

Refining May Fail to Save Low Crude Price-Hit Big Oil in Q2



The second-quarter 2020 earnings season is unique in its own way. While some sectors are likely to report earnings growth this time around, most — especially energy — are expected to witness a massive decline in profits. The coronavirus pandemic hit the energy sector hard in the second quarter. However, the situation is bound to improve gradually. Let's delve deeper.

Big Oil Tumbles

Big Oil companies like Exxon Mobil Corporation XOM, Chevron Corporation CVX, Royal Dutch Shell plc RDS.A,

BP plc and TOTAL S.A. are expected to report quarterly loss. These energy behemoths have been affected by historic low crude prices that stemmed from low demand and high supply. Coronavirus-induced lockdowns and travel bans have caused massive energy demand destruction around the globe and the response from suppliers was a little late, and in some cases not enough. This resulted in storage capacity exhaustion and inventory buildup, thereby pushing down crude prices to the negative zone at one point.

However, the OPEC+ group's follow through of the curtailed production plan has provided an impetus to the market. Moreover, the easing of coronavirus-induced lockdowns and gradual lifting of travel bans are expected to partially restore energy demand. As such, oil prices significantly improved by the end of the second quarter from historic lows at the start of the period.

Integrated Model Not Enough

Usually, these energy majors can take advantage of low oil prices through refining and downstream businesses. But the lockdowns and travel bans have restricted fuel sales and reduced margins. The situation has forced refineries to run at lower rates.

Overall, the energy environment suffering from demand destruction has kept no place to hide for the Big Oils. The energy sector as a whole is expected to lose money and

record an earnings decline of 149.4% year over year in the second quarter.

Dividends

Shell has already opted for a dividend cut for the first time since the Second World War. The Norwegian energy major Equinor ASA EQNR made a similar choice by cutting payments by two-thirds to preserve cash. BP is expected to follow suit as shareholders and analysts are expecting a dividend cut from the British energy mammoth.

ExxonMobil, Chevron and TOTAL have not given any indication of dividend cut so far. However, analysts at Goldman think that such a move will be helpful for ExxonMobil, cited Bloomberg.

Q2 Earnings Expectations & Revisions

The Zacks Consensus Estimate for second-quarter loss for **ExxonMobil** is pegged at 72 cents per share, indicating 198.6% year-over-year fall. It has witnessed five downward revisions and no upward movement in the past 30 days. The company is scheduled to report quarterly results on Jul 31.

Chevron's bottom line for second-quarter 2020 is expected to plunge 140.1% year over year to a loss of 91 cents per share. It has witnessed six downward revisions

and no upward movement in the past 30 days. It is set to report quarterly results on Jul 31.

In second-quarter 2020, **Shell's** bottom line is expected to plunge 133.7% year over year to a loss of 29 cents per share. The Netherlands-based company has witnessed six downward revisions and no upward movement in the past 30 days. It is scheduled to report quarterly results on Jul 30.

The Zacks Consensus Estimate for second-quarter loss for **BP** is pegged at 96 cents per share, indicating 215.7% year-over-year fall. It has witnessed three downward revisions and no upward movement in the past 30 days. The British company is slated to report quarterly results on Aug 4.

TOTAL's bottom line for second-quarter 2020 is expected to plunge 121.9% year over year to a loss of 23 cents per share. It has witnessed one downward and upward revision each in the past 30 days. The company is set to report quarterly results on Jul 30.

The Hottest Tech Mega-Trend of All

Last year, it generated \$24 billion in global revenues. By 2020, it's predicted to blast through the roof to \$77.6 billion. Famed investor Mark Cuban says it will produce "the world's first trillionaires," but that should still leave plenty of money for regular investors who make the right

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