

Acquisition of Noble Energy by Chevron

Energy and Natural Resources Group

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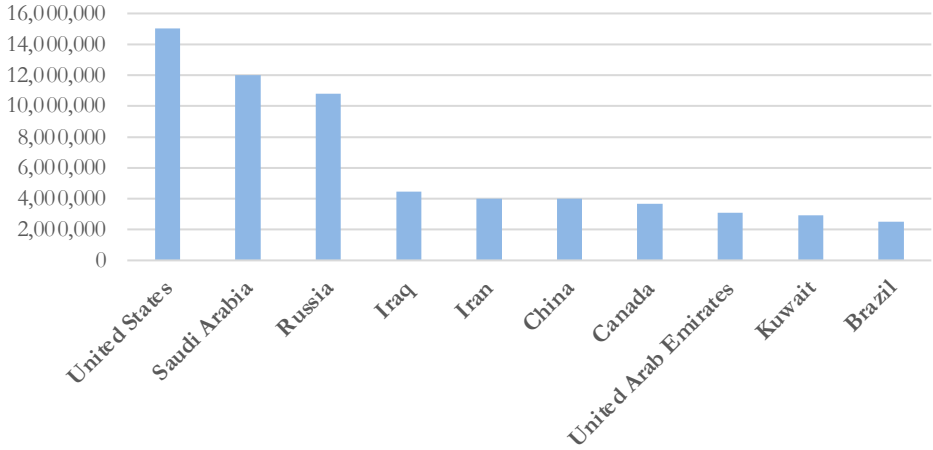
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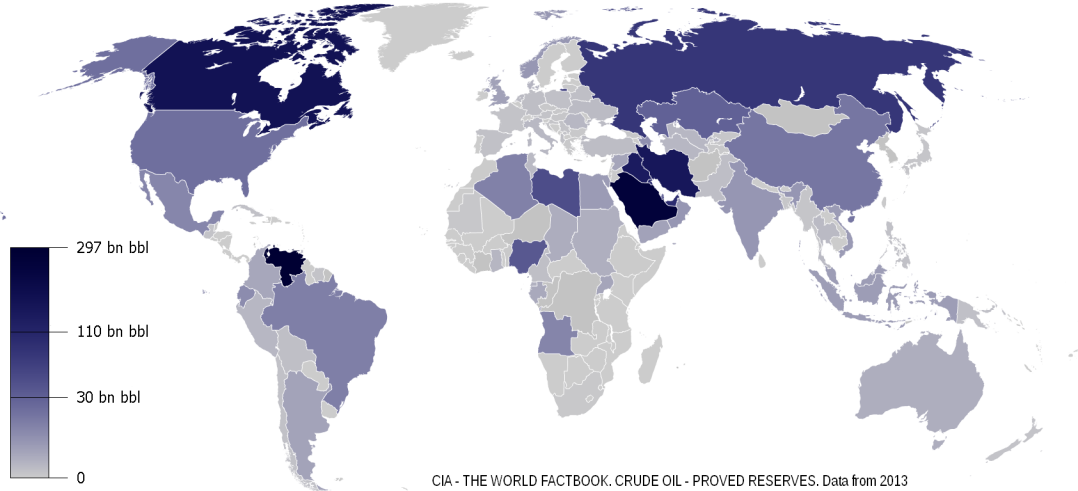
Valuation

Current State of Industry

Oil Production per Day (bbl/day)



Oil Reserves around the World



91 million barrels of oil per day produced throughout the world



Oil and Gas industry makes up 3.8% of \$86T World GDP



Worldwide Oil and Gas market size of \$3.3T in 2020



Expected 2.9% CAGR from 2020 through 2026

Industry Opportunities & Headwinds



Opportunities

On-shore
production
well
developed

Post-
COVID
oil demand

Investing
in R&D

Strategic
M&A

Diversifying
business

Headwinds

Global
economic
slowdown

Effects of
production
cutbacks

Geopolitical
risks

Global shift
to renewables

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Major Players in Industry

Permian Basin

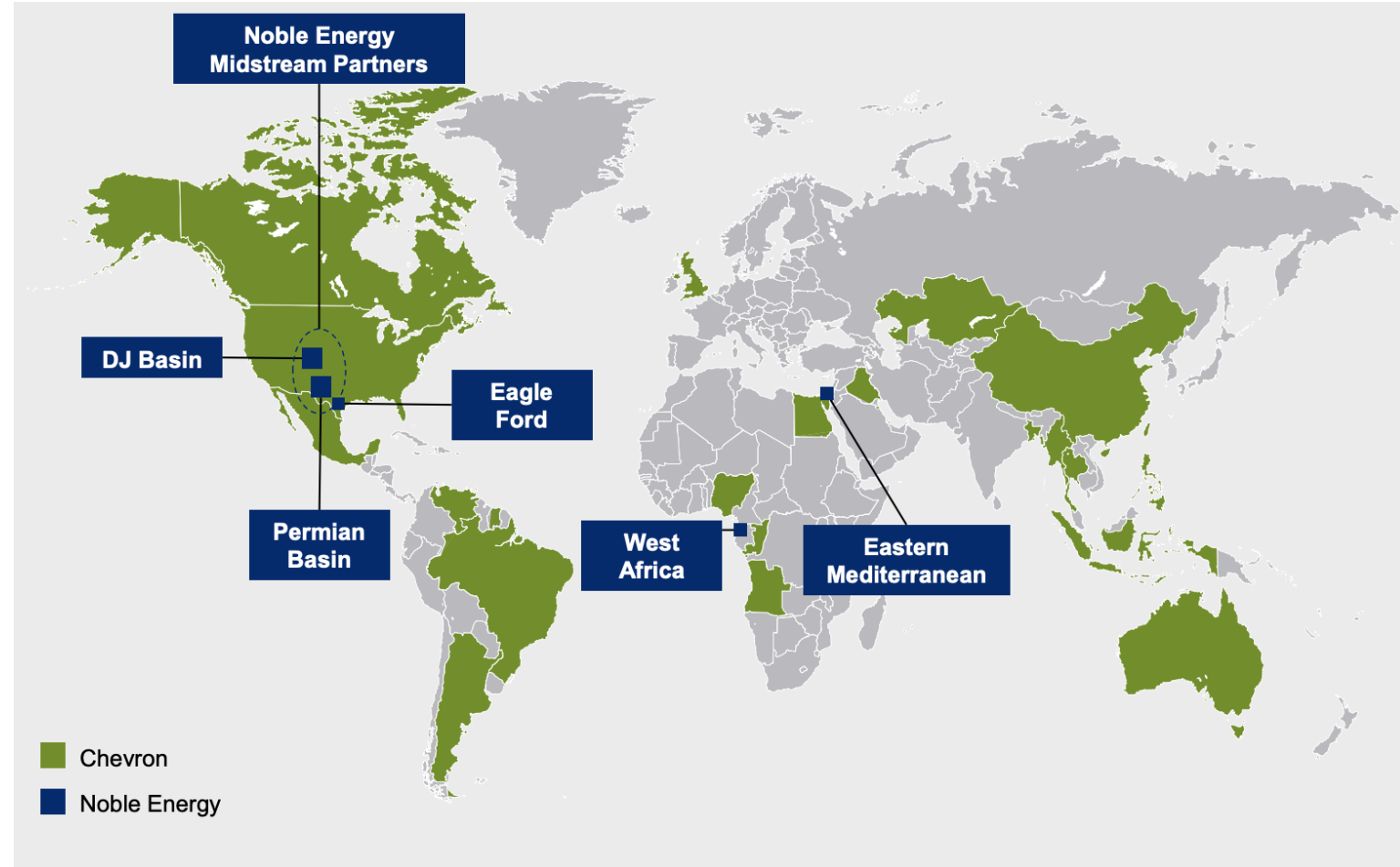
- Chevron Corporation (\$133.81B Mkt Cap)
- ExxonMobil (\$138.77B Mkt Cap)
- Occidental Petroleum (\$8.62B Mkt Cap)

DJ Basin

- Noble Energy (\$8.1B Mkt Cap)
- EOG Resources (\$20.13B Mkt Cap)
- Devon Energy (\$3.32B Mkt Cap)

International (Eastern Med)

- ExxonMobil (\$138.77B Mkt Cap)
- Qatar Petroleum (\$17.3B Mkt Cap)
- Turkish Petroleum Corp. (\$133M Mkt Cap)



Recent Deals in Industry

 <p>Dutch Royal Shell acquisition of BG Group</p> <p>Deal Size: \$63.9B Premium: 53.5%</p> <p>Rationale: Shell will enhance positions in competitive new oil and gas projects in Australia LNG and Brazil deep water</p> <p>Synergies: Expected \$2.5B revenue synergies per annum</p> <p><i>5/13/2015</i></p>	 <p>Occidental Petro. acquisition of Anadarko Petro.</p> <p>Deal Size: \$53.0B Premium: 14.8%</p> <p>Rationale: Enhances Permian leadership position of Occidental, creates \$100+ Billion global energy leader</p> <p>Synergies: Expected \$3.5B in FCF Improvement per annum</p> <p><i>8/9/2019</i></p>	 <p>Enbridge merger with Spectra Energy</p> <p>Deal Size: \$43.1B Premium: 11.9%</p> <p>Rationale: Provide Integrated services to first and last mile connectivity to key supply chain basins and markets</p> <p>Synergies: Achieve annual cost and tax synergies of \$615M</p> <p><i>2/27/2017</i></p>	 <p>Marathon Petro. acquisition of Andeavor</p> <p>Deal Size: \$29.0B Premium: 34.8%</p> <p>Rationale: Diversify refining portfolio in U.S., enhances Permian footprint, creates retail/marketing portfolio</p> <p>Synergies: >\$1B in annual cost synergies within the first 3 years</p> <p><i>10/1/2018</i></p>
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Company Overviews



Industry Overview



Company Overviews

Overview of Noble Energy

Business Model

Production & Exploration

Organic Business Growth

Diversified Portfolio

Products and Services

Segments: United States, Eastern Mediterranean, West Africa, and Midstream

Products: Crude oil and natural gas acquisition, exploration, development, and production

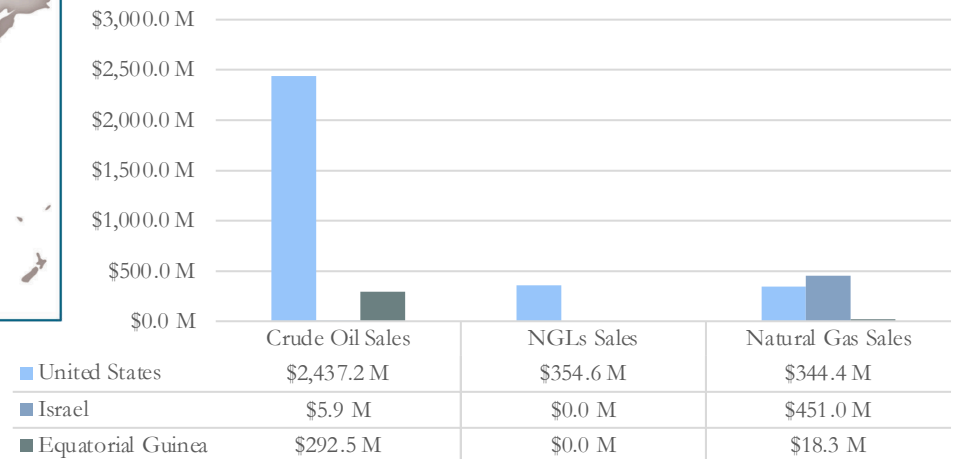
Services: Noble Midstream Partners develops, operates, invests in domestic midstream infrastructure assets

Noble Energy Global Operations



Revenue Breakdown

2019 Sales Share (MM)



Overview of Chevron



Business Model

All Aspects of Oil Production

Permian Basin Growth

Upstream & Downstream

Products and Services

Chevron Global Operations

Revenue Breakdown

Upstream Products: Exploration, development, and production of crude oil and natural gas

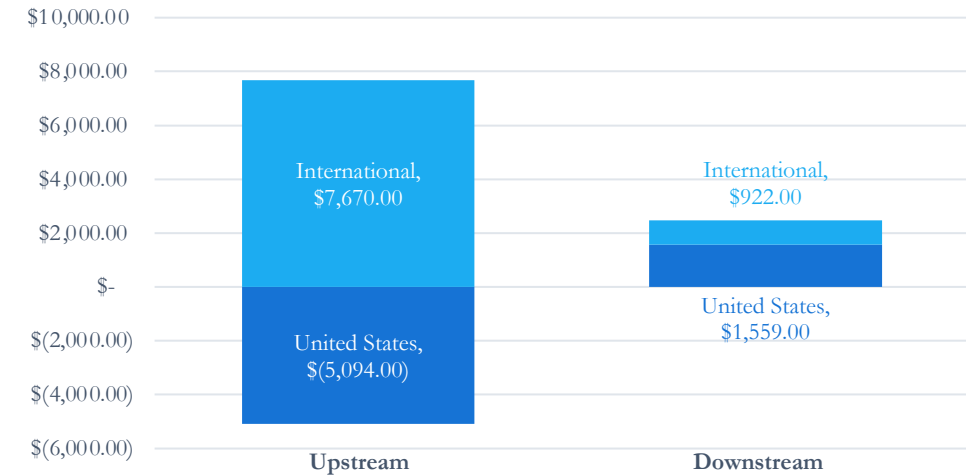
Upstream Services: Liquefaction, transportation, and storage, and the operation a gas-to-liquids plant

Downstream Products: Refining and manufacturing of products that include gasoline, diesel, jet fuel, lubricants, and lubricant additives, and petrochemicals



● natural gas ● heavy oil ● conventional ● deepwater ● liquefied natural gas ● shale

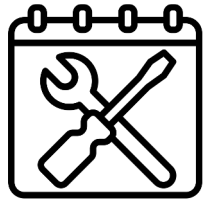
2019 Revenue (MM)



Performance and Outlook



Noble Energy 2020 Targets



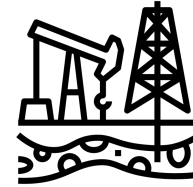
Lower Maintenance Cost



Free Cash Flow



Leviathan Project Growth



Increase Shale Drilling



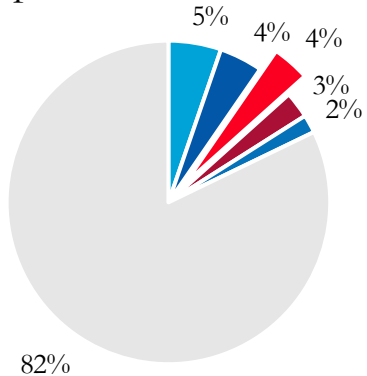
Geographic Diversity



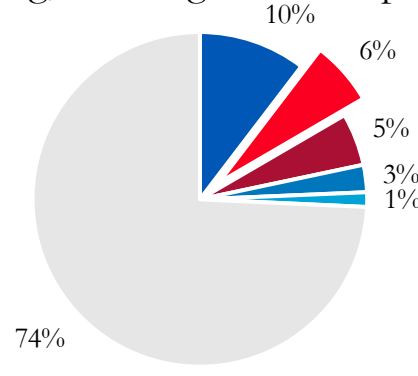
Navigate Global uncertainty

Competition

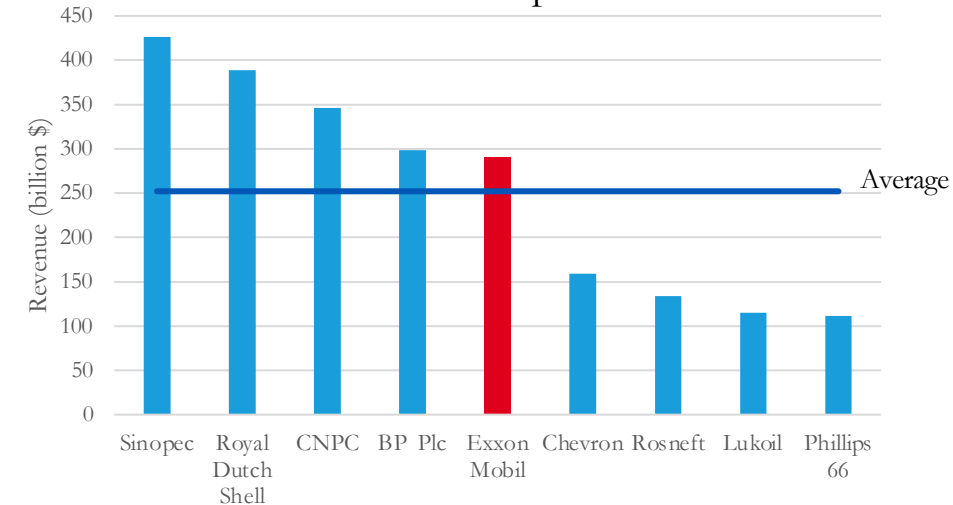
Exploration and Distribution



Marketing, Refining and Transportation



Revenue Comparison



Imperial Oil Exxon Mobil Chevron
Devon Energy Eog Ressource Other

Exxon Mobil Chevron
Philips 66
Marathon Petroleum Imperial Oil Other

Industry

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Acquisition Motivation



Company Overview



Acquisition Motivation



Deal Information

Acquisition Details:

- 100 percent stock-for-stock transaction utilizing Chevron's equity currency
- Chevron will issue approximately 58 million shares of stock in order to complete the acquisition
- Noble Energy shareholders will own approximately 3% of the combined company.
- The total enterprise value of the deal is \$13 billion (inclusive of net debt)
- The transaction is priced at a 12% premium on a 10-day avg of closing stock prices since July 17, 2020

Transaction Advisors:

- Chevron – Credit Suisse (Financial) and Paul, Weiss, Rifkind, Wharton & Garrison (Legal)
- Noble Energy – J.P. Morgan (Financial) and Vinson & Elkins (Legal)

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Strategic Rationale & Synergies

Acquisition Thesis: Noble Energy's multi-asset, high-quality portfolio will enhance geographic diversity, increase capital flexibility, and improve Chevron's ability to generate strong cash flows

1. **Enhanced Geographic Presence:** Noble Energy's assets will enhance Chevron's portfolio in:
 - a) U.S. Onshore – **DJ Basin, Permian Basin, Eagle Ford**
 - b) International –
 - **Israel:** Significant Eastern Mediterranean position which is expected to generate strong returns and cash flow with low capital requirements
 - **West Africa:** Strong position in Equatorial Guinea with further growth opportunities



Strategic Rationale & Synergies

- 2. Low Cost Acquisition of Proven Reserves and Attractive Undeveloped Resources:** The acquisition is expected to add **~ 18 percent** to Chevron's year-end 2019 proven oil and gas reserves at an average acquisition cost of less than **\$5 / BOE**
- 3. Attractive Synergies:** The transaction is expected to achieve run-rate operating and other cost synergies of **\$300 million** pre tax within 12 months of the acquisition
- 4. Accretive to Return on Capital Employed, Free Cash Flow, and EPS:** Chevron anticipates the transaction to be accretive to ROCE, free cash flow and earnings per share one year after closing
- 5. Ability to Acquire:** Chevron's strong balance sheet and financial strength have made it feasible for the company to purchase Noble Energy despite the COVID-induced economic crisis

Strategic Rationale & Synergies

6. **Positive Impact on Stock Price:** The stock price of Chevron is bound to react positively to this transaction for two reasons:
 - I. The acquisition of Noble Energy is expected to improve Chevron's future cash flows and earnings
 - II. The acquisition demonstrates Chevron's financial wherewithal (indicated by its ability to willingly indulge in a sizable acquisition during an economic crisis) to the market

7. **Opportunity to Accelerate past Competitors:** This acquisition will act as a catalyst for Chevron's growth at a time when many oil and gas companies are struggling (a) due to the pandemic-induced shortage of industrial demand for fuel (b) Oil futures hit a devastating low-point in May

Risks & Mitigants



Acquisition Motivation



Risks and Mitigants

Risks & Mitigants

Risks

Government Tensions and Regulations

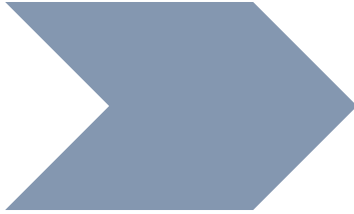
Growing trade tensions and climate concerns as well as regulations.

Expansion Prospects

OPEC+ restrictions on crude oil output and increased competitiveness of comparable companies.

Competing Acquisitions

Mergers in the oil industry have increased, creating large consolidated companies.



Mitigants

Work with governments to reduce tensions and advance sustainable practices to reduce emissions and pollution.

Develop Noble Energy's presence in the Middle East, a competitive advantage not shared by competitors.

Emphasize verticals of Noble Energy to stay ahead of other large firms.

Annotated Stock Chart

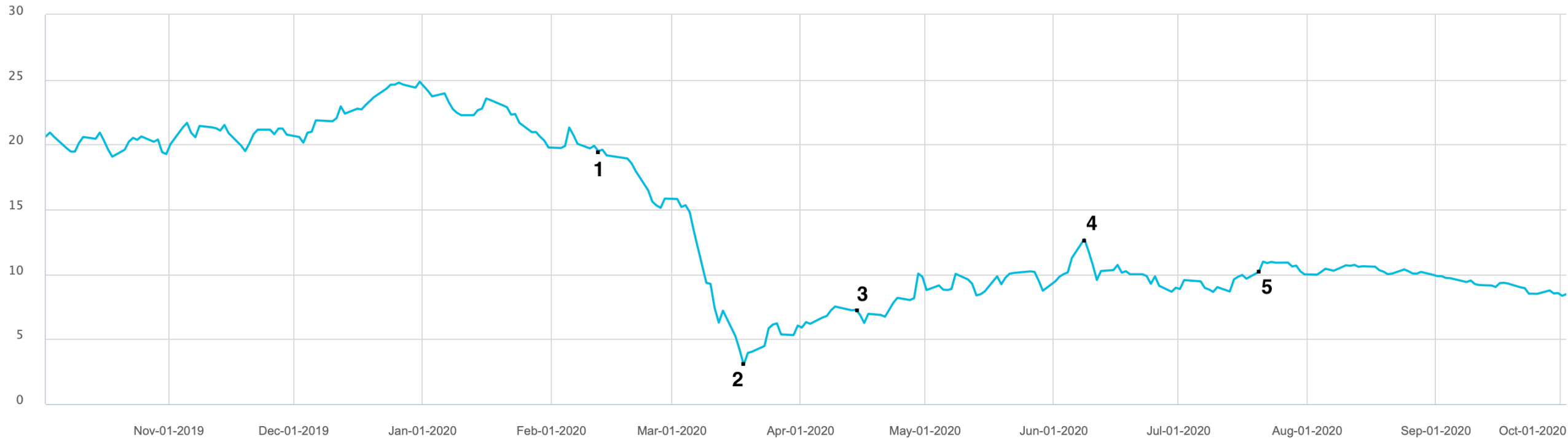


Risks & Mitigants



Annotated Stock Chart

Noble Annotated Stock Chart



1. February 12, 2020: reported earnings from 4th quarter and full year
2. March 18, 2020: Market crashes due to COVID
3. April 20, 2020: Price of WTI fell below zero

4. June 8, 2020: Highest stock price since COVID crash
5. July 20, 2020: Chevron announces acquisition of Noble Energy

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Chevron Annotated Stock Chart



1. January 31, 2020: reported earnings from 4th quarter and full year
2. March 18, 2020: Market crashes due to COVID
3. April 20, 2020: Price of WTI fell below zero

4. June 8, 2020: Highest stock price since COVID crash
5. July 20, 2020: Chevron announces acquisition of Noble Energy

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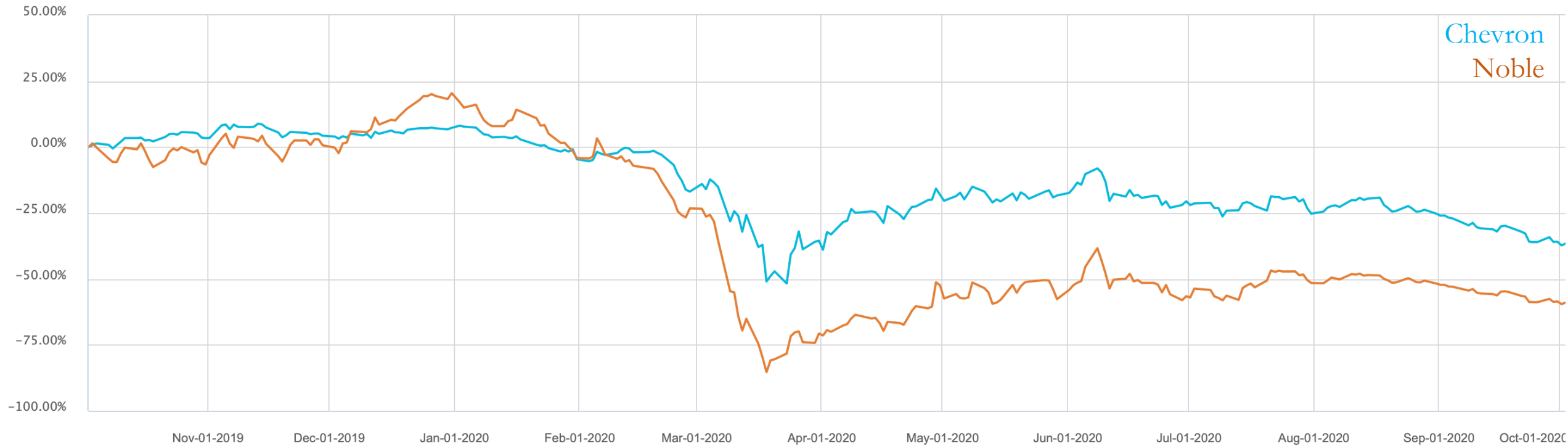
Comps

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Comparative Stock Chart



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Annotated Stock Chart



Valuation

Comparable Companies Analysis



Multiples

EV/Sales	2.44x	2.80x	3.43x	2.99x	1.91x
EV/EBITA	4.52x	4.43x	5.75x	4.67x	3.80x
P/E	-3.85x	-2.71x	22.37x	22.63x	25.97x

Implied Price

	1st Quartile	Median	3rd Quartile
EV/Sales	\$8.06	\$11.35	\$13.10
EV/EBITA	\$7.93	\$8.36	\$9.13
P/E	\$8.56	\$70.71	\$71.54

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Precedent Transactions Analysis



Announcement Date	Acquirer Name	Target Name	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EV to Revenue	EV to EBITDA	Price to Earnings
9/28/20	Devon Energy	WPX Energy	\$ 2,905	\$ 3,015	\$ 5,920	\$ 2,445	\$ 1,415	\$ 256	2.42x	4.18x	11.35x
10/19/20	ConocoPhillips	Concho Resources	\$ 8,842	\$ 3,458	\$ 12,300	\$ 3,476	\$ (10,259)	\$ (10,244.0)	3.54x	(1.20x)	(0.86x)
12/20/19	Callon Petroleum	Carrizo Oil & Gas	\$ 880	\$ 1,890	\$ 2,770	\$ 1,065	\$ 844	\$ 627.0	2.60x	3.28x	1.40x

in millions
in millions
in millions
in millions
in millions
in millions
in millions

Noble Energy Last Price \$ 8.46

Equity Value Multiples	Metric	Shares Outstanding	EPS	Implied Price Range		
				1st Quartile	Median	3rd Quartile
Net Income	\$ (5,546,000,000)	484,649,792	\$ (11.44)	\$ (3.09)	\$ (16.06)	\$ (72.96)

Min	2.42x	(1.20x)	(0.86x)
1st Quartile	2.51x	1.04x	0.27x
Median	2.60x	3.28x	1.40x
3rd Quartile	3.07x	3.73x	6.38x
Max	3.54x	4.18x	11.35x

Enterprise Value Multiples	Metric	Shares Outstanding	Net Debt	Implied Enterprise Value Range			Implied Price Range		
				1st Quartile	Median	3rd Quartile	1st Quartile	Median	3rd Quartile
Sales	\$ 3,884	484,649,792	\$ 6,993,000,000	\$ 9,753,125,723.67	\$ 10,102,046,948	\$ 11,922,887,686	\$ 5.70	\$ 6.4	\$ 10.17
EBITDA	\$ (3,653)	484,649,792	\$ 6,993,000,000	\$ (3,804,678,506.19)	\$ (11,989,111,374)	\$ (13,636,166,995)	\$ (22.28)	\$ (39.17)	\$ (42.57)

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Discounted Cash Flow Analysis

Exit Multiple Method

Sum of PV of UFCF	(1,883.4)
WACC	7.92%
Exit EBITDA	5,337.1
Exit Multiple	6.10x
Terminal Value	32,556.1
PV of Terminal Value	22,239.7
Enterprise Value	20,356.2
(+) Cash	484.0
(-) Debt	7,836.0
Equity Value	13,004.2
WASO	479.8
Implied Share Price	\$27.10

Perpetuity Growth Method

Sum of PV of UFCF	(1,883.4)
Growth Rate	1.50%
WACC	7.92%
Terminal Value Year UFCF	1,893.5
Terminal Value	29,495.2
PV of Terminal Value	20,148.7
Enterprise Value	18,265.3
(+) Cash	484.0
(-) Debt	7,836.0
Equity Value	10,913.3
WASO	479.8
Implied Share Price	\$22.75

Sensitivity Analysis

Exit Multiple

	4.10x	5.10x	6.10x	7.10x	8.10x	
WACC	6.92%	\$13.39	\$21.35	\$29.31	\$37.27	\$45.23
	7.42%	\$12.64	\$20.42	\$28.19	\$35.97	\$43.75
	7.92%	\$11.91	\$19.50	\$27.10	\$34.70	\$42.30
	8.42%	\$11.19	\$18.62	\$26.04	\$33.47	\$40.89
	8.92%	\$10.50	\$17.76	\$25.01	\$32.27	\$39.53

Growth Rate

	0.50%	1.00%	1.50%	2.00%	2.50%	
WACC	6.92%	\$24.75	\$28.46	\$32.86	\$38.16	\$44.65
	7.42%	\$20.63	\$23.73	\$27.36	\$31.66	\$36.84
	7.92%	\$17.09	\$19.71	\$22.75	\$26.29	\$30.49
	8.42%	\$14.01	\$16.26	\$18.82	\$21.79	\$25.25
	8.92%	\$8.96	\$10.64	\$12.52	\$14.66	\$17.11

Given a weight of 50% per valuation method, an implied share price of **\$24.93** was found



Football Field Analysis

Noble Energy (NYSE: NBL) Football Field Valuation

