

Chevron Corporation

Equity Research Flash Note

VRS (Valuation & Research Specialists) - VRS International S.A.



VRS (Valuation & Research Specialists)

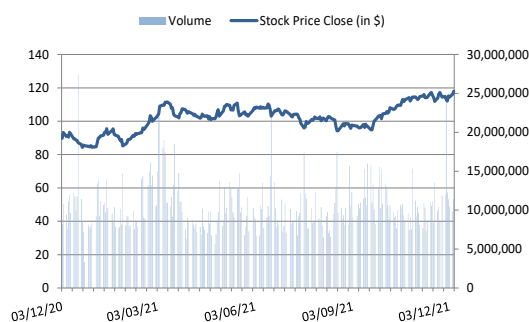
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Share Price (07/12/2021)	\$ 117.92
# of Shares (mn)	1,930
Market Cap (in \$ mn)	227,586
A.D. Volume (p)	10,510,530
Beta Co-efficient	1,187
Statistical Data	
Max 52 week, \$	117.92
Min 52 week, \$	84.36
1-M Rtn	4.34%
6-M Rtn	10.57%
12-M Rtn	31.31%

Source: VRS Calculations, Reuters.
Period as day/month/year.

Stock Price Performance & Transaction Volume

(1 year, in \$ and in number of shares)



Note: Share price performance based on share price closes on Stock Exchange.
Period as day/month/year.

CHEVRON CORPORATION

Listed on NYSE, New York, UNITED STATES

[Bloomberg Ticker: CVX:US] [Reuters Ticker: CVX.N]

Energy Sector / Industry: Oil & Gas

Corporate & Investment Highlights

- Chevron's revenues for 2020 decreased to \$94bn recording a major percentage drop of 35.37% compared to revenues of 2019. Similar downward trend showed all profitability indicators in 2020 (EBIT, EBT, EATAM). Especially EBT and EATAM recorded a huge drop of -234.63% and -289.57% accordingly. Partial or total lifting of restrictive measures across the global economy in 2021 contributed to an increase in oil demand, helping the company to recover fast, setting it on track to achieve record high profitability. The estimates of revenues for 2021 ranges around \$156bn while for the first nine months were \$114bn.
- Chevron's revenues come from two main business segments: Upstream and Downstream. Upstream main activities are exploring, producing and transporting crude oil and natural gas and is accounting for an amount of 28% of 2020 total revenues. Downstream focuses mostly on refining crude oil into petroleum products and is the main source of the company's revenue (nearly 72% in 2020). In 2021 Downstream business unit recorded an increase of 459% in its first three quarters revenues in comparison with revenues of last year due to higher margins on refined product sales and demand.
- Net losses for 2020 amounted to -\$5.5bn compared to \$2.9bn net profit of 2019. We expect for 2021 EATAM to increase to the pre-covid levels of \$14.06bn partly due to good management, in line implementation of Chevron's business plan along with the enhanced situation with Covid-19 pandemic, taking also into account that for the first nine months of 2021 EATAM stood at \$10.5bn. For 2022, we expect EATAM to continue increasing slightly, ranging around \$17.18bn.
- Capital Expenditures (Capex) amounted to \$8.9bn in 2020, compared to \$14.11bn in 2019. During the first 3 quarters of 2021, Chevron has spent just \$5.5bn, compared to \$6.9bn during the same period last year. Our estimates are that Capex for 2021 will range around \$8.1bn due to the company's policy to reduce their Capital Expenditures. In 2022 however, we expect Capex to return to more standard values, nearly \$11.1bn, because of better financial stability and more available funds.
- Chevron's EBITDA for 2020 significantly decreased to \$12.7bn from \$35.5bn of 2019. EBITDA stood at \$28.3bn, compared to \$9bn during the first nine months of 2020, benefiting from the demand increase in oil and sales volumes which led to record earnings for the company in the first 9 months of 2021. We expect EBITDA to range around \$40.7bn in 2021 and \$44.6bn boosted from both Upstream and Downstream units.
- Debt amounted to \$42.7bn as of December 31st, 2020, compared to \$23bn in 2019. More specifically, for 2020, the company's debt was comprised of total finance lease liabilities amounting to \$447mn (1.04% of the company's total debt), medium and long-term notes and bank loans with a total amount of approximately \$31bn and the rest are reclassifications and fair market valuation adjustments of Noble long-term debt, which is an energy company that Chevron acquired. In the first 3 quarters of 2021, debt decreased by 6.9 billion and is expected to further decrease and reach \$33bn in the end of the year.
- During the first 9 months of 2021, Chevron reached an agreement to purchase Neste's Group 3 base oils business. Through this acquisition, production of crude oil is expected to be more capital efficient and reduce the company's costs long term. The deal will probably close in the beginning of 2022, due to regulatory reasons.
- The oil's price fluctuates easily due to new covid developments and variants which affects the demand for the company's products. The US Government plans to tap into the US oil reserves in order to lower the oil's price. However, if the demand continues to remain high, Chevron will continue to increase their revenues, especially in the downstream and chemicals section.

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Corporate & Investment Highlights

- Based in the United States, Chevron Corporation is one of the largest energy companies with a strong presence internationally. 61% of the company's revenues come from international activities, showing Chevron's multinational character. The company is established in the Oil & Gas market. Chevron operates under its 3 premium brands- Chevron, Texaco and Caltex.

Consolidated Annual Financial Results (2020 versus 2019, € millions)

(In \$ millions)	2020	%	2019
Revenue	94,692	-35.37%	146,516
Gross Profit	44,204	-33.43%	66,403
EBITDA	12,752	-64.13%	35,552
EBT	-7,543	-234.63%	5,536
EATAM	-5,543	-289.57%	2,924

Source: Company. Note: Fiscal Year ends on December 31st.

3rd Quarter Financial Results (9M 2021 versus 9M 2020, € millions)

(In \$ millions)	9M 2021	%	9M 2020
Revenue	114,336	64.64%	69,446
Gross Profit	52,305	61.71%	32,345
EBITDA	28,323	213.86%	9,024
EBT	14,654	-325.58%	-6,496
EATAM	10,570	-316.69%	-4,878

Source: Company

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BASIC FINANCIAL INDICATORS

(in \$ mn)	Revenue	EBITDA	EBT	EATAM	P/E (x)	P/BV	EV / EBITDA	DEBT / EQUITY (x)	ROE
2013	228,848	50,091	35,905	21,423	10.2	1.4	4.4	0.13	14.24%
2014	211,970	47,995	31,202	19,241	11.3	1.4	4.8	0.15	12.32%
2015	138,477	25,879	4,842	4,587	47.5	1.4	9.3	0.22	2.98%
2016	114,472	17,498	-2,160	-497	-438.3	1.5	14.1	0.24	-0.34%
2017	141,722	28,877	9,221	9,195	23.7	1.5	8.5	0.22	6.16%
2018	166,339	40,742	20,575	14,824	14.7	1.4	5.8	0.18	9.52%
2019	146,516	35,552	5,536	2,924	74.5	1.5	6.6	0.16	2.01%
2020	94,692	12,752	-7,453	-5,543	-39.3	1.6	20	0.32	-4.18%
2021E	156,242	40,693	18,749	14,062	15.5	1.6	6	0.24	10%
2022E	171,866	44,685	22,343	17,187	12.7	1.5	5.2	0.15	12%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price and current outstanding number of shares. Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. n/c stands for non-calculable.

Working Capital Ratios

(in \$ mn)	2017	2018	2019	2020	2021E	2022E
Revenue	141,722	166,339	146,516	94,692	156,242	171,866
Cost of Revenue	75,765	94,578	80,113	50,488	82,808	91,089
Gross Profit Margin	% 46.54%	43.14%	45.32%	46.68%	47.00%	47.00%
Net Income / Profit	9,195	14,824	2,924	-5,543	14,062	17,187
Net Profit Margin	% 6.49%	8.91%	2.00%	-5.85%	9.00%	10.00%
Cash & Cash Equivalents	4,813	9,342	5,686	5,596	8,296	9,659

Stock Days

Days	27	22	27	41	25	25
Stock Inventory	5,585	5,704	5,848	5,676	5,703	6,274

Debtors Days

Days	39	33	33	44	35	35
Debtors - Receivables	15,313	15,050	13,325	11,471	14,818	16,300

Creditors Days

Days	70	54	64	79	63	63
Creditors - Suppliers	14,565	13,953	14,103	10,950	14,207	15,628

Operating Cycle (Days)

Days	52	55	60	85	60	60
Cash Cycle (Days)	-10	1	-4	6	-3	-3

Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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Energy Sector / Industry: Oil & Gas

Shareholders' Structure

The Vanguard Group, Inc.	7.96%
SSgA Funds Management, Inc.	7.22%
Capital Research & Management Co.	6.75%
BlackRock Fund Advisors	2.12%
Capital Research & Management Co. (International Investors)	1.97%
Geode Capital Management LLC	1.63%
Capital Research & Management Co. (Global Investors)	1.35%
Northern Trust Investments, Inc (Investment Management)	1.32%
Berkshire Hathaway, Inc (Investment Management)	1.20%
Capital Research & Management Co. (World Investors)	1.12%
Others	67.36%
Total	100.00%

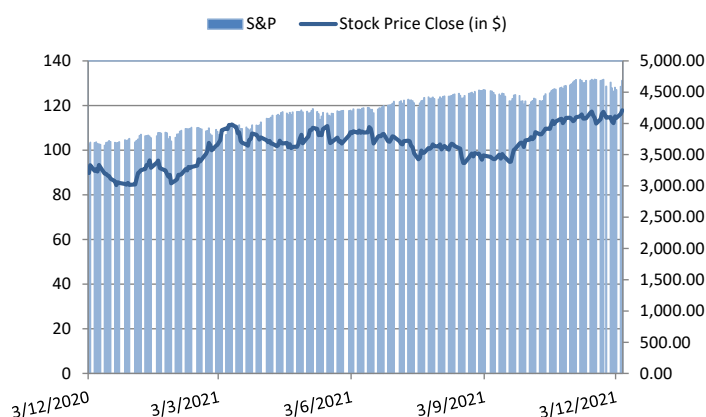
Source: Marketscreener.

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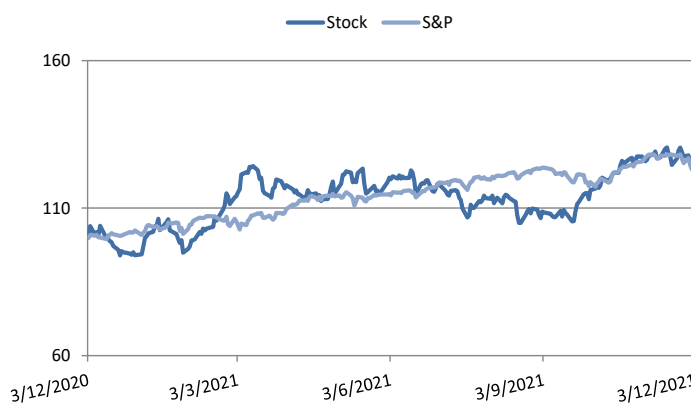
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Stock versus Index
(Last 52 Weeks or since listing, Stock Price in \$, Index in points)



Source: Historical Data. Note: Share price performance based on price closes on Stock Exchange.
Period as day/month/year.

Stock versus Index
(Last 52 Weeks or since listing, Base = 100)



Source : Historical Data. Note: Share price performance based on price closes on Stock Exchange.
Period as day/month/year.

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	P/E Multiple
Company Stock 2020 P/E	-41.1
Company Stock 2021E P/E	16.2
Company Stock Trailing P/E	23.0
Sector Current P/E	33.9
Sector Forward P/E	38.8
Sector Trailing P/E	52.5

	Multiple
Company Stock 2020 EV/EBITDA	20.8
World EV/EBITDA Ratio	11
Sector EV/EBITDA	18.29

Company P/E Multiples versus Sector P/E Multiples (x)



Source: VRS calculations based on consolidated accounts, FACTSET.

EPS Estimates

In \$	EPS
2019	1.515
2020	-2.872
2021E	7.286
2022E	8.905

Source: VRS calculations & estimates.

Note: EPS is based on current number of shares.

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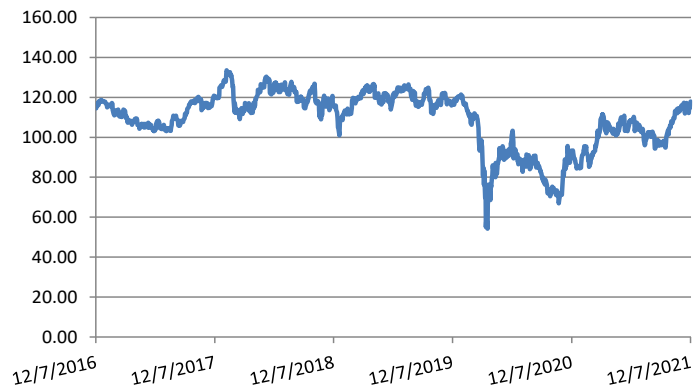
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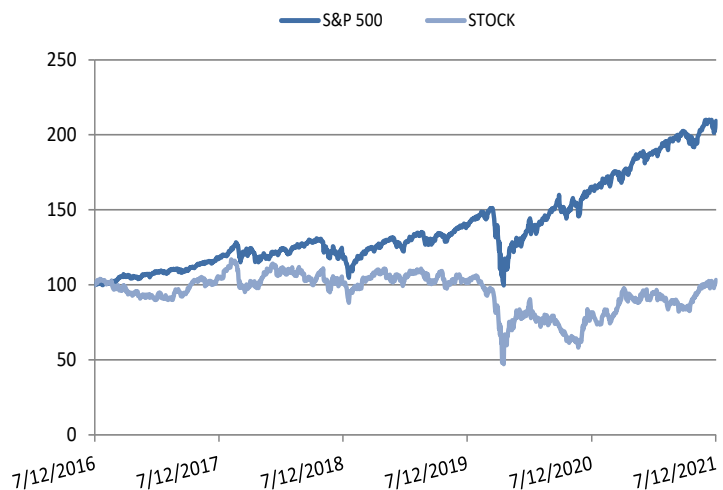
Energy Sector / Industry: Oil & Gas

Stock Price Performance
(Last 5 Years or since listing, Stock Price in €)



Source: Historical Data, Yahoo Finance. Note: Share price performance based on price closes on Stock Exchange.
Period as day/month/year.

Stock versus Index
(Last 5 Years or since listing, Base = 100)



Source: Historical Data, Yahoo Finance. Note: Share price performance based on price closes on Stock Exchange.
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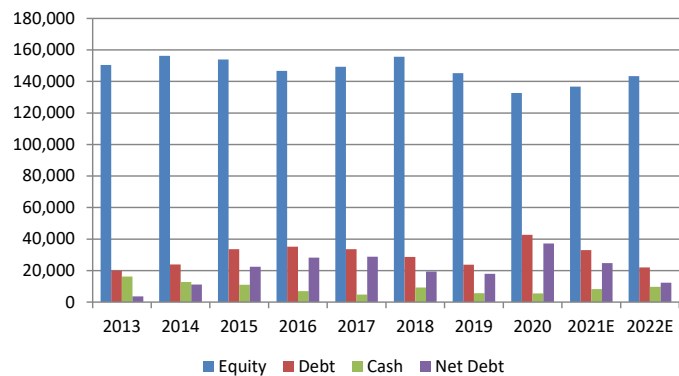
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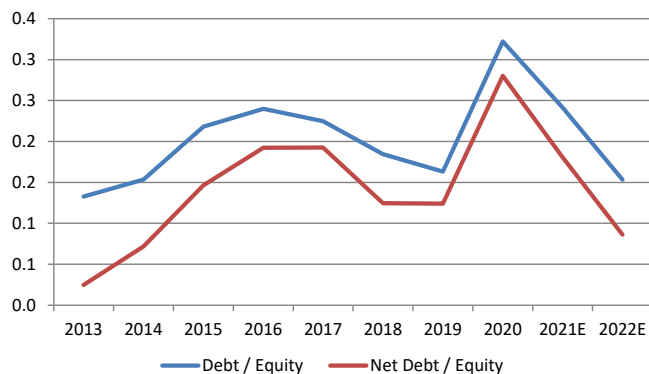
Energy Sector / Industry: Oil & Gas

Equity, Debt, Cash & Net Debt
(in \$ millions)



Source: Company, VRS estimates

"Debt/Equity" & "Net Debt/Equity" Ratios
(times)



Source: Company, VRS estimates

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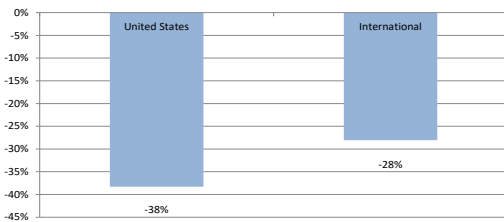
Energy Sector / Industry: Oil & Gas

Revenue Breakdown 2020 vs 2019

Consolidated Revenue Breakdown by Geographic Region (In \$ millions)

	2020	2019
United States	37,025	60,007
International	57,446	79,858
TOTAL	94,471	139,865

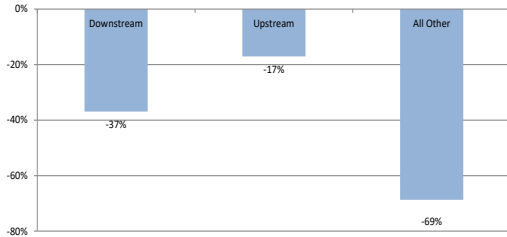
Consolidated Sales Change (%) by Geography 2020 / 2019



Consolidated Revenue Breakdown by Activity (In \$ millions)

	2020	2019
Downstream	68,083	107,912
Upstream	26,311	31,707
All Other	77	246
TOTAL	94,471	139,865

Consolidated Sales Change by Activity (%) 2020 / 2019



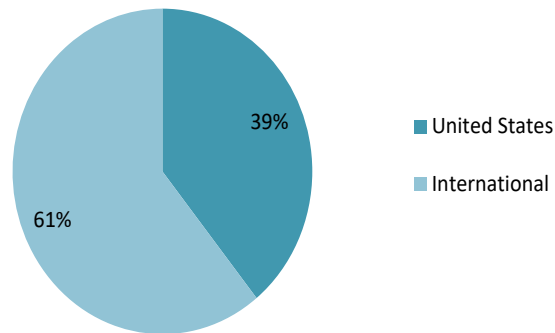
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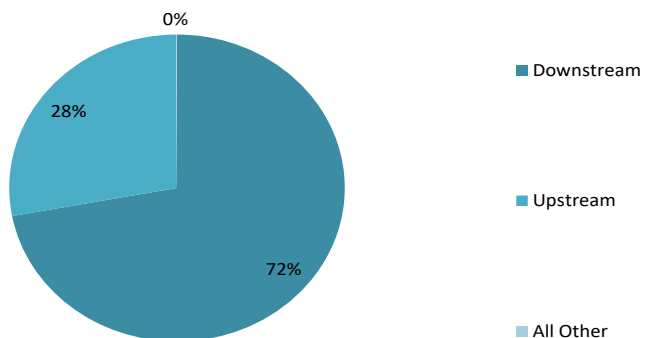
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Revenue Breakdown, FY 2020 (%)

Sales Breakdown by Geographic Region, 2020



Sales Breakdown by Activity, 2020



Source: Company

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Consolidated Income Statement (In \$ millions)

Millions of dollars, except per-share amounts

	Year ended December 31		
	2020	2019	2018
Revenues and Other Income			
Sales and other operating revenues	\$ 94,471	\$ 139,865	\$ 158,902
Income (loss) from equity affiliates	(472)	3,968	6,327
Other income	693	2,683	1,110
Total Revenues and Other Income	94,692	146,516	166,339
Costs and Other Deductions			
Purchased crude oil and products	50,488	80,113	94,578
Operating expenses	20,323	21,385	20,544
Selling, general and administrative expenses	4,213	4,143	3,838
Exploration expenses	1,537	770	1,210
Depreciation, depletion and amortization	19,508	29,218	19,419
Taxes other than on income	4,499	4,136	4,867
Interest and debt expense	697	798	748
Other components of net periodic benefit costs	880	417	560
Total Costs and Other Deductions	102,145	140,980	145,764
Income (Loss) Before Income Tax Expense	(7,453)	5,536	20,575
Income Tax Expense (Benefit)	(1,892)	2,691	5,715
Net Income (Loss)	(5,561)	2,845	14,860
Less: Net income (loss) attributable to noncontrolling interests	(18)	(79)	36
Net Income (Loss) Attributable to Chevron Corporation	\$ (5,543)	\$ 2,924	\$ 14,824
Per Share of Common Stock			
Net Income (Loss) Attributable to Chevron Corporation			
- Basic	\$ (2.96)	\$ 1.55	\$ 7.81
- Diluted	\$ (2.96)	\$ 1.54	\$ 7.74

Source: Company

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Consolidated Balance Sheet (In € millions)

Millions of dollars, except per-share amounts

	At December 31	
	2020	2019
Assets		
Cash and cash equivalents	\$ 5,596	\$ 5,686
Marketable securities	31	63
Accounts and notes receivable (less allowance: 2020 - \$284; 2019 - \$746)	11,471	13,325
Inventories:		
Crude oil and petroleum products	3,576	3,722
Chemicals	457	492
Materials, supplies and other	1,643	1,634
Total inventories	5,676	5,848
Prepaid expenses and other current assets	3,304	3,407
Total Current Assets	26,078	28,329
Long-term receivables, net	589	1,511
Investments and advances	39,052	38,688
Properties, plant and equipment, at cost	345,232	326,722
Less: Accumulated depreciation, depletion and amortization	188,614	176,228
Properties, plant and equipment, net	156,618	150,494
Deferred charges and other assets	11,950	10,532
Goodwill	4,402	4,463
Assets held for sale	1,101	3,411
Total Assets	\$ 239,790	\$ 237,428
Liabilities and Equity		
Short-term debt	\$ 1,548	\$ 3,282
Accounts payable	10,950	14,103
Accrued liabilities	7,812	6,589
Federal and other taxes on income	921	1,554
Other taxes payable	952	1,002
Total Current Liabilities	22,183	26,530
Long-term debt ¹	42,767	23,691
Deferred credits and other noncurrent obligations	20,328	20,445
Noncurrent deferred income taxes	12,569	13,688
Noncurrent employee benefit plans	9,217	7,866
Total Liabilities²	\$ 107,064	\$ 92,220
Preferred stock (authorized 100,000,000 shares; \$1.00 par value; none issued)	—	—
Common stock (authorized 6,000,000,000 shares; \$0.75 par value; 2,442,676,580 shares issued at December 31, 2020 and 2019)	1,832	1,832
Capital in excess of par value	16,829	17,265
Retained earnings	160,377	174,945
Accumulated other comprehensive losses	(5,612)	(4,990)
Deferred compensation and benefit plan trust	(240)	(240)
Treasury stock, at cost (2020 - 517,490,263 shares; 2019 - 560,508,479 shares)	(41,498)	(44,599)
Total Chevron Corporation Stockholders' Equity	131,688	144,213
Noncontrolling interests (2020 includes \$120 redeemable noncontrolling interest)	1,038	995
Total Equity	132,726	145,208
Total Liabilities and Equity	\$ 239,790	\$ 237,428

Source: Company

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CHEVRON CORPORATION

Listed on NYSE, New York, UNITED STATES

[Bloomberg Ticker: CVX:US] [Reuters Ticker: CVX.N]

Energy Sector / Industry: Oil & Gas

Consolidated Cash Flow Statement (In \$ millions)

Millions of dollars

	Year ended December 31		
	2020	2019	2018
Operating Activities			
Net Income (Loss)	\$ (5,561)	\$ 2,845	\$ 14,860
Adjustments			
Depreciation, depletion and amortization	19,508	29,218	19,419
Dry hole expense	1,036	172	687
Distributions more (less) than income from equity affiliates	2,015	(2,073)	(3,580)
Net before-tax gains on asset retirements and sales	(760)	(1,367)	(619)
Net foreign currency effects	619	272	123
Deferred income tax provision	(3,604)	(1,966)	1,050
Net decrease (increase) in operating working capital	(1,652)	1,494	(718)
Decrease (increase) in long-term receivables	296	502	418
Net decrease (increase) in other deferred charges	(248)	(69)	—
Cash contributions to employee pension plans	(1,213)	(1,362)	(1,035)
Other	141	(352)	13
Net Cash Provided by Operating Activities	10,577	27,314	30,618
Investing Activities			
Cash acquired from Noble Energy, Inc.	373	—	—
Capital expenditures	(8,922)	(14,116)	(13,792)
Proceeds and deposits related to asset sales and returns of investment	2,968	2,951	2,392
Net maturities of (investments in) time deposits	—	950	(950)
Net sales (purchases) of marketable securities	35	2	(51)
Net repayment (borrowing) of loans by equity affiliates	(1,419)	(1,245)	111
Net Cash Used for Investing Activities	(6,965)	(11,458)	(12,290)
Financing Activities			
Net borrowings (repayments) of short-term obligations	651	(2,821)	2,021
Proceeds from issuances of long-term debt	12,308	—	218
Repayments of long-term debt and other financing obligations	(5,489)	(5,025)	(6,741)
Cash dividends - common stock	(9,651)	(8,959)	(8,502)
Distributions to noncontrolling interests	(24)	(18)	(91)
Net sales (purchases) of treasury shares	(1,531)	(2,935)	(604)
Net Cash Provided by (Used for) Financing Activities	(3,736)	(19,758)	(13,699)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(50)	332	(91)
Net Change in Cash, Cash Equivalents and Restricted Cash	(174)	(3,570)	4,538
Cash, Cash Equivalents and Restricted Cash at January 1	6,911	10,481	5,943
Cash, Cash Equivalents and Restricted Cash at December 31	\$ 6,737	\$ 6,911	\$ 10,481

Source: Company

Important Note:

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
CHEVRON CORPORATION	CVX:US	CVX.N	€ 15.77	December 7, 2021	----

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