Nova
Research Group

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ConocoPhillips

ConocoPhillips (NYSE:COP)

Company Overview

ConocoPhillips is one of the world's largest independent exploration and production (E&P) companies, with a diversified upstream portfolio spanning the Lower 48 United States, Alaska, Canada, Europe, Asia, and Australia. The company produces over 1.8 million barrels of oil equivalent per day and holds approximately 6 billion barrels of proved reserves, positioning it as the largest U.S.-listed E&P company by market capitalization. ConocoPhillips is exclusively focused on upstream operations, including the exploration, production, and marketing of crude oil, natural gas, natural gas liquids (NGLs), and liquefied natural gas (LNG). Its customer base consists primarily of refiners, energy traders, petrochemical manufacturers, utilities, and LNG importers. Crude oil accounts for over 60% of total revenue, while natural gas and LNG continue to increase in importance amid rising global gas demand. Key strategic priorities include expanding production in core U.S. shale basins such as the Permian, Eagle Ford, and Bakken, strengthening its global LNG portfolio through long-term projects and partnerships, and generating sustainable free cash flow to support dividends and share repurchases.

Industry Overview

The E&P industry focuses on upstream activity, providing the oil and natural gas needed to power global energy demand. Long-term projections indicate:

- Oil demand rising about 13% by 2050
- LNG supply growing nearly 50% by 2030

Recent crude oil consumption increased only 0.8 percent in 2024, and with many mature fields declining while new developments lag, supply is likely to remain tight. This environment benefits companies with efficient assets and the ability to scale production without major cost increases.
Several structural trends will shape upstream performance over the next decade. Global investment patterns show:

- Upstream spending is expected to reach $570 billion dollars in 2025, still about 25% below the 2010–2014 super-cycle
- Shale productivity in major US basins leveling off, with well productivity rising only 2% to 3% per year compared to the earlier double-digit gains
- Global decline rates remaining near 6 percent annually, requiring constant reinvestment to maintain output

Meanwhile, LNG demand continues strengthening. More than 180 million tons per annum of new liquefaction capacity is expected by 2032, yet demand is projected to grow 3% to 4% annually as Europe diversifies supply and Asia continues moving off coal. In this setting well-positioned E&P companies are set to outperform as supply remains constrained. However, in 2025 the E&P industry has severely underperformed compared to the S&P 500, increasing its fear sentiment and risk for investors.

Drivers/Catalysts

There are several potential upsides for ConocoPhillips, allowing for growth:

- **Investments in AI:** ConocoPhillips is making an active effort to implement AI models into their workflows. Currently, AI is benefitting them from breakthroughs in artificial gas-lifting, drill failure predictions, and forecasting gas demands.
- **LNG Portfolio Expansion:** ConocoPhillips is strengthening its long-term LNG position through new stakes in major global projects. Recent participation in Qatar's North Field East and the Port Arthur LNG development expands the company's future LNG supply base.
- **Willow Oil Investment:** ConocoPhillips is investing over $7 billion to the Willow project on Alaska's North Slope, a large-scale oil development targeting roughly 600 million barrels of recoverable resources. The project is expected to produce up to 180,000 barrels of oil per day once it comes to fruition in 2029.

Recommendation: BUY

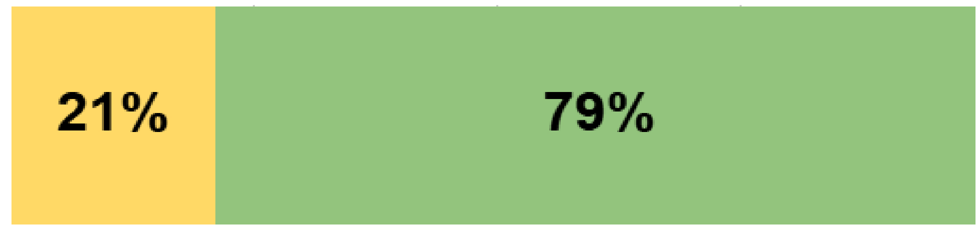

Figure 1: Street Sentiment Analysis (Source: CNN)

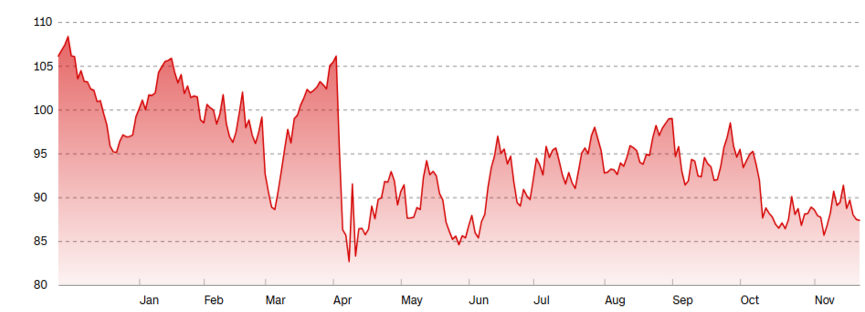

Figure 2: YTD Stock Price Graph (Source: Trading View)

52-Wk Range: $79.88 - $111.96
Current Price: $87.30
Fair Price: $129.82
P/E: 12.34
EPS: $7.08
Market Cap: $109.12B
Beta: 0.33 – (Industry Beta ~0.88)
Yield: $3.36 (3.85%)

Figure 3: E&P Industry vs S&P 500 (Source: Yahoo Finance)

Figure 5: Crude Oil Prices (Source: Google Finance)

Risks & Mitigants

Despite the potential upsides, ConocoPhillips is susceptible to several risks:

- **Volatility in Prices:** Periods of sharp market swings driven by geopolitical events or unexpected OPEC decisions can place downward pressures on cash flows. To mitigate this, ConocoPhillips maintains a low-cost supply portfolio with most of its assets generating strong returns at prices below forty dollars per barrel.
- **Lack of Renewable Energy Investments:** Since ConocoPhillips is an E&P-based company, they have very little investments in and revenue from renewable energy sources. With a growing need for these sources ConocoPhillips has increased risks placed on it. However, they target a 50-60% reduction in Scope 1 and Scope 2 GHG emissions intensity by 2030 as part of their operational profile.
- **Divesting Assets**: ConocoPhillips plans to divest 5 billion in non-core assets by the end of 2026. However, with broad macroeconomic uncertainty looming over the market for asset sales, ConocoPhillips may face lower prices and demand. However, COP keeps a diverse asset portfolio to mitigate this risk, including basins across the U.S. and internationally in Australia and Norway.

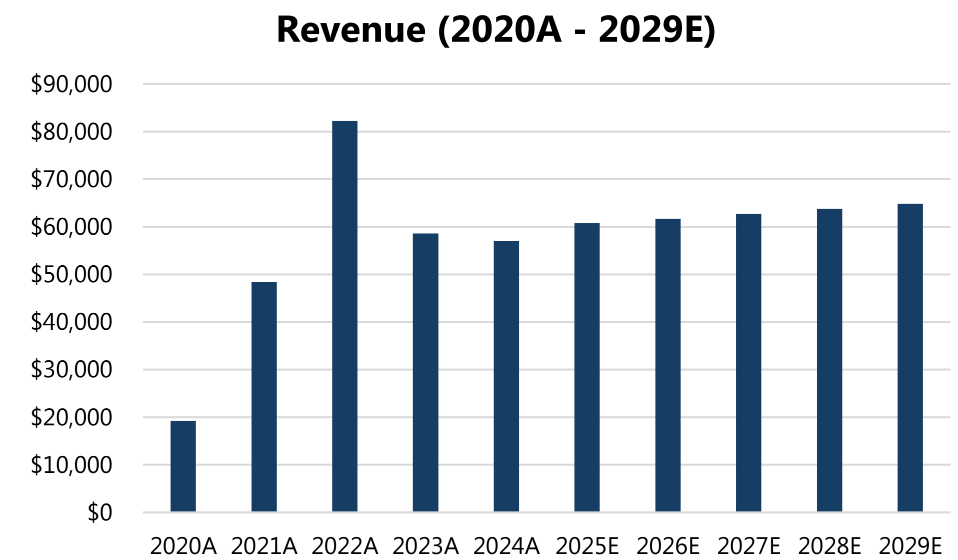

Figure 5: Revenue Forecast

Investment Thesis

With a strengthening LNG position, a low-cost asset base and consistently high shareholder returns, ConocoPhillips remains a buy. With a DCF fair price of $129.82, COP remains under-valued based on near-term fundamentals. Furthermore, a 3.85% yield provides stable income to income-oriented portfolios. While there may be high uncertainty over oil prices due to their volatility, leading to lower revenues, COP's high dividend yield, and strong fundamentals position the stock as a buy.

WACC			
Beta	0.88	Cost of Equity	7.91%
Risk Free Rate	4.10%	Cost of Debt	4.60%
Market Risk Premium	4.33%	Tax Rate	32.12%
Debt	24,324	Weight of Equity	81.77%
Equity	109,120	Weight of Debt	18.23%
Debt + Equity	133,444		
WACC	**7.04%**		

Figure 6: WACC Calculation

DCF/Comps Overview

Our DCF yielded a fair value of $129.82 per share using a 7.04% WACC, insinuating that UNH is under-valued. Our projections were based off historical margins and future growth/risk opportunities. We projected revenue at a conservative 1.5% for 2026E-2029E, given the company is furthering into its maturity stage, and to balance out the potential of years with negative revenue. 2025E was forecasted using data from Q1-Q3, which revealed higher than expected earnings, however this wasn't used as an indicative sign for higher revenues or earnings through 2026-2029E. As for our WACC, the firm's beta value of 0.33 didn't appropriately reflect the risk of the company, so we adjusted it to its industry value of 0.88. We believe that this is an appropriate beta as the energy sector is highly volatile due to tariffs, OPEC regulations, underperformance in 2024, and other geopolitical factors.

COP trades at a slight premium on P/E and EV/EBITDA relative to peers, suggesting the market prices in stronger stability or earnings quality. Its EV/Revenue sits below the median, indicating a relative discount on top-line valuation. Profit margins trail peers, which may justify the modest premium on earnings multiples. Overall, COP appears reasonably valued with mixed signals across metrics.

$129.82	6.04%	6.54%	7.04%	7.54%	8.04%
1.50%	$148.65	$132.32	$118.99	$107.76	$98.30
1.75%	$156.70	$138.69	$124.15	$112.00	$101.84
2.00%	$165.75	$145.77	**$129.82**	$116.62	$105.67
2.25%	$175.99	$153.67	$136.08	$121.68	$109.83
2.50%	$187.68	$162.55	$143.03	$127.24	$114.37

Figure 7: Price Sensitivity

Ticker	P/E	EV/EBIDTA	EV/Revenue	Profit Margin
COP	12.34	4.92	2.04	14.45%
EOG	10.62	5.33	2.77	24.41%
DVN	8.41	3.88	1.80	16.43%
OXY	30.47	4.58	2.31	8.17%
APA	5.73	2.16	1.34	16.09%
EXE	37.09	7.03	2.95	8.04%
Low	5.73	2.16	1.34	8.04%
25th %	8.41	3.88	1.80	8.17%
Median	10.62	4.58	2.31	16.09%
75th %	30.47	5.33	2.77	16.43%
High	37.09	7.03	2.95	24.41%

Figure 8: Comps Model

Financials

DCF Model

WACC:	7.04%	**Current Share Price:**	$87.30	Fair Share (Bull) Price:	$136.40
TGR:	2.00%	**Upside:**	48.70%	**Fair Share (Base) Price:**	**$129.82**
				Fair Share (Bear) Price:	$123.47

All # in millions except share price						***1***	***2***	***3***	***4***	***5***
	A	**A**	**A**	**A**	**A**	**E**	**E**	**E**	**E**	**E**
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Revenue	$19,256	$48,349	$82,156	$58,574	$56,953	$60,735	$61,646	$62,570	$63,509	$64,462
% Growth	-	151.09%	69.92%	-28.70%	-2.77%	6.64%	1.50%	1.50%	1.50%	1.50%
EBIT	-$2,334	$13,326	$29,033	$17,068	$14,455	$17,829	$18,373	$17,782	$17,935	$18,665
% Sales	-12.1%	27.6%	35.3%	29.1%	25.4%	29.4%	29.8%	28.4%	28.2%	29.0%
Taxes	-$485	$4,633	$9,548	$5,331	$4,427	$5,782	$5,859	$5,615	$5,679	$5,953
% EBIT	20.8%	34.8%	32.9%	31.2%	30.6%	32.4%	31.9%	31.6%	31.7%	31.9%
EBIAT	-$1,849	$8,693	$19,485	$11,737	$10,028	$12,047	$12,514	$12,167	$12,255	$12,711
% Sales	-9.6%	18.0%	23.7%	20.0%	17.6%	19.8%	20.3%	19.4%	19.3%	19.7%
D&A	$5,521	$7,208	$7,504	$8,270	$9,599	$8,353	$8,301	$9,103	$9,307	$9,093
% Sales	28.7%	14.9%	9.1%	14.1%	16.9%	13.8%	13.5%	14.5%	14.7%	14.1%
Cap EX	$4,121	$8,544	$8,741	$12,000	$11,150	$12,167	$12,209	$12,463	$12,614	$12,821
% Sales	21.4%	17.7%	10.6%	20.5%	19.6%	20.0%	19.8%	19.9%	19.9%	19.9%
Change in NWC	-$372	$1,271	-$234	-$1,382	-$181	-$51	-$469	-$551	-$324	-$360
% Sales	-1.9%	2.6%	-0.3%	-2.4%	-0.3%	-0.1%	-0.8%	-0.9%	-0.5%	-0.6%
Free Cash Flow	-$77	$6,086	$18,482	$9,389	$8,658	$8,284	$9,075	$9,357	$9,273	$9,343
Discounted Free Cash Flow						$7,740	$7,921	$7,630	$7,064	$6,650
Terminal Value (TV)										$189,169
Discounted TV										$134,638
Enterprise Value						$171,643				
Cash						$5,607				
Debt						$24,324				
Equity Value						$152,926				
Total Shares Outstanding						1,178				
Fair Share Price						**$129.82**				

Figure 9: DCF Model