Chevron
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Chevron
Investment Thesis

Advantaged portfolio delivers strong sales
Unmatched balance sheet and low break even
Superior cash returns to shareholders
Disciplined, returns-driven capital allocation
Company Overview

Chevron

<table>
<thead>
<tr>
<th>Upstream</th>
<th>Midstream</th>
<th>Downstream</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Explores, develops, and produces crude oil and natural gas</td>
<td>➢ The transportation and marketing of oil and gas products</td>
<td>➢ The refining of crude oil into petroleum products for consumer distribution</td>
</tr>
<tr>
<td>○ Operating Gas Wells</td>
<td>➢ Infrastructure and market development in emerging focus areas</td>
<td>○ Operating refineries</td>
</tr>
<tr>
<td>➢ International Production Volume</td>
<td></td>
<td>➢ Gas Stations &amp; Petrochemicals</td>
</tr>
</tbody>
</table>
Chevron
Company History

1961
Acquired Standard Oil Company
Major petroleum products marketer in 5 southeastern states

1984
Acquired Gulf Corporation
Nearly doubled the company’s crude oil and natural gas activities

2001
Texaco Inc. Merger
Merger makes Chevron the second largest US-based energy company

2005
Acquired Unocal Corporation
Unocal upstream assets bolstered Chevron’s already-strong position in the Asia-Pacific, U.S. Gulf of Mexico and Caspian regions.

2011
Acquired Atlas Energy Inc.
The acquired assets provided a targeted, high-quality core acreage position, primarily in the Marcellus Shale.
Chevron
Leadership

Michael K. Wirth
➢ Chairman & CEO
➢ Been with Chevron since 1982
➢ Former VP of Midstream and Development

Mark A. Nelson
➢ EVP of Downstream & Chemicals
➢ Been with Chevron since 1985
➢ Former Civil Engineer at Chevron

Pierre R. Breber
➢ VP & CFO
➢ Been with Chevron since 1989
➢ Former EVP Downstream & Chemicals

James W. Johnson
➢ EVP of Upstream
➢ Been with Chevron since 1981
➢ Former Design and Construction Engineer
Chevron
Strategy

School of Business
Investment Program

Maintain and grow dividend
Return surplus cash
Fund Capital Program
Strong Balance Sheet

Shareholder Returns
> 6% Dividend Increase in Q1 2019
+ $4 Billion in share buybacks in 2019

Total Shareholder yield of ~6% in 2019

Source: Chevron
Chevron

Strategy

High price environment

- Competitive dividend growth
- Disciplined C&E
- Surplus cash returned to shareholders
- Liquids weighted portfolio

Grow production & sustain margins

Returns-driven capital allocation

Lower our cost structure

Get more out of assets

High-grade portfolio

Low price environment

- Competitive dividend growth
- Flexible C&E
- Balance sheet supports cash returns
- Low cost of supply

Source: Chevron
School of Business
Investment Program

Chevron
Strategy

**Net debt ratio**

- **2018**
  - Chevron: 13.5%

**Industry Leading Balance Sheet**

- Low Breakeven

**Brent volatility**

- $/bbl

**2019 cash flow breakeven**

- ~$51

Source: Chevron
### Competitive Landscape

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
</table>
| Exxon                    | Integrated American multinational oil and gas corporation headquartered in Texas.  
                          |   ○ Focus on all three oil and gas segments similar to Chevron.                                                                                |
| bp                       | Oil and Petrochemical company headquartered in London.  
                          |   ○ ~90% of revenue derived from downstream segment  
                          |   ○ ~10% of revenue derived from upstream                                                                 |
| Shell                    | British-Dutch is an oil and gas company headquartered in the US.  
                          |   ○ Majority focus on downstream  
                          |   ○ One of oil and gas’ “supermajors”.  
                          |   ○ World’s largest retail fuel network                                                                 |

Chevron
Chevron has consistently exhibited a higher price appreciation than its competitors.
# SWOT Analysis

## Strengths
- Strong Sales and Production
- Unmatched Balance Sheet
- Disciplined C&E
- Low Breakeven

## Weaknesses
- Refining Infrastructure Costs
- Progression to Carbon Neutral
- Downstream Costs Affecting Upstream Revenue

## Opportunities
- Emerging Green Energy Market Investment
- Offshore Wind
- Solar Farms

## Threats
- Commodity Price Volatility
- Regulation Standards
- 2016 Paris Accord
Chevron

Financial Highlights

Cash Flow from operations excluding working capital

In line with 2019 Guidance

2Q’s YTD

CFFO ex WC ~$14.1 Billion

FCF ex WC ~$7.6 Billion
Chevron
Sector Overview

Chevron’s price correlation to WTI commodity prices

XLE’s 2 year performance
Chevron
Valuation Overview

Valuation Football Field

- Median: $44.4
- Average: $75.9
- P/E: $52.6
- PB/CF: $35.3
- PB/DEBITDA: $27.9

- Price Range: $10.0 to $260.0
  - $10.0: $135.2
  - $60.0: $49.3
  - $110.0: $140.7
  - $160.0: $211.6
  - $210.0: $187.0
  - $260.0: $242.0
## 5 Year FCF Price Target
*(negative EBITDA)*

<table>
<thead>
<tr>
<th>Implied Equity Value and Share Price</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Value</td>
<td>$45,013.6</td>
<td></td>
</tr>
<tr>
<td>Less: Total Debt</td>
<td>(31,162.0)</td>
<td></td>
</tr>
<tr>
<td>Less: Preferred Securities</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less: Noncontrolling Interest</td>
<td>(1,084.0)</td>
<td></td>
</tr>
<tr>
<td>Plus: Cash and Cash Equivalents</td>
<td>406.0</td>
<td></td>
</tr>
<tr>
<td><strong>Implied Equity Value</strong></td>
<td>$13,173.6</td>
<td></td>
</tr>
<tr>
<td>Diluted Shares Outstanding</td>
<td>294.7</td>
<td></td>
</tr>
<tr>
<td><strong>Implied Share Price</strong></td>
<td>$44.70</td>
<td></td>
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</tbody>
</table>

## 5 Year Terminal Gross Profit
*(using current P/GP exit multiple)*

<table>
<thead>
<tr>
<th>Implied Equity Value and Share Price</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Enterprise Value</td>
<td>$67,214.1</td>
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<tr>
<td>Less: Total Debt</td>
<td>(31,162.0)</td>
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<tr>
<td>Less: Preferred Securities</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less: Noncontrolling Interest</td>
<td>(1,084.0)</td>
<td></td>
</tr>
<tr>
<td>Plus: Cash and Cash Equivalents</td>
<td>406.0</td>
<td></td>
</tr>
<tr>
<td><strong>Implied Equity Value</strong></td>
<td>$35,374.1</td>
<td></td>
</tr>
<tr>
<td>Diluted Shares Outstanding</td>
<td>294.7</td>
<td></td>
</tr>
<tr>
<td><strong>Implied Share Price</strong></td>
<td>$120.04</td>
<td></td>
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</table>
### Valuation Overview

#### Implied Share Price

<table>
<thead>
<tr>
<th>WACC</th>
<th>0.9x</th>
<th>1.0x</th>
<th>1.1x</th>
<th>1.2x</th>
<th>1.3x</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1%</td>
<td>87.6</td>
<td>109.4</td>
<td>131.1</td>
<td>152.8</td>
<td>174.6</td>
</tr>
<tr>
<td>5.6%</td>
<td>92.3</td>
<td>114.6</td>
<td>136.9</td>
<td>159.1</td>
<td>181.4</td>
</tr>
<tr>
<td>6.1%</td>
<td>92.3</td>
<td>114.6</td>
<td>136.9</td>
<td>159.1</td>
<td>181.4</td>
</tr>
<tr>
<td>6.6%</td>
<td>87.6</td>
<td>109.4</td>
<td>131.1</td>
<td>152.8</td>
<td>174.6</td>
</tr>
<tr>
<td>7.1%</td>
<td>78.6</td>
<td>99.3</td>
<td>120.0</td>
<td>140.8</td>
<td>161.5</td>
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</table>

#### Dividend Growth Model Price Sensitivity

<table>
<thead>
<tr>
<th>Cost of Capital</th>
<th>5.9%</th>
<th>6.1%</th>
<th>6.2%</th>
<th>6.4%</th>
<th>6.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.90%</td>
<td>$110.93</td>
<td>$110.93</td>
<td>$110.93</td>
<td>$110.93</td>
<td>$110.93</td>
</tr>
<tr>
<td>2.05%</td>
<td>$107.19</td>
<td>$107.19</td>
<td>$107.19</td>
<td>$107.19</td>
<td>$107.19</td>
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<tr>
<td>2.20%</td>
<td>$107.19</td>
<td>$107.19</td>
<td>$107.19</td>
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<td>$107.19</td>
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<tr>
<td>2.35%</td>
<td>$110.93</td>
<td>$110.93</td>
<td>$110.93</td>
<td>$110.93</td>
<td>$110.93</td>
</tr>
<tr>
<td>2.50%</td>
<td>$119.25</td>
<td>$119.25</td>
<td>$119.25</td>
<td>$119.25</td>
<td>$119.25</td>
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</table>
Chevron
Ratio Analysis

Free Cash Flow vs Competitors

Return on Assets vs Competitors

EV/EBITDAX vs Competitors
Chevron
Ratio Analysis

Worldwide Energy Revenues vs Competitors

Worldwide Energy Production Costs vs Competitors
To Be Determined
Thank You!
Appendix
Disciplined C&E program

Total capital & exploratory expenditures
$ billions

2018
$20.1

2019 budget
$20

- Downstream & chemicals
- Base
- Permian
- Other shale & tight
- MCPs under construction
- FGP / WPMP
- Exploration / other

Flat with 2018
Increases in shale & tight
Low execution risk

~70% of spend delivers cash within 2 years
### Stable Oil Prices around $50/BBL

<table>
<thead>
<tr>
<th></th>
<th>Q4 19</th>
<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NYMEX WTI $/BBL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast (Median)</td>
<td>58.00</td>
<td>56.00</td>
<td>56.00</td>
<td>56.00</td>
<td>58.00</td>
<td>58.00</td>
<td>59.50</td>
<td>58.83</td>
</tr>
<tr>
<td>Diff (Median - Curr)</td>
<td>+4.38</td>
<td>+2.66</td>
<td>+3.20</td>
<td>+3.82</td>
<td>+0.73</td>
<td>+5.48</td>
<td>+8.27</td>
<td>+7.87</td>
</tr>
<tr>
<td><strong>ICE Brent $/BBL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast (Median)</td>
<td>59.06</td>
<td>58.19</td>
<td>57.62</td>
<td>57.20</td>
<td>63.45</td>
<td>57.47</td>
<td>56.56</td>
<td>56.53</td>
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<tr>
<td>Diff (Median - Curr)</td>
<td>+3.94</td>
<td>+2.18</td>
<td>+3.38</td>
<td>+2.80</td>
<td>+0.85</td>
<td>+2.66</td>
<td>+6.44</td>
<td>+8.47</td>
</tr>
<tr>
<td><strong>ICE Gasoil</strong></td>
<td>583.50</td>
<td>588.55</td>
<td>575.09</td>
<td>565.71</td>
<td>562.29</td>
<td>591.11</td>
<td>565.31</td>
<td>550.98</td>
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<tr>
<td>Forecast (Median)</td>
<td>606.50</td>
<td>577.50</td>
<td>588.00</td>
<td>575.00</td>
<td>600.00</td>
<td>565.00</td>
<td>553.00</td>
<td>581.00</td>
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<tr>
<td>Diff (Median - Curr)</td>
<td>+17.95</td>
<td>+2.41</td>
<td>+22.29</td>
<td>+12.71</td>
<td>+8.89</td>
<td>-0.31</td>
<td>+2.02</td>
<td>+30.62</td>
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<tr>
<td><strong>NYMEX Henry Hub</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Forecast (Median)</td>
<td>2.75</td>
<td>2.77</td>
<td>2.55</td>
<td>2.59</td>
<td>2.67</td>
<td>2.68</td>
<td>2.62</td>
<td>2.60</td>
</tr>
<tr>
<td>Diff (Median - Curr)</td>
<td>+0.27</td>
<td>+0.35</td>
<td>+0.26</td>
<td>+0.25</td>
<td>+0.16</td>
<td>+0.27</td>
<td>+0.20</td>
<td>+0.11</td>
</tr>
<tr>
<td><strong>UK NBP Nat Gas</strong></td>
<td>41.71</td>
<td>47.40</td>
<td>49.18</td>
<td>42.90</td>
<td>45.30</td>
<td>37.53</td>
<td>47.83</td>
<td>49.17</td>
</tr>
<tr>
<td>Forecast (Median)</td>
<td>54.24</td>
<td>52.00</td>
<td>40.00</td>
<td>45.00</td>
<td>46.50</td>
<td>48.50</td>
<td>47.50</td>
<td>47.00</td>
</tr>
<tr>
<td>Diff (Median - Curr)</td>
<td>+6.84</td>
<td>+2.82</td>
<td>-2.90</td>
<td>-0.30</td>
<td>+8.97</td>
<td>+0.67</td>
<td>-1.67</td>
<td>-1.86</td>
</tr>
</tbody>
</table>
Investing in a broader energy portfolio

**Future energy fund**
- Seed funds for breakthrough technologies

**GHG intensity reduction**
- Performance tied to compensation

**Partnerships**
- Collaborative industry efforts; investment in technology

**Renewables**
- In support of our business

- **EV charging station batteries**
- **Direct air capture of CO₂**
- **EV station network**

- **2016-2023**
  - Reduce flaring 25-30%
  - Reduce methane emissions 20-25%

- **Partners to reduce manmade greenhouse gas emissions**

- **Renewable base oil**
- **Renewable diesel sales**
- **Renewable power purchase agreements**

Source: Chevron