Chevron

Second quarter 2022

earnings call

Jay Johnson
Executive Vice President
Upstream

Pierre Breber
Vice President and
Chief Financial Officer

Roderick Green
General Manager
Investor Relations

July 29, 2022

Welcome to Chevron's second quarter 2022 earnings conference call and webcast. I'm Roderick Green, GM of Investor Relations. Our CFO, Pierre Breber, and EVP of Upstream, Jay Johnson, are on the call with me today.

We will refer to the slides and prepared remarks that are available on Chevron's website.

Cautionary statement

CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION
FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This presentation contains forward-looking statements relating to Chevron's operations and energy transition plans that are based on management's current expectations, estimates and projections about the petroleum, chemicals and other energy-related industries. Words or phrases such as "anticipates," "expects," "intends," "plans," "targets," "advances," "commits," "drives," "aims," "forecasts," "projects," "believes," "approaches," "seeks," "schedules," "estimates," "positions," "pursues," "may," "can," "could," "should," "will," "budgets," "outlook," "trends," "guidance," "focus," "on track," "goals," "objectives," "strategies," "opportunities," "poised," "potential," "ambitions," "aspires" and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond the company's control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Unless legally required, Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: changing crude oil and natural gas prices and demand for the company's products, and production curtailments due to market conditions; crude oil production quotas or other actions that might be imposed by the Organization of Petroleum Exporting Countries and other producing countries; technological advancements; changes to government policies in the countries in which the company operates; public health crises, such as pandemics (including coronavirus (COVID-19)) and epidemics, and any related government policies and actions; disruptions in the company's global supply chain, including supply chain constraints and escalation of the cost of goods and services; changing economic, regulatory and political environments in the various countries in which the company operates; general domestic and international economic, market and political conditions, including the military conflict between Russia and Ukraine and the global response to such conflict; changing refining, marketing and chemicals margins; actions of competitors or regulators; timing of exploration expenses; timing of crude oil liftings; the competitiveness of alternate-energy sources or product substitutes; development of large carbon capture and offset markets; the results of operations and financial condition of the company's suppliers, vendors, partners and equity affiliates, particularly during the COVID-19 pandemic; the inability or failure of the company's joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude oil and natural gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company's operations due to war, accidents, political events, civil unrest, severe weather, cyber threats, terrorist acts, or other natural or human causes beyond the company's control; the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant operational, investment or product changes undertaken or required by existing or future environmental statutes and regulations, including international agreements and national or regional legislation and regulatory measures to limit or reduce greenhouse gas emissions; the potential liability resulting from pending or future litigation; the company's future acquisitions or dispositions of assets or shares or the delay or failure of such transactions to close based on required closing conditions; the potential for gains and losses from asset dispositions or impairments; government mandated sales, divestitures, recapitalizations, taxes and tax audits, tariffs, sanctions, changes in fiscal terms or restrictions on scope of company operations; foreign currency movements compared with the U.S. dollar; material reductions in corporate liquidity and access to debt markets; the receipt of required Board authorizations to implement capital allocation strategies, including future stock repurchase programs and dividend payments; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; the company's ability to identify and mitigate the risks and hazards inherent in operating in the global energy industry; and the factors set forth under the heading "Risk Factors" on pages 20 through 25 of the company's 2021 Annual Report on Form 10-K and in subsequent filings with the U.S. Securities and Exchange Commission. Other unpredictable or unknown factors not discussed in this presentation could also have material adverse effects on forward-looking statements.

As used in this presentation, the term "Chevron" and such terms as "the company," "the corporation," "our," "we," "us" and "its" may refer to Chevron Corporation, one or more of its consolidated subsidiaries, or to all of them taken as a whole. All of these terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.

Terms such as "resources" may be used in this presentation to describe certain aspects of Chevron's portfolio and oil and gas properties beyond the proved reserves. For definitions of, and further information regarding, this and other terms, see the "Glossary of Energy and Financial Terms" on pages 24 through 25 of Chevron's 2021 Supplement to the Annual Report available at chevron.com.

This presentation is meant to be read in conjunction with the Second Quarter 2022 Transcript posted on chevron.com under the headings "Investors," "Events & Presentations."

Before we begin, please be reminded that this presentation contains estimates, projections, and other forward-looking statements.

Please review the cautionary statement on Slide 2.

Financial highlights

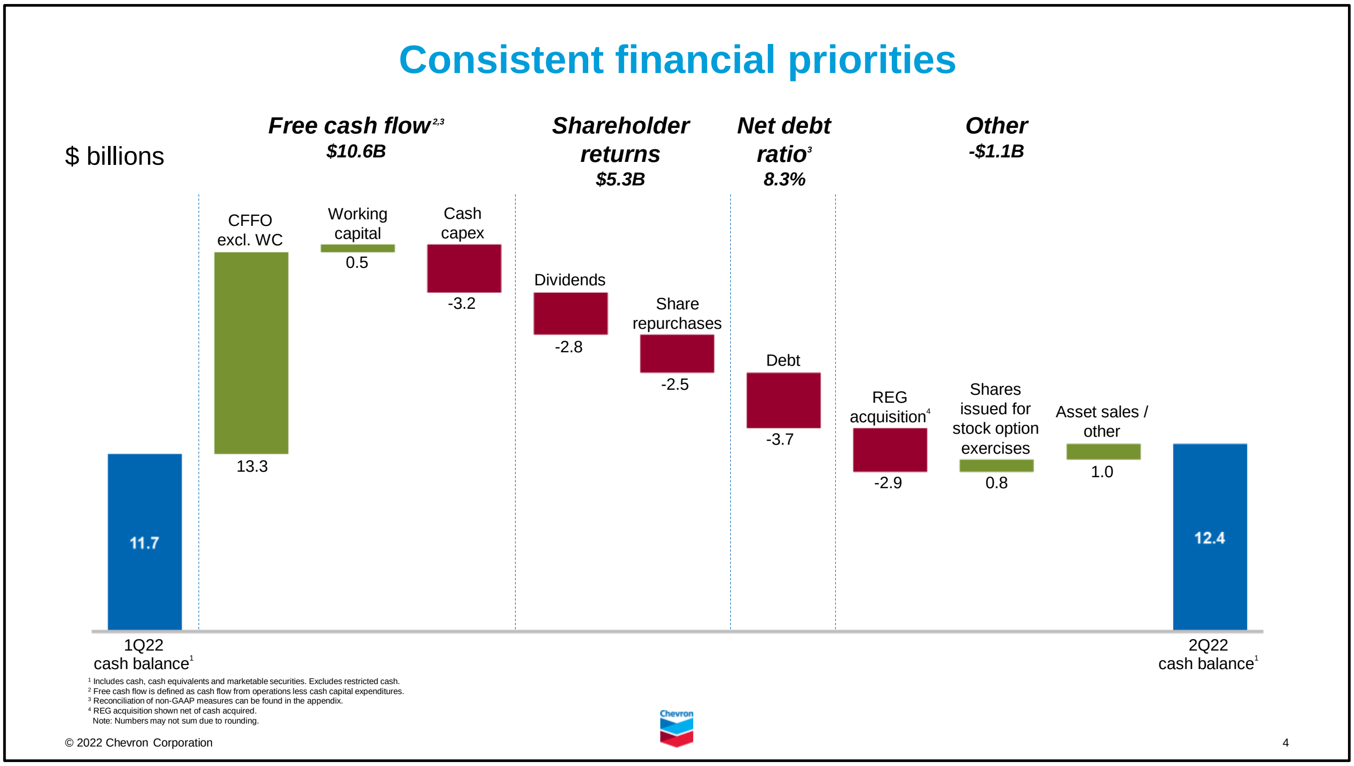
	2Q22
Earnings / Earnings per diluted share	$11.6 billion / $5.95
Adjusted Earnings / EPS[1]	$11.4 billion / $5.82
Cash flow from operations / excl. working capital[1]	$13.8 billion / $13.3 billion
Total C&E[2] / Organic C&E	$3.9 billion / $3.3 billion
ROCE / Adjusted ROCE[1,3]	26.5% / 25.9%
Dividends paid	$2.8 billion
Share repurchases	$2.5 billion
Debt ratio / Net debt ratio[1,4]	14.6% / 8.3%

[1] Reconciliation of special items, FX, and other non-GAAP measures can be found in the appendix.
[2] Capital and exploratory expenditures, including equity affiliates (Total C&E) is a key performance indicator for the company and provides a comprehensive view of its share of investment levels. The calculation of Total C&E can be found in the appendix.
[3] Quarterly ROCE and Adjusted ROCE calculated based on annualized earnings.
[4] As of 6/30/2022. Net debt ratio is defined as debt less cash equivalents and marketable securities divided by debt less cash equivalents and marketable securities plus stockholders' equity.

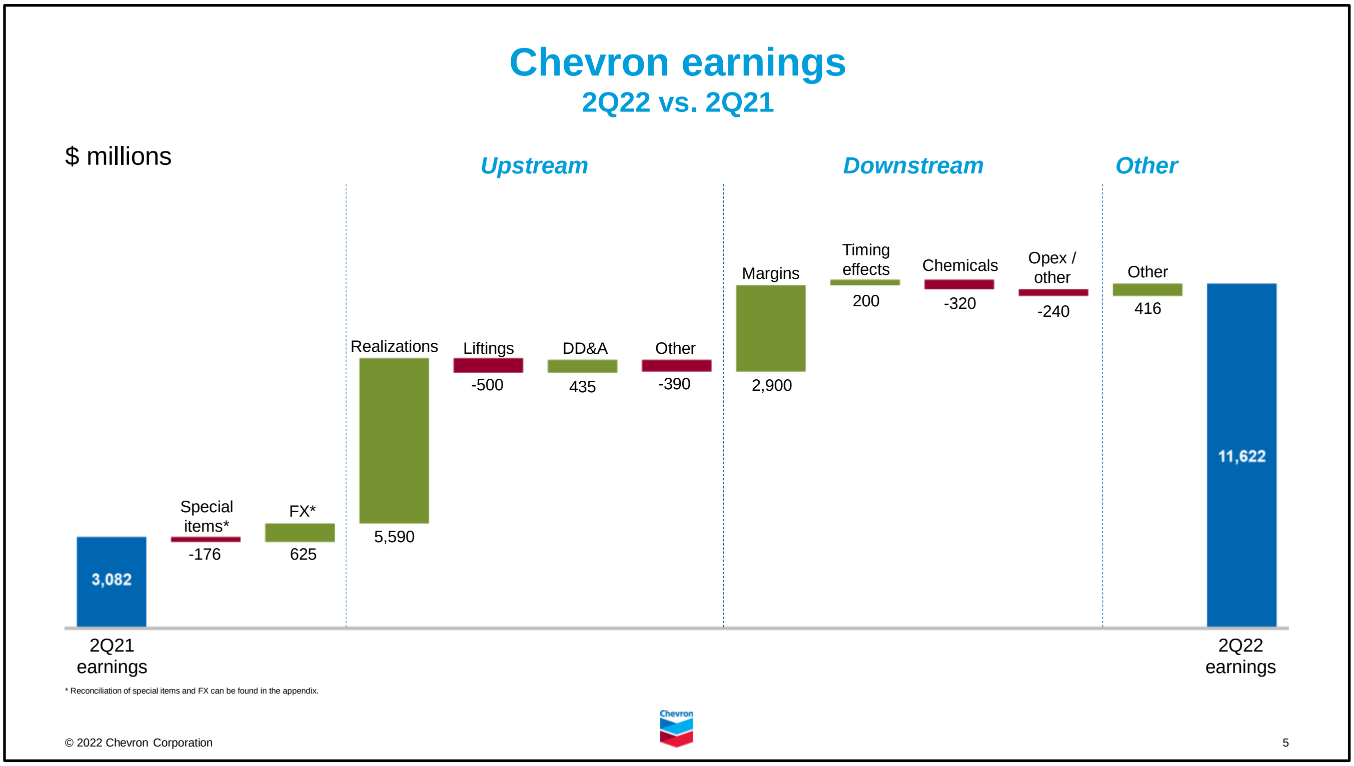
We delivered another quarter of strong financial results with ROCE over 25% – the highest since 2008.

Special items this quarter include asset sales gains of $200 million and a $600 million charge to terminate early a long-term LNG regas contract at Sabine Pass.

C&E for the quarter was nearly $4 billion – including inorganic spend to form our JV with Bunge. With the acquisition of REG, our total investment was $6.8 billion – more than double last year's quarter.



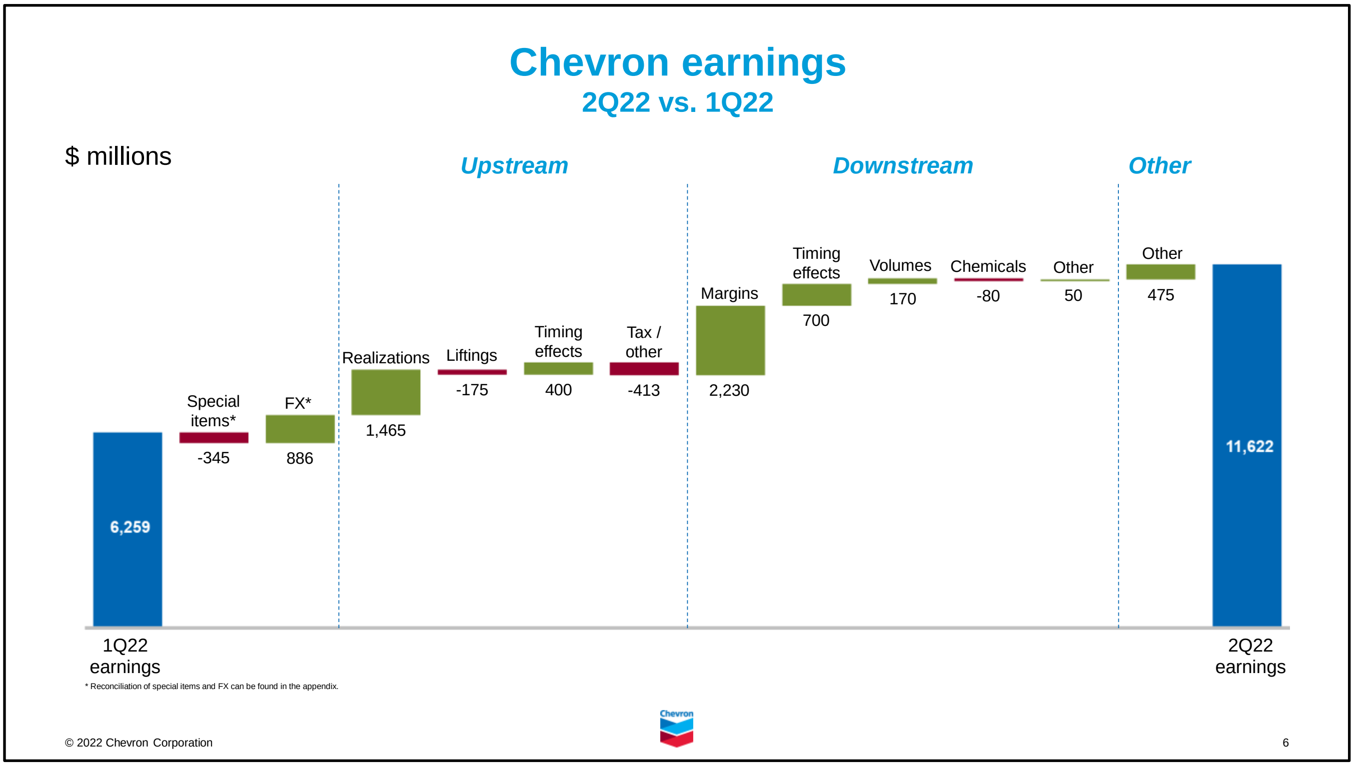
Strong cash flow enabled us to fund this higher level of investment, pay down debt for the fifth consecutive quarter, and return more than $5 billion to our shareholders through dividends and buybacks.



Adjusted second quarter earnings were up more than $8 billion versus last year.

Adjusted Upstream earnings increased mainly on higher realizations, partially offset by lower liftings from the end of concessions at Indonesia and Thailand.

Adjusted Downstream earnings increased primarily on higher refining margins.



Compared with last quarter, adjusted earnings were up nearly $5 billion.

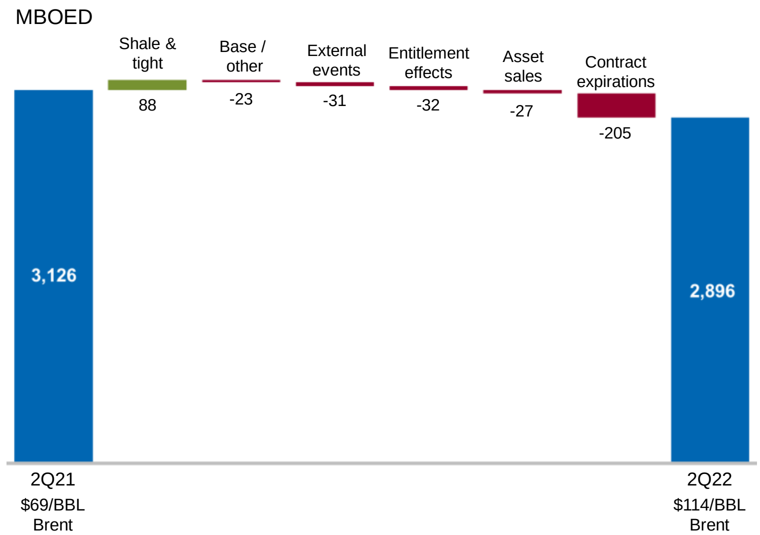
Adjusted Upstream earnings increased primarily on higher realizations partially offset by tax and other items, including higher withholding taxes on TCO dividends and cash repatriations.

Adjusted Downstream earnings increased primarily on higher refining margins and a favorable swing in timing effects.

The All Other segment was up due in part to a favorable change in the valuation of stock-based compensation.

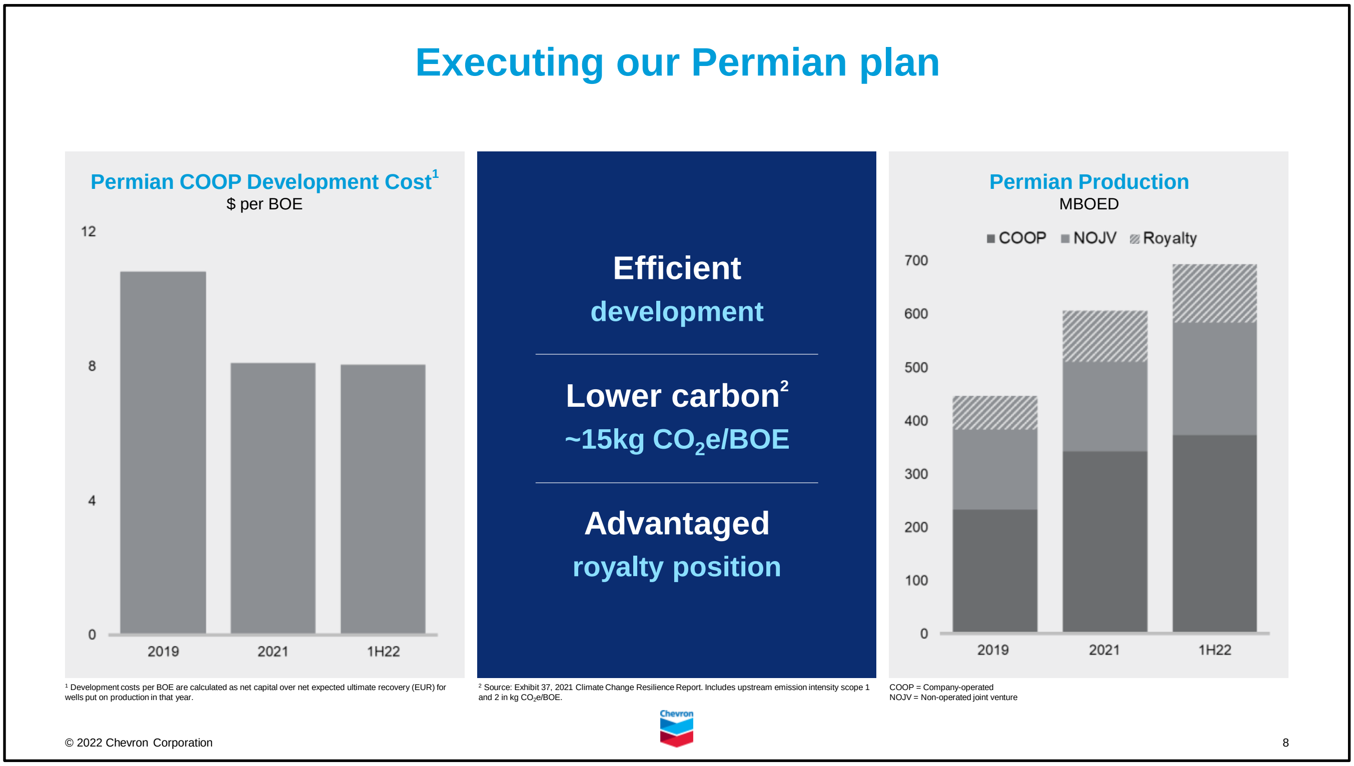
Worldwide net oil & gas production

2Q22 vs. 2Q21



+ Primarily Permian growth
– Indonesia & Thailand contract expirations

Second quarter oil equivalent production decreased about 7% year-on-year due to expiration of our contracts in both Indonesia and Thailand, the sale of our Eagle Ford asset, and CPC curtailments impacting TCO during April. This was partially offset by shale and tight growth, primarily in the Permian.



In the Permian, we're delivering on our objectives of higher returns and lower carbon.

Our development costs are down about 25% since 2019, and we expect to keep them flat this year by offsetting inflation with productivity improvements. An example is simulfrac, where we perform completion activities on 4 wells at a time, reducing cycle time by a quarter.

We continue to design, construct, and operate facilities to limit methane emissions. Two of our Midland Basin sites recently earned the highest ratings from Project Canary's independent certification program.

Production is at record levels and growing in line with guidance, with our royalty position providing a distinct financial advantage for our shareholders.

TCO on-track

Project update

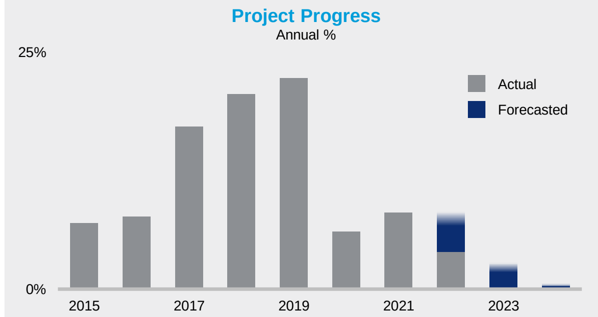
Drilling program complete

Construction 92% complete

Looking ahead

Advancing systems completions and startup

Higher dividends expected



Actual project progress through 6/30/2022.

At TCO, the drilling program is complete and the final metering station is online. We expect to complete construction by year end, with remaining project activities primarily focused on systems completion, commissioning and start up.

Total project cost guidance is unchanged. WPMP start-up is expected in the second half of next year and FGP expected timing remains first half of 2024.

TCO's operations continue to generate strong cash flow, enabling a mid-year dividend. With project spend decreasing, we expect higher dividends going forward.

Portfolio updates

Australia

1^{st} quartile reliability

Gorgon Stage 2 starting up

Gulf of Mexico

Announced Ballymore FID

Anchor hull completed

Gulf Coast LNG

4 MMTPA of LNG offtake in 2027

Increases Atlantic Basin exposure

In Australia, we shipped 87 LNG cargoes from Gorgon and Wheatstone in the first half of this year – up over 10% from last year. Our reliability benchmarks in the first quartile and we intend to stay there with an ongoing focus on operational excellence. Gorgon stage 2, the first backfill project, is on track to deliver first gas in September.

Our Gulf of Mexico projects are progressing well, with Ballymore achieving FID as a tie-back to Blind Faith, an example of leveraging our existing infrastructure to improve returns. The Anchor hull is currently sailing from Korea and work on its topsides continues in Texas.

Lastly, we recently signed agreements to export 4 million tonnes a year of LNG from the U.S. Gulf Coast, with 1.5 million tonnes a year expected to start in 2026. These agreements leverage our growing U.S. natural gas production and expand our value chains in Atlantic Basin markets.

Recent lower carbon highlights

Renewable Energy Group

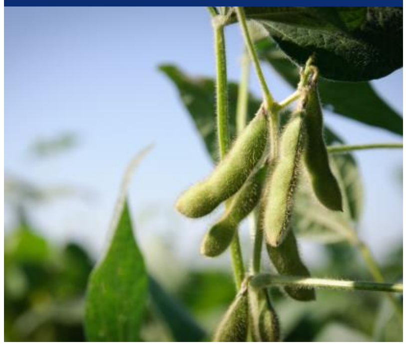
Transaction closed mid-June

Integration on-track

Bunge feedstock JV

$600MM inorganic investment*

Launched Bunge Chevron Ag Renewables



CCUS progress

50% stake in Bayou Bend JV

CCS initiative at California cogeneration plant

* Total committed inorganic spend.

We closed the REG acquisition last month and integration is going very well. We're pleased to welcome REG's talented employees to Chevron and CJ Warner to our board. Our teams have already identified further commercial opportunities and we quickly acted to lower insurance and financing costs.

In May, we launched our joint venture with Bunge. The JV is operating two existing crushers and evaluation work is underway to expand crush capacity and add pre-treatment facilities.

In carbon capture and storage, we closed on the expanded JV to develop the Bayou Bend CCS hub. The lease held by the JV is in Texas state waters near large industrial emitters and we believe it is the first U.S. offshore lease dedicated to CCS. Also, we recently filed for a conditional use permit in Kern County California to store CO2 emissions from one of our cogeneration plants.

Looking ahead

Forward guidance

	3Q22	
UPSTREAM	Turnarounds & Downtime:	~(50) MBOED
DOWNSTREAM	Refinery turnarounds (A/T earnings):	$(400) - $(500)MM
CORPORATE	Share repurchase:	~$3.75B

Now, looking ahead.

In the third quarter, we expect turnarounds and downtime to reduce production in a number of locations. In Downstream, planned turnarounds are primarily at our California refineries.

We do not expect significant dividends from TCO or Angola LNG until the fourth quarter. Our full year guidance for affiliate dividends is unchanged, with upside potential beyond the top of the range depending on commodity prices.

Also, we increased the top end of our share buyback guidance range to $15 billion per year and expect to be at that rate during the third quarter.

In closing, we're executing our plans, increasing investment to grow both traditional and new energy supplies, and delivering value to our stakeholders. Although commodity markets may be volatile, our actions are consistent through the cycle and focused on our objectives to deliver higher returns and lower carbon.

questions + answers

That concludes our prepared remarks. We are now ready to take your questions. Please try to limit yourself to one question and one follow-up. We will do our best to get all your questions answered.

Appendix: reconciliation of non-GAAP measures

Reported earnings to adjusted earnings

	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	FY22
Reported earnings ($ millions)								
Upstream	2,350	3,178	5,135	5,155	15,818	6,934	8,558	15,492
Downstream	5	839	1,310	760	2,914	331	3,523	3,854
All Other	(978)	(935)	(334)	(860)	(3,107)	(1,006)	(459)	(1,465)
Total reported earnings	**1,377**	**3,082**	**6,111**	**5,055**	**15,625**	**6,259**	**11,622**	**17,881**
Diluted weighted avg. shares outstanding ('000)	1,915,889	1,921,958	1,921,095	1,922,082	1,920,275	1,944,542	1,957,109	1,950,860
Reported earnings per share	**$0.72**	**$1.60**	**$3.19**	**$2.63**	**$8.14**	**$3.22**	**$5.95**	**$9.17**
Special items ($ millions)								
UPSTREAM								
Asset dispositions	-	-	200	520	720	-	200	200
Pension Settlement & Curtailment Costs	-	-	-	-	-	-	-	-
Impairments and other*	-	(120)	-	-	(120)	-	(600)	(600)
Subtotal	-	(120)	200	520	600	-	(400)	(400)
DOWNSTREAM								
Asset dispositions	-	-	-	-	-	-	-	-
Pension Settlement & Curtailment Costs	-	-	-	-	-	-	-	-
Impairments and other*	(110)	-	-	-	(110)	-	-	-
Subtotal	(110)	-	-	-	(110)	-	-	-
ALL OTHER								
Pension Settlement & Curtailment Costs	(241)	(115)	(81)	(82)	(519)	(66)	(11)	(77)
Impairments and other*	-	-	-	(260)	(260)	-	-	-
Subtotal	(241)	(115)	(81)	(342)	(779)	(66)	(11)	(77)
Total special items	**(351)**	**(235)**	**119**	**178**	**(289)**	**(66)**	**(411)**	**(477)**
Foreign exchange ($ millions)								
Upstream	(52)	78	285	(9)	302	(144)	603	459
Downstream	59	1	123	2	185	23	145	168
All other	(9)	(36)	(103)	(33)	(181)	(97)	(80)	(177)
Total FX	**(2)**	**43**	**305**	**(40)**	**306**	**(218)**	**668**	**450**
Adjusted earnings ($ millions)								
Upstream	2,402	3,220	4,650	4,644	14,916	7,078	8,355	15,433
Downstream	56	838	1,187	758	2,839	308	3,378	3,686
All Other	(728)	(784)	(150)	(485)	(2,147)	(843)	(368)	(1,211)
Total adjusted earnings ($ millions)	**1,730**	**3,274**	**5,687**	**4,917**	**15,608**	**6,543**	**11,365**	**17,908**
Adjusted earnings per share	**$0.90**	**$1.71**	**$2.96**	**$2.56**	**$8.13**	**$3.36**	**$5.82**	**$9.18**

* Includes asset impairments, write-offs, tax items, early contract termination charges, and other special items.
Note: Numbers may not sum due to rounding.

Appendix: reconciliation of non-GAAP measures

Cash flow from operations excluding working capital
Free cash flow
Free cash flow excluding working capital
Net debt ratio

$ millions	2Q22
Net cash provided by operating activities	13,782
Less: Net decrease (increase) in operating working capital	532
Cash Flow from Operations Excluding Working Capital	**13,250**
Net cash provided by operating activities	13,782
Less: Cash capital expenditures	3,184
Free Cash Flow	**10,598**
Less: Net decrease (increase) in operating working capital	532
Free Cash Flow Excluding Working Capital	**10,066**

Note: Numbers may not sum due to rounding.

$ millions	2Q22
Short term debt	3,230
Long term debt*	23,005
Total debt	26,235
Less: Cash and cash equivalents	12,029
Less: Marketable securities	341
Total adjusted debt	13,865
Total Chevron Corporation Stockholder's Equity	153,554
Total adjusted debt plus total Chevron Stockholder's Equity	167,419
Net debt ratio	**8.3%**

* Includes capital lease obligations / finance lease liabilities.

Appendix: reconciliation of non-GAAP measures
ROCE
Adjusted ROCE

$ millions	2Q22
Total reported earnings	11,622
Non-controlling interest	93
Interest expense (A/T)	120
ROCE earnings	11,835
Annualized ROCE earnings	47,340
Average capital employed*	178,615
ROCE	**26.5%**

$ millions	2Q22
Adjusted earnings	11,365
Non-controlling interest	93
Interest expense (A/T)	120
Adjusted ROCE earnings	11,578
Annualized adjusted ROCE earnings	46,312
Average capital employed*	178,615
Adjusted ROCE	**25.9%**

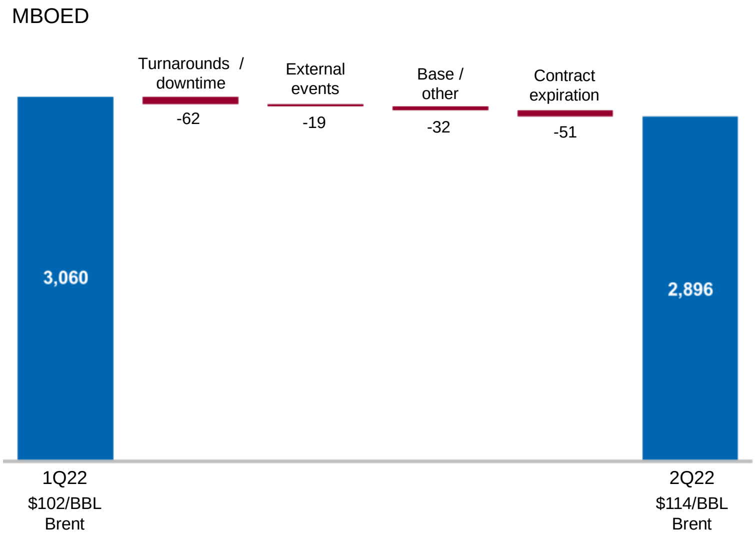
*Capital employed is the sum of Chevron Corporation stockholders' equity, total debt and noncontrolling interests. Average capital employed is computed by averaging the sum of capital employed at the beginning and the end of the period.
Note: Numbers may not sum due to rounding.

Appendix: key performance indicator
Total C&E

$ millions	2Q22
Capital expenditures	3,184
Expensed exploration expenditures	97
Capital lease obligations and other	(167)
Capital and exploratory expenditures, excl. affiliates	3,114
Company's share of expenditures by affiliates	809
Total C&E	**3,923**
Acquisition of businesses, net of cash received	2,862
Total C&E plus acquisitions (investment)	**6,785**

Worldwide net oil & gas production

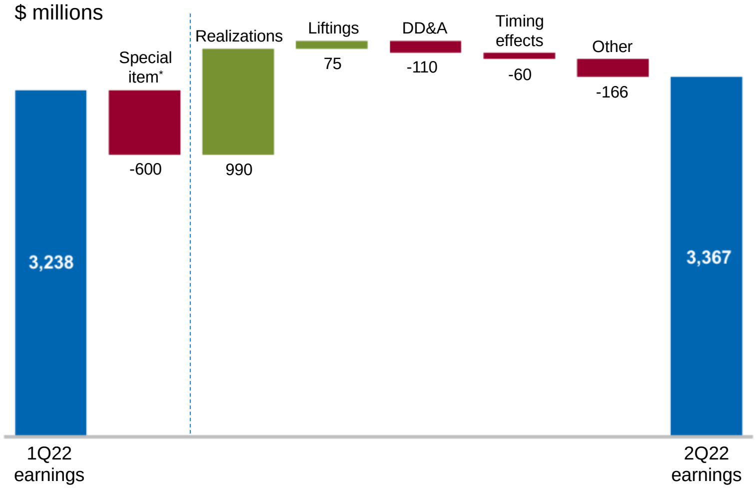
2Q22 vs. 1Q22



- Wheatstone & ALNG turnarounds
- CPC curtailments
- Thailand contract expiration

Appendix

U.S. upstream earnings: 2Q22 vs. 1Q22

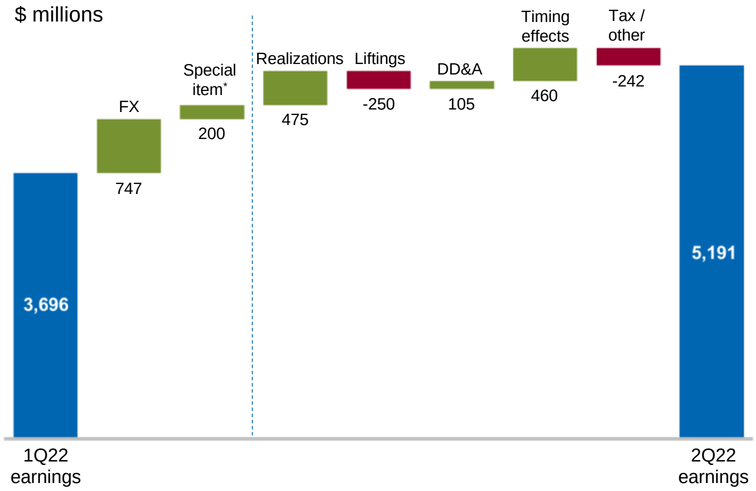


- Higher realizations
- Other charges

*Reconciliation of special items can be found in the appendix.

Appendix

International upstream earnings: 2Q22 vs. 1Q22

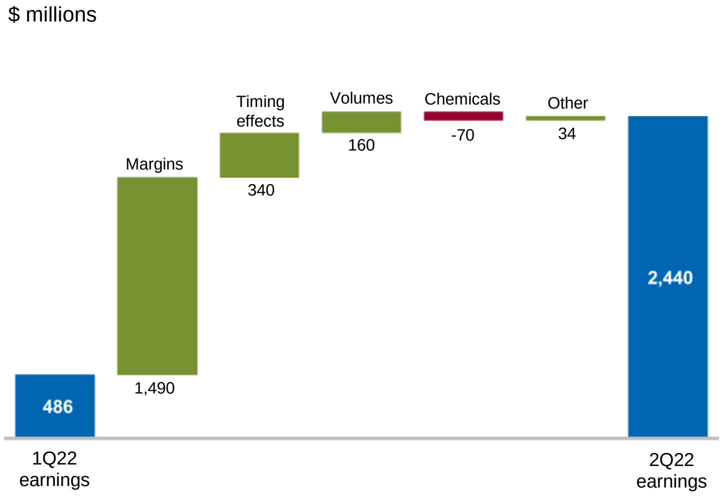


- Higher realizations
- Lower production in part due to Thailand contract expiration
- Favorable LNG timing effects
- Higher withholding taxes on TCO dividends and cash repatriations

*Reconciliation of special items can be found in the appendix.

Appendix

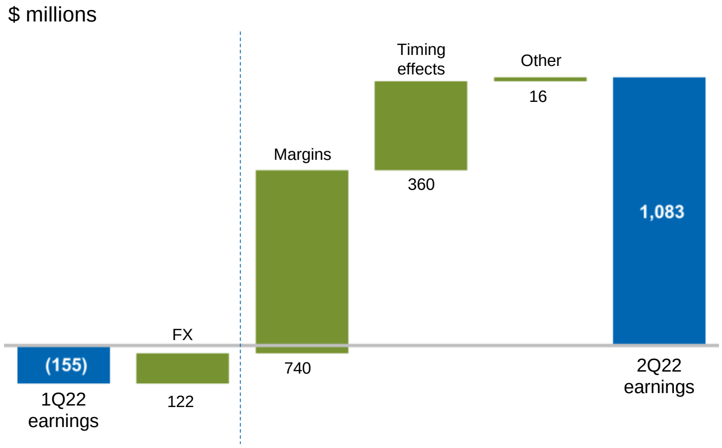
U.S. downstream earnings: 2Q22 vs. 1Q22



- Higher refining margins
- Favorable timing effects:
  - 2Q22: $88
  - Absence of 1Q22: $252
- Higher refining volumes
- Lower chemicals margins

Appendix

International downstream earnings: 2Q22 vs. 1Q22



- Higher refining and marketing margins
- Favorable timing effects:
  - 2Q22: $(45)
  - Absence of 1Q22: $405