

Company: Chevron Corp	Ticker: CVX	Price: \$162.07	Industry: Oil & Gas, Energy
Target Price: \$194.08 Stop Loss: \$140 52 Week High/Low: \$172.88/\$139.62	TTM P/E: 14.33x Forward P/E: 12.77x EPS (TTM): \$11.35	Beta (5Y): 1.13 Credit Rating: AA- (S&P) Rating Outlook: Stable	Market Cap: 302.12B Dividend Yield: 4.1%

Company Background:

Chevron is a global leader in the Energy Industry, within the Oil and Gas Sector. They are fully integrated with Upstream, Midstream, and Downstream segments, and have a history of expansion through M&A and Joint Ventures across the globe. They are headquartered in San Ramon, California, and operate in 6/7 continents and 180 countries. They produced 3.1mm barrels of oil per day in 2023, up 4% from 2022, and look to continue this trend. The latest news involves the potential acquisition of Hess, which would be an all stock deal if the transaction goes through. Chevron would issue 317mm new shares in this case. The Hess acquisition would give them extra infrastructure in the Midstream segment, Upstream and Downstream assets, and 30% stake in the Stabroek block, off the coast of Guyana, and would give them ownership to extract 3.3B barrels of oil from the block. Other players in that block include Exxon Mobil and CNOOC. Products from Chevron include gasoline, jet fuel, biodiesel, and other chemical compounds.

Industry Outlook:

The Oil and Gas sector consists of larger fully integrated companies in addition to smaller companies that focus on a particular segment or geography. Some larger players include Exxon Mobil, Royal Dutch Shell, Conoco Phillips, and BP. OPEC plays a key role in setting policies among member countries to help regulate the industry’s supply, price, and return on capital to those investing in the industry. The industry is continuing to grow, as the global consumption of petroleum and other liquids hit a record high in 2023, and is forecasted to increase in both 2024 and 2025. According to the US Energy Information Administration, Brent Oil is expected to average \$82 per barrel in 2024 and \$79 per barrel in 2025 as supply is expected to increase. Potential geopolitical conflicts could hinder the supply, and prices rise as a result.

Investment Thesis:

Our investment thesis is predicated on 3 main pillars, those being the scale and size of Chevron’s operations (strong geographic presence, strong balance sheet, high reserve replacement, demand for energy), continuous investments and improvement of operations across the board (acquisition and joint venture history, leading patent holder, competency for vertical integration), and a respectable valuation (strong dividends, taking on debt when oil prices are low).

Risks and Mitigants:

Given they are in the Oil and Gas sector, they are exposed to some commodity risk. Chevron does utilize derivatives to hedge against unfavorable oil movements, as this is a standard practice in the industry. On the balance sheet side, Chevron has a current ratio of 1.27 and has plenty of reserves in addition to a 99% reserve replacement ratio. Within the regulation side, Chevron has a history of complying with OPEC, so that is of little worry. To hedge against Geopolitical risk in the Middle East, Chevron has been focusing on expansion in the western hemisphere. Replacement risk isn't a large concern as they have a strong replacement reserve ratio and Chevron has adopted new technologies to improve their already efficient system.

ESG

Chevron's commitment to sustainability has never been stronger. Chevron is taking actions to reduce the carbon intensity of their operations, with a focus on energy and methane management. They have grown their lower carbon business as well, by launching a carbon capture and storage project in the San Joaquin Valley, in addition to joining the global center for marine decarbonization and supporting the Paris Agreement. Chevron does a great job in the social pillar as well. They received the top score from the disability index and were recognized as one of the top places in the US to work for disability inclusion. Overall, Chevron aims to empower people by promoting DE&I, creating prosperity, respecting human rights, and contributing to sustainable development goals. With regard to Governance, the principles of responsibility, trust and integrity guide our actions and shape Chevron's operations. They follow "The Chevron Way" by prioritizing culture, pursuing operational excellence and advancing corporate governance.

Sustainalytics ESG Scores:

Environmental: **17.0**

Social: **9.2**

Governance: **10.4**

Total: **36.6**

Industry ranking: **78/320** (1 being lowest score and least risk)

- They are in the upper 25% of rankings in terms of ESG scores amongst the industry
- Chevron has also improved their score significantly in the two years; in 2022, their Sustainalytics ESG score was 43. This shows their continuous commitment to improving their ESG practices.

Bloomberg Data:

ESG Score: **5.44** (above peer median)

Environmental Score: **5.48** (above peer median)

Social Score: **3.00** (below peer median)

Governance Score: **8.35** (leader amongst peers → top 25%)

MSCI Rating: **A**

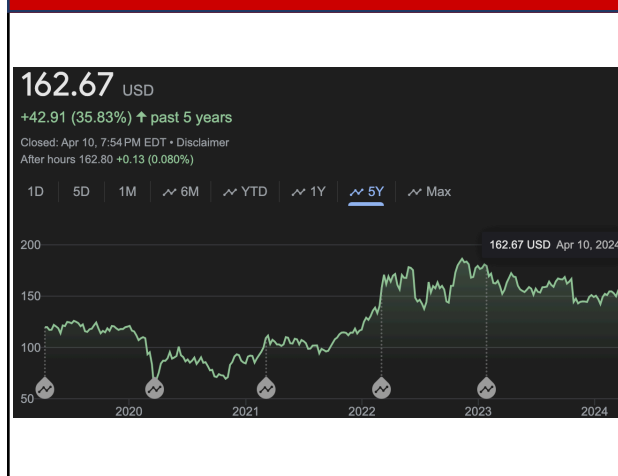
Total Greenhouse Gas Emissions: 55,081.82 units

Other Notes:

Approximately 13,392 of their employees are female (29%), 31,149 are male (68%), and there is no gender data available for 1,059 (2%).

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5-Year Financial Performance:



DCF Valuation:

Net Debt		Terminal Value	
Source Doc	2023-10K	Long Term Grow	3.3%
Gross Debt and Equivalents		2030 PV FCF	23,168
Cash	8,178	Terminal Value	402,917
Debt	20,836	PV of TV	220,409
Net Debt	12,658	PV stage 1	154,053
		TEV	374,462
Valuation			
Enterprise Value	374,462		
Net Debt	12,658		
Equity Value	361,804		
Shares Outstanding	1,857.27		
Equity Value Per Share	194.80		

Comparable Companies Analysis:

Company Name	Market Data					Financial Data (FY+1)		
	Price (\$/Share)	Shares (M)	Market Cap (\$M)	Net Debt (\$M)	EV (\$M)	Sales (\$M)	EBITDA (\$M)	Net Income (\$M)
Chevron Corporation (NYSE: CVR)	161.41	1860	300,223	29,014	329,237	196,913	47,337	21,369
Exxon Mobil Corp (NYSE: XOM)	121.48	3970	482,276	73,141	555,417	334,697	72,929	36010
Shell plc (LSE: SHEL)	71.79	3210	230,446	92,704	323,150	316,620	57,675	19,359
BP p.l.c. (LSE: BP)	38.91	2810	109,337	84,984	194,321	208,351	40,751	15239
ConocoPhillips (COP)	133.54	1170	156,242	24,572	180,814	56,141	25,338	10,957
Average								
Median								
Valuation (FY+1)								
EV/Sales	EV/EBITDA	P/E	Operating Income	ROE	EPS	Profit Margin		
x	x	x	x	x	x	x		
1.67	6.96	14.05	\$30,011.00	13.20%	11.49	10.85%		
1.66	7.62	13.39	\$52,288.00	16.94%	9.07	10.76%		
1.02	5.60	11.90	\$34,661.00	10.28%	6.03	6.11%		
0.93	4.77	7.17	\$24,823.00	17.82%	5.42	7.31%		
3.22	7.14	14.26	\$17,068.00	22.23%	9.36	19.52%		
1.70	6.42	12.16		16.10%	8.28	10.91%		
1.66	6.96	13.39		16.94%	9.07	10.76%		