Assessment of Investment Attractiveness of Arctic Companies of the Oil and Gas Sector

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Abstract. Based on the analysis of various methods the authors tried to form an integral method of assessment of the investment attractiveness using the most important indicators of the company. Studies showed that only six out of thirteen companies have kept their rating. PJSC “Surgutneftegaz” - high investment attractiveness, PJSC “Severneftegazprom”, PJSC “NOVATEK” and JSC “Mur-manoblgaz” - moderate attractiveness, JSC “Sakhatransneftegaz” and PJSC “Tarmanskoe-zapadnoe” - low attractiveness. JSC “ALROSA-Gaz” and JSC “Sibneftegaz” downgraded their ratings and moved from the group with high and moderate attractiveness to the group with medium and low one. During the period under review most companies did not show steady investment attractiveness.

Integrated method and assessment of Arctic oil and gas companies based on it will allow investors to get additional data for making decisions on implementation of investment projects of the considered companies.

Further research is needed to develop a scientifically based methodological framework for assessing the investment attractiveness of industrial companies especially in the context of the specific conditions of the Arctic, the financial crisis and the ongoing sanctions from Western countries.

1. Introduction

The global financial crisis of 2008 led to a significant decrease of the investment activity of Arctic industrial companies. Fearing global risks investors are not ready to use the so-called “game principle” in the investment analysis of companies and demand more convincing evidence of their investment attractiveness. In this regard, currently the relevance of research on the development of scientifically based and practically important methods for analyzing the investment attractiveness of industrial companies has increased.

Investment analysis of Arctic companies according to the “game principle” method is insufficient for investors. Potential investors fearing the next global risks and new Western sanctions are trying to make sure of the investment attractiveness of companies. In this regard, the main purpose of the paper is to assess the investment attractiveness of the Arctic oil and gas companies.

2. Materials and methods

In the scientific literature the concept of “investment attractiveness of a company” is interpreted in different ways - from extremely narrow understanding [1-4] to abstract concepts. [5, 6]. As a part of the study the investment attractiveness of an company is understood as its integral characteristic as
object of forthcoming investment from the standpoint of directions of development, volume and prospects of product sales, efficiency of asset utilization and liquidity, solvency and financial stability [7].

Studies have shown that the innovation and technological development of companies is associated with the main investment source – their own funds [8-14]. It should be noted that the methods do not provide for a unified complex approach to the assessment of investment attractiveness [15-22]. The assessment is based on an analysis of the financial ratios of the company’s activities, including:
- assessment with a view to merge/takeover, proposed by D.A. Endovitsky [23, 24];
- assessment of the investment attractiveness of the metallurgical company, proposed by O.M. Melnichuk [25];
- rating of the investment attractiveness, proposed by T.Yu. Salutina and L.S. Rabovskaya [26];
- funds analysis, proposed by O.A. Kreinina [27].

3. Results and discussion

Based on the analysis of various methods the authors tried to form an integral method for assessing the investment attractiveness using the most important indicators of the company’s activity. According to publicly submitted financial statements and a specialized corporate information disclosure site and using the integral method thirteen major companies of the Arctic oil and gas sector for the period 2014-2018 were analyzed [28] using formula (1):

$$K_{fca} = \frac{K_{far}}{K_{req}} \times 0.4 + \frac{K_{qa}}{K_{qr}} \times 0.3 + \frac{K_{a}}{K_{a}} \times 0.2 + \frac{K_{req}}{K_{ref}} \times 0.1$$

Where $K_{fca}$ – coefficient of efficiency of financial and economic activity, $K_{far}$ – fixed assets return, $K_{req}$ - recommended value of the fixed assets return ($> 0.2$), $K_{qa}$ – turnover ratio, $K_{a}$ - recommended value of the turnover ratio ($> 0.7$), $K_{qr}$ – quick asset ratio, $K_{req}$ - recommended value of the quick asset ratio ($> 0.7$), $K_{a}$ – equity ratio, $K_{ref}$ - recommended value of the equity ratio ($> 0.5$).

Based on the analysis the authors formed a rating of the investment attractiveness of the companies for 2014-2018 (Fig. 1).

![Figure 1. Investment attractiveness of the Arctic oil and gas companies.](image-url)
Studies showed that only six out of thirteen companies have kept their rating. PJSC “Surgutneftegaz” - high investment attractiveness, PJSC “Severneftegazprom”, PJSC “NOVATEK” and JSC “Mur-manoobl gaz” - moderate attractiveness, JSC “Sakhatransneftegaz” and PJSC “Tarmanskoe-zapadnoe” - low attractiveness.

JSC “ALROSA-Gaz” and JSC “Sibneftegaz” downgraded their ratings and moved from the group with high and moderate attractiveness to the group with medium and low one.

Five companies showed a positive growth trend of investment attractiveness. At the same time PJSC “Varyeganneft” demonstrated a 14 times increase of investment attractiveness and moved in 2018 to a group with high attractiveness compared to low one in 2014. It is connected, first of all, with the growth of revenue, net profit and, accordingly, funds of the company.

During the period under review most companies did not show steady investment attractiveness.

4. Conclusions
Based on the analysis of various methods the authors tried to form an integral method of assessment of the investment attractiveness using the most important indicators of the company. Integrated method and assessment of Arctic oil and gas companies based on it will allow investors to get additional data for making decisions on implementation of investment projects of the considered companies.

Further research is needed to develop a scientifically based methodological framework for assessing the investment attractiveness of industrial companies especially in the context of the specific conditions of the Arctic, the financial crisis and the ongoing sanctions from Western countries.

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