



Valuation Measures	
As of 11/13/2024	
Market Cap	282.99B
Enterprise Value	304.12B
Trailing P/E	17.44
Forward P/E	13.11
PEG Ratio (5yr expected)	3.35
Price/Sales (TTM)	1.5
Price/Book (MRQ)	1.81
Enterprise Value/Revenue	1.57
Enterprise Value/EBITDA	7.31
Financial Highlights	
Income Statement	
Profit Margin	8.70%
Return on Assets (TTM)	5.37%
Return on Equity (TTM)	10.35%
Revenue (TTM)	191.69B
Net Income Available to common (TTM)	16.68B
Diluted EPS (TTM)	9.3
Balance Sheet and Cash Flow	
Total Cash (MRQ)	4.7B
Total Debt/Equity (MRQ)	16.46%
Levered Free Cash flow (TTM)	13.86B

5- Year Stock Price Performance



Source: Yahoo Finance

5-Year Return

CVX
+ 63.82%

S&P 500
+ 93.02%

Investment Summary

Ticker: CVX (NYSE)

Target Price: \$139.68

Current Price: \$153.41 (as 5th of November 2024)

Investment Thesis:

Chevron, a leading global energy company, has shown resilience and adaptability in a rapidly evolving market. As an integrated oil and gas giant, Chevron's operations across the energy supply chain from upstream to downstream help mitigate volatility in oil prices. Despite pressures from renewable energy alternatives and increasing regulatory demands, Chevron's investments in low-carbon technologies like carbon capture, hydrogen, and renewable fuels position it to remain competitive in the transition to cleaner energy.

Valuation Models:

Price Multiple Approach: Target price of \$115.23, suggesting Chevron may be overvalued based on industry price-to-earnings and EV/EBITDA ratios.

Dividend Discount Model (DDM): Target price of \$105.41, also indicating potential overvaluation relative to projected dividend growth.

Free Cash Flow to Firm (FCFF): Target price of \$170.02, suggesting some undervaluation based on long-term cash flow potential.

Weighted Target Price: The weighted average target price of \$139.68 suggests that Chevron's stock may be slightly overvalued overall, especially based on DDM and price multiples, though the FCFF model supports some upside potential due to strong cash flow.

Investment Rationale:

Market Position and Resilience: Chevron's vertically integrated model provides stability, allowing it to weather oil price fluctuations by generating income at each stage of the energy chain.

High-Margin Asset Focus: Investments in low-cost, high-return assets such as the Permian Basin enhance profitability and operational efficiency.

Balanced Energy Transition: Chevron's focus on carbon capture, hydrogen, and renewable fuels allows it to participate in the energy transition without overcommitting to unproven technologies.

Commitment to Shareholder Returns: Chevron's strong dividend and share buyback policies make it attractive to income-seeking investors.

Key Risks:

Oil Price Volatility: Low oil prices remain a risk to profitability despite Chevron's diversified operations.

Geopolitical Exposure: Operations in unstable regions create risk, though diversification across geographies reduces overdependence on specific markets.

Regulatory and Environmental Costs: Adhering to stricter environmental standards could increase operational costs.

Renewable Energy Competition: Chevron's cautious approach to renewables may limit its market share compared to competitors investing more aggressively in alternative energy sources.

Chevron Management Commentary Summary:

Chevron's management emphasized the company's dedication to balancing profitability with sustainable practices. Key achievements include a strong financial performance, reflecting a combination of high operational efficiency and resilience amid fluctuating energy prices. The management highlighted Chevron's ongoing efforts to optimize its upstream and downstream segments, reinforcing its market position.

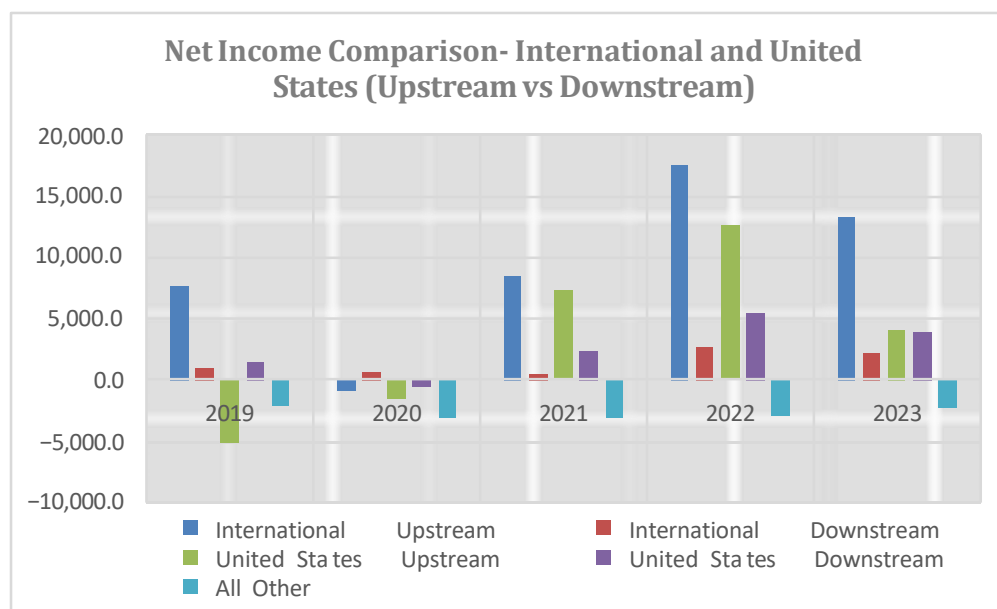
Chevron's strategic priorities include:

- **Commitment to Shareholder Returns:** Chevron maintained robust dividends, demonstrating its commitment to delivering value to shareholders. The company's share repurchase program also reflects confidence in its financial stability and growth potential.
- **Focus on Operational Efficiency:** Chevron continues to invest in technology and process improvements, enhancing efficiency across its operations. Notable advancements were achieved in digitalization and automation, supporting Chevron's competitive edge.
- **Progress in Sustainability:** Chevron is investing in lower-carbon energy sources. Management outlined its approach to expanding renewable fuels, carbon capture, and storage projects, which align with global energy transition goals. Chevron's approach balances traditional energy investments with sustainable energy developments.

Business Summary

Company Description

Chevron Corporation, headquartered in San Ramon, California, is a leading global energy company with a diversified portfolio across upstream, midstream, and downstream sectors.



Upstream Operations

Chevron's upstream operations involve the exploration, development, and production of crude oil and natural gas. This segment is a major contributor to Chevron's earnings, with assets concentrated in high-margin areas like the Permian Basin in Texas and New Mexico, where Chevron has one of the largest land positions among U.S. producers. Chevron's upstream operations also include deepwater fields in the Gulf of Mexico, as well as large-scale international projects, such as the Tengiz field in Kazakhstan and liquefied natural gas (LNG) projects in Australia. In 2023, Chevron's total upstream production averaged 3.1 million barrels of oil equivalent per day (BOE/d).

Midstream Operations

Chevron's midstream segment is responsible for transporting, trading, and storing crude oil, natural gas, and refined products. The company owns and operates an extensive network of pipelines, shipping facilities, and terminals, enabling efficient movement of its products across its global network. These assets play a crucial role in optimizing Chevron's supply chain and ensuring stable operations across volatile markets.

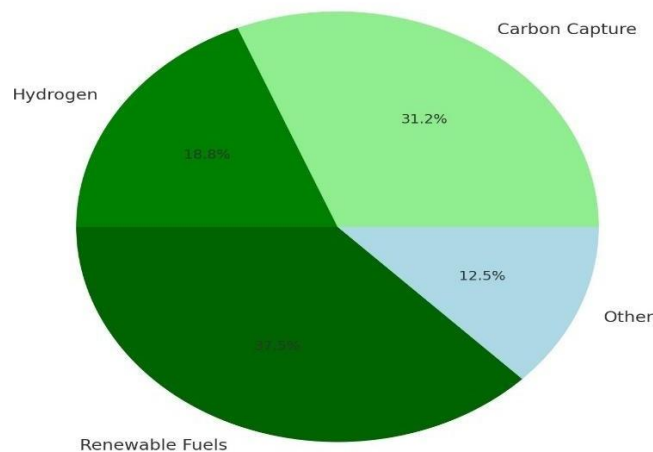
Downstream Operations

Chevron's downstream operations encompass the refining, marketing, and distribution of petroleum products. With refineries primarily located in the U.S. and Asia, Chevron has a refining capacity of approximately 2 million barrels per day. The downstream segment also includes a petrochemicals division operated through a joint venture with Phillips 66, known as Chevron Phillips Chemical Company. This venture allows Chevron to produce and distribute chemicals used in a variety of industrial applications. In 2023, Chevron's downstream segment faced pressures due to lower refining margins, but it remained a significant contributor to overall earnings.

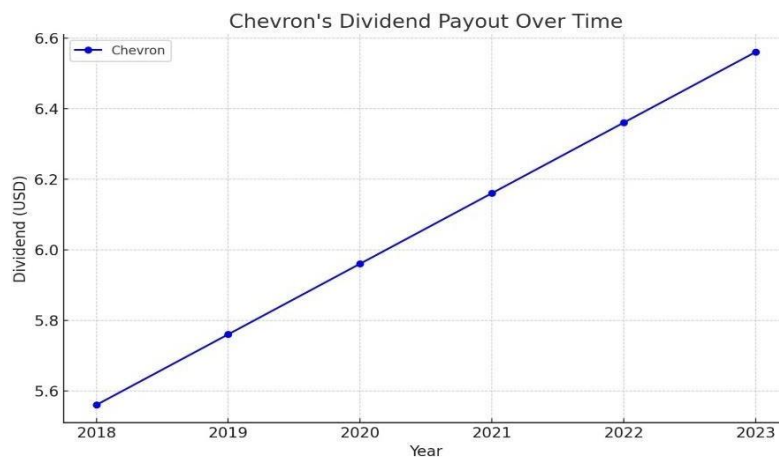
Shareholder Returns and Sustainability Initiatives

Chevron's sustainability investment strategy in 2023 focuses on various lower-carbon initiatives to address environmental challenges and align with long-term sustainability goals. The company allocated significant resources to renewable fuels, particularly biofuels, aimed at reducing emissions in transportation sectors like heavy-duty transport, marine, and aviation.

Chevron's 2023 Sustainability Investments Breakdown



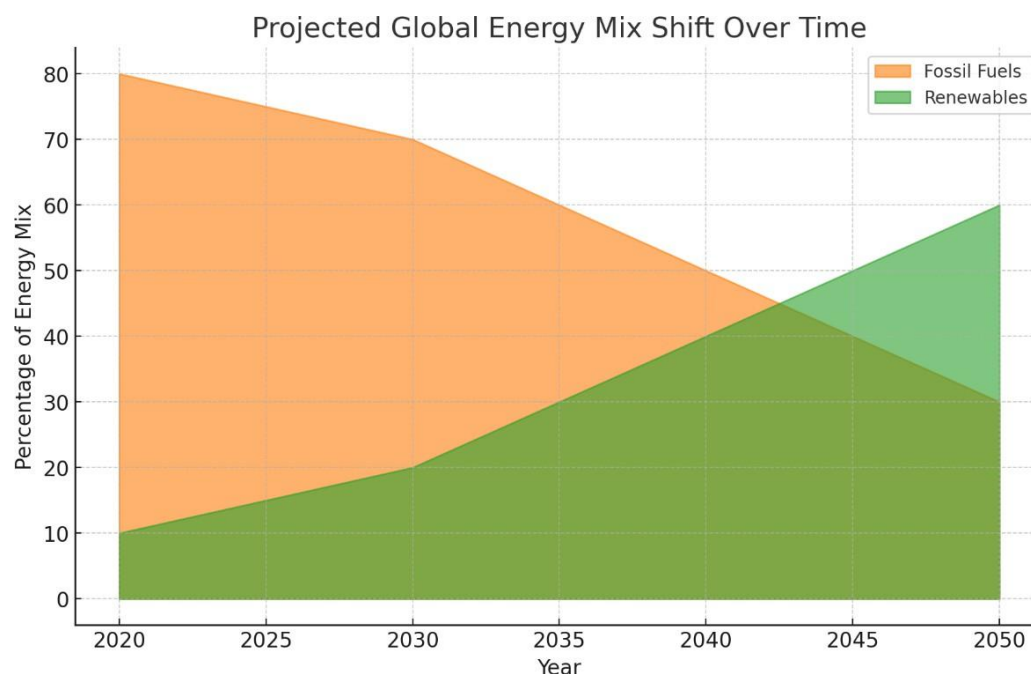
A notable portion of the budget was directed towards Carbon Capture, Utilization, and Storage (CCUS) technologies to capture and store CO₂ emissions, supporting its carbon intensity reduction goals. Chevron also invested in hydrogen production as a growth area for industrial processes and heavy transportation, while exploring other low-carbon technologies such as geothermal, solar, and wind energy. The company also tracks its progress in reducing carbon intensity per unit of energy produced, showing steady declines attributed to operational improvements, increased use of CCUS and renewable fuels, and efficiency gains. By meeting specific carbon intensity targets, Chevron is progressing towards its sustainability objectives and global climate goals.



Chevron is deeply committed to delivering shareholder value. In 2023, the company returned a record \$7.7 billion in cash to shareholders through dividends and share repurchases. Chevron's dividend yield remains one of the highest in the industry, supported by strong cash flow from operations, which reached \$46.5 billion in 2023. Beyond traditional oil and gas, Chevron is also investing in sustainability and lower-carbon initiatives.

Industry Analysis

The global oil and gas industry is experiencing a significant period of transformation, driven by technological advancements, evolving regulatory frameworks, and a growing focus on sustainable energy solutions. As a key player in this industry, Chevron must navigate complex dynamics, including the shift towards renewable energy, fluctuations in oil prices, and regulatory pressures. Below is a detailed analysis of the key trends and factors shaping the industry, which impact Chevron's operations and competitive strategy.

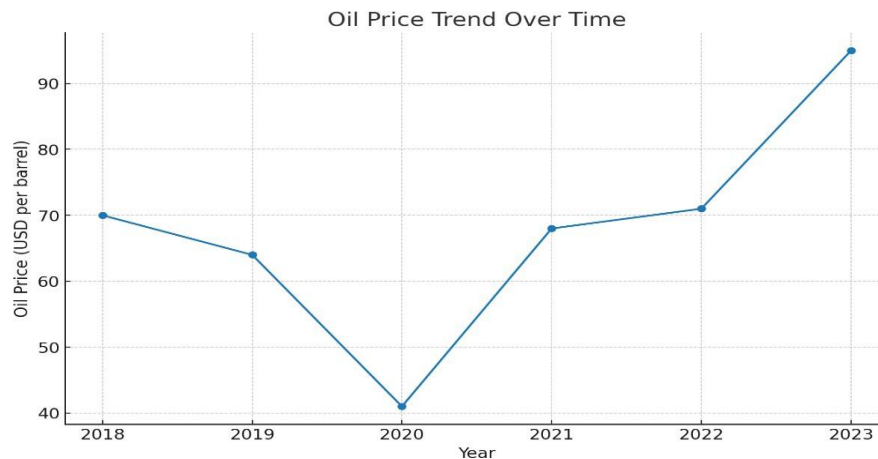


Energy Transition and Shift Towards Renewables

The energy transition towards cleaner and more sustainable sources is accelerating as governments, companies, and consumers increasingly recognize the urgency of addressing climate change. This shift is reshaping the global energy mix, with a growing emphasis on renewable sources such as wind, solar, and biofuels. By 2050, it is projected that renewables will account for a significantly larger share of the world's energy supply, largely replacing coal and, to a lesser extent, oil and gas.

Major energy companies, particularly European players like BP and TotalEnergies, have responded by diversifying their portfolios to include substantial investments in renewable energy. BP, for example, has committed to becoming a net-zero company by 2050, setting ambitious targets for increasing its renewable capacity and reducing oil and gas production. TotalEnergies has also accelerated its renewable investments, targeting a mix that includes solar, wind, and battery storage.

Chevron, however, has taken a more cautious approach. While the company is investing in lower-carbon technologies like **carbon capture and storage (CCUS)**, **hydrogen production**, and **renewable fuels**, it has not pivoted as aggressively toward renewables as some of its competitors. Chevron's strategy reflects a belief that oil and gas will remain essential in the global energy mix for decades, particularly for industries that currently lack viable renewable alternatives, such as aviation, heavy industry, and petrochemicals. This measured approach allows Chevron to maintain its core competencies while gradually adapting to changing market demands.



Oil Price Volatility and Market Cyclicality

The oil and gas industry is inherently cyclical, with profitability closely tied to fluctuations in crude oil and natural gas prices. These fluctuations are influenced by a variety of factors, including global supply and demand, geopolitical events, OPEC production decisions, and economic cycles.

For instance, the COVID-19 pandemic led to a sharp decline in oil prices in 2020 due to reduced global demand, which significantly impacted revenues across the industry. However, as economies recovered in 2021 and 2022, oil prices rebounded, driven by increased demand and supply chain disruptions. This upward trend was further amplified by the Russia-Ukraine conflict, which caused concerns about supply shortages and led to price spikes in early 2022.

Chevron, like other oil majors, is affected by these price swings, as seen in its revenue volatility over recent years. The company's integrated business model, however, provides some insulation, allowing it to generate value from downstream operations even when upstream revenues are impacted. Nonetheless, Chevron's profitability remains sensitive to oil price changes, and the company must continuously adapt its operations and investment strategies to manage the risks associated with market volatility.

Regulatory Pressures and Environmental Regulations

The regulatory landscape for the oil and gas industry is becoming more stringent as governments worldwide implement policies to curb greenhouse gas emissions and promote sustainable energy. Key regulatory measures impacting the industry include carbon pricing, emissions caps, and renewable energy mandates.

- **Carbon Pricing and Taxes:** Carbon pricing mechanisms, such as carbon taxes and emissions trading systems, are being adopted in various regions to incentivize emissions reduction. The European Union, for instance, has a well-established Emissions Trading System (ETS) that imposes costs on companies based on their emissions. Similar schemes are being considered or implemented in other parts of the world, including Canada and parts of the United States. These carbon pricing policies increase the operating costs for traditional oil and gas companies, prompting them to adopt cleaner technologies or reduce emissions.
- **Emissions Reduction Targets:** Many countries, including the United States and members of the European Union, have set ambitious targets to achieve net-zero emissions by 2050. These targets often come with specific mandates for reducing methane emissions, improving energy efficiency, and increasing the share of renewables in the energy mix. For Chevron, compliance with these regulations requires investments in emissions reduction technologies and adaptation of its operations to meet stricter environmental standards.
- **Renewable Energy Standards:** Renewable portfolio standards (RPS) and similar mandates require utilities and companies to increase their use of renewable energy sources. In response, many energy companies are increasing their investments in renewables. Although Chevron's approach has been more conservative compared to its European peers, the company is investing in renewable fuels and CCUS to gradually align with regulatory expectations while maintaining its focus on traditional energy.

Geopolitical Factors and Global Supply Chain Risks

Geopolitical factors have a profound impact on the oil and gas industry, given its reliance on global supply chains and dependence on politically sensitive regions for resource extraction. Key geopolitical dynamics affecting the industry include:

- **OPEC and Production Quotas:** The Organization of the Petroleum Exporting Countries (OPEC), along with its allies (OPEC+), plays a critical role in managing global oil supply and prices. Production decisions made by OPEC significantly affect oil prices and market stability.
- **Russia-Ukraine Conflict:** The ongoing conflict between Russia and Ukraine has created considerable disruption in the energy sector, particularly in Europe, which relies on Russian natural gas. Sanctions on Russia and the resulting supply shortages have led to price spikes in oil and gas, benefiting some producers in the short term but also adding volatility to the global energy market. For Chevron, the conflict underscores the importance of diversification and the need for stable international operations.
- **Political Stability in Production Regions:** Many oil and gas reserves are in politically unstable regions, such as the Middle East, West Africa, and parts of Latin America. Chevron operates in several of these areas, which exposes the company to geopolitical risks like civil unrest, government changes, and nationalization of resources. However, Chevron's diversified global portfolio, with significant assets in politically stable regions like North America and Australia, helps mitigate these risks.

Technological Advancements and Operational Efficiency

The oil and gas industry has seen rapid technological advancements that have transformed exploration, production, and distribution. Companies are increasingly leveraging digital tools, data analytics, and automation to improve operational efficiency, reduce costs, and enhance safety.

- **Enhanced Recovery Techniques:** Technological advancements in enhanced oil recovery (EOR), horizontal drilling, and hydraulic fracturing have improved production efficiency in oil-rich regions like the Permian Basin. Chevron has been a leader in applying these techniques, allowing it to extract more oil from existing fields and reduce production costs, which is critical in maintaining competitiveness.
- **Carbon Capture and Storage (CCUS):** CCUS technology is becoming an essential component of the energy transition, as it allows companies to capture carbon emissions from operations and store them underground. Chevron has invested in CCUS projects as part of its sustainability strategy, positioning itself as a low-carbon leader within traditional oil and gas. Although CCUS is still in its early stages, it represents a long-term opportunity for Chevron to reduce its carbon footprint while continuing to operate in fossil fuel-intensive sectors.

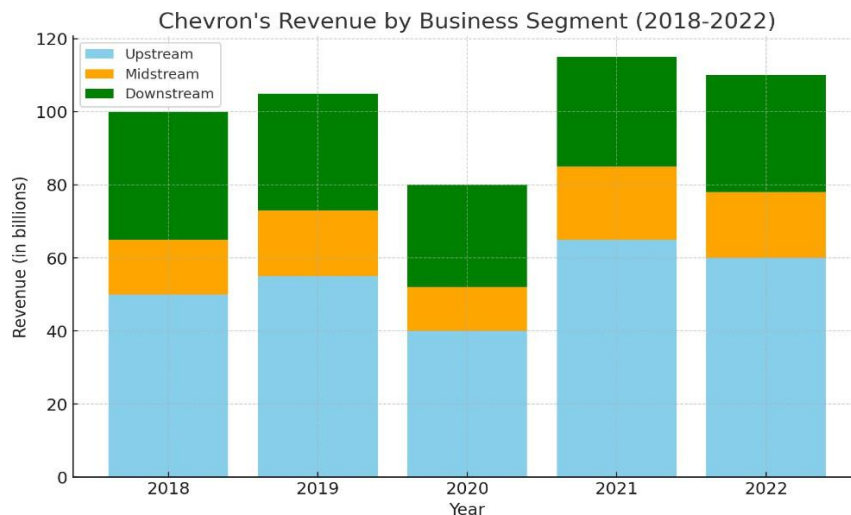
Rising Competition from Renewable Energy Companies: The rise of renewable energy companies presents a competitive threat to traditional oil and gas firms. Wind, solar, and battery storage companies have gained market share as renewable energy costs decline and public support for clean energy increases. Major renewable players, like NextEra Energy in the U.S. and Ørsted in Europe, have scaled rapidly, benefiting from favorable regulatory policies and government incentives.

In response, oil majors are diversifying into renewables, with companies like BP and TotalEnergies setting aggressive targets for renewable capacity expansion. While Chevron has been more conservative in its approach, it has initiated low-carbon investments to remain competitive in a shifting energy landscape. Chevron's commitment to CCUS, hydrogen, and renewable fuels allows it to participate in the energy transition while retaining its core focus on fossil fuels, catering to investors who prioritize stability over rapid change.

Competitive Analysis

As a major player in the global energy industry, Chevron is known not only for its scale but also for its strategic positioning. Chevron's strengths lie in its integrated operations, focus on high-margin assets, financial discipline, gradual approach to renewables, and robust shareholder returns. Together, these elements define Chevron's unique approach to navigating an evolving energy landscape.

Integrated Business Model



Chevron's vertically integrated business model is a core advantage, spanning **upstream activities** (exploration and production of oil and gas), **midstream logistics** (transport and storage), and **downstream operations** (refining and distribution). This integration allows Chevron to generate revenue across the entire energy value chain, making it resilient to market fluctuations. For instance, when oil prices decline, Chevron's downstream operations, such as refining and petrochemicals, can often compensate, as lower raw material costs can improve profit margins. This balance enables Chevron to manage the inherent volatility in the oil market more effectively than upstream-only companies.

Additionally, by participating in all stages of energy production and distribution, Chevron gains valuable insights into market trends and customer needs, allowing it to make more informed, strategic decisions across its business lines.

Focus on High-Margin Assets

Chevron strategically focuses on assets that offer high returns. The **Permian Basin** in Texas and New Mexico, one of the most productive oil fields in the U.S., exemplifies this. Chevron's scale and operational efficiency in the Permian Basin have made it one of the lowest-cost producers, a critical advantage in a price-sensitive industry. In addition, Chevron's **deepwater projects in the Gulf of Mexico** are high-margin assets due to their significant production volumes and relatively fewer regulatory constraints compared to onshore fields.

Internationally, Chevron has diversified investments, such as the **Tengiz field in Kazakhstan** and **LNG projects in Australia** (Gorgon and Wheatstone). These projects cater to the rising energy demand in Asia, ensuring that Chevron's revenue streams are not solely dependent on the U.S. market. By balancing high-margin assets in the U.S. with international projects, Chevron maintains a diverse, resilient portfolio capable of withstanding regional market fluctuations.

Financial Strength and Capital Discipline

Chevron's financial discipline is a standout feature, reflected in its **low debt-to-equity ratio** and cautious approach to capital allocation. Unlike some competitors, Chevron has avoided excessive leverage, allowing it to remain flexible during economic downturns. For example, during the 2020 oil price crash, Chevron's strong

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balance sheet helped it withstand financial strain without compromising shareholder returns or cutting critical investments.

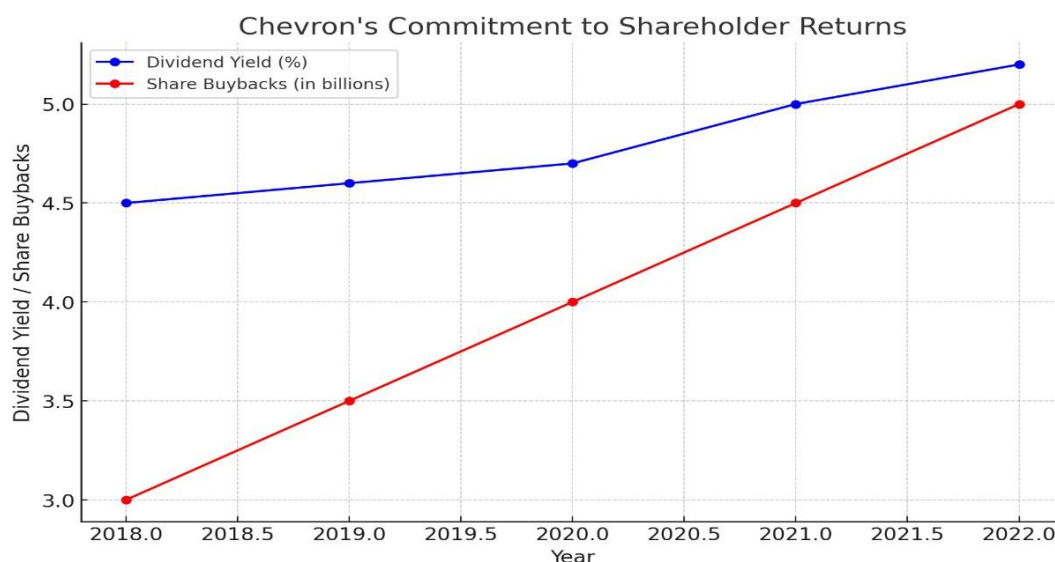
Chevron's capital discipline also involves selectively investing in high-return projects, such as the Permian Basin and deepwater drilling. This approach enables Chevron to generate consistent **free cash flow**, which it uses to fund dividends, share buybacks, and strategic investments. This cautious approach appeals to income-focused investors, who value Chevron's stable dividend payments and reliable growth in share value

Gradual Approach to Renewable Energy Transition

Unlike some European peers like BP and TotalEnergies, Chevron's approach to renewable energy is gradual and focused. While BP and Total have committed billions to wind, solar, and other renewable projects, Chevron's strategy prioritizes **carbon capture, utilization, and storage (CCUS)**, **hydrogen production**, and **renewable fuels**. Chevron's leadership believes that oil and gas will remain essential for decades, particularly in sectors where renewable alternatives aren't yet viable, such as heavy industry and long-haul transport.

Chevron's conservative transition strategy resonates with investors who view the shift to renewables as gradual and risky. Instead of completely pivoting away from fossil fuels, Chevron aims to reduce the carbon intensity of its existing operations while making incremental investments in low-carbon solutions, positioning itself as a "low-carbon leader" within the traditional oil and gas industry.

Commitment to Shareholder Returns



Chevron has a strong track record of prioritizing shareholder returns through consistent **dividends** and **share buybacks**. In 2023, Chevron returned \$7.7 billion to shareholders, demonstrating its commitment to providing steady income for investors. Its dividend yield remains among the highest in the industry, making it attractive to income-focused investors. Chevron's focus on returns contrasts with competitors like BP and TotalEnergies, which have redirected significant portions of cash flow toward renewable investments. By prioritizing immediate returns, Chevron appeals to traditional energy investors seeking stable income.

Operational Efficiency and Cost Management

Chevron is known for its operational efficiency, particularly in the Permian Basin, where it has become one of the lowest-cost producers. This efficiency allows Chevron to remain profitable even in low oil price environments, giving it a competitive edge over companies with higher operating costs. The company has also embraced **digital transformation**, using data analytics, predictive maintenance, and automation to optimize its operations. These initiatives help Chevron reduce operational costs, improve safety, and increase productivity, making it more adaptable to market changes.

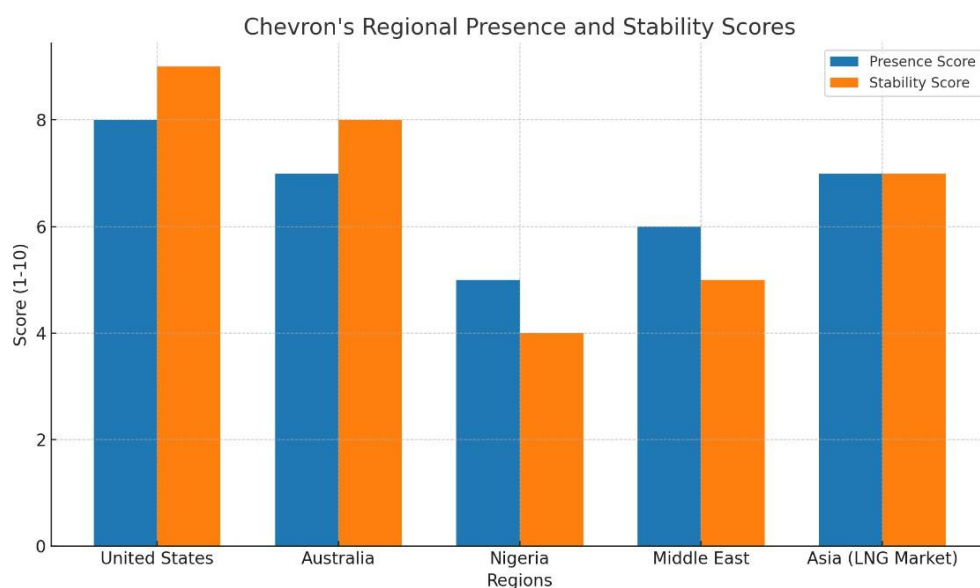
Differentiation from European Competitors

European oil majors like BP and TotalEnergies have taken a bold approach to renewable energy, with substantial investments in wind, solar, and battery storage. These companies are positioning themselves as leaders in the energy transition, setting ambitious targets for emissions reductions. In contrast, Chevron has chosen to **decarbonize its existing operations** and selectively invest in low-carbon technologies. This conservative approach appeals to investors who prioritize stable returns over rapid energy transition. Chevron's strategy aligns with its traditional oil and gas expertise while addressing sustainability in a way that doesn't overextend its resources.

Focus on Carbon Management as a Sustainable Initiative

Chevron's emphasis on **carbon management** aligns with its expertise in fossil fuels, allowing it to integrate sustainability without a drastic business model shift. The company has prioritized **carbon capture and storage (CCUS)**, which captures emissions from its operations and stores them underground, reducing its carbon footprint. Chevron is also investing in **hydrogen** and **renewable natural gas (RNG)**, both of which offer low-carbon alternatives to conventional fuels. These initiatives provide flexibility, as Chevron can scale them gradually as demand for lower-carbon energy grows. This balanced approach to sustainability resonates with investors looking for responsible energy production without sacrificing profitability.

Stable International Presence



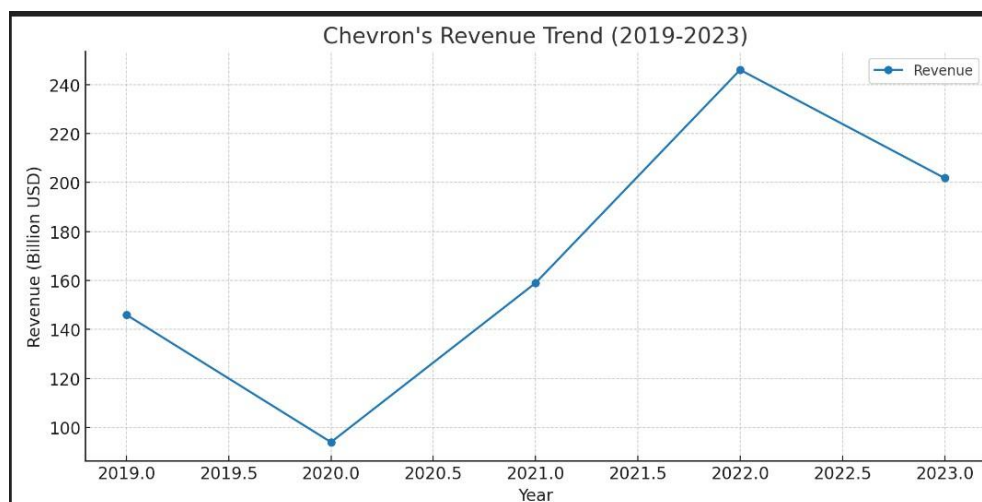
Chevron's global footprint strengthens its competitive positioning by reducing exposure to regional volatility. The company operates in politically stable regions like the United States and Australia, minimizing the risk of operational disruptions. However, Chevron also has a presence in higher-risk areas, such as Nigeria and the Middle East, which offer substantial reserves and growth opportunities. By balancing its portfolio geographically, Chevron ensures stability and can capitalize on growing demand in emerging markets, particularly in Asia, where its **LNG projects in Australia** serve as a gateway to the Asian market.

FINANCIAL ANALYSIS

Chevron's financial performance over the past five years provides insights into its operational resilience, financial discipline, and response to market volatility. Key metrics like revenue, net income, free cash flow, and capital expenditures illustrate Chevron's adaptability in an industry where external factors like oil prices, regulatory shifts, and geopolitical events play significant roles.

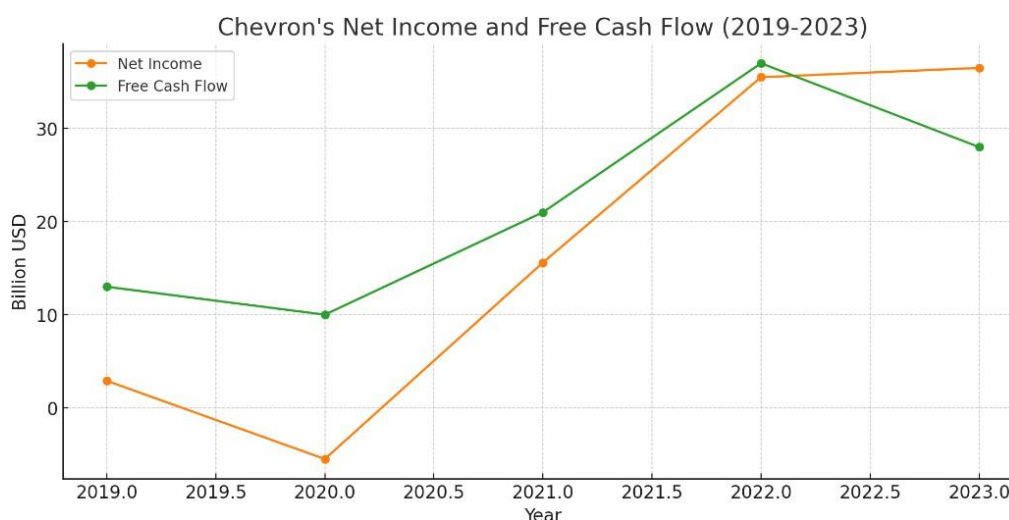
Revenue Trends

Chevron's revenue has been highly sensitive to fluctuations in global oil prices, reflecting the cyclical nature of the energy industry. In 2019, Chevron reported total revenue of approximately **\$146 billion**, but the COVID-19 pandemic led to a significant downturn in 2020, with revenues dropping to around **\$94 billion** due to reduced global demand and sharp declines in oil prices. However, as demand rebounded in 2021 and oil prices surged, Chevron's revenue climbed to **\$159 billion**. This recovery continued into 2022, when Chevron's revenue peaked at **\$246 billion**—a record high driven by robust energy demand and elevated oil prices amid supply disruptions from geopolitical tensions, including the Russia-Ukraine conflict.



In 2023, as oil prices stabilized and refining margins faced pressures, Chevron's revenue moderated to **\$201.8 billion**. This trend highlights Chevron's reliance on global commodity prices and the inherent volatility in its revenue stream, even with its diversified operations(2023 chevron annual rep...).

Net Income and Profitability



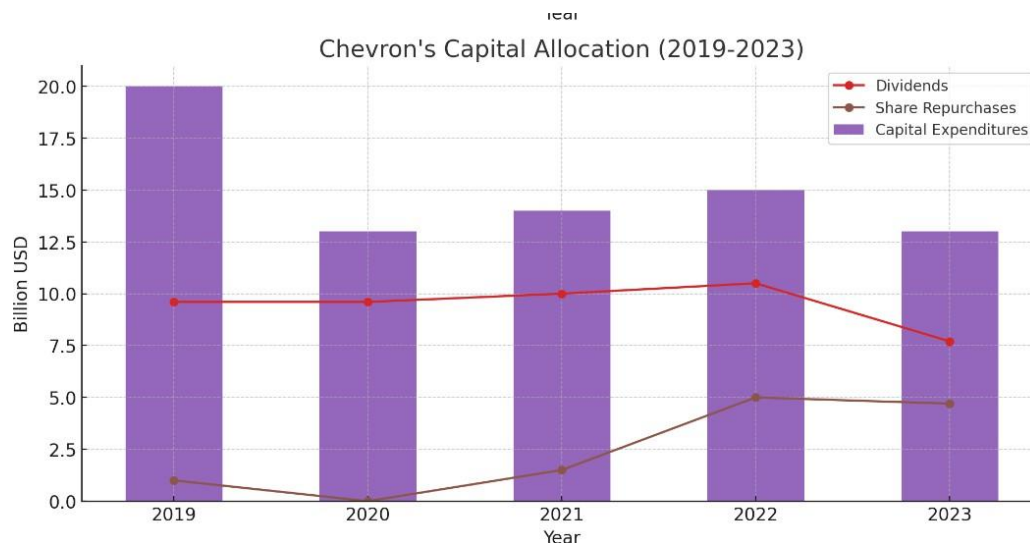
Chevron's net income over the past five years mirrors its revenue performance, with significant fluctuations due to changes in oil prices and market conditions. In 2020, Chevron recorded a net loss of approximately **\$5.5 billion** as the pandemic impacted demand and forced the company to take asset write-downs. However, Chevron's disciplined cost management and operational efficiencies enabled a swift recovery as the market rebounded.

In 2021, Chevron returned to profitability, posting net income of **\$15.6 billion**, as increased demand and higher oil prices boosted earnings. This upward trend continued into 2022, when Chevron reported an impressive **\$35.5 billion** in net income, one of the highest in the company's history, supported by record-high oil prices and strong

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upstream performance. In 2023, Chevron maintained a robust net income of **\$36.5 billion** despite moderating prices, demonstrating its capacity to generate stable profits even as the energy market began to stabilize.

Free Cash Flow and Capital Allocation

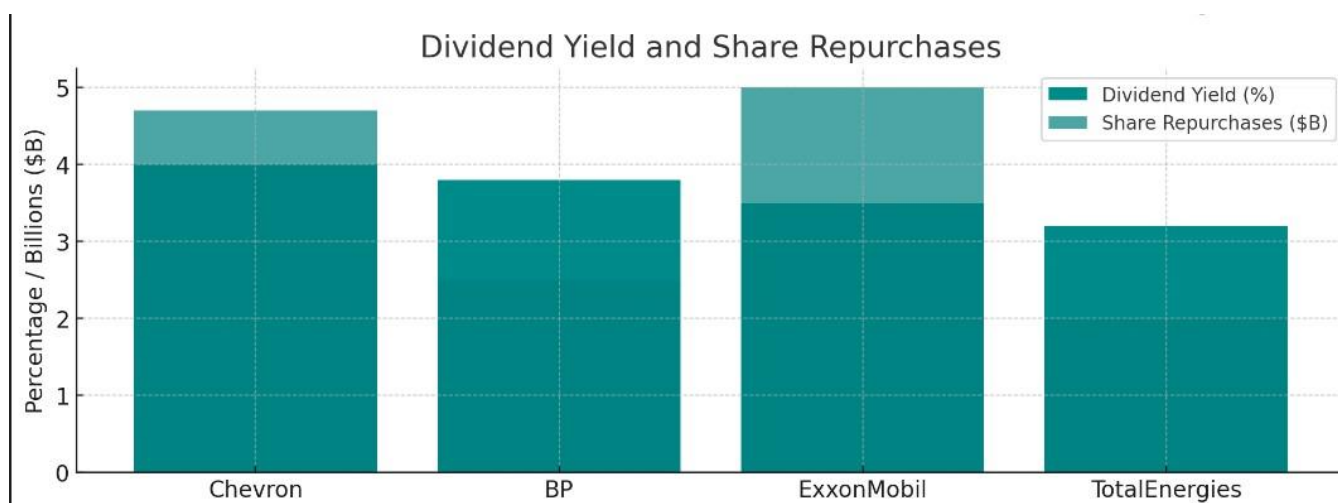


Chevron's ability to generate free cash flow (FCF) has been a cornerstone of its financial strategy, supporting shareholder returns and strategic investments. The company's FCF is largely driven by its disciplined capital expenditures and efficient operations in high-margin assets like the Permian Basin. In 2023, Chevron generated **\$46.5 billion** in operating

cash flow and **\$28 billion** in free cash flow, which enabled it to sustain a high dividend yield and execute share buybacks.

Over the last five years, Chevron has consistently prioritized capital discipline, focusing on projects with high returns and carefully managing its investments in response to market conditions. For instance, in 2020, Chevron reduced its capital expenditures to **\$13 billion** as a response to the downturn. This cautious spending approach helped Chevron conserve cash during the challenging period. In 2023, Chevron maintained a capital expenditure of approximately **\$13 billion**, with allocations to both its traditional oil and gas operations and its emerging low-carbon projects.

Dividend Stability and Shareholder Returns



Chevron has established itself as a reliable dividend payer, appealing to income-focused investors. Throughout the volatility of the past five years, Chevron consistently maintained or increased its dividend payments. In 2023,

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the company returned **\$7.7 billion** to shareholders through dividends, which underscores its commitment to delivering value even during challenging market conditions.

Chevron's dividend yield remains one of the highest in the industry, supported by strong free cash flow. Additionally, Chevron conducted share repurchases totaling **\$4.7 billion** in 2023. This focus on shareholder returns differentiates Chevron from some competitors, such as BP and TotalEnergies, which have redirected portions of their cash flow towards renewable investments rather than returning it to shareholders. Chevron's approach appeals to traditional energy investors who prioritize stable income over rapid shifts into renewables.

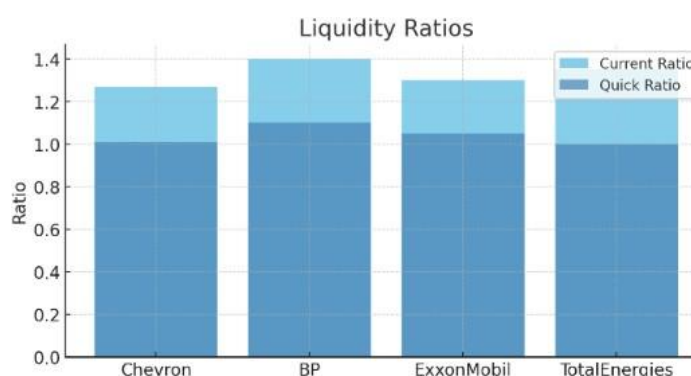
Capital Expenditures and Investment Strategy

Over the past five years, Chevron has demonstrated flexibility in its capital spending, adjusting its investments based on market conditions. In 2020, Chevron reduced its CapEx to align with lower revenues, focusing on operational efficiency rather than expansion. However, with the recovery in oil prices and demand, Chevron gradually increased its capital spending in subsequent years. In 2023, CapEx was approximately **\$13 billion**, with investments directed toward both high-margin upstream projects and lower-carbon

Chevron's investment in high-margin projects, such as the Permian Basin and deepwater Gulf of Mexico, continues to support profitability, while lower-carbon projects reflect its measured approach to sustainability. For example, Chevron allocated capital to **carbon capture and storage (CCUS)**, **hydrogen production**, and **renewable fuels** in 2023 as part of its strategy to reduce carbon intensity. This balanced capital allocation strategy allows Chevron to maintain a strong presence in traditional oil and gas while positioning itself to meet future regulatory requirements and investor expectations on sustainability.

FINANCIAL RATIOS:

Liquidity Ratios:



Chevron's **current ratio** of 1.27 and **quick ratio** of 1.01 indicate that it has adequate liquidity to cover its short-term liabilities. However, compared to its peers, **BP** has a slightly higher current ratio (1.40) and quick ratio (1.10), showing better short-term asset management. **ExxonMobil** and **TotalEnergies** also maintain solid liquidity, with **ExxonMobil** performing slightly better in both ratios. Overall, Chevron is in a healthy liquidity position, though **BP** stands out for its slightly stronger short-term financial stability.

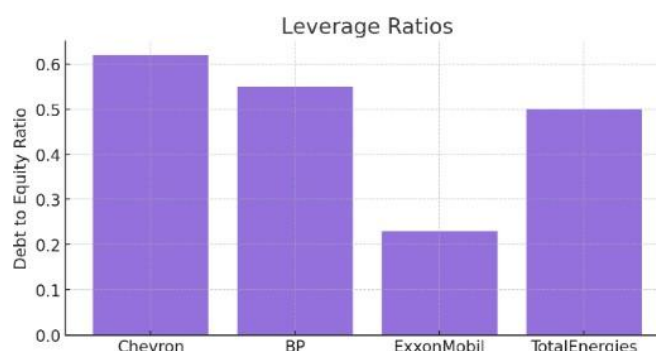
Profitability Ratios:

Chevron's **net profit margin** of 10.65% is solid and indicates effective cost management, particularly in its upstream operations. However, **ExxonMobil** outperforms Chevron with a higher **return on equity (ROE)** of 40%, reflecting its ability to generate high returns for shareholders.



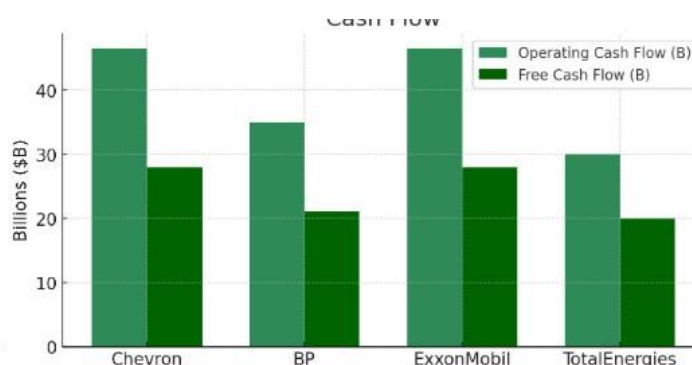
BP also boasts a strong **ROE** of 20.4%, surpassing Chevron's 13.22%. While Chevron performs admirably, **ExxonMobil** leads in profitability, with its higher margins and superior ROE. **TotalEnergies** lags behind in terms of both **net profit margin** (8.5%) and **ROE** (16.5%), indicating slightly weaker overall profitability.

Leverage Ratios:



Chevron's **debt-to-equity ratio** of 0.62 is moderate, reflecting its balanced approach to leveraging debt. Compared to **ExxonMobil** (0.23), which operates with much lower leverage, Chevron is more aggressive in using debt to finance its operations, though still maintaining a solid financial position. **BP** has a **debt-to-equity ratio** of 0.55, slightly lower than Chevron's, but still maintains a comparable leverage stance. **TotalEnergies**, with a debt-to-equity ratio of 0.50, is positioned similarly to BP. Overall, Chevron's debt levels are manageable, though **ExxonMobil** maintains the most conservative leverage approach.

Cash Flow and Free Cash Flow:



Chevron generated **\$46.5 billion** in operating cash flow in 2023, showcasing its strong capacity to generate cash from operations. It also produced **\$28 billion** in free cash flow, a level on par with **ExxonMobil**, which posted similar figures in both operating and free cash flow. **BP** and **TotalEnergies** lag behind, with BP generating \$35 billion and TotalEnergies \$30 billion in operating cash flow. Despite these competitors' solid performances,

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Chevron's free cash flow generation is competitive, highlighting its operational strength and ability to fund shareholder returns, debt reduction, and investments.

Efficiency Ratios:



Chevron's **EBITDA margin** of 19.28% demonstrates its strong ability to generate earnings before non-operational expenses. This places Chevron among the top performers, though **ExxonMobil** outshines with a higher **EBITDA margin** of 21.3%, reflecting superior operational efficiency. **BP** and **TotalEnergies** trail behind Chevron, with **TotalEnergies** having an EBITDA margin of 16.8%. In terms of **asset turnover**, which measures how efficiently a company uses its assets to generate revenue, **ExxonMobil** leads with a ratio of 0.74, followed by **Chevron** at 0.72. **BP** and **TotalEnergies** show slightly lower asset turnover ratios, which indicates Chevron is slightly more efficient in utilizing its assets than BP and TotalEnergies.

Key Takeaways:

- **Chevron** shows a strong financial position with healthy liquidity, solid profitability, and effective capital management. While it lags behind **ExxonMobil** in terms of profitability and cash flow generation, Chevron outperforms **BP** and **TotalEnergies** in several key areas, including free cash flow and operational efficiency.
- **ExxonMobil** maintains a leadership position across profitability, cash flow, and operational efficiency, making it the most profitable and financially efficient player in the group.
- **BP** and **TotalEnergies** have strong liquidity and decent profitability but are slightly behind Chevron in terms of free cash flow generation and asset efficiency. **BP** is slightly better than Chevron in liquidity, while **TotalEnergies** has a slightly higher leverage but less efficient cash flow.
- Overall, Chevron's performance positions it as a stable and resilient company within the energy sector, particularly for investors focused on steady shareholder returns, cost management, and gradual transitions into the renewable energy space.

VALUATION

In this valuation analysis for Chevron, three distinct methods are applied to estimate its intrinsic stock price: the Price Multiple approach, the Dividend Discount Model (DDM) in a two-stage format, and the Free Cash Flow to Firm (FCFF) model. Each method provides a unique perspective on value by focusing on different aspects of Chevron's financial fundamentals.

1. **Relative valuation:** This method uses industry and peer group price multiples (such as P/E, P/B or EV/EBITDA) to derive an implied value, reflecting market sentiment and comparable company valuations.
2. **Dividend Discount Model (DDM) - Two-Stage:** DDM values Chevron based on its expected future dividends, assuming a period of high growth followed by stable growth. This model is particularly relevant for Chevron as a dividend-paying company, capturing shareholder returns directly.
3. **FCFF Valuation:** The FCFF model estimates the total enterprise value by projecting Chevron's free cash flows and discounting them to the present. This method captures the firm's operating performance and capital structure, reflecting the value of both debt and equity.

Valuation Model	Target Price	Weighting
DDM	\$ 105.41	30%
Price Multiple	\$ 115.23	20%
FCFF	\$ 170.02	50%
Target Stock price	\$ 13G.67G	

Relative valuation - Price Multiples Analysis (Ref: appendix V1)

The Price Multiples Valuation method estimates Chevron's stock value by comparing its P/E, P/B, and EV/EBITDA ratios to those of industry peers such as ExxonMobil, BP (British Petroleum), Royal Dutch Shell, and TotalEnergies. These ratios provide target prices based on Chevron's current financial metrics. The final average target price derived from these multiples is \$115.23, indicating that Chevron is overvalued, as its current stock price is \$153.41 (as of Nov 5th).

Dividend Discount Model (DDM) - Two-Stage (Ref: appendix V2)

The Two-Stage Dividend Discount Model (DDM) values Chevron by forecasting future dividends, with a 6.17% growth rate for the first five years and a perpetual growth rate of 2.6% afterward. Using a required rate of return of 9.61%, the model calculates an intrinsic stock price of \$105.41. Since this target price is lower than the current market price (as of Nov 5th), the DDM also suggests Chevron is overvalued.

Free Cash Flow to the Firm (FCFF) Valuation (Ref: appendix V3)

This valuation applies the FCFF approach to estimate Chevron's intrinsic value, discounting projected cash flows at a WACC of 8.70% to account for the company's cost of capital and associated risks. A perpetual growth rate of 2.6% is used to calculate the terminal value, reflecting anticipated long-term economic growth. The resulting implied price of \$170.02 indicates that Chevron's stock is undervalued compared to its current market price of \$153.41, suggesting potential upside for investors if the assumptions hold.

Valuation Inputs

Perpetual Growth Rate

Assuming a long-term growth rate of 2.60% for Chevron aligns with GDP growth, as this rate reflects realistic, sustainable expectations. Chevron operates in a mature, energy-dependent industry, making it unlikely to grow faster than the overall economy. Additionally, this rate accounts for modest inflation and reflects Chevron's global market exposure, tying its growth to steady, long-term economic trends.

Dividends

In 2023, the company paid an annual dividend of \$6.04 per share, marking the 36th year in a row of increasing its annual dividend per share. In January 2024, the Board of Directors approved an increase of \$0.12 per share to the quarterly dividend, raising it by around eight percent to \$1.63 per share, with payment scheduled for March 2024.

The projected growth rate for the next five years, set at 6.17%, is based on the company's average dividend growth from 2018 to 2023. This rate assumes that recent dividend increases will continue over the short term, which is a common way to estimate near-term growth. Looking at historical growth is practical because past performance can often provide a reasonable prediction for the near future, especially if there are no expected major changes in the company's operations or economic environment.

For the long-term growth rate, we've chosen 2.60% starting in year 6, which aligns with the general GDP growth rate. This conservative approach recognizes that companies can't grow dividends faster than the economy indefinitely. By linking long-term growth to GDP, we're assuming that, over time, the company's dividend growth will gradually align with the broader economy, providing a stable and sustainable rate for long-term forecasts.

Cost of Capital

The **cost of equity** was calculated using the Capital Asset Pricing Model (CAPM), which factors in the risk-free rate, the company's market risk (beta), and the equity risk premium. Here, the risk-free rate is set at 4.43%, based on the 10-year Treasury bond yield, as it represents a reliable, low-risk investment benchmark. The company's beta of 1.08 indicates its stock is slightly more volatile than the overall market, meaning it's expected to react somewhat more strongly to market changes. Additionally, the equity risk premium (ERP) of 4.8% reflects the extra return that investors expect for choosing stocks over safer options. Based on these inputs, we arrive at a cost of equity of 9.61%, which is the return that shareholders are likely to expect given the company's risk profile.

The **cost of debt** represents what the company pays to finance its debt obligations. Calculated as the total interest expense divided by total debt, the pre-tax cost of debt is 2.25%. Since interest expenses reduce taxable income, this pre-tax rate is adjusted by the tax rate to get an after-tax cost of debt of 1.63%. This after-tax rate more accurately reflects the actual financing cost because it accounts for the tax benefit of debt.

To calculate the **capital structure weights**, we considered the company's mix of debt and equity. Debt makes up 11.46% of the capital structure, while equity accounts for 88.54%, showing a strong reliance on equity financing over debt. While this lowers the company's financial risk, equity financing typically has a higher cost compared to debt due to the lack of tax deductions.

The **Weighted Average Cost of Capital (WACC)** of 8.70% combines the cost of equity and after-tax cost of debt, each weighted by their respective portions in the capital structure.

RISK ANALYSIS

SYSTEMATIC RISKS

COMMODITY PRICE RISK

Description: Being one of the largest suppliers of gas and oil worldwide, Chevron is subject to commodity price risk, which is the risk of changes in the cost of natural gas, crude oil, and other petroleum products. Global supply and demand dynamics, geopolitical events, and market speculation are some of the variables that influence these price swings.

Impact: Chevron's oil and gas production revenues are directly correlated with commodities prices. Chevron's 2023 Annual Report demonstrates that the average price of crude oil per barrel fell from \$92.92 in 2022 to \$73.76 in 2023, which would have a significant negative impact on its upstream earnings. Forecasts of commodities prices impact Chevron's capital allocation choices. Chevron may postpone or abandon expensive projects as a result of low prices, especially those that call for a sizable upfront capital commitment.

Mitigation: A multifaceted strategy has been put in place by Chevron to reduce revenue volatility brought on by changes in commodity prices. By diversifying into renewable energy sources, expanding natural gas operations and improving operational efficiency Chevron is positioning itself for long-term resilience against commodity price risks while maintaining stable revenue streams across various market conditions.

FOREIGN EXCHANGE RISK

Description: Chevron faces two types of foreign exchange risks:

1. **Transaction Risk:** This arises from Chevron's operations in foreign countries where it incurs costs or earns revenues in local currencies. Unexpected financial gains or losses may result from changes in currency rates between the time a transaction is started and when it is settled.
2. **Translation Risk:** This occurs when Chevron consolidates its international subsidiaries' financial statements into its U.S.-based financial reports. The value of assets, liabilities, revenues, and expenses stated in U.S. dollars can all be impacted by changes in exchange rates.

Impact: Foreign currency fluctuations can directly impact Chevron's earnings. For example, Chevron noted that foreign currency effects reduced earnings by \$405 million in 2023. These impacts demonstrate how exchange rate movements can create volatility in reported earnings. The value of Chevron's foreign-denominated assets and liabilities is impacted by translation risk. The stated value of these assets and liabilities may decrease if a foreign currency depreciates in relation to the US dollar.

Mitigation: Financial derivatives like options and forward contracts are used by Chevron to protect themselves against unfavourable currency fluctuations. By using these tools, Chevron could stabilise exchange rates for upcoming deals, lowering the risk associated with changes in the market.

INFLATION RISK

Description: The likelihood of growing prices for labour, products, and services is known as inflation risk, and it may have a detrimental effect on Chevron's operational costs and profitability.

Impact: Chevron's production costs are directly impacted by inflation. The entire cost structure may rise as a result of rising prices for inputs such chemicals used in refining processes, steel used in pipelines and drilling equipment, and other components. For instance, the cost of powering Chevron's plants may increase due to rising energy prices.

Mitigation:

- In order to lower its cost base and minimize inflationary pressures, Chevron is constantly working to increase operational efficiency. In order to optimize production processes and minimize dependency on labor-intensive tasks, Chevron plans to use innovation and technology, such as digitalization and automation, in its upstream and downstream operations.

- Chevron, for instance, has made investments in cutting-edge drilling technologies that increase well productivity while cutting down on drilling time and related expenses.

UNSYSTEMATIC RISKS

REGULATORY AND LEGAL RISK

Description: Chevron is subject to regulatory risks pertaining to government policies on energy production, health and safety rules, and environmental laws. Regulation changes may limit some operations or raise the cost of compliance.

Impact: More rigid rules might require Chevron to close or alter non-compliant plants or raise operating expenses (carbon taxes, for example). Significant financial fines could also be the outcome of legal challenges involving environmental damage, such as oil spills.

Mitigation:

- Chevron interacts with legislators and regulators to keep them updated on impending regulatory changes.
- To minimise its environmental impact, the corporation makes investments in environmental compliance initiatives such methane management plans and carbon capture technologies.
- To control the danger of litigation, Chevron also keeps a strong legal workforce.

SUPPLY CHAIN RISK

Description: Chevron manages a complicated worldwide supply chain for acquiring equipment, services and raw materials. Operations may be impacted by supply chain disruptions brought on by natural catastrophes, supplier insolvency, or geopolitical concerns.

Impact: When supply chain interruptions occur, projects may be delayed or expenses may rise if alternative suppliers need to be sourced at higher prices.

Mitigation: In order to minimise its dependency on international supply networks, Chevron prioritises local procurement whenever feasible. Long-term agreements with important suppliers help the business retain solid connections and maintain the timely supply of critical supplies.

REPUTATION RISKS

Description: Chevron's investor relations and public image may be impacted by the growing social pressure on businesses to lower their carbon footprints. Environmental, social, and governance (ESG) considerations are becoming more and more important to stakeholders; if these expectations are not met, divestiture or restricted access to capital may follow.

Impact: ESG considerations are becoming more and more important to investors when they are making decisions. Chevron's stock price and availability to funding could be impacted by investor activism or reputational harm if it is thought that it is falling behind in its transition efforts or making undue contributions to climate change.

Mitigation: Chevron has invested much in lower-carbon technology and renewable fuels. In 2022, it bought Renewable Energy Group (REG), increasing its capacity to produce biofuels. Projects pertaining to carbon capture and storage (CCS), hydrogen production, and other cutting-edge technologies that promote a lower-carbon future are also being advanced by the company.

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Risk Type	Composite Score	Impact	Likelihood
Commodity Price Risk	High	High	High
Inflation Risk	Moderate	Moderate/High	Moderate
Currency Risk	Moderate	Moderate	Moderate
Legal Risk	Moderate to High	Moderate	Moderate to High
Supply Chain Risk	Moderate	Moderate	Moderate
Reputation Risk	Moderate	Moderate	Moderate

Key Takeaways:

1. **Commodity Price Risk:** Chevron is extremely vulnerable to changes in the price of petrol and oil, which can have a big impact on earnings. This risk has a high probability and impact.
2. **Inflation Risk:** Profit margins may be compressed by rising labour, material, and energy prices. Although there is a moderate chance of persistent inflation, the impact is moderate to high.
3. **Currency Risk:** Earnings volatility may result from exchange rate changes, particularly in light of Chevron's international operations. The possibility and impact are both moderate.
4. **Legal Risk:** Chevron has legal and regulatory issues, especially with regard to environmental laws. Although the possibility varies based on region-specific regulatory changes, the impact is moderate.
5. **Supply Chain Risk:** Supply chain interruptions may cause project delays or cost increases. The possibility and impact are both moderate.
6. **Reputation Risk:** Investor confidence and Chevron's brand image may be impacted by how the public views the company's environmental effect. The possibility and impact are both moderate.

Conclusion:

Chevron Corporation (CVX) maintains a strong position in the energy sector, supported by its integrated business model, focus on high-margin assets, and robust shareholder returns. However, after conducting a detailed analysis through Price Multiple, Discounted Cash Flow (DCF), and Dividend Discount Model (DDM) valuations, the investment outlook is mixed. While the Price Multiple and DDM suggest overvaluation, the DCF model indicates potential undervaluation, presenting a nuanced investment opportunity.

The Price Multiple Valuation reveals that Chevron's stock is trading at a premium compared to its peers, signaling high market expectations. Similarly, the *DDM Valuation* shows that the stock price is overvalued based on projected dividends and discount rates. These models suggest the stock may face short-term risks, especially considering Chevron's conservative approach to renewable energy investments.

In contrast, the DCF Model suggests that Chevron's stock is undervalued, driven by strong cash flow generation and its solid business model, which provides a buffer against market fluctuations. Despite overvaluation signals from the other models, the DCF points to potential long-term growth, making Chevron an attractive investment for those with a longer-term horizon. *Based on this analysis, we issue a 'Sell' recommendation*, as the stock is priced too high relative to its intrinsic value, but investors should keep an eye on future opportunities to buy at a more favorable price.

Appendix A: SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ⇒ Comprehensive and diversified operations. ⇒ Strong financial performance and shareholder value. ⇒ Investment in technological innovation Focused transition to low-carbon energy. ⇒ Increased production and strategic acquisitions. ⇒ Global expansion with low-carbon focus. ⇒ High employee engagement and retention. ⇒ Efficient cost management and operational resilience. 	<ul style="list-style-type: none"> ⇒ Heavy reliance on fossil fuels Susceptibility to downstream margin fluctuations. ⇒ High international operating costs Capital-intensive projects with high risks. ⇒ Currency risks in global markets Cybersecurity concerns in a digital landscape.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ⇒ Expanding into renewable energy Portfolio optimization through asset divestments. ⇒ Strategic mergers and acquisitions Advances in operational efficiency through technology. ⇒ Increasing refining and production capacity. ⇒ Capitalizing on energy demand in emerging markets. 	<ul style="list-style-type: none"> ⇒ Market volatility and commodity price risks. ⇒ Geopolitical instability and production risks. ⇒ Increasing regulatory and policy pressure on emissions Challenges in meeting cost reduction goals. ⇒ Competitive pressures in the energy transition. ⇒ Environmental compliance and operational risks.

STRENGTHS

- ***Integrated and Diversified Operations:*** Chevron operates across the energy value chain, from upstream exploration and production to downstream refining, marketing, and distribution. This diversification reduces reliance on any single revenue source and provides resilience against market fluctuations.
- ***Record Cash Returns and Shareholder Value:*** Chevron reported a record \$7.7 billion cash return to shareholders in Q3 2024, including \$4.7 billion in share repurchases and \$2.9 billion in dividends, demonstrating strong financial health and a focus on shareholder value.
- ***Strong Technological Investments and Capabilities:*** Chevron's Technical Center and Chevron Technology Ventures (CTV) drive innovation in both traditional and lower-carbon energy sources. Chevron's significant portfolio of patents and CTV's investments in startups focused on cleaner technologies position the company as a leader in technology-driven energy solutions.
- ***Commitment to Low Carbon Energy Transition:*** Chevron is diversifying into lower-carbon solutions, including carbon capture, utilization, and storage (CCUS), renewable fuels, and hydrogen. These initiatives align Chevron with global decarbonization efforts, potentially attracting ESG-conscious investors.
- ***Increased U.S. and International Production:*** Chevron achieved a 7% increase in net oil-equivalent production due to record output from the Permian Basin and acquisitions like PDC Energy. This enhances Chevron's production capabilities and competitive positioning in key markets.
- ***Expansion in Global Presence and Low Carbon Initiatives:*** Chevron extended its reach with international projects, including the Meji field in Nigeria and an engineering and innovation center in

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India. It also secured a greenhouse gas assessment permit offshore Australia, supporting its carbon capture and storage ambitions

- **High Employee Engagement and Talent Retention:** Chevron's employee retention and diversity programs like the Global Women's Leadership Development and the Elevate inclusion program foster a motivated workforce, contributing to its high-performance culture.

WEAKNESSES

- **Dependence on Fossil Fuel Revenue:** Despite expanding into renewable energy, Chevron remains heavily reliant on oil and gas, exposing the company to the volatility of fossil fuel prices and pressure from stakeholders advocating for cleaner energy.
- **Earnings Impacted by Lower Downstream Margins:** Q3 2024 earnings showed a decrease due to lower refining margins on product sales. This reflects Chevron's vulnerability to fluctuations in refining margins, which can impact overall profitability.
- **Higher Operating Costs in International Operations:** Chevron's international downstream earnings, while improved, were offset by increased operating costs and adverse foreign currency effects. These factors could hinder the efficiency and profitability of Chevron's global operations.
- **High Capital Intensity and Project Risk:** Chevron's large-scale projects, especially in offshore and deepwater fields, are capital-intensive and carry risks of cost overruns and delays. The high costs of these projects can affect profitability, particularly when oil prices are low.
- **Impact of Currency Fluctuations:** Foreign currency effects impacted Chevron's earnings, reducing profitability in certain regions, reflecting broader exposure to currency risks, particularly in volatile markets.
- **Vulnerability to Cybersecurity Risks:** Chevron's global operations depend on complex digital systems, making it vulnerable to cybersecurity threats. Although Chevron has robust cybersecurity measures, the evolving threat landscape poses potential financial and operational risks.

OPPORTUNITIES

- **Expanding Renewable Energy Portfolio:** Chevron is growing its presence in low-carbon sectors, including renewable diesel, biofuels, CCUS, and hydrogen. Leveraging these growth areas allows Chevron to capture market demand for sustainable energy sources and aligns with global sustainability goals.
- **Strategic Portfolio Optimization:** Chevron's targeted asset sales in Canada, Congo, and Alaska provide additional capital for investment in strategic projects. This focus on high-value assets allows Chevron to allocate resources effectively and reduce its operational footprint.
- **Growth through Mergers and Acquisitions:** Chevron's acquisition of PDC Energy contributed to increased U.S. production and improved capital expenditure synergies. Future acquisitions could further strengthen Chevron's asset base and operational efficiency.
- **Technological Advancements in Energy Efficiency:** Chevron's partnerships with research institutions and investments in artificial intelligence, predictive analytics, and automation enable improved operational efficiency, lower costs, and reduced emissions across operations.
- **Increasing Refining and Production Capacity:** Chevron's investments in new high-pressure deepwater technologies and other infrastructure improvements aim to increase refining and production efficiency. These projects can yield higher returns and lower operational risks in the long run(nov24).
- **Growing Demand in Emerging Markets:** Increasing global energy demand, especially in emerging markets, offers growth opportunities for Chevron. Its global infrastructure positions the company to meet energy needs in developing economies.

THREATS

- ***Volatility in Commodity Prices and Realizations:*** Chevron's earnings were impacted by lower realizations for natural gas and refined products. Price volatility, influenced by global market conditions, remains a significant threat to financial performance.
- ***Geopolitical Instability and Operational Disruptions:*** With operations in politically sensitive regions, Chevron is exposed to risks like the Russia-Ukraine conflict and Middle East tensions. These factors could disrupt production and negatively affect supply chains.
- ***Regulatory and Policy Pressure on Emissions:*** Chevron faces intensifying regulatory pressure globally to reduce carbon emissions. Stricter environmental regulations, such as carbon taxes, could impact Chevron's profitability if the company does not meet set emissions targets.
- ***Challenges in Achieving Cost Efficiency Targets:*** Chevron's structural cost reduction initiatives are ambitious, targeting \$2-3 billion in savings by 2026. However, external pressures such as inflation and supply chain constraints could impede these efforts.
- ***Intense Competition in the Energy Transition:*** The shift toward cleaner energy sources has intensified competition. Chevron faces challenges from both traditional energy firms shifting to renewables and companies specializing in renewables, which may impact its market share and profitability.
- ***Environmental and Regulatory Compliance Risks:*** Chevron faces stringent environmental regulations, particularly concerning emissions. Compliance with regulatory changes or increased carbon taxes could impose financial and operational challenges.

Appendix B: Porter's 5 Forces Analysis of Chevron

PORTERS FORCES	DESCRIPTION	FORCE IMPACT	CHEVRON'S RESPONSE
Threat of New Entrants	High capital requirements, regulatory barriers, and technological challenges. Chevron's scale and integrated business model provide competitive advantage.	Low to Moderate	Chevron's established infrastructure and economies of scale protect against new entrants.
Bargaining Power of Suppliers	Limited suppliers for specialized equipment and services, but many sources for raw materials.	Moderate	Chevron negotiates long-term contracts and maintains strategic supplier relationships.
Bargaining Power of Buyers	Major buyers (governments and large corporations) can influence prices, and the rise of renewable energy increases buyer power in certain sectors.	Moderate to High	Chevron maintains diversification across upstream, midstream, and downstream operations.
Threat of Substitutes	Growth of renewable energy (solar, wind) and EVs reduces demand for fossil fuels.	High	Chevron invests in renewable energy and low-carbon technologies (CCUS, hydrogen).
Industry Rivalry	High competition from major global oil companies, price volatility, and energy transition increase market rivalry.	High	Chevron focuses on operational efficiency, innovation, and capital discipline to stay competitive.

1. Threat of New Entrants:

The oil and gas industry has significant barriers to entry, including high capital requirements, complex regulations, and advanced technology needs. Chevron's scale and extensive infrastructure make it challenging for new players to compete. Additionally, strict regulatory requirements, such as environmental standards and safety permits, demand substantial investment, which further discourages new entrants. Chevron's well-established market presence and ability to navigate these hurdles provide it with a distinct advantage over potential newcomers.

2. Bargaining Power of Suppliers:

Chevron depends on numerous suppliers for equipment, raw materials, and services. While general raw material suppliers are abundant, certain specialized services—like offshore drilling rigs—are limited to a few providers, giving those suppliers more leverage. Chevron mitigates this risk through long-term contracts that help stabilize costs and ensure supply continuity. However, it remains susceptible to price increases for highly specialized equipment and services.

3. Bargaining Power of Buyers:

Chevron's products reach a wide range of customers, including governments, corporations, and other oil companies. Major buyers, particularly during periods of oil price fluctuation, may exert considerable bargaining power. The growth of renewable energy and electric vehicles also reduces Chevron's bargaining leverage by shifting consumer preferences toward cleaner alternatives. To address this, Chevron's diversified portfolio—spanning upstream, midstream, and downstream segments—helps balance demand across multiple markets, though the shift toward renewable energy continues to pressure its pricing power.

4. Threat of Substitutes:

The rise of renewable energy sources (solar, wind) and electric vehicles presents a direct threat to Chevron's traditional products. As more consumers adopt these alternatives, demand for gasoline and diesel declines, impacting Chevron's core business. In response, Chevron is cautiously investing in carbon capture, hydrogen, and renewable fuels to reduce dependence on fossil fuels. However, its transition to clean energy remains slower compared to competitors like BP, which are more aggressively diversifying into renewables.

5. Industry Rivalry:

Chevron faces strong competition from major oil and gas companies such as ExxonMobil, BP, Shell, and TotalEnergies. These players are direct competitors in exploration, refining, and distribution, creating a highly competitive environment. Market volatility, especially in oil prices, intensifies this rivalry as companies vie for market share. Additionally, the global shift toward renewable energy adds a new competitive dimension. Chevron's strong balance sheet, integrated business model, and leadership in key markets like the Permian Basin give it an advantage, but the pressure from both traditional and renewable energy competitors remains high.

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Appendix C: INCOME STATEMENT 2019 – 2023

Millions of dollars, except per-share amounts	2023	2022	2021	2020	2019
Revenues and Other Income					
Sales and other operating revenues	\$196,913	\$235,717	\$155,606	\$94,471	\$139,865
Income (loss) from equity affiliates	\$5,131	\$8,585	\$5,657	\$(472)	\$3,968
Other income (loss)	\$(1,095)	\$1,950	\$1,202	\$693	\$2,683
Total Revenues and Other Income	\$200,949	\$246,252	\$162,465	\$94,692	\$146,516
Costs and Other Deductions					
Purchased crude oil and products	\$119,196	\$145,416	\$92,249	\$50,488	\$80,113
Operating expenses	\$24,887	\$24,714	\$20,726	\$20,323	\$21,385
Selling, general and administrative expenses	\$4,141	\$4,312	\$4,014	\$4,213	\$4,143
Exploration expenses	\$914	\$974	\$549	\$1,537	\$770
Depreciation, depletion and amortization	\$17,326	\$16,319	\$17,925	\$19,508	\$29,218
Taxes other than on income	\$4,220	\$4,032	\$3,963	\$4,499	\$4,136
Interest and debt expense	\$469	\$516	\$712	\$697	\$798
Other components of net periodic benefit costs	\$212	\$295	\$688	\$880	\$417
Total Costs and Other Deductions	\$171,365	\$196,578	\$140,826	\$102,145	\$140,980
Income (Loss) Before Income Tax Expense	\$29,584	\$49,674	\$21,639	\$(7,453)	\$5,536
Income Tax Expense (Benefit)	\$8,173	\$14,066	\$5,950	\$(1,892)	\$2,691
Net Income (Loss)	\$21,411	\$35,608	\$15,689	\$(5,561)	\$2,845
Less: Net income (loss) attributable to noncontrolling interests	\$42	\$143	\$64	\$(18)	\$(79)
Net Income (Loss) Attributable to Chevron Corporation	\$21,369	\$35,465	\$15,625	\$(5,543)	\$2,924

Appendix D: BALANCE SHEET 2019 – 2023

PARTICULARS	2019	2020	2021	2022	2023
Assets					
Cash and cash equivalents	\$5,686	\$5,596	\$5,640	\$17,678	\$8,178
Marketable securities	\$63	\$31	\$35	\$223	\$45
Accounts and notes receivable, net	\$13,325	\$11,471	\$18,419	\$20,456	\$19,921
Inventories					
- Crude oil and products	\$3,722	\$3,576	\$4,248	\$5,866	\$6,059
- Chemicals	\$492	\$457	\$565	\$515	\$406
- Materials, supplies, and other	\$1,634	\$1,643	\$1,492	\$1,866	\$2,147
Total inventories	\$5,848	\$5,676	\$6,305	\$8,247	\$8,612
Prepaid expenses and other current assets	\$3,407	\$3,304	\$3,339	\$3,739	\$4,372
Total Current Assets	\$28,329	\$26,078	\$33,738	\$50,343	\$41,128
Long-term receivables, net	\$1,511	\$589	\$603	\$1,069	\$942
Investments and advances	\$38,688	\$39,052	\$40,696	\$45,238	\$46,812
Properties, plant, and equipment, at cost	\$326,722	\$345,232	\$336,045	\$327,785	\$346,081
Less: Accumulated depreciation	\$176,228	\$188,614	\$189,084	\$184,194	\$192,462
Net properties, plant, and equipment	\$150,494	\$156,618	\$146,961	\$143,591	\$153,619
Deferred charges and other assets	\$10,532	\$11,950	\$12,384	\$12,310	\$13,734
Goodwill	\$4,463	\$4,402	\$4,385	\$4,722	\$4,722
Assets held for sale	\$3,411	\$1,101	\$768	\$436	\$675
Total Assets	\$237,428	\$239,790	\$239,535	\$257,709	\$261,632

PARTICULARS	2019	2020	2021	2022	2023
Liabilities and Equity					
Short-term debt	\$3,282	\$1,548	\$256	\$1,964	\$529
Accounts payable	\$14,103	\$10,950	\$16,454	\$18,955	\$20,423
Accrued liabilities	\$6,589	\$7,812	\$6,972	\$7,486	\$7,655
Federal and other taxes on income	\$1,554	\$921	\$1,700	\$4,381	\$1,863
Other taxes payable	\$1,002	\$952	\$1,409	\$1,422	\$1,788
Total Current Liabilities	\$26,530	\$22,183	\$26,791	\$34,208	\$32,258
Long-term debt	\$23,691	\$42,767	\$31,113	\$21,375	\$20,307
Deferred credits and other noncurrent obligations	\$20,445	\$20,778	\$20,778	\$20,396	\$24,226
Noncurrent deferred income taxes	\$13,688	\$12,569	\$14,665	\$17,131	\$18,830
Noncurrent employee benefit plans	\$7,866	\$9,217	\$6,248	\$4,357	\$4,082
Total Liabilities	\$92,220	\$107,064	\$99,595	\$97,467	\$99,703
Common stock	\$1,832	\$1,832	\$1,832	\$1,832	\$1,832
Capital in excess of par value	\$17,265	\$16,829	\$17,282	\$18,660	\$21,365
Retained earnings	\$174,945	\$160,377	\$165,546	\$190,024	\$200,025
Accumulated other comprehensive losses	\$(4,990)	\$(5,612)	\$(3,889)	\$(2,798)	\$(2,960)
Treasury stock, at cost	\$(44,599)	\$(41,498)	\$(41,464)	\$(48,196)	\$(59,065)
Total Equity	\$145,208	\$132,726	\$139,940	\$160,242	\$161,929
Total Liabilities and Equity	\$237,428	\$239,790	\$239,535	\$257,709	\$261,632

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Appendix E: CASH FLOW STATEMENT 2019 – 2023

Category	2023	2022	2021	2020	2019
Operating Activities					
Net Income (Loss)	21,411	35,608	15,689	-5,561	2,845
Depreciation, Depletion, and Amortization	17,326	16,319	17,925	19,508	29,218
Dry Hole Expense	436	486	118	1,036	172
Distributions from (less) Equity Affiliates	-885	-4,730	-1,998	2,015	-2,073
Net Gains on Asset Retirements and Sales	-138	-550	-1,021	-760	-1,367
Net Foreign Currency Effects	578	-412	-7	619	272
Deferred Income Tax Provision	298	2,124	700	-3,604	-1,966
Changes in Operating Working Capital	-3,185	2,125	-1,361	-1,652	1,494
Changes in Long-term Receivables	150	153	21	296	502
Changes in Other Deferred Charges	-300	-212	-320	-248	-69
Pension Contributions	-1,120	-1,322	-1,751	-1,213	-1,362
Other	1,038	13	1,192	141	-352
Net Cash Provided by Operating Activities	35,609	49,602	29,187	10,577	27,314
Acquisitions	55	-2,862	-	373	-
Capital Expenditures	-15,829	-11,974	-8,056	-8,922	-14,116
Proceeds and Deposits from Asset Sales	669	2,635	1,791	2,968	2,951
Net Sales (Purchases) of Marketable Securities	175	117	-1	35	2
Net Repayment (Borrowing) by Equity Affiliates	-302	-24	401	-1,419	-1,245
Net Cash Used for Investing Activities	-15,232	-12,108	-5,865	-6,965	-11,458
Financing Activities					
Net Borrowings (Repayments) of Short-term Obligations	135	263	-5,572	651	-2,821
Proceeds from Issuance of Long-term Debt	150	-	-	12,308	-
Repayments of Long-term Debt	-4,340	-8,742	-7,364	-5,489	-5,025
Cash Dividends (Common Stock)	-11,336	-10,968	-10,179	-9,651	-8,959
Distributions to Noncontrolling Interests	-40	-114	-36	-24	-18
Net Sales (Purchases) of Treasury Shares	-14,678	-5,417	38	-1,531	-2,935
Net Cash Used for Financing Activities	-30,109	-24,978	-23,113	-3,736	-19,758
Effect of Exchange Rate Changes on Cash	-144	-190	-151	-50	332
Net Change in Cash, Cash Equivalents, and Restricted Cash	-9,846	12,326	58	-174	-3,570
Cash and Equivalents at Beginning of Year	19,121	6,795	6,737	6,911	10,481
Cash and Equivalents at End of Year	9,275	19,121	6,795	6,737	6,911

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Appendix F: FORECASTED INCOME STATEMENT (2024 – 2028)

PARTICULARS	2024	2025	2026	2027	2028
Total Revenue	210854.4	223674.4	235037	244626.6	252161.1
Cost of goods sold	164635.1	174645	183516.9	191004.4	196887.4
Gross profit	46219.29	49029.43	51520.12	53622.14	55273.7
Operating expenses	31754.68	33685.36	35396.58	36840.76	37975.46
Earnings before interest and tax (EBIT)	14464.61	15344.06	16123.54	16781.38	17298.25
Non - operating expense	-4976.16	-5278.72	-5546.87	-5773.19	-5951
Earnings before tax (EBT)	19440.78	20622.78	21670.42	22554.57	23249.25
Tax expense	5371.487	5698.074	5987.536	6231.827	6423.768
Net Income (EAT)	14069.29	14924.71	15682.88	16322.74	16825.48

Appendix H: FORECASTED CASH FLOW STATEMENT (2024 – 2028)

Millions of dollars	2024	2025	2026	2027	2028
Operating Activities					
Net Income	14,069.29	14,924.71	15,682.88	16,322.74	16,825.48
Depreciation, depletion and amortization	29,013.57	30,777.60	32,341.10	33,660.61	34,697.36
Deferred income tax provision	312.38	325.89	339.13	351.85	362.82
Net foreign currency effects	604.71	631.22	656.89	680.77	701.83
Equity earnings in affiliates, net of distributions	-1,032.43	-1,077.51	-1,121.12	-1,162.04	-1,198.29
Net decrease (increase) in operating working capital	-3,713.17	-3,874.37	-4,032.74	-4,178.80	-4,306.16
Other adjustments	-165.22	-172.45	-179.46	-186.02	-191.78
Net Cash Provided by Operating Activities	39,089.13	41,535.09	43,686.68	45,489.11	46,891.26
Investing Activities					
Capital expenditures	15,961.68	16,932.15	17,792.30	18,518.23	19,088.59
Proceeds and deposits related to asset sales	690.15	715.33	742.89	770.03	794.04
Net sales (purchases) of marketable securities	186.53	193.26	200.68	207.79	214.3
Net repayment (borrowing) of loans by equity affiliates	-305.19	-318.46	-331.12	-342.92	-353.59
Net Cash Used for Investing Activities	16,533.17	17,522.28	18,404.75	19,153.13	19,743.34
Financing Activities					
Net borrowings (repayments) of short-term obligations	140.55	146.62	152.3	157.75	162.62
Proceeds from issuances of long-term debt	160.34	167.23	173.79	179.98	185.43

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Repayments of long-term debt and other financing obligations	-4,636.24	-4,838.64	-5,032.36	-5,213.49	-5,372.82
Cash dividends - common stock	-12,138.79	-12,642.84	-13,142.63	-13,614.86	-14,044.63
Net contributions from noncontrolling interests	-44.23	-46.04	-47.85	-49.52	-51.03
Net sales (purchases) of treasury shares	-8,504.62	-8,850.93	-9,186.56	-9,496.32	-9,765.79
Net Cash Provided by (Used for) Financing Activities	-25,022.99	-26,064.60	-27,083.31	-28,036.46	-28,886.22
Net Increase (Decrease) in Cash and Cash Equivalents	30,599.31	32,992.77	35,008.12	36,605.79	37,748.38

Appendix I: Relative Valuation - Price Multiples Analysis

In the Price Multiples Valuation method, Chevron's stock price was evaluated based on several multiples (P/E, P/B, and EV/EBITDA) derived from peer analysis of comparable companies.

Peer Selection:

We chose ExxonMobil, BP (British Petroleum), Royal Dutch Shell, and TotalEnergies as comparable companies because they are large, integrated oil and gas firms that operate across similar markets and have comparable upstream, midstream, and downstream operations. These companies share a similar business structure, global presence, and exposure to the same economic and regulatory factors, making them ideal peers for evaluating Chevron's financial performance and valuation.

Valuation Ratios Used:

- **P/E Ratio (Price-to-Earnings):** We used this to compare Chevron's earnings potential against its peers. The P/E ratio gives us a sense of how the market values each dollar of earnings.
- **P/B Ratio (Price-to-Book):** This ratio helps us assess the market's valuation of Chevron's net assets, which is particularly relevant in asset-heavy industries like oil and gas.
- **EV/EBITDA (Enterprise Value to EBITDA):** Since Chevron operates in a capital-intensive sector, EV/EBITDA provides a stable measure of core operating performance, isolating it from financing and accounting impacts.

Historical Pricing

RATIO	2019	2020	2021	2022	2023	5yr avg	4yr avg	3yr avg	2yr avg	1yr
P/E	20.09	-150.80	13.61	9.36	11.83	-19.18	-29.00	11.60	10.59	11.83
P/B	1.57	1.23	1.63	2.16	1.73	1.66	1.69	1.84	1.94	1.73
EV/EBITDA	7.92	12.92	7.07	6.04	6.38	8.07	8.10	6.50	6.21	6.38

For Chevron's historical pricing, we averaged ratios from the past five years to get a sense of its typical performance under different market conditions.

Peer Comparison

We calculated target prices based on each multiple to estimate Chevron's value

- **P/E Target Price:** We multiplied Chevron's EPS for 2023 by the peer average P/E ratio, arriving at a target price of about \$115.66.
- **P/B Target Price:** Applying the peer average P/B ratio to Chevron's book value per share yielded a target price of approximately \$126.82.
- **EV/EBITDA Target Price:** By using the peer average EV/EBITDA multiple with Chevron's EBITDA, we calculated an enterprise value. After subtracting net debt, we reached an equity value per share of about \$103.20.

RATIO	ExxonMobil	Royal Dutch Shell	BP	TotalEnergies
P/E	10.50	11.52	6.92	7.75
P/B	1.94	1.14	1.43	1.37
P/S	1.19	0.67	0.48	0.73
EV/EBITDA	6.34	4.15	3.54	3.66
Market Cap	397020.60	213104.20	100092.30	160278.90

Multiples

P/E	9.17
P/B	1.47
EV/EBITDA	4.43

Target prices

P/E*EPS of Chevron	115.66
P/B* BV of Chevron	126.82
EV/EBITDA* EBITDA of Chevron	205948.73
Equity value = Enterprise - Net Debt	193290.73
Equity value / O/S shares	103.20

TARGET PRICE	115.23
Current stock price as of NOV 5th	153.41

Since this target price is below Chevron's current stock price of **\$153.41**, the Price Multiples Valuation suggests that Chevron's stock is **overvalued**.

Appendix J: Two-Stage Dividend Discount Model (DDM)

In our valuation of Chevron using a two-stage DDM, we made several key assumptions to reflect both recent trends and a long-term, sustainable growth outlook. We have considered that the earnings eventually decline to a long-term rate equal to that of the economy.

Growth Rates:

- **Stage 1 (Years 1-5):** We used a 6.17% growth rate, which reflects Chevron's average dividend growth over the past five years. This rate provides a reasonable estimate for near-term growth, grounded in Chevron's historical performance.
- **Stage 2 (Terminal Growth):** For the long-term (beyond year 5), we applied a more conservative 2.6% growth rate, aligning with projected GDP growth. This assumes Chevron will experience stable, sustainable growth over the long run.

Required Rate of Return (r):

To determine the return rate investors require for Chevron, we calculated it through the Capital Asset Pricing Model (CAPM):

- **Risk-Free Rate (Rf):** We used 4.43%, the current yield on a 10-year Treasury bond, as it represents a risk-free investment benchmark.
- **Equity Risk Premium (ERP):** We set this at 4.8%, representing the expected additional return from equities over risk-free assets.
- **Beta (β):** Chevron's 5-year monthly beta is 1.08, indicating a level of volatility relative to the overall market.
- Using these inputs, we arrived at a required rate of return of 9.61% for Chevron, which balances the company's risk and expected returns.

We forecasted dividends for Stage 1 (**Years 1-5**) by applying a growth rate of 6.17% each year. At the end of year 5, we calculated a terminal value, assuming a long-term growth rate of 2.6%. We then discounted each projected dividend and the terminal value back to the present using required rate of return of 9.61% as the discounting factor. By aggregating the discounted values of all projected dividends and the terminal value, we derived an intrinsic stock price estimate of \$105.41.

Dividend 2023	6.04
Growth Rate for next 5 years (Gs) The average growth rate change over the past 5 years.	6.17%
Long Term Growth Rate (G1) year 6 and thereafter (GDP)	2.60%

Cost of Equity - CAPM	Rf + Beta(Rm-Rf)
10yr Treasury bond yield RF - 4.43%	9.61%
Beta (5Y Monthly)- 1.08	
ERP - 4.8%	

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Forecasted Dividends		Present Value
D1 - 2024E	6.41	5.85
D2 - 2025E	6.81	5.67
D3 - 2026E	7.23	5.49
D4 - 2027E	7.67	5.32
D5 - 2028E	8.15	5.15
Terminal Value	123.33	77.94

TARGET PRICE	105.41
Current stock price as of NOV 5th	153.41

With the calculated target price lower than the current stock price of \$ 153.41, the DDM indicates that **Chevron's stock is overvalued.**

Appendix K: FCFF Valuation

In this valuation method, Chevron's stock price was evaluated based on the forecasted free cash flow available to the firm. We determined a target price of \$ 170.02 after discounting the forecasted cash flows using the Weighted Average Cost of Capital (WACC).

For the forecasted period from 2024 to 2028, we projected key income statement items using a combination of historical averages and observable trends. The historical compound annual growth rate (CAGR) of 7.08% was used to predict revenue in order to depict steady growth in line with historical performance. By adjusting for variations in oil prices and economic cycles, historical CAGR provides Chevron's revenue with a reasonable, long-term benchmark. As a mature oil and gas company, Chevron operates in a low-growth market with limited potential for rapid expansion. By taking into account market developments and the move towards renewable energy, the use of historical CAGR recognises this maturity and is consistent with Chevron's steady but cyclical revenue environment.

We calculated the firm's value factoring in projections for net income, non-cash charges, interest payments, capital expenditures, and working capital changes. We discounted future FCFFs using a Weighted Average Cost of Capital (WACC) of 8.70%, derived from the cost of equity (CAPM) and cost of debt. To capture the firm's long-term value, we included a terminal value based on a 2.6% perpetual growth rate. The firm's value came to \$331,098, leading to an equity value of \$318,440, or a target price of \$170.02 per share.

Cost of Equity - CAPM	Rf + B(Rm-Rf)
10yr Treasury bond yield RF - 4.43%	9.61%
Beta (5Y Monthly)- 1.08	
ERP - 4.8%	

Cost of Debt	
Pre-tax cost of debt	2.25%
After tax cost of debt = Pre-tax*(1-tax rate)	1.63%

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	Historical period						Projection Period				
Income Statement	2019	2020	2021	2022	2023	CAGR/AVG	2024	2025	2026	2027	2028
Total Revenue	139865.00	94471.00	155606.00	235717.00	196913.00		210854.44	223674.39	235037.05	244626.56	252161.06
% growth	-11.98	-32.46	64.71	51.48	-16.46	7.08	7.08	6.08	5.08	4.08	3.08
Cost of goods sold	134852.00	74495.00	114137.00	165767.00	140742.00		164635.15	174644.96	183516.93	191004.42	196887.35
% sales	96.42	78.85	73.35	70.32	71.47	78.08	78.08	78.08	78.08	78.08	78.08
Gross profit	5013.00	19976.00	41469.00	69950.00	56171.00		46219.29	49029.43	51520.12	53622.14	55273.70
% margin	3.58	21.15	26.65	29.68	28.53		21.92	21.92	21.92	21.92	21.92
Operating expenses	4913.00	26073.00	25289.00	30000.00	29942.00		31754.68	33685.36	35396.58	36840.76	37975.46
% sales	3.51	27.60	16.25	12.73	15.21	15.06	15.06	15.06	15.06	15.06	15.06
Earnings before interest and tax (EBIT)	100.00	-6097.00	16180.00	39950.00	26229.00		14464.61	15344.06	16123.54	16781.38	17298.25
% margin	0.07	-6.45	10.40	16.95	13.32		6.86	6.86	6.86	6.86	6.86
Non operating expense	-5436.00	1356.00	-5459.00	-9724.00	-3355.00		-4976.16	-5278.72	-5546.87	-5773.19	-5951.00
% sales	-3.89	1.44	-3.51	-4.13	-1.70	-2.36	-2.36	-2.36	-2.36	-2.36	-2.36
Earnings before tax (EBT)	5536.00	-7453.00	21639.00	49674.00	29584.00		19440.78	20622.78	21670.42	22554.57	23249.25
% margin	3.96	-7.89	13.91	21.07	15.02		9.22	9.22	9.22	9.22	9.22
Tax expense	2691.00	-1892.00	5950.00	14066.00	8173.00		5371.49	5698.07	5987.54	6231.83	6423.77
% rate	48.61	25.39	27.50	28.32	27.63		27.63	27.63	27.63	27.63	27.63
Net Income (EAT)	2845.00	-5561.00	15689.00	35608.00	21411.00		14069.29	14924.71	15682.88	16322.74	16825.48

FCFF CALCULATION	Historical period						Projection Period				
	2019	2020	2021	2022	2023	CAGR/AVG	2024	2025	2026	2027	2028
Net Income	2845.00	-5561.00	15689.00	35608.00	21411.00		14069.29	14924.71	15682.88	16322.74	16825.48
Depreciation & Amortization (NCC)	29218.00	19508.00	17925.00	16319.00	17326.00		29013.57	30777.60	32341.10	33660.61	34697.36
% sales	20.89	20.65	11.52	6.92	8.80	13.76	13.76	13.76	13.76	13.76	13.76
Interest	798.00	697.00	712.00	516.00	469.00		927.76	984.17	1034.16	1076.36	1109.51
% sales	0.57	0.74	0.46	0.22	0.24	0.44	0.44	0.44	0.44	0.44	0.44
Tax rate %	0.49	0.25	0.28	0.28	0.28		0.28	0.28	0.28	0.28	0.28
FCInv (Capex)	14116.00	8922.00	8056.00	11974.00	15829.00		15961.68	16932.15	17792.30	18518.23	19088.59
% sales	10.09	9.44	5.18	5.08	8.04	7.57	7.57	7.57	7.57	7.57	7.57
WCInv	1799.00	3895.00	6947.00	16135.00	8870.00		8940.23	9483.79	9965.57	10372.17	10691.63
% sales	1.29	4.12	4.46	6.85	4.50	4.24	4.24	4.24	4.24	4.24	4.24
FCFF	16558.09	1650.03	19127.20	24187.87	14377.42		18852.37	19998.60	21014.53	21871.92	22545.57

PV OF FCFF	2024	2025	2026	2027	2028	Terminal value
	17343.68	16925.83	16362.33	15667.07	14857.21	249942.37

Firm value	331098.50
Equity value	318440.50
O/S shares	1873

TARGET PRICE	170.02
Current stock price as of NOV 5th	153.41

According to our analysis, the stock is undervalued and offers a compelling investment opportunity with potential upside given its current price of \$153.41 as of November 5.