

THE ISSUE OIL PRICES AT FOUR-YEAR HIGH

As an exploration and production company, Tullow's profits and consequently its stock price are heavily correlated to the price of oil. Last Wednesday, oil prices reached their highest levels in four years with Brent and West Texas Intermediate rising above \$86.70 and \$76.50 respectively. This marks a 30% climb since the beginning of the year and 22% since the middle of August.

The move has been driven by a combination of robust demand and, more influentially, tightening supply. Again US president Donald Trump is behind the latest big story in the markets. Having announced the US withdrawal from the 2015 Iranian nuclear deal in May, US sanctions on Iranian oil will come into place next month. With predictions of a loss of more than 1m barrels a day, the market's bullish sentiment continues to grow, with whispers of \$100 a barrel by year-end.

THE BOSS PAUL McDADE

Paul McDade, a Scot, took over the reins from the long-serving Aidan Heavey in April last year. McDade joined Tullow in 2001 and was quickly promoted to chief operating officer in 2004, a position he held for 13 years.

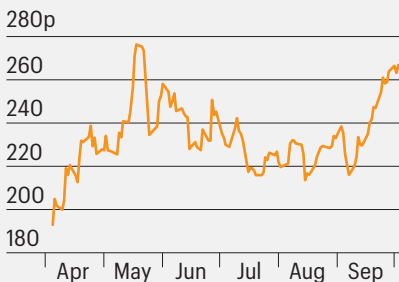
With more than 30 years' experience, he has worked in various operational, commercial and management roles with Conoco, Lasmco and ERC. McDade was heavily involved in the development of

Tullow's Jubilee and Ten fields. He has been crucial to the company's recent turnaround, and has degrees in both civil and petroleum engineering.

THE ANALYST DAVID FAHY, CANTOR

A trimmed-down Tullow is benefiting strongly from higher oil prices, with its stock up 53% since February. Net debt fell \$700m (€608m) in the past 12 months alone to \$3.1bn. As a factor of earnings, debt levels have more than halved from historic highs. Cost savings of \$700m have also been delivered in the past three years. It has increased production, while exploring in both Africa and South America. Higher cash-flow generation heightens the prospect of a reinstated dividend. It trades at 11.80 times estimated full year 2019 earnings.

◆ Tullow Oil



Source: Bloomberg

Market cap: £3.66bn (€4.16bn); **Share price:** £2.57; **DPS:** £0.06; **EPS:** £0.292; **Top five shareholders:** Standard Life Aberdeen, 7.55%; Bank J Safra Sarasin, 4.99%; Prudential, 4.52%; Dimensional Fund Advisors LP, 3.84%; OppenheimerFunds, 3.24%