

# Chevron: Profit growth stronger than market expectations

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Chevron on Friday announced preliminary results for 2018. At the end of 2018 Chevron revenues grew by 17% to \$166bn, reflecting an increase in average daily production of more than 7% to a 2.93mn boepd. Chevron expects further production growth of 4-7% per year, which corresponds to an increase in net proven reserves of ~ 1.5bn boepd.

In the Upstream segment, the company earned revenue of \$13.3bn (+ 63% yoy), while in the Downstream segment, revenue fell by 27% to \$3.8bn. Profitability was also positively influenced by a significant reduction in oil tax expenses, which narrowed by 2.5 times, probably due to US tax reform, partially offset by growth in operating costs by 10% yoy. Net income was \$14.8bn, an increase of 61% yoy.

## **Our view**

We estimate the preliminary results of 2018 as quite strong, given the revenue growth stronger than our expectations. The CVX US dynamics after the announcement of the results also shows that Chevron reported better than the market expectations. We are also positive in terms of dividends, which the company increased by \$0.07/share in 4Q2018, which exactly corresponds to our expectations. Due to the Chevron's strong results we maintain our Buy recommendation with a 12M target price of \$141/share.

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