

Abstract

Royal Dutch Shell, plc (Shell, or RDS) is the largest integrated company in the Oil and Gas sector, in terms of assets. It operates globally, with regard to the geography in which it has interests, and integrates the entire value chain into its business model. With **more than a century of history**, it tries to diversify its businesses with an increasingly important presence in the production of energy from renewable sources and in electricity retail.

Shell (NYSE, Class A:US) has a **REDUCE** recommendation with a target price (TP) for 20YE of \$ 33.58, a potential annualized return of 9.9%, with high risk.

The divergence of the current price with our recommendation is due to: i) **too optimistic prospects about the capacity to contain a second wave of COVID-19 globally**; ii) **the drop in consumption** due to the confinement resulting from the COVID-19 pandemic; iii) **supply glut of oil on the market**; iv) the global economic recession environment; v) some **financial leverage** compared to the main direct competitors; vi) the need for high levels of costs in optimizing the asset portfolio through expensive acquisitions and the sale of assets that, until recently, were seen as strategic; vii) **low prospects of a sustainable rise in oil price**.

Management intends **to increase its presence in the current context of energy transition** to more environmentally sustainable sources. Proof of this is that already in 2016 made a major investment to increase its exposure to natural liquid gas (the least polluting fossil fuel) and since then until now it has increased its presence in obtaining energy from various renewable sources, to know the various business models and be able to become a relevant player in this market in a very vigorous way. **The remuneration of the management bodies is also linked to the company's environmental performance.**

JEL classification: G10; G11; G12; G17; G32; G34; G35; L71; Q31; Q35; Q41; Q42.

Keywords: Royal Dutch Shell, plc; Oil & Gas; Natural Gas; Renewables; Power; Equity Research; Valuation.