

Chevron's results for 1H2019.

Altynay Ibraimova — August 05, 2019

On Friday, Chevron reported results for 1H2019, including profit in 2Q2019 of \$740mn received as a commission for the termination of the merger with Anadarko and a non-cash tax relief of \$180mn, received in connection with the reduction of the corporate income tax rate in Alberta (Canada).

Total revenue in 1H2019 amounted to \$74bn versus \$80bn in 1H2018. The decrease in revenues of more than 7% was a result of low income from operating activities in the amount of \$71bn (-8% yoy). The increase in average daily production to 3,061mn boepd (+ 8% yoy) was offset by low average oil prices in 1H2019 at \$66/bbl versus \$71.6/bbl (-7% yoy).

Total expenses including depreciation and financial costs decreased by 8% yoy to \$64bn. The cost of purchased oil has decreased (-12% yoy), accounting for 63% of all expenses.

Operating profit was \$18.6bn, which is 2% lower than in 1H2018.

As a result, Chevron's total net profit in 1H2019 amounted to \$6954mn, which is lower by 1.3% yoy, mainly due to the reduction in Upstream profits by 0.6% to \$6606mn. Net profit margin increased from 8.8% to 9.3% in the reporting period.

Since the beginning of the year, the cash position decreased by 9% to \$8.5bn with a capital expenditure of \$6.5bn during 1H2019 (+ 5% y/y) and paid dividends of \$4.5bn (+ 5% yoy).

The company's debt decreased by 11% to \$30.6bn.

Our view

Company 1H2019 results meet our expectations. Our forecasts for Chevron for 2019 based on the average oil price of \$64.8/ bbl for Brent and \$57.3/ bbl for WTI and a decrease in average oil prices in 1H2019 to \$66/bbl brings no surprises to our annual forecast. We do not expect strong deviations from our expectations for 2019 and we believe that the risks of trade wars between the United States and China are already taken into account in the stock price (-4% over the past week). We find Chevron's shares to be attractive in the long term and we maintain our Buy recommendation with 12M TP of \$141/share.

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