

Shale Drillers Rewarding Investors With Giant Dividend Increases
2018-02-07 15:31:23.214 GMT

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(Bloomberg) -- Shale drillers, rolling in cash as oil recovers from the worst price slump in decades, are spreading the joy to shareholders.

Pioneer Natural Resources Co. quadrupled its dividend on Tuesday, the first such boost in a decade. Anadarko Petroleum Corp. followed on Wednesday by quintupling its dividend after reporting profit that trounced analyst estimates. Next in line may be Devon Energy Corp., Noble Energy Inc. and Cimarex Energy Co., according to Charles Robertson, a Cowen & Co. analyst.

The increases show shale executives are yielding to investor demands for stronger returns and more cautious expansion. They are also evidence that CEOs are confident the price rise is more than temporary, and that disappointing results by Exxon Mobil Corp. and Chevron Corp. aren't signs of broader weakness in oil.

"There are benefits to being large and diversified when oil prices are down, but in this type of environment" smaller, "more nimble" explorers have an edge, said Brian Youngberg, St. Louis-based analyst at Edward Jones & Co., in a telephone interview.

The independents "can adjust on the fly and be aggressive on cost cutting, more than the larger integrations."

Other independent drillers could follow suit, "especially since many had slashed their dividends two years ago" as crude slumped, Cowen's Robertson wrote Wednesday in a note to clients.

Anadarko Chief Executive Officer Al Walker said he's anticipating "more than \$1 billion in incremental cash flow"

thanks to crude prices, which have rallied almost 50 percent since late June. Above the \$50-a-barrel mark, every dollar rise in oil generates \$100 million for the Houston-area company, Walker said during a conference call with analysts on Wednesday.

The beneficence of shale drillers is in stark contrast to bigger explorers, who provided limited dividend increases or none at all. Statoil ASA and Chevron doled out increases of less than 5 percent each while Exxon, Royal Dutch Shell Plc and BP didn't lift their payouts. ConocoPhillips's augmented its 7.5 percent dividend boost with a one-third increase in its share-buyback program to \$2 billion.

"At least a portion of the misses for the integrations was the downstream business which the E&Ps don't have," said Youngberg, referring to their refining units.

That said, the supermajors' dividends still pack a mightier punch than their diminutive competitors in the shale patch: the combined payouts for Pioneer and Anadarko amount to about \$164 million a quarter, just a fraction of the \$3.3 billion Exxon devotes to dividends every three months.

Pioneer jumped 4.2 percent to \$181.20 at 9:53 a.m. in New York after earlier reaching \$184.67 for the biggest intraday gain in almost a year. Anadarko climbed 5.5 percent to \$60.64.

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