,457	55,616	2.77	11	23	42	9.2	90.00
	Royal Dutch Shell	RDS-A	B	54.41	4,112	131,054	3.76	20	24	25	8.6	80.00
	<i>Median</i>										9.2	
Large Independent												
	Marathon Oil Corporation	MRO	B	13.52	849	7,788	0.20		-	24	13.2	20.00
	ConocoPhillips	COP	B	45.35	1,249	24,000	1.06		-	20	9.8	68.00
	Devon Energy Corporation	DVN		35.82	528	8,002	0.24	73	9	20	9.0	45.00
	Occidental Petroleum Corp.	OXY		61.00	765	13,200	3.04	38	13	23	9.0	75.00
	EOG Resources, Inc.	EOG		91.22	579	7,202	0.67		-	30	7.2	85.00
	Pioneer Natural Resources	PXD		170.24	170	1,600	0.08	51	-	7	6.1	150.00
	<i>Median</i>										9.0	
Small Independent												
	Range Resources	RRC	B	24.20	245	4,345	0.08	29	-	44	11.4	56.00
	Continental Resources (32%)	CLR	B	39.61	119	2,095	-		-	59	11.4	56.00
	California Resources	CRC		11.85	43	6,000	-		-	29	11.1	50.00
	Whiting Petroleum Corporation	WLL		7.97	363	3,517	-		-	53	9.1	18.00
	Cimarex Energy Company	XEC		110.95	95	1,362	0.32	25	-	21	6.2	120.00
	<i>Median</i>										11.1	
Income												
	Sabine Royalty Trust	SBR	B	38.25	15	-	2.63	15	-	4	11.4	60.00
	San Juan Basin Royalty Trust	SJT		7.32	47	-	0.68	11	-	-	10.1	8.00
	Permian Basin RT	PBT		9.79	47	-	0.69	14	-	13	9.4	11.00
	Cross Timbers Royalty Trust	CRT	B	15.47	6	-	1.38	11	-	-	7.7	29.00
	Dorchester Minerals, L.P.	DMLP		16.40	31	-	1.31	16	-	-	7.2	24.00
	<i>Median</i>										9.4	
Canada												
	Suncor Energy	SU	B	31.63	1,665	16,482	0.95	22	16	44	15.1	44.00
	Cenovus Energy Inc.	CVE		9.38	1,217	12,269	0.15		4	55	12.9	22.00
	Birchcliff Energy Ltd.	BIREF	B	4.90	284	603	0.07	22	-	69	12.5	10.00
	Imperial Oil Limited (30%)	IMO		28.81	255	1,859	0.45	12	32	23	9.8	38.00
	EnCana Corporation	ECA		10.75	973	6,461	0.06		-	43	5.1	12.00
	<i>Median</i>										12.5	
P/E = Stock Price to Earnings. For historical research see www.mcdep.com .												



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2017										
Ranked by Unlevered Total Return										
			Price (\$/sh)	Price (\$/sh)	Price Change	Cash Distrib.	Equity Total Return	Unlevered Total Return		McDep
	Symbol/Rati		26-May 2017	30-Dec 2016	(%)	(%)	(%)	Debt (\$/sh)	Return (%)	Ratio
Global Integrated										
Total S.A.	TOT	B	53.00	50.97	4	1	5	23	4	0.67
Royal Dutch Shell	RDS-A	B	54.41	54.38	0	3	4	32	2	0.77
Exxon Mobil Corporation	XOM		81.55	90.26	(10)	2	(8)	22	(6)	0.85
Chevron Corporation	CVX		104.72	117.70	(11)	2	(9)	36	(7)	0.82
	<i>Median</i>				(5)		(2)		(2)	0.80
Large Independent										
Pioneer Natural Resources	PXD		170.24	180.00	(5)	0	(5)	9	(5)	1.13
ConocoPhillips	COP	B	45.35	50.14	(10)	1	(8)	19	(6)	0.74
EOG Resources, Inc.	EOG		91.22	101.10	(10)	0	(9)	12	(8)	1.06
Occidental Petroleum Corp.	OXY		61.00	71.23	(14)	1	(13)	17	(11)	0.85
Marathon Oil Corporation	MRO	B	13.52	17.31	(22)	1	(21)	9	(14)	0.78
Devon Energy Corporation	DVN		35.82	45.67	(22)	0	(21)	15	(16)	0.85
	<i>Median</i>				(12)		(11)		(10)	0.85
Small Independent										
California Resources	CRC		11.85	21.29	(44)	-	(44)	141	(6)	0.80
Cimarex Energy Company	XEC		110.95	135.90	(18)	0	(18)	14	(17)	0.93
Continental Resources (32%)	CLR	B	39.61	51.54	(23)	-	(23)	18	(17)	0.78
Whiting Petroleum Corporation	WLL		7.97	12.02	(34)	-	(34)	10	(19)	0.64
Range Resources	RRC	B	24.20	34.36	(30)	0	(30)	18	(19)	0.57
	<i>Median</i>				(30)		(30)		(17)	0.78
Income										
Permian Basin RT	PBT		9.79	7.71	27	4	31	-	31	0.89
San Juan Basin Royalty Trust	SJT		7.32	6.62	11	4	15	-	15	0.91
Sabine Royalty Trust	SBR	B	38.25	35.15	9	3	12	-	12	0.64
Dorchester Minerals, L.P.	DMLP		16.40	17.55	(7)	3	(3)	-	(3)	0.68
Cross Timbers Royalty Trust	CRT	B	15.47	17.97	(14)	2	(12)	-	(12)	0.53
	<i>Median</i>				9		12		12	0.68
Canada										
Suncor Energy	SU	B	31.63	32.69	(3)	1	(2)	10	(2)	0.77
EnCana Corporation	ECA		10.75	11.74	(8)	0	(8)	7	(5)	0.94
Imperial Oil Limited (30%)	IMO		28.81	34.76	(17)	0	(17)	7	(14)	0.80
Cenovus Energy Inc.	CVE		9.38	15.13	(38)	0	(38)	10	(23)	0.61
Birchcliff Energy Ltd.	BIREF	B	4.90	7.01	(30)	0	(30)	2	(23)	0.58
	<i>Median</i>				(17)		(17)		(14)	0.77
	<i>Grand Median</i>				(11)		(9)		(7)	0.78
Natural Gas (\$/mmbtu)										
			3.24	3.74	(13)					
Oil - West Texas Intermediate (\$/bbl)										
Total Stock Market - U.S.	VTI		124.09	115.32	8					
Developed Markets - ex US	VEA		41.53	36.54	14					
Emerging Markets	VWO		41.11	35.78	15					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see www.mcdep.com



Independent Stock Idea

May 30, 2017

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