



**THE OHIO STATE UNIVERSITY**

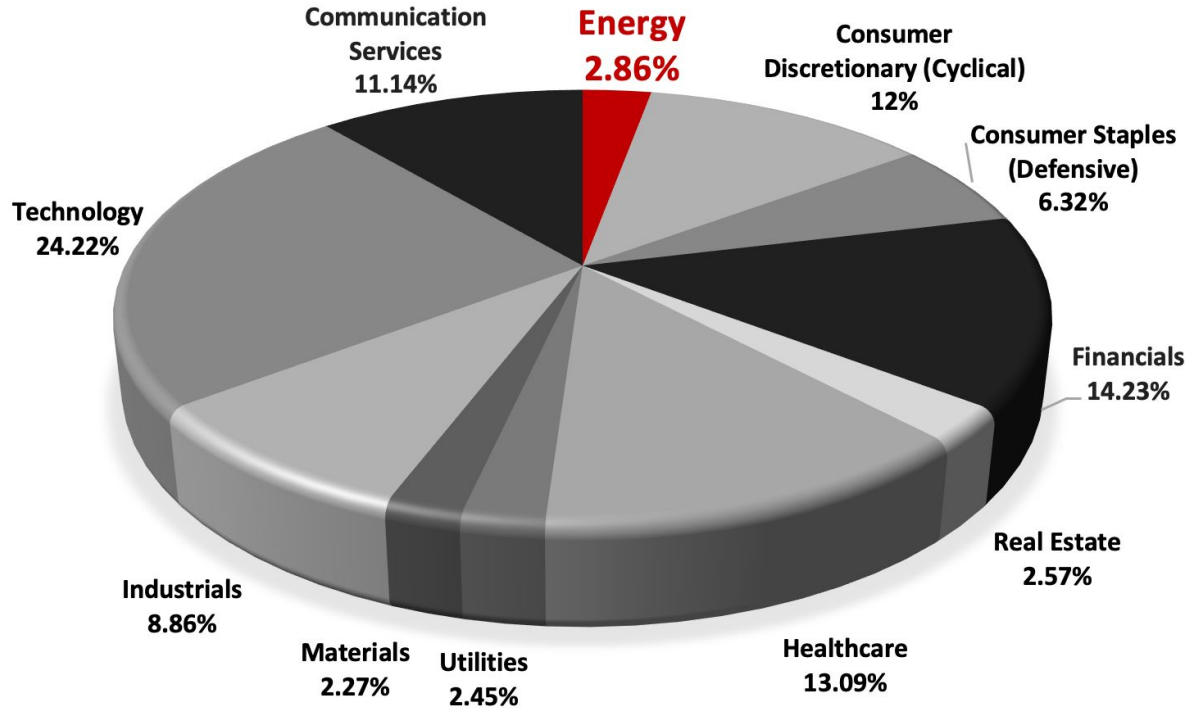
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# Energy Sector Stock Recommendation

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### S&P 500 Sector Weightings








## SIM Sector Weightings

| Securities Allocation  |                |            |        |
|------------------------|----------------|------------|--------|
| Sector                 | S&P 500 Weight | SIM Weight | +/-    |
| Information Technology | 27.94%         | 25.37%     | -2.57% |
| Financials             | 11.41%         | 13.02%     | 1.61%  |
| Health Care            | 13.02%         | 13.65%     | 0.63%  |
| Consumer Discretionary | 12.82%         | 11.75%     | -1.07% |
| Consumer Staples       | 5.60%          | 5.63%      | 0.03%  |
| Industrials            | 8.03%          | 8.07%      | 0.04%  |
| Energy                 | 2.86%          | 4.19%      | 1.33%  |
| Utilities              | 2.41%          | 1.89%      | -0.52% |
| Materials              | 2.49%          | 3.23%      | 0.74%  |
| Communication Services | 10.83%         | 11.23%     | 0.40%  |
| Real Estate            | 2.59%          | 1.98%      | -0.62% |
| Total                  | 100.00%        | 100.00%    | 0.00%  |



## Current SIM Weighting

| Stock  | SIM Weight | Weighting Relative to S&P 500 |
|--|------------|-------------------------------|
|  ConocoPhillips | 240 bps    | Overweight                    |
|  Schlumberger   | 179 bps    | Overweight                    |
|  Chevron        | 0 bps      | Underweight                   |



# Chevron Corporation



## Company Overview

| Key Statistics          |          |
|-------------------------|----------|
| Ticker                  | CVX      |
| Market Cap(\$bn)        | \$221.39 |
| Shares Outstanding (bn) | 1,930    |
| Beta                    | 1.28     |
| Dividend Yield          | 4.65%    |
| P/E (11/8/2021)         | 22.15    |
| YTD Return              | 61.31%   |
| 52 Week High            | \$115.99 |
| 52 Week Low             | \$79.71  |

- Founded as part of Pacific Coast Oil Co in 1879 just outside of San Francisco
- Currently, it third largest energy company by market cap
- Chevron Engages in two major operations: Upstream and Downstream
  - Upstream involves the exploration, and production of natural gas and crude oil
  - Downstream includes the refinement of crude oil into petroleum products as well as the marketing and transportation of petroleum products.
- Chevron also operates through subsidiaries such as CPChem that handles Chemicals for Chevron



## Macroeconomic Drivers



- The price of Crude Oil drives much of the performance for nearly every energy company.
  - Chevron has an  $R^2$  value of .5239 indicating moderate positive correlation.
- Lockdowns and the work-from-home movement
  - 97% of workers still want some form of remote work
- Regulations and domestic conflict with OPEC
  - Investment into Semi-Renewable Resources
- Investment into Semi-Renewables



## Financial Analysis and Valuation

- Chevron performs well but not great in any one category, but also displays a well-rounded company

|                 | Quarterly Revenue Growth | Operating Margin | Dividend Yield | Return on Equity (TTM) | Return on Assets (TTM) |
|-----------------|--------------------------|------------------|----------------|------------------------|------------------------|
| Chevron         | 77.30%                   | 9.71%            | 4.65%          | 7.41%                  | 3.53%                  |
| Exxon Mobil     | 57.80%                   | 5.72%            | 5.41%          | -3.46%                 | 2.49%                  |
| Conoco Phillips | 161.60%                  | 18.95%           | 2.42%          | 12.50%                 | 5.79%                  |
| BP              | 36.90%                   | -2.90%           | 4.59%          | 8.63%                  | -1.38%                 |

| Chevron Sensitivity Matrix |               |                      |                  |
|----------------------------|---------------|----------------------|------------------|
| Scenario                   | Discount Rate | Terminal Growth Rate | Stock Price      |
| 1                          | 9.00%         | 3.50%                | \$132.030        |
| 2                          | 8.75%         | 3.25%                | \$134.040        |
| 3                          | 8.75%         | 3.00%                | \$131.090        |
| 4                          | 9.00%         | 3.25%                | \$129.140        |
| <b>AVERAGE:</b>            |               |                      | <b>\$131.575</b> |

- Conducted Sensitivity Analysis with different discount rates and growth rates to find optimal price





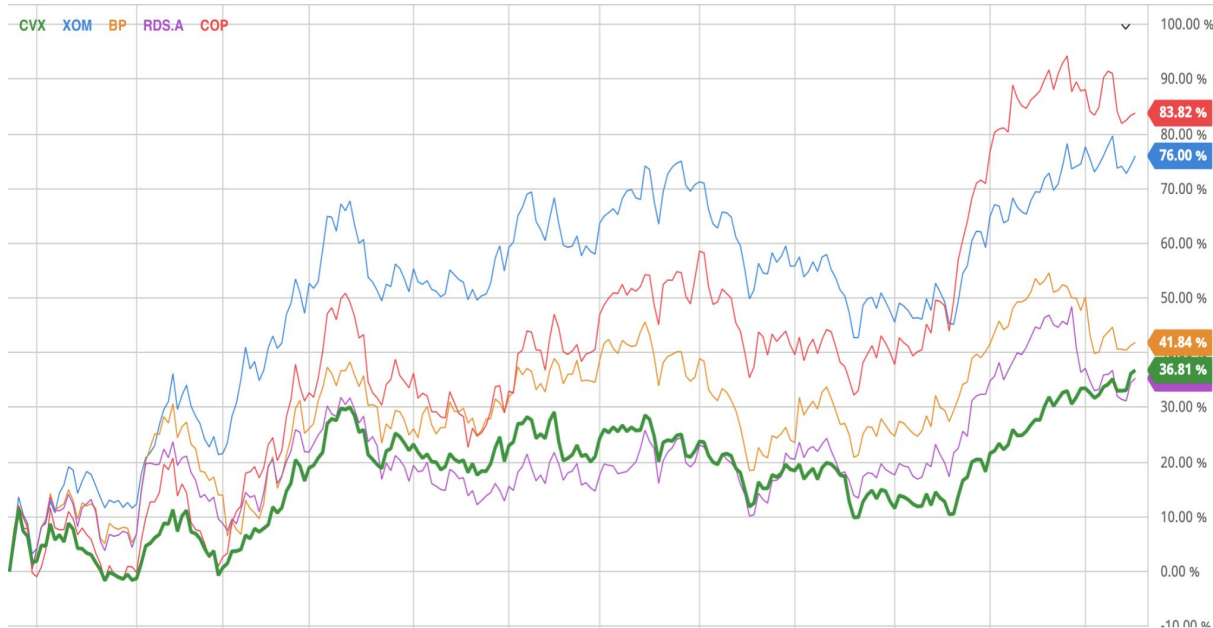
## Financial Analysis and Valuation (Continued)

| Company         | Ticker     | P/E (TTM)    | P/B (TTM)   | P/S (TTM)   | EV/EBITDA (TTM) |
|-----------------|------------|--------------|-------------|-------------|-----------------|
| <b>Chevron</b>  | <b>CVX</b> | <b>22.34</b> | <b>1.63</b> | <b>1.63</b> | <b>8.01</b>     |
| Exxon Mobil     | XOM        | 12.77        | 7.75        | 1.14        | 8.35            |
| Conoco Phillips | COP        | 22.60        | 2.29        | 2.73        | 6.98            |
| BP              | BP         | 14.49        | 1.26        | 0.70        | 6.74            |
| Shell           | RDS-A      | 39.00        | 1.09        | 0.80        | 5.42            |
| Schlumberger    | SLB        | 29.34        | 3.60        | 2.14        | 12.37           |
| <b>AVERAGE</b>  |            | <b>23.42</b> | <b>2.94</b> | <b>1.52</b> | <b>7.98</b>     |

- Chevron appears undervalued relative to the average in every category apart from Price to Book.
- In Q3, Chevron reported its best earnings in nearly five years.



## Recommendation



- Recommendation: **BUY based on comparables**
- DCF model calculated a 13.6% upside
- Chevron is undervalued relative to competitors
- The price of Crude Oil is still on the rise
- \$10 Billion investment into semi-renewables shows desire for profitability



**Schlumberger**

# Schlumberger Limited



## Schlumberger Limited (SLB)

- International technology supplier for reservoir characterization, drilling, production, and processing for the oil and gas industry that operates in over 85 countries across the world
- Operates through the following business segments: reservoir performance, well construction, production systems, and digital & integration
- Business drivers:
  - Price of crude oil
  - Acquisitions/mergers
  - Technology

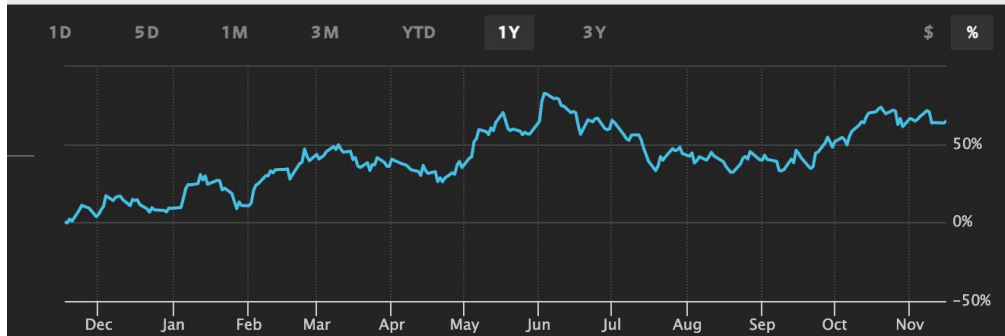


Figure 3



## Financial Analysis and Valuation

- ROE is currently 11.90%
- SLB is at the highest discount and lowest P/E relative to its competitors, most undervalued
- SLB has the largest market capitalization relative to its competitors
- SLB has delivered strong returns on capital for decades for its strategic acquisitions and ability to develop and sell differentiated products at a low cost

| Ticker         | Price   | Market Cap  | P/E   | P/S  | P/B  | EV/EBITDA |
|----------------|---------|-------------|-------|------|------|-----------|
| SLB            | \$34.30 | \$48.11 B   | 28.64 | 2.13 | 3.52 | 12.37     |
| <b>Peers:</b>  |         |             |       |      |      |           |
| HAL            | \$25.12 | \$22.485 B  | 54.87 | 1.54 | 3.89 | 14.94     |
| NOV            | \$14.89 | \$5.817 B   | 59.52 | 1.06 | 1.14 | -47.14    |
| DMC            | \$47.22 | \$884.185 M | 33.56 | 2.94 | 2.35 | 43.38     |
|                |         |             |       |      |      |           |
| <b>Average</b> |         |             | 44.15 | 1.92 | 2.73 | 5.89      |





## Recommendation

|                    |      | Current: <b>\$32.72</b> |         | Discount Rate  |         |         |                |         |     |
|--------------------|------|-------------------------|---------|----------------|---------|---------|----------------|---------|-----|
|                    |      | \$39.28                 | 11%     | 11.5%          | 12%     | 12.5%   | 13%            | 13.5%   | 14% |
| FCF Growth<br>Rate | 1%   | \$39.77                 | \$37.97 | \$36.33        | \$34.84 | \$33.46 | \$32.20        | \$31.03 |     |
|                    | 1.5% | \$40.60                 | \$38.69 | \$36.96        | \$35.39 | \$33.95 | <b>\$32.63</b> | \$31.41 |     |
|                    | 2%   | \$41.52                 | \$39.49 | \$37.66        | \$36    | \$34.48 | \$33.10        | \$31.82 |     |
|                    | 2.5% | \$42.55                 | \$40.38 | \$38.42        | \$36.66 | \$35.06 | \$33.61        | \$32.27 |     |
|                    | 3%   | \$43.71                 | \$41.37 | <b>\$39.28</b> | \$37.40 | \$35.70 | \$34.17        | \$32.76 |     |
|                    | 3.5% | \$45.03                 | \$42.48 | \$40.23        | \$38.22 | \$36.41 | \$34.78        | \$33.30 |     |
|                    | 4%   | \$46.53                 | \$43.75 | \$41.30        | \$39.13 | \$37.20 | \$35.46        | \$33.89 |     |

Assuming a lower discount rate and growth expectations (1-2%), this creates an estimated price of **\$39.28** up from **\$32.72**, offering strong **HOLD** potential with **20%** upside.

## Stock Price Target SLB

|         |                |
|---------|----------------|
| High    | \$48.00        |
| Median  | \$40.00        |
| Low     | \$27.70        |
| Average | <b>\$39.53</b> |



# ConocoPhillips

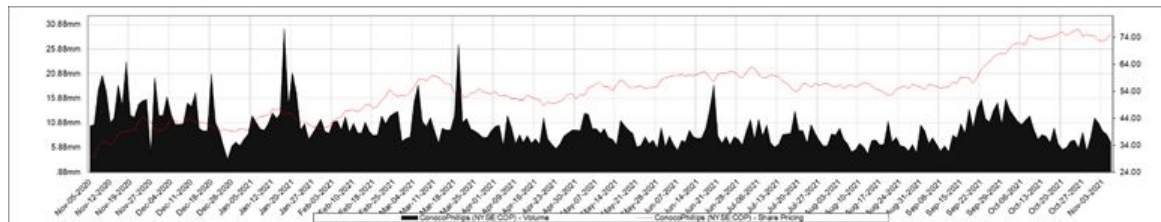


## Company Overview

- ConocoPhillips is an international exploration and production company based on reserves and production of crude oil, bitumen, natural gas, natural gas liquids, and liquefied natural gas.
- Operates in six business segments: Alaska, Lower 48, Canada, Europe and North Africa, Asia Pacific and Middle East, and Other International.
- Business drivers:
  - Price of crude oil
  - Exploration
  - Acquisitions

| Market Data        |           |
|--------------------|-----------|
| Ticker             | COP       |
| Sector             | Energy    |
| Industry           | Petroleum |
| Market Cap         | \$99.51B  |
| Shares Outstanding | 1.32B     |
| Avg Vol            | 8.72M     |
| Beta               | 1.63      |

| Financials (2020) |            |
|-------------------|------------|
| Revenue           | \$18.784M  |
| Rev. Growth       | -47.5%     |
| Net Income        | \$(2.071)M |
| EPS (TTM)         | \$3.69     |

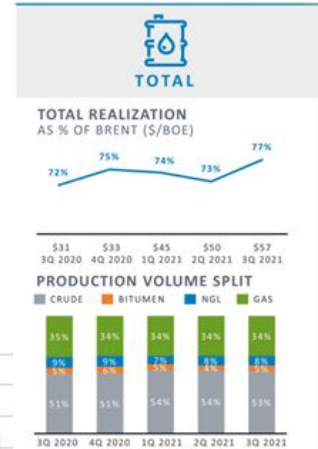






## Financial Analysis

- Gross Margin continues to rise to nearly 50%
- Top 3 among competitors for ROE (12.5% currently, ~20% historically)
- Continue to realize more gains per barrel of oil each quarter
- Recently acquired Concho Resources and Shell Permian Basin assets





## Valuation

- DCF Assumptions:
  - Growth Rate: 3%
  - Discount Rate: 11%
  - Continue to acquire one company a year, increasing revenues
  - Continue to have successful exploration
  - Continue to pay out dividend of 2.44% to shareholders

|       | Terminal Discount Rate |        | Terminal FCF Growth |        |      |        |    |        |    |        |
|-------|------------------------|--------|---------------------|--------|------|--------|----|--------|----|--------|
| \$    | 96.02                  | 2.0%   | 2.5%                | 3.0%   | 3.5% | 4.0%   |    |        |    |        |
| 9.0%  | \$                     | 117.22 | \$                  | 122.35 | \$   | 128.33 | \$ | 135.40 | \$ | 143.88 |
| 10.0% | \$                     | 102.19 | \$                  | 105.77 | \$   | 109.86 | \$ | 114.59 | \$ | 120.10 |
| 11.0% | \$                     | 90.52  | \$                  | 93.11  | \$   | 96.02  | \$ | 99.32  | \$ | 103.10 |
| 12.0% | \$                     | 81.20  | \$                  | 83.12  | \$   | 85.26  | \$ | 87.65  | \$ | 90.34  |
| 13.0% | \$                     | 73.59  | \$                  | 75.05  | \$   | 76.66  | \$ | 78.43  | \$ | 80.40  |



## Recommendation

- Recommendation: **HOLD** based on DCF analysis
- DCF model calculated a target price \$96.02, a 27.3% upside (Consensus Target \$90.82)
- ConocoPhillips continues to increase gross margin, acquisitions, and a steady ROE
- The price of crude oil remains high (\$75/barrell projection for the DCF)
- YTD has performed strongly 83.57% increase due to higher oil prices and acquisition of Concho Resources, if oil remains strong COP will remain strong





| Performance History |         |
|---------------------|---------|
| 52 Week High        | \$28.78 |
| 52 Week Low         | \$77.98 |
| Div. Yield          | 2.44%   |



# Recommendation



## Our Recommendation

| Stock   | Current Price | Target Price | Upside | SIM Weight | Target Weight | Decision |
|---|---------------|--------------|--------|------------|---------------|----------|
|  <b>Chevron</b>        | 115.83        | 131.58       | 13.6%  | 0 bps      | 100 bps       | BUY      |
| <b>Schlumberger</b>   | 32.72         | 39.28        | 20.0%  | 179 bps    | 179 bps       | HOLD     |
|  <b>ConocoPhillips</b> | 75.45         | 96.02        | 27.3%  | 240 bps    | 240 bps       | HOLD     |



# Appendix



| Chevron Corp (CVX)         |           |         |         |         |         |         |         |         |         |                    |         |
|----------------------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|--------------------|---------|
|                            |           |         |         |         |         |         |         |         |         |                    |         |
| Jack MacNeel               |           |         |         |         |         |         |         |         |         |                    |         |
| 11/8/2021                  |           |         |         |         |         |         |         |         |         |                    |         |
| \$ Millions                |           |         |         |         |         |         |         |         |         |                    |         |
| Year                       | 2021E     | 2022E   | 2023E   | 2024E   | 2025E   | 2026E   | 2027E   | 2028E   | 2029E   | 2030E              | 2031E   |
| Revenue                    | 141,756   | 148,135 | 142,358 | 145,561 | 148,836 | 152,185 | 155,609 | 159,110 | 162,690 | 166,351            | 170,094 |
| % Growth                   | 49.70%    | 4.5%    | -3.9%   | 2.25%   | 2.25%   | 2.25%   | 2.25%   | 2.25%   | 2.25%   | 2.25%              | 2.25%   |
| Operating Income           | 19,398    | 20,271  | 19,481  | 19,919  | 20,367  | 20,825  | 21,294  | 21,773  | 22,263  | 22,764             | 23,276  |
| Operating Margin           | 13.7%     | 13.7%   | 13.7%   | 13.7%   | 13.7%   | 13.7%   | 13.7%   | 13.7%   | 13.7%   | 13.7%              | 13.7%   |
| Interest Expense (Income)  | 597       | 624     | 599     | 613     | 627     | 641     | 655     | 670     | 685     | 700                | 716     |
| Interest % of Sales        | 0.421%    | 0.421%  | 0.421%  | 0.421%  | 0.421%  | 0.421%  | 0.421%  | 0.421%  | 0.421%  | 0.421%             | 0.421%  |
| Income Before Taxes        | 18,801    | 19,647  | 18,881  | 19,306  | 19,740  | 20,185  | 20,639  | 21,103  | 21,578  | 22,063             | 22,560  |
| Taxes                      | 5,697     | 5,953   | 5,721   | 5,850   | 5,981   | 6,116   | 6,254   | 6,394   | 6,538   | 6,685              | 6,836   |
| Tax Rate                   | 30.3%     | 30.3%   | 30.3%   | 30.3%   | 30.3%   | 30.3%   | 30.3%   | 30.3%   | 30.3%   | 30.3%              | 30.3%   |
| Net Income                 | 13,105    | 13,694  | 13,160  | 13,456  | 13,759  | 14,069  | 14,385  | 14,709  | 15,040  | 15,378             | 15,724  |
| % Growth                   |           | 4.50%   | -3.90%  | 2.25%   | 2.25%   | 2.25%   | 2.25%   | 2.25%   | 2.25%   | 2.25%              | 2.25%   |
| Add Depreciation/Amort     | 25,367    | 26,508  | 25,475  | 25,320  | 25,145  | 24,950  | 24,734  | 24,495  | 24,232  | 23,946             | 23,634  |
| % of Sales                 | 17.9%     | 17.9%   | 17.9%   | 17.4%   | 16.9%   | 16.4%   | 15.9%   | 15.4%   | 14.9%   | 14.4%              | 13.9%   |
| Plus/(minus) Changes WC    | (7,246)   | (605)   | 548     | (582)   | (595)   | (609)   | (622)   | (636)   | (651)   | (665)              | (680)   |
| % of Sales                 | -5.1%     | -0.4%   | 0.4%    | -0.4%   | -0.4%   | -0.4%   | -0.4%   | -0.4%   | -0.4%   | -0.4%              | -0.4%   |
| Subtract Cap Ex            | 14,922    | 15,593  | 14,985  | 15,904  | 16,858  | 17,846  | 18,870  | 19,931  | 21,030  | 22,168             | 23,348  |
| Capex % of sales           | 10.5%     | 10.5%   | 10.5%   | 10.9%   | 11.3%   | 11.7%   | 12.1%   | 12.5%   | 12.9%   | 13.3%              | 13.7%   |
| Free Cash Flow             | 16,304    | 24,005  | 24,198  | 22,290  | 21,452  | 20,564  | 19,627  | 18,636  | 17,591  | 16,490             | 15,330  |
| % Growth                   |           | 47.2%   | 0.8%    | -7.9%   | -3.8%   | -4.1%   | -4.6%   | -5.0%   | -5.6%   | -6.3%              | -7.0%   |
| NPV of Cash Flows          | 132,957   | 52%     |         |         |         |         |         |         |         |                    |         |
| NPV of terminal value      | 121,860   | 48%     |         |         |         |         |         |         |         | Terminal Value     | 288,488 |
| Projected Equity Value     | 254,818   | 100%    |         |         |         |         |         |         |         |                    |         |
| Free Cash Flow Yield       | 7.29%     |         |         |         |         |         |         |         |         | Free Cash Yield    | 5.31%   |
| Current P/E                | 17.1      | 16.3    | 17.0    |         |         |         |         |         |         | Terminal P/E       | 18.3    |
| Projected P/E              | 19.4      | 18.6    | 19.4    |         |         |         |         |         |         |                    |         |
| Current EV/EBITDA          | 5.8       | 5.5     | 5.7     |         |         |         |         |         |         | Terminal EV/EBITDA | 6.9     |
| Projected EV/EBITDA        | 6.5       | 6.2     | 6.4     |         |         |         |         |         |         |                    |         |
| Shares Outstanding         | 1,930     |         |         |         |         |         |         |         |         |                    |         |
| Current Price              | \$ 115.83 |         |         |         |         |         |         |         |         |                    |         |
| Implied equity value/share | \$ 132.03 |         |         |         |         |         |         |         |         |                    |         |
| Upside/(Downside) to DCF   | 14.0%     |         |         |         |         |         |         |         |         |                    |         |
| Debt                       | 42,020    |         |         |         |         |         |         |         |         |                    |         |
| Cash                       | 7,560     |         |         |         |         |         |         |         |         |                    |         |
| Cash/share                 | 3.92      |         |         |         |         |         |         |         |         |                    |         |



Schlumberger (SLB)

Analyst: Erica VeRost

9/28/21

(in millions)

Terminal Discount Rate = 12.0%  
Terminal FCF Growth = 3.0%

| Year                              | 2021E    | 2022E   | 2023E   | 2024E   | 2025E   | 2026E   | 2027E   | 2028E   | 2029E                     | 2030E   | 2031E   |
|-----------------------------------|----------|---------|---------|---------|---------|---------|---------|---------|---------------------------|---------|---------|
| <b>Revenue</b>                    | 23,601   | 25,253  | 27,778  | 30,556  | 33,001  | 35,311  | 37,429  | 39,301  | 40,873                    | 42,508  | 43,783  |
| % Growth                          |          | 7.0%    | 10.0%   | 10.0%   | 8.0%    | 7.0%    | 6.0%    | 5.0%    | 4.0%                      | 4.0%    | 3.0%    |
| <b>Operating Income</b>           | 950      | 1,768   | 2,500   | 3,056   | 3,300   | 3,531   | 3,743   | 3,930   | 4,087                     | 4,251   | 4,378   |
| Operating Margin                  | 6.0%     | 9.0%    | 10.0%   | 10.0%   | 10.0%   | 10.0%   | 10.0%   | 10.0%   | 10.0%                     | 10.0%   | 10.0%   |
| <b>Interest Expense (Income)</b>  | 472      | 505     | 278     | 306     | 330     | 353     | 374     | 393     | 409                       | 425     | 438     |
| Interest % of Sales               | 1.0%     | 2.0%    | 1.0%    | 1.0%    | 1.0%    | 1.0%    | 1.0%    | 1.0%    | 1.0%                      | 1.0%    | 1.0%    |
| <b>Income Before Taxes</b>        | 1,652    | 2,778   | 3,333   | 2,750   | 2,970   | 3,178   | 3,369   | 3,537   | 3,679                     | 3,826   | 3,940   |
| <b>Taxes</b>                      | 83       | 167     | 267     | 220     | 238     | 254     | 269     | 283     | 294                       | 306     | 315     |
| Tax Rate                          | 5.0%     | 6.0%    | 8.0%    | 8.0%    | 8.0%    | 8.0%    | 8.0%    | 8.0%    | 8.0%                      | 8.0%    | 8.0%    |
| <b>Net Income</b>                 | 1,569    | 2,611   | 3,066   | 2,530   | 2,732   | 2,924   | 3,099   | 3,254   | 3,384                     | 3,520   | 3,625   |
| % Growth                          |          | 66.4%   | 17.4%   | -17.5%  | 8.0%    | 7.0%    | 6.0%    | 5.0%    | 4.0%                      | 4.0%    | 3.0%    |
| <b>Add Depreciation/Amort</b>     | 2,596    | 2,778   | 3,056   | 3,362   | 3,631   | 3,885   | 1,684   | 1,769   | 1,635                     | 1,700   | 1,751   |
| % of Sales                        | 11.0%    | 11.0%   | 11.0%   | 11.0%   | 11.0%   | 11.0%   | 4.5%    | 4.5%    | 4.0%                      | 4.0%    | 4.0%    |
| <b>Plus/(minus) Changes WC</b>    | 395      | (1,499) | (960)   | (1,056) | (1,140) | (1,220) | (1,294) | (1,358) | (1,413)                   | (1,469) | (1,513) |
| % of Sales                        | 1.7%     | -5.9%   | -3.5%   | -3.5%   | -3.5%   | -3.5%   | -3.5%   | -3.5%   | -3.5%                     | -3.5%   | -3.5%   |
| <b>Subtract Cap Ex</b>            | (1,180)  | (1,515) | (1,389) | (1,528) | (1,650) | (1,766) | (1,497) | (1,572) | (1,635)                   | (1,700) | (1,751) |
| Capex % of sales                  | -5.0%    | -6.0%   | -5.0%   | -5.0%   | -5.0%   | -5.0%   | -4.0%   | -4.0%   | -4.0%                     | -4.0%   | -4.0%   |
| <b>Free Cash Flow</b>             | 5,740    | 5,406   | 6,551   | 6,363   | 6,873   | 7,354   | 4,987   | 5,236   | 5,242                     | 5,451   | 5,615   |
| % Growth                          |          | -5.8%   | 21.2%   | -2.9%   | 8.0%    | 7.0%    | -32.2%  | 5.0%    | 0.1%                      | 4.0%    | 3.0%    |
| <b>NPV of Cash Flows</b>          | 33,905   | 62%     |         |         |         |         |         |         |                           |         |         |
| <b>NPV of terminal value</b>      | 20,689   | 38%     |         |         |         |         |         |         |                           |         |         |
| <b>Projected Equity Value</b>     | 54,594   | 100%    |         |         |         |         |         |         | <b>Terminal Value</b>     | 64,258  |         |
| <b>Free Cash Flow Yield</b>       | 12.62%   |         |         |         |         |         |         |         | <b>Free Cash Yield</b>    | 8.74%   |         |
| <b>Current P/E</b>                | 29.0     | 17.4    | 14.8    |         |         |         |         |         | <b>Terminal P/E</b>       | 17.7    |         |
| Projected P/E                     | 34.8     | 20.9    | 17.8    |         |         |         |         |         |                           |         |         |
| <b>Current EV/EBITDA</b>          | 17.4     | 13.5    | 11.1    |         |         |         |         |         | <b>Terminal EV/EBITDA</b> | 13.1    |         |
| Projected EV/EBITDA               | 19.9     | 15.5    | 12.7    |         |         |         |         |         |                           |         |         |
| <b>Shares Outstanding</b>         | 1,390    |         |         |         |         |         |         |         |                           |         |         |
| <b>Current Price</b>              | \$ 32.72 |         |         |         |         |         |         |         |                           |         |         |
| <b>Implied equity value/share</b> | \$ 39.28 |         |         |         |         |         |         |         |                           |         |         |
| <b>Upside/(Downside) to DCF</b>   | 20.0%    |         |         |         |         |         |         |         |                           |         |         |
| <b>Debt</b>                       | 16,886   |         |         |         |         |         |         |         |                           |         |         |
| Cash                              | 844      |         |         |         |         |         |         |         |                           |         |         |
| Cash/share                        | 0.61     |         |         |         |         |         |         |         |                           |         |         |





| Michael Fox<br>9/21/2021<br>(000s) |                 | ConocoPhillips (COP) |                |                |                |                |                |                |                |                |                | Terminal Discount Rate = 11.0% | Terminal FCF Growth = 3.0% |
|------------------------------------|-----------------|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------------|----------------------------|
| Year                               | 2021E           | 2022E                | 2023E          | 2024E          | 2025E          | 2026E          | 2027E          | 2028E          | 2029E          | 2030E          | 2031E          |                                |                            |
| <b>Revenue</b>                     | 42,039,050,000  | 43,477,598,000       | 44,978,358,040 | 45,877,923,161 | 46,795,481,624 | 47,731,391,256 | 48,686,019,082 | 49,659,739,463 | 50,652,934,253 | 51,665,992,938 | 52,699,312,796 |                                |                            |
| % Growth                           |                 | 3.4%                 | 3.5%           | 2.0%           | 2.0%           | 2.0%           | 2.0%           | 2.0%           | 2.0%           | 2.0%           | 2.0%           |                                |                            |
| <b>Operating Income</b>            | 8,870,239,550   | 9,608,549,158        | 10,390,000,245 | 10,551,922,327 | 11,230,915,590 | 11,455,533,902 | 11,684,644,580 | 12,414,934,866 | 12,663,233,563 | 13,433,158,164 | 13,701,821,327 |                                |                            |
| Operating Margin                   | 21.1%           | 22.1%                | 23.1%          | 23.0%          | 24.0%          | 24.0%          | 24.0%          | 24.0%          | 25.0%          | 25.0%          | 26.0%          |                                |                            |
| <b>Interest Expense (Income)</b>   | 950,000,000     | 950,000,000          | 950,000,000    | 989,000,000    | 988,380,000    | 1,008,147,800  | 1,028,310,552  | 1,048,876,763  | 1,069,854,298  | 1,091,251,384  | 1,113,076,412  |                                |                            |
| Interest % of Sales                | 2.3%            | 2.2%                 | 2.1%           | 2.1%           | 2.1%           | 2.1%           | 2.1%           | 2.1%           | 2.1%           | 2.1%           | 2.1%           |                                |                            |
| <b>Income Before Taxes</b>         | 7,920,239,550   | 8,658,549,158        | 9,440,000,245  | 9,582,922,327  | 10,242,535,590 | 10,447,386,302 | 10,656,334,028 | 11,366,058,103 | 11,593,379,265 | 12,341,906,780 | 12,588,744,915 |                                |                            |
| <b>Taxes</b>                       | 2,613,679,052   | 2,857,321,222        | 3,115,200,081  | 3,162,364,368  | 3,380,036,745  | 3,447,637,480  | 3,516,590,229  | 3,750,799,174  | 3,825,815,157  | 4,072,829,237  | 4,154,285,822  |                                |                            |
| Tax Rate                           | 33.0%           | 33.0%                | 33.0%          | 33.0%          | 33.0%          | 33.0%          | 33.0%          | 33.0%          | 33.0%          | 33.0%          | 33.0%          |                                |                            |
| <b>Net Income</b>                  | 5,306,560,499   | 5,801,227,936        | 6,324,800,164  | 6,420,557,959  | 6,862,498,845  | 6,999,748,822  | 7,139,743,798  | 7,615,258,929  | 7,767,564,107  | 8,269,077,542  | 8,434,459,093  |                                |                            |
| % Growth                           |                 | 9.3%                 | 9.0%           | 1.5%           | 6.9%           | 2.0%           | 2.0%           | 6.7%           | 2.0%           | 6.5%           | 2.0%           |                                |                            |
| <b>Add Depreciation/Amort</b>      | 10,509,782,500  | 10,869,399,500       | 11,244,589,010 | 11,469,480,790 | 11,698,870,406 | 11,932,847,814 | 12,171,504,770 | 12,414,934,866 | 12,663,233,563 | 12,916,498,234 | 13,174,828,199 |                                |                            |
| % of Sales                         | 25.0%           | 25.0%                | 25.0%          | 25.0%          | 25.0%          | 25.0%          | 25.0%          | 25.0%          | 25.0%          | 25.0%          | 25.0%          |                                |                            |
| <b>Plus/(minus) Changes WC</b>     | (6,983,917,100) | (549,525,336)        | (573,289,571)  | (584,755,363)  | (596,450,470)  | (608,379,479)  | (620,547,069)  | (632,958,010)  | (645,617,171)  | (658,529,514)  | (671,700,104)  |                                |                            |
| % of Sales                         | -16.6%          | -1.3%                | -1.3%          | -1.3%          | -1.3%          | -1.3%          | -1.3%          | -1.3%          | -1.3%          | -1.3%          | -1.3%          |                                |                            |
| <b>Subtract Cap Ex</b>             | 7,987,419,500   | 8,260,743,620        | 8,545,887,648  | 8,716,805,401  | 8,891,141,509  | 9,068,984,339  | 9,250,343,626  | 9,435,350,498  | 9,624,057,508  | 9,816,538,658  | 10,012,869,431 |                                |                            |
| Capex % of sales                   | 19.0%           | 19.0%                | 19.0%          | 19.0%          | 19.0%          | 19.0%          | 19.0%          | 19.0%          | 19.0%          | 19.0%          | 19.0%          |                                |                            |
| <b>Free Cash Flow</b>              | 844,986,399     | 7,860,358,480        | 8,450,211,955  | 8,588,477,986  | 9,073,777,273  | 9,255,252,818  | 9,440,357,874  | 9,961,885,286  | 10,161,122,992 | 10,710,507,605 | 10,924,717,757 |                                |                            |
| % Growth                           |                 | 830.2%               | 7.5%           | 1.6%           | 5.7%           | 2.0%           | 2.0%           | 5.5%           | 2.0%           | 5.4%           | 2.0%           |                                |                            |
| <b>NPV of Cash Flows</b>           | 53,978,452,853  | 52%                  |                |                |                |                |                |                |                |                |                |                                |                            |
| <b>NPV of terminal value</b>       | 49,536,768,872  | 48%                  |                |                |                |                |                |                |                |                |                |                                |                            |
| <b>Projected Equity Value</b>      | 103,515,221,725 | 100%                 |                |                |                |                |                |                |                |                |                |                                |                            |
| <b>Free Cash Flow Yield</b>        | 1.04%           |                      |                |                |                |                |                |                |                |                |                |                                |                            |
| <b>Current P/E</b>                 | 15.33           | 14.0                 | 12.9           |                |                |                |                |                |                |                |                |                                |                            |
| Projected P/E                      | 10.5            | 17.8                 | 10.4           |                |                |                |                |                |                |                |                |                                |                            |
| <b>Current EV/EBITDA</b>           | 4.6             | 4.3                  | 4.1            |                |                |                |                |                |                |                |                |                                |                            |
| Projected EV/EBITDA                | 5.7             | 5.4                  | 5.1            |                |                |                |                |                |                |                |                |                                |                            |
| <b>Share Outstanding</b>           |                 |                      |                |                |                |                |                |                |                |                |                | 1,078,030,000                  |                            |
| <b>Current Price</b>               |                 |                      |                |                |                |                |                |                |                |                |                | \$ 75.45                       |                            |
| <b>Implied equity value/share</b>  |                 |                      |                |                |                |                |                |                |                |                |                | \$ 96.02                       |                            |
| <b>Upside/(Downside) to DCF</b>    |                 |                      |                |                |                |                |                |                |                |                |                | 27.3%                          |                            |
| <b>Plus Dividend</b>               |                 |                      |                |                |                |                |                |                |                |                |                | 29.7%                          |                            |
| <b>Debt</b>                        |                 |                      |                |                |                |                |                |                |                |                |                | 19,668,000,000                 |                            |
| <b>Cash</b>                        |                 |                      |                |                |                |                |                |                |                |                |                | 11,927,000,000                 |                            |
| <b>Cash/share</b>                  |                 |                      |                |                |                |                |                |                |                |                |                | 11.06                          |                            |
| <b>Terminal Value</b>              |                 |                      |                |                |                |                |                |                |                |                |                | 140,655,741,117                |                            |
| <b>Free Cash Yield</b>             |                 |                      |                |                |                |                |                |                |                |                |                | 7.77%                          |                            |
| <b>Terminal P/E</b>                |                 |                      |                |                |                |                |                |                |                |                |                | 16.7                           |                            |
| <b>Terminal EV/EBITDA</b>          |                 |                      |                |                |                |                |                |                |                |                |                | 5.5                            |                            |



Questions?



## Sources

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