



# Chevron Corporation (CVX)

Updated February 4<sup>th</sup>, 2025 by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$149	<b>5 Year CAGR Estimate:</b>	0.3%	<b>Market Cap:</b>	\$268 B
<b>Fair Value Price:</b>	\$150	<b>5 Year Growth Estimate:</b>	-5.0%	<b>Ex-Dividend Date:</b>	2/14/25
<b>% Fair Value:</b>	99%	<b>5 Year Valuation Multiple Estimate:</b>	0.1%	<b>Dividend Payment Date:</b>	3/10/25
<b>Dividend Yield:</b>	4.6%	<b>5 Year Price Target</b>	\$116	<b>Years Of Dividend Growth:</b>	38
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Sell

## Overview & Current Events

Chevron is the fourth-largest oil major in the world based on its market cap of \$268 billion, behind only Saudi Aramco, Shell (SHEL) and ExxonMobil (XOM). In 2019, 2021, 2022, 2023 and 2024, Chevron generated 78%, 84%, 79%, 74% and 92% of its earnings from its upstream segment, respectively. While close industry peers BP and Total produce crude oil and natural gas at approximately equal ratios, Chevron is more leveraged to the oil price, with a 59/41 production ratio. Moreover, as Chevron prices some natural gas volumes based on the oil price, nearly 75% of its output is priced based on the oil price. As a result, Chevron is more leveraged to the oil price than the other oil majors.

On October 23<sup>rd</sup>, 2023, Chevron agreed to Acquire Hess (HES) for \$53 billion in an all-stock deal. If the deal closes, Chevron will purchase the highly profitable Stabroek block in Guyana and Bakken assets and thus it will greatly enhance its output and free cash flow. As Chevron is fully valued, we view the all-stock deal as attractive for Chevron. However, an arbitration hearing with Exxon Mobil will take place the earliest in May-2025. The deal thus has some uncertainty.

In late January, Chevron reported (1/31/25) results for the fourth quarter of 2024. Production dipped -1% over the prior year's quarter due to downtime in some fields, despite record Permian output after the acquisition of PDC Energy. In addition, the price of oil decreased and refining margins plunged to normal levels after two years of blowout levels. As a result, earnings-per-share fell -40%, from \$3.45 to \$2.06, missing the analysts' consensus by \$0.05. On the bright side, Chevron is likely to post solid production growth this year thanks to strong momentum in Permian, particularly if it completes the acquisition of Hess. We thus expect higher earnings this year.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$2.45	-\$0.27	\$3.79	\$7.74	\$6.19	-\$0.20	\$8.13	\$18.83	\$13.13	\$10.05	<b>\$10.70</b>	<b>\$8.28</b>
<b>DPS</b>	\$4.28	\$4.29	\$4.32	\$4.48	\$4.76	\$5.16	\$5.31	\$5.68	\$6.04	\$6.52	<b>\$6.84</b>	<b>\$7.14</b>
<b>Shares<sup>1</sup></b>	1883	1892	1905	1914	1872	1911	1922	1920	1868	1777	<b>1777</b>	<b>1700</b>

Chevron invested heavily in growth projects for years but failed to grow its output for an entire decade, as oil projects take several years to start bearing fruit. However, Chevron is now in the positive phase of its investing cycle.

Chevron grew its output by 5% in 2017, 7% in 2018, 4% in 2019, 1% in 2020 due to the pandemic and 0.5% in 2021. Its output dipped -3% in 2022 but it grew 4% in 2023 and 7% in 2024 thanks to sustained growth in the Permian Basin and the acquisition of PDC Energy. The company has more than doubled the value of its assets in the Permian in the last six years thanks to new discoveries and technological advances. Chevron also learned its lesson from the previous downturn and now invests most of its funds in projects that begin delivering cash flows within two years. In addition, thanks to the high grading of its asset portfolio, Chevron can fund its dividend even at an oil price of \$40. The pending acquisition of Hess is likely to be a major growth driver in terms of output and earnings in the years ahead. Nevertheless, given the exceptionally high earnings-per-share expected this year, we expect a -5% average annual decrease of earnings-per-share over the next five years. Investors should not forget the dramatic cyclicity of the oil industry.

<sup>1</sup> In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	39.4	---	29.4	14.1	19.3	---	12.8	8.4	12.2	15.2	13.9	14.0
Avg. Yld.	4.4%	4.3%	3.9%	4.0%	4.0%	5.8%	5.1%	3.6%	3.8%	4.3%	4.6%	6.2%

Chevron's stock valuation has fluctuated wildly over the past decade. This reflects the underlying volatility of its business model and profitability. When oil prices rise and Chevron's profits increase, its valuation multiple shrinks. Conversely, periods of falling oil prices result in a ballooning price-to-earnings ratio. Chevron is now trading at a price-to-earnings ratio of 13.9. This earnings multiple is lower than the 10-year average of 18.4 of the stock. We expect the stock to trade at an earnings multiple around 14.0 in 2029. If this proves correct, the stock will enjoy a marginal 0.1% annualized gain in its returns over the next five years.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	175%	---	114%	57.9%	76.9%	---	65.3%	30.2%	46.0%	64.9%	63.9%	86.2%

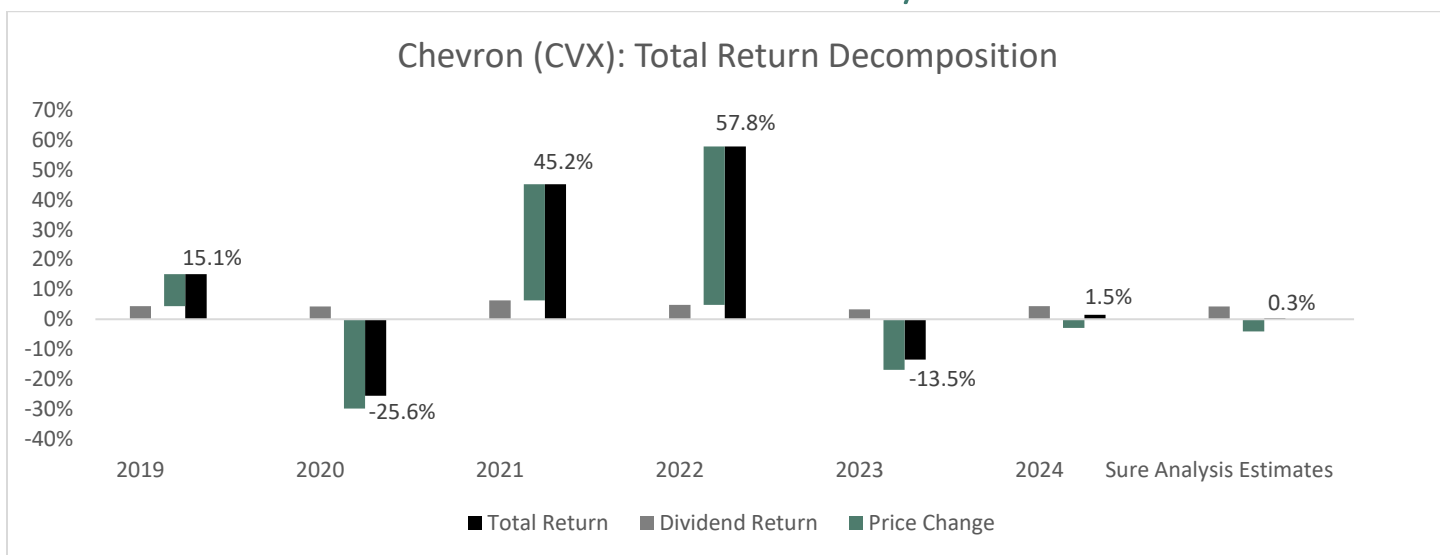
As a commodity producer, Chevron is vulnerable to any downturn in the price of oil, particularly given that it is the most leveraged oil major to the oil price. The oil major issued debt in 2020 to defend its dividend amid the pandemic but it has recovered strongly from that crisis and the payout ratio has become sustainable again.

Chevron's main competitive advantage is its size and industry position. The company achieved record free cash flows in 2021-2023. Chevron raised its dividend by 5% early this year and is likely to keep raising its dividend in the upcoming years, albeit at a modest pace. Chevron is a member of the exclusive Dividend Aristocrats list thanks to its 38 consecutive years of dividend increases. The only other Dividend Aristocrat in the oil industry is Exxon Mobil.

## Final Thoughts & Recommendation

Chevron is one of the highest quality energy stocks. Thanks to the exceptionally high price of oil, which has resulted from the war in Ukraine and the deep production cuts of OPEC, Chevron is poised for another strong year. However, due to the high cyclicality of the energy sector, we expect the price of oil to deflate in the upcoming years. We expect the stock to offer a 0.3% average annual return over the next five years, as its 4.6% dividend and a 0.1% annualized valuation tailwind may be offset by a -5.0% annual decline of earnings-per-share. We maintain our sell rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue (\$B)	129.93	110.22	134.67	158.90	139.87	94.47	155.61	235.7	196.9	193.4
Gross Profit	39137	31437	39560	44905	30534	24475	48309	73982	60391	56926
Gross Margin	30.1%	28.5%	29.4%	28.3%	21.8%	25.9%	31.0%	31.4%	30.7%	29.4%
SG&A Exp.	4443	4305	4110	3838	4143	4213	4014	4312	4141	---
Operating Profit	-3710	-5471	3128	14446	100	-6977	16180	39655	26229	18722
Op. Margin	-2.9%	-5.0%	2.3%	9.1%	0.1%	-7.4%	10.4%	16.8%	13.3%	9.7%
Net Profit	4587	-497	9195	14824	2924	-5543	15625	35465	21369	17661
Net Margin	3.5%	-0.5%	6.8%	9.3%	2.1%	-5.9%	10.0%	15.0%	10.9%	9.1%
Free Cash Flow	-10B	-5419	6934	16826	13198	1700	21131	37600	19780	15100
Income Tax	132	-1729	-48	5715	2691	-1892	5950	14066	8173	9757

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	264.54	260.08	253.81	253.86	237.43	239.79	239.54	257.7	261.6	256.9
Cash & Equivalents	11022	6988	4813	9342	5686	5596	5640	17678	8178	6781
Acc. Receivable	12860	14092	15353	15050	13325	1147	18419	20456	19921	---
Inventories	6334	5419	5585	5704	5848	5676	6305	8247	8612	---
Goodwill & Int.	4588	4581	4531	4518	4463	4402	4,385	4722	4722	---
Total Liab. (\$B)	110.65	113.36	104.49	98.22	92.22	107.06	99.60	97.47	99.70	256.9
Accounts Payable	13516	13986	14565	13953	14103	10950	16454	18955	20423	---
Long-Term Debt	38469	46033	38763	34459	26973	43870	30920	23339	20262	---
Total Equity (\$B)	152.72	145.56	148.12	154.55	144.21	131.7	139.07	159.3	161.0	152.3
LTD/E Ratio	0.25	0.32	0.26	0.22	0.19	0.33	0.22	0.15	0.13	---

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.7%	-0.2%	3.6%	5.8%	1.2%	-2.3%	6.5%	14.3%	8.2%	6.8%
Return on Equity	3.0%	-0.3%	6.3%	9.8%	2.0%	-4.0%	11.5%	23.8%	13.3%	---
ROIC	2.4%	-0.3%	4.8%	7.8%	1.6%	-3.7%	9.0%	21.4%	11.7%	10.5%
Shares Out.	1883	1892	1905	1914	1872	1911	1922	1940	1880	1817
Revenue/Share	69.29	58.84	70.96	83.02	73.81	50.52	81.04	121.5	104.7	106.5
FCF/Share	-5.36	-2.89	3.65	8.79	6.96	0.91	11.01	19.38	10.5	8.3

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

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