



Oil Company Financial Analysis and Valuation

In just a few months, political instability in the Middle East has influenced oil prices to shoot up above \$120. Oil price volatility, accentuated due to continuing economic weakness, has influenced oil companies and their exploration and production plans. This price volatility makes it even more important for financial professionals to learn to analyze financial statements of oil companies and how to value these companies.

This two-day interactive course is tailored for finance professionals who need to understand oil sector economics, how to analyze an oil company's financial statements, and how to create an oil company valuation model. The course will consist of an interactive lecture and in-depth cases and exercises. Additionally, relevant articles highlighting recent market, regulatory and risk trends in oil companies will supplement the course. This course is tailored for credit and equity analysts. Calculators are required. Participants will utilize a computer lab for their exercises.

Targeted Audience

Finance professionals who need to understand oil sector economics, how to analyze an oil company's financial statements, and how to create an oil company valuation model.

Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

Advance Preparation

No advance preparation required.

Prerequisites

Energy Markets and corporate finance. Financial calculator required.

Learning Objectives

Students will be able to:

- . Identify key factors influencing oil demand and supply
- . Examine factors influencing oil price forecasting
- . Evaluate oil companies' strategy and decision making processes
- . Identify key issues in the corporate governance of an oil company
- . Evaluate if a company had a good risk management process
- . Differentiate between the different types of oil companies
- . Discuss important factors influencing upstream and downstream economics
- . Read an oil and gas company financial report
- . Identify key ratios in a stock report
- . Develop a systemic approach to valuing an oil company
- . Create a financial model for an oil and gas company
- . Create an appropriate peer group for benchmarking

Alumni Comments

"The instructor has a wealth of knowledge and expertise that is extremely useful."

"The course presents a holistic approach to valuation."

Follow-Up Courses

Derivatives in Energy Markets

Level: Intermediate

CPE Credits: 14.0

Instructional Method: Group-Live

Detailed Outline

Module I: Overview of Oil Sector Economics

- . Identify key subsectors of the oil sector: reserves; exploration and production; transport

Module II: Overview of Key Issues Influencing Oil Prices

- . Identify key factors influencing oil demand and supply:
 - . - Economic fundamentals
 - . - Oil price shocks: 1973, 1979, 1998, and now
 - . - Role of hedgers vs. speculators
 - . - Rate of US\$
 - . -Asset reallocation
- . Identify role and influence of OPEC
- . Debate influence of rising powers: Russia, Kazakhstan, China, India
- . Debate impact of search for alternative energy resources and of the environmental impact on the oil sector
- . Articles for class discussion: Ascendancy of Russia in energy markets
- . Case study: British Petroleum and Price Manipulation

Module III: Oil Companies

- . Differentiate the characteristics between:
 - . - Vertically Integrated Oil Companies (IOCs)
 - . - Exploration and Production (E&Ps)
 - . - Oil Field Service Companies
 - . - Beyond petroleum companies

Module IV: Financing Oil Projects

- . Compare and contrast how oil companies finance investment projects
- . Evaluate role of multilateral entities and quasi governmental entities in financing oil projects
- . Define the influence of petroleum fiscal systems and product sharing agreements

Module V: Risks Encountered by Oil Companies

- . Define risk
- . Review risks that can affect an oil company: country, economic and technical; financial
- . Define and evaluate role of corporate governance

Module VI: Reading an Oil Company Financial Statement

- . Identify salient features of an oil company's balance sheet, income statement, and cash flow statements
- . Evaluate the best financial ratios appropriate for the oil sector:
 - . - Vertically integrated
 - . - Exploration and production
 - . - Refineries
 - . - Oil field services companies

Module VII: Valuing a Private Sector Oil Company

- . Review of corporate finance principals as applied to oil companies
- . Evaluate financial models
- . Prepare an oil company valuation
- . Create an appropriate benchmarking peer group

Module VIII: National Oil Companies

- . Define a national oil company
- . Identify influence of national oil companies in international oil markets
- . Evaluate challenges in valuing a national oil company