

BUSINESS: Chevron Corp. is the one of the world's largest oil companies, based on proven reserves. Daily production in 2018: oil, 1.8 mill. barrels (+3% vs. '17); natural gas, 6.9 bill. cubic feet (+14% vs. '17). Daily refinery input, 1.7 million barrels (flat vs. '17). Daily sales of refinery products, 2.7 million barrels (flat vs. '17). Proved reserves at 12/31/18: 12.1 billion barrels of oil equivalent,

56% liquids, 44% gas. (Affiliated companies account for 19% of total reserves.) Owns 50% interest in ChevronPhillips Chemical Co. Has approx. 51,900 employees. Vanguard owns 8.1% of stock; BlackRock, 6.8%; State Street, 6.0% (4/19 proxy). Chairman and CEO: Michael K. Wirth. Inc.: DE. Addr.: 6001 Bollinger Canyon Rd., San Ramon, CA 94583. Tel.: 925-842-1000. www.chevron.com.

ANNUAL RATES Past Past Est'd '16-'18 of change (per sh) to '22-'24 5.5% 7.5% Sales "Cash Flow" -4.0%-10.0%0.5% -6.5% -21.5% -9.0% 7.0% 8.0% Earnings 16.5% 4.5% 2.5% 4.0% 3.5% Dividends Book Value

28560

14565 5192

27737

7980

34021

13953 5726

27171

33671

14230 7023

29951

Current Assets

Accts Payable Debt Due

Current Liab.

Cal-	QUARTERLY SALES (\$ mill.) A				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2016	23553	29282	30140	31497	114472
2017	33421	34480	36205	37616	141722
2018	37764	42236	43987	42352	166339
2019	35200	42000	43000	43800	164000
2020	42500	43000	44000	45500	175000
Cal-	EARNINGS PER SHARE B				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2016	d.39	d.78	.68	.22	d.27
2017	1.41	.77	1.03	.58	3.79
2018	1.90	1.78	2.11	1.95	7.74
2019	1.39	1.80	1.90	2.01	7.10
2020	1.90	1.95	2.00	2.15	8.00
Cal-	al- QUARTERLY DIVIDENDS PAID C=				
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2015	1.07	1.07	1.07	1.07	4.28
2016	1.07	1.07	1.07	1.08	4.29
2017	1.08	1.08	1.08	1.08	4.32
2018	1.12	1.12	1.12	1.12	4.48
2019	1.19				
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Chevron walked away from a bidding war to buy Anadarko Petroleum, but empty-handed. The company received a \$1 billion breakup fee for its The company offered to buy trouble. Anadarko for \$33 billion, but Occidental Petroleum's \$38 billion proposal ultimately got the nod. Chevron chose to maintain financial discipline and not chase the deal, which helped its stock price. The company will expand its share-repurchase program with the extra cash, and may seek out another takeover target.

In the meantime, this is shaping up as an in-between year for profits. Favorable industry conditions, including rising oil prices, lifted the bottom line to a fouryear high in 2018. But crude oil prices got off to a weak start in 2019 and refining margins are unsettled. Those factors are likely to cause full-year earnings per share to pull back in the current 12 months. To be sure, the volatility in pricing and margins sharply contrasts with the steadiness in the manner the company builds out its operations. But share price-action here clearly reflects broader prospects for oil prices and economic growth.

Assuming stable to somewhat improved pricing, we look for gradual earnings gains in 2020 and beyond. The company's oil and gas production profile is near the top of the industry, given the possibility of mid-single-digit annual gains. Chevron is in good position, relative to its peers, having committed the capital to bring along a couple of large liquefied natural gas (LNG) facilities in Australia that are now paying off with increased volume. The company may seek out another merger partner to keep the momentum going, if the price is right.

Meantime, last month's \$350 purchase of a refinery near Houston lifts capacity in that line. The move also provides an outlet to process crude oil from the Permian Basin. All told, the promise of modest volume gains, combined with internal efficiency, augurs well for higher profits in a favorable pricing environment.

These shares are timely and offer 3- to 5-year total return potential commensurate with such a high-quality holding. We especially like the stock for income and dividend growth.

Robert Mitkowski May 31, 2019

(A) Based on diluted shares. Excludes nonrecurring gain of \$1.06 in '17. Next earnings report due late July. (B) Dividends historically paid on or about 10th of March, June, September, and December. Dividend reinvestment plan available.

(C) In millions, adj. for stock split.

Company's Financial Strength Stock's Price Stability 75
Price Growth Persistence 25
Earnings Predictability 10