



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

CVX - NYSE - as of	4/27/17	\$105.47
Price Target		NA
52-Week Range	\$97.53 -	\$119.00
Shares Outstanding (mm)		1895.4
Market Cap. (\$mm)		\$199,907.8
1-Mo. Average Daily Volume		5,942,060
Institutional Ownership		65.2%
Net Debt/Total Capital	Q1'17	19.7%
ROE	FY'16	-0.3%
Book Value / Share	Q1'17	\$78.64
Price / Book Value		1.3x
Dividend & Yield	\$4.32	4.1%
LTM EBITDA Margin		17.6%

Earnings / Share FY 12/31

		Prior	Current	Prior	Current
	2016A	2017E	2017E	2018E	2018E
1Q	(\$0.39)		\$1.41	A	--
2Q	(\$0.79)	\$0.90	\$0.90	--	--
3Q	\$0.68	\$1.15	\$1.15	--	--
4Q	\$0.22	\$1.30	\$1.30	--	--
Year	(\$0.27)	\$4.20	\$4.77	\$5.80	\$5.90
P/E	NM		22.1x		17.9x

Revenue (\$Bil)

		Prior	Current	Prior	Current
	2016A	2017E	2017E	2018E	2018E
1Q	\$23.6		\$33.4	A	--
2Q	\$29.3	\$33.1	\$34.2	--	--
3Q	\$30.1	\$33.9	\$35.7	--	--
4Q	\$31.5	\$34.8	\$36.6	--	--
Year	\$114.5	\$134.0	\$139.9	\$153.9	\$156.0

Company Description: San Ramon, CA – based Chevron Corp. is a major international integrated oil, gas and chemical company with reserves and operations in 25 countries. In 2016 the company produced approximately 957 Mmboe (million barrels oil equivalent) from proved reserves of approximately 11,100 Mmboe, and processed more than 616 Mmboe of fuels and petrochemicals.

Note Important Disclosures on Pages 5-6
Note Analyst Certification on Page 5

Energy

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Chevron Corp

CVX – NYSE — Neutral-2

Q1'17 Beats Outlook, Increase Estimates

Investment Highlights

- CVX reported Q1'17 EPS of \$1.41 vs. (\$0.39) a year ago, beating consensus expectations of \$0.86. Approximately \$600M, or \$0.32/share, of the lift resulted from an asset sales gain.
- Q1 upstream production of 240.8 Mmboe was down fractionally yr/yr, but exceeded our forecast by ~3.4 Mmboe. Average realized pricing of \$40.65/Boe was 48.4% higher yr/yr and up in all categories. Downstream volume of 233.8 Mmboe was 3.0% lower yr/yr, ~5.0M Mmboe below our forecast, which was ~50 Mboepd high vs. both US and Asia-Pacific/Middle East output. Expenses were 19.7% higher yr/yr, as increased commodity purchase expense offset continued reductions in operations, exploration and DD&A outlays.
- We are maintaining our forecast for ~4% yr/yr upstream production growth for 2017 with prices firming through the year, but see downstream output down ~6% for the year on the pending sale of the South Africa refinery.
- We are increasing our 2017 EPS estimate from \$4.20 to \$4.77 and our 2018 estimate from \$5.80 to \$5.90.
- We remain of the opinion that the shares are fairly valued at current levels and maintain our Neutral-2 rating.

ADDITIONAL DISCUSSION

Preliminary balance sheet data indicate net debt to total capitalization stood at 19.7% at Q1-end, compared to 20.2% at year-end 2016. Management suggested the current level is comfortable, but that marginal deleveraging was possible over the intermediate term. With approximately \$13B in long-term debt maturing over the next two years, we would anticipate at least a modest reduction in that time frame. Further, with interest coverage and debt to cash flow metrics moving back toward historical norms, we continue to view CVX's balance sheet strength as nearly unrivaled relative to the sector.

In addition to the pending sale of the South Africa refinery mentioned above, the company also recently confirmed the proposed sale of its upstream production assets in Bangladesh. In 2016 that operation contributed approximately 4% of volume.

SUITABILITY RATING

Our Suitability rating is 2 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive). This reflects our favorable view of the company's long operating history, global diversification and competitive cost structure. This is balanced, however, against the pronounced cyclicity of the energy industry and still-challenging industry conditions.

CONSIDERATIONS AND RISKS

The energy production industry is highly capital intensive, highly competitive and is subject to a range of economic and operational risks. Foremost among these risks may be volatility in the underlying commodity pricing, which is subject to supply and demand fundamentals related to factors such as economic conditions, geopolitical events, weather patterns and logistical constraints. The industry is also subject to a range of regulatory risks, including changes in environmental and pollution policies, permitting requirements, and employee benefits obligations. The company also has potential exposure to ongoing legal challenges, the ultimate resolution of which cannot be quantified. Operating financial risks include success rates and costs related to expansion of production and the reserve base.

Additional information is available upon request.

Chevron Corp (CVX)

Financial Model (\$s MM) FYE Dec.

Income Statement Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17p	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E	
Sales and other operating revenue	200,494	129,925	23,070	27,844	29,159	30,142	110,215	31,524	32,540	33,940	34,750	132,754	149,520	
Income from equity affiliates	7,098	4,684	576	752	555	778	2,661	1,150	900	1,000	1,100	4,150	4,000	
Other income	4,378	3,868	(93)	686	426	577	1,596	747	750	750	750	2,997	2,500	
Total Revenues	211,970	138,477	23,553	29,282	30,140	31,497	114,472	33,421	34,190	35,690	36,600	139,901	156,020	
Expenses:														
Purchased crude oil and products	119,671	69,751	11,225	15,278	15,842	16,976	59,321	17,506	18,000	18,530	18,860	72,896	82,080	
Operating expenses	25,285	23,034	5,404	5,054	4,666	5,144	20,268	4,526	5,150	5,260	5,360	20,296	21,790	
Selling, general and administrative expenses	4,494	4,443	998	1,033	1,109	1,544	4,684	1,000	1,150	1,190	1,370	4,710	4,860	
Exploration expenses	1,985	3,340	370	214	258	191	1,033	144	290	370	250	1,054	1,420	
Depreciation, depletion and amortization	16,793	21,037	4,403	6,721	4,130	4,203	19,457	4,194	4,280	4,340	4,360	17,174	17,730	
Taxes other than on income	12,540	12,030	2,864	2,973	2,962	2,869	11,668	2,871	2,930	2,980	2,990	11,771	12,670	
Interest	-	-	-	79	64	58	201	51	80	80	80	291	281	
Pre-Tax Inc.	31,202	4,842	(1,711)	(2,070)	1,109	512	(2,160)	3,129	2,310	2,940	3,330	11,709	15,189	
Income taxes	11,892	132	(1,004)	(607)	(192)	74	(1,729)	430	578	735	833	2,575	3,797	
%	38.1%	2.7%	58.7%	29.3%	-17.3%	14.5%	80.0%	13.7%	25.0%	25.0%	25.0%	22.0%	25.0%	
Net income including noncontrolling interests (Net Inc. attributable to noncontrolling interests)	19,310 (69)	4,710 (123)	(707) (18)	(1,463) (7)	1,301 (18)	438 (23)	(431) (66)	2,699 (17)	1,733 (19)	2,205 (21)	2,498 (23)	9,134 (80)	11,392 (100)	
Net Income	19,241	4,587	(725)	(1,470)	1,283	415	(497)	2,682	1,714	2,184	2,475	9,054	11,292	
Shares Outstanding	1,897.9	1,875.0	1,869.8	1,872.0	1,883.3	1,890.0	1,872.8	1,895.4	1,897.9	1,900.4	1,902.9	1,899.1	1,912.4	
EPS - fully diluted	\$10.14	\$2.45	(\$0.39)	(\$0.79)	\$0.68	\$0.22	(\$0.27)	\$1.41	\$0.90	\$1.15	\$1.30	\$4.77	\$5.90	
Dividends to Common	\$4.21	\$4.28	\$1.07	\$1.07	\$1.07	\$1.08	\$4.29	\$1.08	\$1.08	\$1.08	\$1.09	\$4.33	\$4.55	
Dividend Coverage Ratio	2.4x	0.6x					-0.1x					1.1x	1.3x	
Margin Analysis														
Operating margin	14.7%	3.5%	-7.3%	-6.8%	3.9%	1.8%	-1.7%	9.5%	7.0%	8.5%	9.3%	8.6%	9.9%	
Net Margin	9.1%	3.3%	-3.1%	-5.0%	4.3%	1.3%	-0.4%	8.0%	5.0%	6.1%	6.8%	6.5%	7.2%	
Rate of Change Analysis														
Revenues	-7.4%	-34.7%	-31.8%	-27.4%	-12.2%	7.7%	-17.3%	41.9%	16.8%	18.4%	16.2%	22.2%	11.5%	
Pre-tax Inc.	-13.1%	-84.5%	-158.9%	-251.9%	-60.2%	nm	-144.6%	nm	nm	165.1%	550.4%	-642.1%	29.7%	
EPS - operating	-8.6%	-75.8%	nm	nm	-37.5%	-170.8%	nm	nm	nm	68.7%	492.2%	-1896.5%	23.9%	
Dividends	7.9%	1.7%	0.0%	0.0%	0.0%	0.9%	0.2%	0.9%	0.9%	0.9%	0.9%	0.9%	5.0%	
EBITDDA / Share	-2.5%	-45.4%					-33.1%					66.3%	13.0%	
Shares Out.	-1.8%	-1.2%					-0.1%					1.4%	0.7%	
Working Cap.	-506.3%	-15.8%					274.3%					-60.1%	-38.7%	
notes:	sold Dutch North Sea, Chad, pipeline assets for \$0.7B	sold Caltex Australia for \$1.6B	1/26- first gas Chuandongbei (China); 3/20- first Gorgon LNG shipment	4/21- announce sale of Hawaii refinery assets; 5/9- \$6.8B debt issue	7/5- announce expansion project for TCO (Kazakhstan)	11/7- first gas Alder Field (UK)		3/2- \$4.0B debt issue.				3/22- confirm sale agreement of South Africa refinery ops.	3/31- sell Indonesian geothermal ops.	4/24- announce sale of Bangladesh ops

Source: Company reports and Hilliard Lyons estimates

Chevron Corp (CVX) - (\$'s MM)

Cash Flow Analysis													
	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17p	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Net Income	33,615	16,551	1,781	(1,470)	1,283	415	(497)	2,682	1,714	2,184	2,475	9,054	11,292
Depreciation, Depletion & Amortization	17,297	18,048	4,403	6,721	4,130	4,203	19,457	4,194	4,280	4,340	4,360	17,174	17,730
(Increase) / Decrease in Working Capital	(3,625)	460	(3,879)	5,108	(2,323)	(5,624)	(6,718)	(1,000)	2,949	(150)	(91)	5,507	(241)
Operating Cash Flow	47,287	35,059	2,305	10,359	3,090	(1,006)	12,242	5,876	8,943	6,374	6,744	31,735	28,781
(Capex / Acquisitions)	(35,407)	(29,504)	(5,566)	(4,469)	(4,065)	(4,009)	(18,109)	(4,400)	(5,000)	(5,250)	(4,800)	(19,450)	(19,940)
Asset Sales / (Adjustments)	5,729	5,739	82	1,288	839	568	2,777	600	150	150	150	1,050	1,500
(Dividends)	(7,928)	(7,992)	(2,000)	(2,002)	(2,005)	(2,025)	(8,032)	(2,047)	(2,050)	(2,052)	(2,074)	(8,223)	(8,695)
Free Cash Flow	9,681	3,302	(5,179)	5,176	(2,141)	(6,472)	(11,122)	29	2,043	(778)	19	5,112	1,646
ST Debt Drawn (Repaid) - net	3,431	(335)	3,802	(3,443)	510	1,261	2,130	-	-	778	-	778	-
LT Debt Issued	4,000	11,091	-	6,924	-	-	6,924	4,000	-	-	(10)	3,990	(820)
(LT Debt Repaid)	(43)	(32)	(14)	(766)	(32)	(782)	(1,594)	(1,690)	(1,690)	(1,690)	(1,690)	(6,760)	(5,000)
Shares Issued (Repurchased) - net	(4,412)	211	123	139	97	291	650	-	-	-	-	-	-
Net Cash Flow	12,657	14,237	(1,268)	8,030	(1,566)	(5,702)	(3,012)	2,339	353	(1,690)	(1,681)	3,120	(4,174)
EBITDA	\$ 47,995	\$ 25,879	\$ 2,692	\$ 4,651	\$ 5,239	\$ 4,715	\$ 17,297	\$ 7,374	\$ 6,670	\$ 7,360	\$ 7,770	\$ 29,174	\$ 33,200
margin	22.6%	18.7%	11.4%	15.9%	17.4%	15.0%	15.1%	22.1%	19.5%	20.6%	21.2%	20.9%	21.3%
EBITDA / Share	\$25.29	\$13.80	\$1.44	\$2.48	\$2.78	\$2.49	\$9.24	\$3.89	\$3.51	\$3.87	\$4.08	\$15.36	\$17.36
yr/yr change	-2.5%	-45.4%	-63.1%	-44.0%	-26.3%	46.6%	-33.1%	170.2%	41.5%	39.2%	63.7%	66.3%	13.0%
CF Multiple	4.4x	6.5x					12.7x						
Balance Sheet Analysis													
	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17p	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Cash & Equivalents	13,215	11,332	8,879	8,764	7,672	7,001	7,001	6,994	10,020	11,070	12,250	12,250	13,930
Accounts & Notes Receivable	16,736	12,860	12,459	13,490	12,522	14,092	14,092	13,370	13,680	14,280	14,640	14,640	15,600
Inventory - Crude Oil, Petroleum Products	4,321	4,025	4,172	3,680	3,231	2,720	2,720	2,730	2,740	2,750	2,760	2,760	3,040
Inventory - Materials, Supplies & Other	2,184	2,309	2,336	2,747	2,745	2,699	2,699	2,710	2,720	2,730	2,740	2,740	3,010
Other Current Assets	5,776	4,821	3,867	3,790	2,703	3,107	3,107	3,000	3,000	3,000	3,000	3,000	3,000
Total Current Assets	42,232	35,347	31,713	32,471	28,873	29,619	29,619	28,804	32,160	33,830	35,390	35,390	38,580
LT Receivables & Investments	29,729	29,522	30,002	30,209	32,446	32,735	32,735	32,900	33,060	33,230	33,400	33,400	33,570
Net P, P&E	183,173	188,396	189,940	184,685	183,439	182,186	182,186	183,100	184,020	184,940	185,860	185,860	190,510
Goodwill & Intangibles	4,593	4,588	4,588	4,581	4,581	4,581	4,581	4,580	4,580	4,580	4,580	4,580	4,580
Other LT Assets	6,299	8,250	7,599	9,532	10,524	10,957	10,957	9,727	9,780	9,830	9,880	9,880	9,930
Total Assets	266,026	266,103	263,842	261,478	259,863	260,078	260,078	259,111	263,600	266,410	269,110	269,110	277,170
ST Debt	3,790	4,928	9,630	5,530	6,057	10,840	10,840	10,000	10,050	10,100	10,150	10,150	10,660
Accounts Payable	19,000	13,516	12,696	13,416	12,205	13,986	13,986	13,678	14,360	14,990	15,370	15,370	15,600
Other ST Liabilities	9,136	8,020	6,836	5,981	6,482	6,959	6,959	4,500	4,500	4,500	4,500	4,500	4,500
Current Liabilities	31,926	26,464	29,162	24,927	24,744	31,785	31,785	28,178	28,910	29,590	30,020	30,020	30,760
LT Debt	23,960	33,584	32,635	39,487	39,462	35,193	35,193	35,286	33,600	32,690	30,990	30,990	25,170
Deferred credits and other noncurrent obligations	23,549	23,465	23,330	22,712	22,288	21,553	21,553	21,660	21,770	21,880	21,990	21,990	22,100
Noncurrent deferred income taxes	21,920	20,689	19,592	18,342	17,817	17,516	17,516	17,600	17,690	17,780	17,870	17,870	17,960
Noncurrent employee benefit plans	8,412	7,935	7,573	7,617	7,534	7,216	7,216	7,250	7,290	7,330	7,370	7,370	7,410
Other LT Liabilities	68	80	74	68	66	93	93	75	75	80	80	80	85
Total Liabilities	109,835	112,217	112,366	113,153	111,911	113,356	113,356	110,049	109,335	109,350	108,320	108,320	103,485
Shareholder's Equity	156,191	153,886	151,476	148,325	147,952	146,722	146,722	149,062	154,265	157,060	160,790	160,790	173,685
Book Value per share	\$ 82.30	\$ 82.07	\$ 81.01	\$ 79.23	\$ 78.56	\$ 77.63	\$ 78.34	\$ 78.64	\$ 81.28	\$ 82.65	\$ 84.50	\$ 84.66	\$ 90.82
Current Ratio	1.3x	1.3x	1.1x	1.3x	1.2x	0.9x	0.9x	1.0x	1.1x	1.1x	1.2x	1.2x	1.3x
Total Debt/Cap.-Net of Cash	7.9%	14.1%	17.2%	18.8%	19.6%	20.2%	20.2%	19.7%	17.0%	15.9%	14.3%	14.3%	10.5%
ROE: DuPont	12.3%	3.0%	-1.9%	-4.0%	3.5%	1.1%	-0.3%	1.8%	1.1%	1.4%	1.5%	5.6%	6.5%

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, Joel K. Havard, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures**Definitions of Ratings:**

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Definitions of Suitability:

1 - A large cap, core holding with a solid history.

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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