

Chevron Corporation (NYSE: CVX)

Sector: Energy (NAICS: 324110)

Intrinsic Value	Current Price	52 Week High	52 Week Low	Beta	P/E	Market Cap	Dividend Yield
\$131.71	\$118.47	\$135.10	\$106.65	1.12	10.86	\$223B (Large Cap)	3.6%

Industry Trends

The industry is very dependent on the industry supply and demand, which at the current moment is marked by overcapacity. Brent crude prices have declined in the last few months, prompting uncertainty, particularly surrounding OPEC's actions, given that oil prices have remained under \$100 (the price which the budget balances. On the other hand, there has been a recent increase in natural gas, as the United States' Mid-West has seen colder temperatures earlier. Looking long term, we expect oil prices to be approximately \$120/barrel.

Investment Thesis

Chevron will benefit in the future from the increased investment in projects, particularly in Gorgon and Wheatstone, as well as Jack/St. Malo projects which are due to be completed in late 2014 and 2015. Chevron also has an attractive dividend yield (3.6%) and is committed to increasing its dividend, as it has historically. Chevron operates in two segments: upstream and downstream. Upstream includes its crude and natural gas exploration and production operations and the downstream segments consist of refining, and its chemicals business. Chevron is self-hedged in that when oil/gas prices negatively impact one segment, the other segment benefits, helping Chevron withstand pricing volatility and changes.

Business Summary

Chevron Corporation is an integrated energy company with operations in countries located around the world. The company produces and transports crude oil and natural gas. Chevron also refines, markets, and distributes fuels as well as is involved in chemical operations, mining operations, power generation and energy services.

CVX 5-year stock performance vs. S&P 500:



(Yahoo Finance)

Corporate Social Responsibility:

ESG Disclosure Rating	52.28 (Ind. Avg.: 40.21)
Environmental Disclosure Score	43.80 (Ind. Avg.: 32.57)
Carbon Disclosure Score	97 (Ind. Avg.: 80.45)
Social Disclosure Score	60.94 (Ind. Avg.: 41.02)
Governance Disclosure Score	60.71 (Ind. Avg.: 60.60)
Equal Opportunity Policy	1 (Ind. Avg.: 1)
Community Spending	275M (Ind. Avg.: 117.2M)
Total Energy Consumption	204.17 (Ind. Avg.: 137.07)

Source: Bloomberg, Value Line, Yahoo Finance

Competition:

- Chevron competes with other major integrated oil and gas companies, such as Exxon, Royal Dutch Shell, BP and other smaller companies such as Conoco Phillips.

Pros:

- Chevron has reserves of over 11B barrels of oil and natural gas
- Chevron continues to increase its dividend program. Currently Chevron has a dividend yield of 3.6%, and expected to continue to increase the dividend by 10% in the coming years. This is in line with its history, given that Chevron has increased its dividend 27 years in a row
- Chevron has invested in a number of projects round the world, including the Gorgon project, Wheatstone, Big Foot, Tubular Bells, Haynesville Marcellus Shale and Jack/St. Malo.

Cons:

- The stock price of Chevron relies heavily on the fluctuation of oil and natural gas prices. These fluctuations are difficult to predict.
- In order to grow, Chevron is putting a good amount of money into capital expenditures. A lot of this money comes from the issuance of debt, so their debt/equity ratio will likely rise in the coming years.
- Natural disasters and alternative sources of energy could impact Chevron's growth potential.

Value Estimate:

\$148-\$172

(2018-2020)

Estimated Real Annual Return:

6%-10%

Expected inflation	3%
Current EPS	\$10.90
Forecasted EPS Growth	8%
Credit Quality	AA
ROE	13.8%
ROA	8.1%
Price/Book	1.43
Debt/Equity	13.7%
Debt/Capital	12%
Current Ratio	1.5
Price/Cash Flow	6.3
10 yr. Risk Free Rate	2.35%
WACC	10%

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