DEVON ENERGY (DVN:NYSE)

INVESTMENT THESIS

- **Introduction to Devon**: Devon Energy is a leading US oil and gas extraction company focused on the onshore exploration and production of hydrocarbons. Its operations rely on advanced drilling techniques, mainly horizontal drilling and hydraulic fracturing, to extract oil, natural gas, and NGLs. Production is then sold into the market, with prices benchmarked to common indices such as WTI crude and Henry Hub. Devon's operations are entirely based in the United States, with a strong presence across Texas, New Mexico, Oklahoma, North Dakota, and Colorado.
- **Growth Strategy**: Devon maintains strong capital discipline, financing new ventures primarily through FCF. The Net D/E ratio of the firm was 0.46 as of December 2025. Devon has shown strong production growth in the past years, fuelled by a series of acquisitions, such as the deal regarding Grayson Mill's Williston Basin business, as well as stable expansion of production in petroleum assets under the firm's management. Production volumes have increased at a CAGR of close to 10% over the past 5 years.
- **Operational excellence and cost efficiency**: Devon's team has extensive experience in the field, leading to the company showing significant operational efficiency and lower extraction costs per BOE compared to peers of similar size. The average cost for large independents in 2025 was in the USD 10 to 12 range, while Devon's BOE were around the USD 9 range.
- **In a position to capture tailwind opportunities:** Devon has proven reserves of USD 60,162M as of 2025. This is more than twice its revenue for the year, enabling the company to capture opportunities caused by supply chain disruptions, shortages, and demand shifts.
- **Policy and tariff resilience:** Devon's shale assets are located only in the United States, where the firm primarily sells its production. This leads to protection from risks related to tariffs or other related trade policies that might impact suppliers relying on foreign extraction assets.
- **Dependency on commodity prices and earnings volatility:** Devon's business and profitability are highly dependent on the price of the commodities it sells. A drop in the price of oil, NGLs, or natural gas could have a significant impact on the earnings of the business and, therefore, the share value of the company.

March 6th 2026

BUY 14.4%

Current Price	Price Target
USD 44.48	USD 50.89

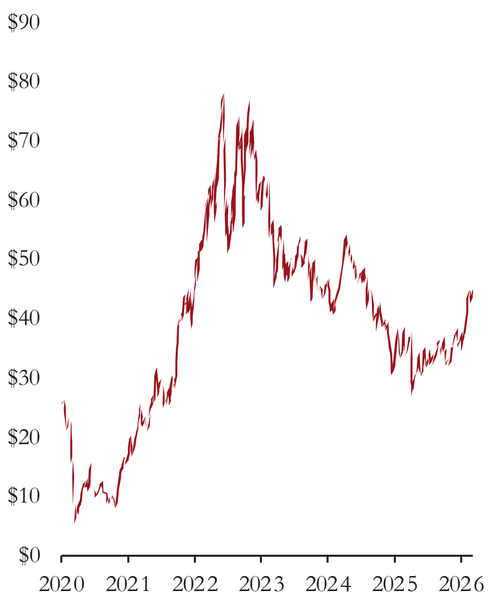
09/02/2026 PA Close

Market Cap (USD M)	27.589
Consensus	Overweight
Bloomberg	DVN:NYSE

Share data

Shares Outstanding (M)	620
Ex. Dividend Yield (%)	2.19
30D Avg. Trading Volume	10,449,778

Share Price Development



DEVON (DVN:NYSE)

VALUATION SUMMARY

- **Summary of the Results**: Our valuation yielded a target price of USD 50.89, implying a 14.4% upside from current levels. We applied a blended valuation structure combining Discounted Cash Flow (50%) Trading Multiples (20%), and Econometric Techniques (30%). The DCF carries more weight, since it better reflects the capital-intensive nature of Devon's business. Furthermore, the multiples showed a relevant degree of variability, making the DCF a more accurate reflection of the company's value.
- **Financials Forecasts**: Revenues were broken down and projected by commodity and segment. Our growth forecast is based on a combination of trends in production volumes of the commodities Devon produces and their expected future prices. Revenues in 2025 were 5% higher than in 2024. As for 2026, we forecast an increase in revenues from oil in 2026 due to higher expected prices, supported by higher revenues from gas and NGLs sales due to rising global demand and higher revenue from Marketing and Midstream activities, bringing the total revenue change to -5%. For years between 2027 and 2029, we expect a revenue CAGR of 8%. Costs are forecasted at a per BOE basis, taking into consideration both the management's guidance and past trends, bringing the total to around USD 9.0. After factoring in SG&A and Production Tax, which is then adjusted for inflation, in 2029 the final cost per BOE is estimated to be in the USD 9-9.8 range.
- **WACC Computation**: COE was derived using Damodaran's Equity Risk Premium of 4.33%, bringing the CAPM to 8.23%. Cost of Debt was derived using Damodaran's credit spread for companies with a BBB rating of 1.2%, bringing the total to 5.4%. This leads to a WACC value of 7.41%
- **DCF Results**: The DCF valuation led to an implied share price of USD 49.22. The result is based on a WACC of 7.41%, perpetual growth rate of 2.00%. The present value of FCFO is USD 3,153M, while the Terminal Value came down to USD 35,658M. This resulted in an Enterprise Value of USD 38,811M, which, after adjustments, resulted in an Equity Value of USD 30,504M.
- **Multiples Results**: Our relative valuation was based on EV/EBITDA, P/E, and EV/Sales multiples of Devon's United States peer group. This led to an implied share price of USD 70.19. The value is based on medians to prevent outliers from skewing the result.

March 6th 2026

TARGET PRICE **USD 50.89**

WACC	
Cost of Equity	8.23%
Cost of Debt	5.4%
D/(D+E)	21%
E/(D+E)	79%
WACC	**7.41%**
DCF	
PV FCFO 2026-2029	3,153
Perpetual Growth Rate	2.00%
Capital Reinvestment Rate	9%
PV Terminal Value	35,658
Enterprise Value	38,811
Bridge-to-Equity	(8,307)
Equity Value	30,504
Shares Outstanding (M)	620
DCF-side price	**49.22**
Multiples	
EV/Sales Price	76.91
EV/EBITDA Price	64.8
P/E Price	64.65
Multiples-side price	**70.19**
Econometric Analysis	
Operations-based Price	38.80
XOP-Implied Price	42.80
Econometric-side price	**40.80**

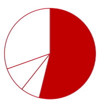
COMPANY OVERVIEW

Devon Energy Corporation is a **leading US** independent **oil** and **natural** gas **exploration** and **production** company, with production entirely **onshore**, and over **50 years** of **operating history**. Devon's **strategy** focuses on delivering competitive and sustainable **shareholder returns** through capital-efficient **development**, **operational excellence**, and **financial discipline** across commodity **cycles**. To increase production, Devon relies on **mergers** and **acquisition** in the short term, and continued investment in the long run.

Devon's operations are concentrated in **four core basins**: the **Delaware Basin**, **Rockies** (Williston and Powder River Basins), **Eagle Ford**, and **Anadarko Basin**. The **Delaware Basin** is the company's **largest** and **most capital-intensive** asset, accounting for approximately 55% of 2025 capital allocation.

In **2025**, Devon produced **307 MMBoe**, up from 270 MMBoe in 2024, driven primarily by **growth** in the **Delaware** and **Williston Basins**. Production was weighted toward **oil**, with **142 MMBbls** of oil, **504 Bcf** of **natural gas**, and **81 MMBbls** of **NGLs**. Average realized prices were **USD 62.77/Bbl** for oil, **USD 1.67/Mcf** for gas, and **USD 18.28/Bbl** for NGLs, while production costs averaged **USD 8.98** per Boe. Devon uses **market instruments** to **hedge** against commodity price volatility.

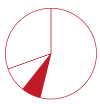
Oil Sales



53.84% of revenues

Production and sale of refined **crude oil**, extracted from Devon's five onshore US facilities

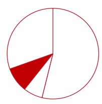
Gas Sales



6.79% of revenues

Production and sale of refined **natural gas**, extracted from Devon's five onshore US facilities

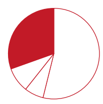
NGLs Sales



8.89% of revenues

Natural gas liquids obtained throughout the process of extraction of natural gas and crude oil

Marketing & Midstream



30.47% of revenues

Selling **commodities** purchased from **third parties**, and providing **services** related to natural gas production

Competitors

eog

MURPHY OIL CORPORATION

APA Corporation

PERMIAN RESOURCES

OXY

CALIFORNIA RESOURCES

DIAMONDBACK ENERGY

MAGNOLIA OIL & GAS

Ovintiv

Matador RESOURCES COMPANY

Company History

1971 – **Founded** in **Oklahoma City** by John **Nichols**

1988 – Devon Energy is **publicly** listed on the **NYSE**

2009 - 2011 – Complete transition to **onshore** exploration

2014 – Acquisition of **Williston Basin** for **USD 5B**

2026 – **Coterra** stock-for-stock **merger** valued at **USD 58B**

Shareholder Structure

Devon's shareholder base is predominantly institutional, with **institutional** investors holding approximately **80.28%**. Ownership is broadly diversified across approximately **1,469** institutional holders, led by **Vanguard Group** (13.03%), **BlackRock** (9.64%), and **State Street** (5.63%), consistent with **passive index** and **ETF participation**. The company's **institutional ownership increased** substantially **following** the **Devon–WPX Energy merger**, which expanded scale, free float, and index relevance, driving greater interest from long-only and income-oriented funds. Looking ahead, the **merger** with **Coterra** will potentially **further reshape** the **shareholder base**, making **Wellington Management** a prominent shareholders in the new company.

Management Team

Clay Gaspar
President and Chief Executive Officer

- Took upon CEO role in **March 2025**, after serving as **COO** since January 2021
- Previously held **senior** operating and board-level roles at **WPX Energy**
- Drives **operational execution**, **capital discipline**, and **portfolio optimisation**

Dennis Cameron
Executive VP, General Counsel

- Following the **WPX Energy** merger, he transferred to DVN in **January 2021**
- Brings **25+ years** of legal **experience**, including senior leadership roles at WPX
- Oversees **legal**, public and government affairs, as well as corporate records

Tana Cashion
Executive VP, HR and Administration

- Appointed in **February 2022** after nearly **two decades** with the company
- Since 2005 she has **progressed** through multiple **senior** human capital leadership roles
- Responsible for **human resources** function and multiple **administrative** areas

Jeff Ritenour
Executive VP, Chief Financial Officer

- Has held his position since **April 2017**, with over **two decades** at the company
- After beginning of his career at **Ernst & Young**, he joined in 2001
- Manages **corporate finance**, treasury, planning, accounting, tax, internal audit

Tom Hellman
Senior VP, E&P Operations

- Joined the company in **January 2025**
- Previously held senior leadership roles at **Marathon Oil** and **WPX Energy**
- Responsible for **drilling**, completions and supply chain development

Trey Lowe
Senior VP, Chief Technology Officer

- Became CTO in **January 2025**, following **20 years** with the company
- Joined in 2005, with prior technical experience at **Schlumberger** in US
- Leads **technology**, digital security, project management, and energy ventures

John Raines
Senior VP, E&P Asset Management

- Appointed in **January 2025**, after serving in multiple vice president roles
- Took up **leadership** positions across the **Delaware** and **Rockies** since joining in 2005
- Oversees **asset-level performance**, land strategy, and regulatory management

SHARE PRICE DEVELOPMENT

Devon and WPX Merger

The market reacted positively to the Devon–WPX merger, **rising 6%** on **transaction** day and continuing onto the following weeks. The merger itself enhanced Devon's **scale of operations**, increasing their **position** in the **Delaware Basin**, and put forth the **initiative** to focus on **capital returns** to shareholders and prioritizing **cash flow generation**. Additionally, the merger allowed for **cost synergies** to take place.

Oil Price Rally and Crash

In the **first five months** of **2022**, **WTI prices** almost **doubled**, reaching a **high** of **USD 139/BOE**. The sharp increase led to an **increase** in the **revenue** of **oil producers** and an increased interest in the companies. Over the period, the rally fueled a **73% increase** in **Devon**'s **stock price**, starting from **USD 45** and reaching an all-time high of **USD 78**. **Subsequently**, Oil and stock prices experienced a **sudden decrease**, leading to a sharp decrease in Devon's stock price.

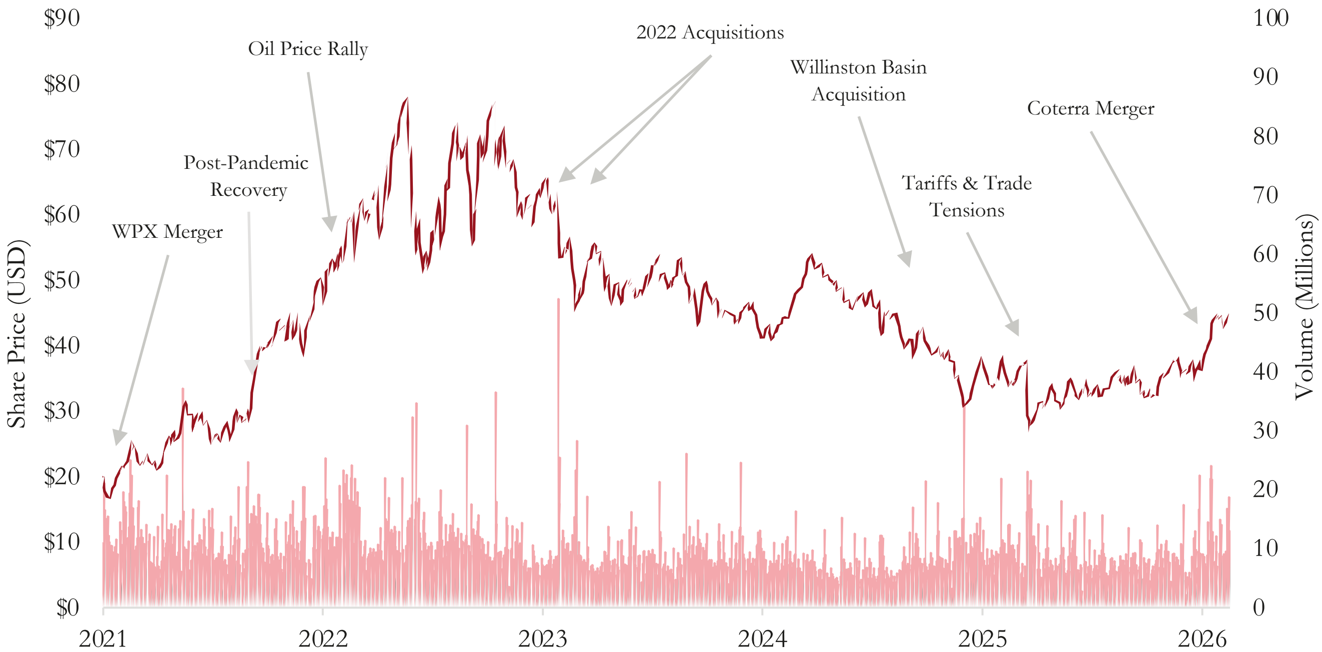
2022 Acquisitions

Devon **acquired** leasehold interest and related assets of **RimRock Oil and Gas** on July 21st, followed by the "bolt-on" acquisition of **Validus Energy** on September 28th. The **announcements** were made on **June 8th** and **August 9th**. On announcement day, the stock rose **4.7%** and **1.6%**, respectively. In both instances, **continued growth** was sparked over the **weeks** leading up to the completion of the deals.

Devon and Coterra Merger

The **USD 21.5B** acquisition is the **largest** in Devon's history. The deal will result in substantially larger hydrocarbon production, additionally **strengthening** their **position** as a leading **US producer**. The concentration in the Delaware Basin translates to **durable free cash flow** and **disciplined capital returns**. It would be a **stock-for-stock transaction** with Coterra's stock being valued at **70%** of Devon's stock. A **USD 5B share buyback** and dividends worth USD 0.315/share are **expected post-merger**.

Devon Share Price Development (2021-26)



BUSINESS MODEL

Devon Energy is a **US-focused hydrocarbon exploration** and **production** company, with operations concentrated primarily in the Delaware Basin and the Rocky Mountains. The company conducts **onshore-only** operations within the **United States**, with no offshore or international exposure.

Devon extracts hydrocarbons using **unconventional production techniques**, mainly **horizontal drilling** and **hydraulic fracturing**, which are well suited to shale and tight-rock formations. While Devon produces multiple hydrocarbons, including crude oil, natural gas, and natural gas liquids, these resources are typically **extracted simultaneously** from the **same wells** and then separated during downstream processing.

Once extracted and separated, Devon **sells** its production **prior to refining** to third-party purchasers which include refining, marketing, and midstream companies. Sales **prices** are generally **indexed** to prevailing market benchmarks for each commodity, specifically the WTI and Henry Hub benchmarks.

To manage exposure to commodity price volatility and improve revenue visibility, Devon employs a structured **hedging strategy**, covering approximately **35%** of expected future production. The company primarily uses **costless collars**, which limit downside risk while retaining some upside exposure.

Oil

Devon Energy produces **light crude oil**, with its core operations concentrated in the **Delaware Basin**. Oil extraction accounts for approximately **50%** of the company's total **revenues** and represents its highest-margin product.

These strong margins have been supported by elevated oil prices in 2025, which remain **structurally higher** following the supply disruptions triggered by Russia's invasion of Ukraine, and the current wars in west Asia, which are expected to **disrupt** supply chains for months.

Devon's unrefined light crude is priced according to the **WTI** benchmark, generally at around **95%** of **WTI**. This small discount reflects the crude's **specific hydrocarbon composition**, local supply and demand imbalances, and the cost of hedging.

In terms of destination, roughly **60%** of US light crude is **refined domestically**, while around **40%** is **exported** before refining. This split exists because the US refining system was historically designed and **optimised** for **heavier crude slates**, particularly imported **heavy oil**. While US refineries can process light crude, many are not economically optimised to run exclusively light barrels at high volumes, leading to **excess light crude** supply being **exported**.

Natural Gas

Devon produces significant volumes of **natural gas**, primarily from its core position in the **Delaware**, **Anadarko** and **Williston** basins. While gas represents a small share of **total revenue** (typically **less than 10%**), it remains a strategic component of Devon's production mix.

Gas **margins** are **structurally lower** than oil due to weaker pricing dynamics and greater sensitivity to regional transportation constraints. Devon's natural gas is generally priced as per the **Henry Hub benchmark**, the key reference price for US gas. However, realised prices typically trade at a discount to Henry Hub due to **regional basis differentials**, **pipeline** takeaway **constraints**, and local **supply-demand imbalances**, particularly in the Permian Basin, where gas production can create temporary oversupply.

In terms of destination, the majority of US natural gas is **consumed domestically**, primarily for **power generation**, **industrial** use, **residential heating**, and petrochemical feedstock. Unlike oil or NGLs, which are globally fungible and easily transported by tanker, natural gas markets are more **regionally segmented** due to **infrastructure requirements** such as pipelines and liquefaction facilities. As a result, **pricing** is more **sensitive** to regional **bottlenecks**, storage levels, and infrastructure availability.

NGLs

Devon also produces meaningful volumes of NGLs, primarily extracted from liquids-rich gas streams in the **Delaware Basin**, with additional volumes from the **Anadarko** and **Williston basins**. NGLs typically account for roughly **10%** of **total revenue**, depending on commodity prices, and represent an important value uplift to Devon's gas production given their **higher price** per **energy-equivalent** unit relative to dry gas products.

NGLs include products such as **ethane**, **propane**, **butane**, and **natural gasoline**, which are **separated** at processing plants and fractionation facilities. Unlike dry gas, which is priced off Henry Hub, NGLs **pricing** is **component-specific** and generally referenced to benchmarks such as **Mont Belvieu**. Realised **prices vary** by product mix: **ethane** pricing tends to be more **volatile** and linked to petrochemical demand, while **propane** and **butane** are more **exposed** to **seasonal heating** demand and **export markets**

A a **significant portion** of US NGLs production is **consumed domestically** as petrochemical feedstock (particularly ethane for ethylene production), gasoline blending components, and heating fuels. Most importantly, NGLs are more **globally tradable** than dry natural gas, as they can be transported abroad via **pipeline**, rail, or marine export terminals once **fractionated**. As a result, **export markets** play an important role in balancing **US supply**.

Midstream and Marketing

In addition to upstream production, Devon conducts **marketing** and **midstream activities** that support the transportation, processing, and sale of its hydrocarbons.

Devon's **midstream** activities primarily involve **gathering**, **processing**, **compression**, and **transportation** arrangements for oil, natural gas, and NGLs. In many cases, Devon either **contracts** firm **pipeline capacity** or participates in joint ventures to ensure **reliable access** to processing plants and export hubs, particularly in the Delaware Basin where **infrastructure constraints** can periodically pressure basis differentials.

The **marketing** function focuses on **optimising** the **sale** of produced volumes through a mix of **physical marketing arrangements** and **contractual sales agreements**. This includes managing pipeline nominations, **storage**, **blending**, and **timing** of sales to capture favorable pricing spreads. For **gas** and **NGLs** especially, marketing capabilities are important in navigating **basis volatility** and **seasonal demand** fluctuations.

Financially, marketing and midstream **revenues** can appear **large** on a **gross basis** because they reflect the full value of third-party volumes and pass-through transportation costs. However, **margins** are typically **thin** (often **negative**), as this segment primarily captures spreads rather than commodity price upside.

Overall, Devon's marketing and midstream operations provide **operational flexibility**, improve price realisations, **reduce volatility**, and insure **stable future cash flows**.

COMPETITIVE OVERVIEW

The global oil and gas industry is estimated to be worth approximately **USD 6.33T** and is projected to grow to **USD 8.79T** by 2034, implying a compound annual growth rate of **3.72%.** Global oil production in 2025 is estimated to have reached around **104M** barrels per day. A defining characteristic of the industry is that, **outside** of the **US** and the **UK**, the largest oil and gas companies are predominantly **state-owned**. Notable examples include Saudi Aramco, Equinor, PetroChina, Sinopec, Rosneft, and Gazprom.

As of the start of 2026, Devon Energy contributes to about **0.4%** of **global** and **2.9% of US** oil production respectively, therefore representing one of the smaller players in the energy market.

Since not all oil is equivalent, we focus our competitive overview on **comparable** companies in terms of **operations**, **size**, and **product**.

OXY

Occidental Petroleum Corporation operates oil and gas wells across the **United States**, the Middle East, North Africa, and Colombia. The company's revenues are primarily driven by **oil**, **natural gas**, and **NGL** sales, while marketing and midstream activities contribute a relatively small share. In 2025, total **sales** amounted to **USD 22B**, **82%** of which came from **US operations**.

Globally, it is known as the leader in **CO2 flooding**, a recovery technique to extract the last drops of oil out of mature wells.

Over its more than 100-year history, OXY has operated in an environment marked by **recurring uncertainty**. Its presence in non-US jurisdictions, each with differing **political**, **legal**, and **economic** frameworks, exposes the company to a **broad range** of additional **risks** compared to its peers.

DiamondBack Energy

DiamondBack Energy is an independent hydrocarbons producer focused on **unconventional petroleum accumulations**, such as coalbed or coal seam methane. Its operations are entirely **onshore** in the **United States**, largely in the Permian Basin in West Texas. Its **USD 15B** in revenues is primarily focused on sales of oil, gas and NGLs.

The high degree of product **specialisation** of DiamondBack has led to **higher EBITDA** margins; however, by operating **unconventional** reserves with alternative extraction techniques, the company's operations are inherently subject to **additional laws**, **regulations**, and **operating complexities**, compared to traditional extraction methods.

EOG

EOG Resources is a US-focused independent exploration and production company. Its operations are primarily concentrated in major **US** producing basins, with a smaller international footprint through offshore facilities in **Trinidad** and **Tobago**. In 2025, the company reported **revenue** of **USD 23B**. The vast majority of sales (**55%**) derive from oil and gas production, while the rest are attributed to **marketing** and **midstream** revenue.

EOG's **competitive moat** is built on its premium drilling **inventory**, proprietary **geologic**, and **completion expertise**. The company is widely regarded as a technical leader in **horizontal drilling** and **hydraulic fracturing**.

Being based primarily in the US, EOG largely uses **hydraulic fracturing** on onshore assets, facing an additional barrier in the form of **laws** and **regulations** relating to **air emissions**, fracturing **process**, **access** to and **use** of **water**, and **disposal**.

TAILWINDS

Royalty Reduction and Favourable Policy

The current **administration** in the United States implemented several pieces of legislation and policies that **support** the **O&G industry**, and this tendency is expected to continue. Examples include the **royalty reduction** on leases, which is expected to lower production costs for feedstock manufacturers. Rates went down from **16.67%-18.5%** to the **12.5%-16.67%** range, leading to lower production expenses. Furthermore, **bans** and **limits** on leases were **lifted**, with the Gulf of Mexico and Alaska becoming **new** potential **drilling areas**. Drilling permitting review timelines were also reduced from **6-24 months** to just **28 days**, allowing quicker exploration. Additionally, the **federal** government **overrode** state-imposed **bans** on hydrocarbon **shale extraction** in California and New York, further **emphasising** industry **support**. Moreover, the government **lifted** the **pause** on **NGLs exports**, allowing companies to increase production and **sell quantities** exceeding domestic demand. Finally, the government also **delayed fees** related to methane extraction until 2034, lowering production costs.

AI-Driven Optimisation & Cost Reductions

With the advent of AI, United States O&G companies have now identified its potential in **process optimisation**. AI-driven analytics adjust drilling parameters and production rates in real time, **improving** asset **yields** and **assisting decision-making**. This could lead to the **prevention** of **unscheduled downtime** and **increase** the **efficiency** of companies.

Furthermore, O&G companies are now starting to experiment with AI technologies to perform **reservoir identification**, **reducing** the **time** and **capital risks** related to well exploration.

NGLs & Gas Demand Dynamics

Global **gas** and **NGLs demand** is set to **accelerate** in 2026, following higher global supply levels. In 2025, colder weather **increased demand** for gas in the US, which is expected to **remain** relatively similar in **2026**. Trump's government imposed fast-tracked permitting for NGLs and gas midstream **infrastructure** and **terminals**, which **streamlines logistics**. This, combined with the **lifting** of the **pause** on NGLs **exports** from the US, could allow feedstock producers to **increase production** and sell the excess quantity abroad. Additionally, the electricity consumption of **data centres** is expected to **double** by **2030**. Since **nuclear** energy generation is still in an **early** development **stage**, and **natural gas** causes fewer emissions than burning coal, this makes the latter a **preferred** fuel for **electricity generation**. This could possibly lead to additional **increases** in NGLs and gas demand, creating a **positive environment** for **upstream companies** like Devon.

Underinvestment in Green Energy

After the Ukrainian war, **energy independence talks** have become mainstream across the globe; green energy production still requires **major technological improvements** to reduce production inefficiency and **unreliability** before it can be considered a **concrete threat** to non-renewable resources, especially now that everyone is looking for **tangible** and **dependable** results.

Consolidation of O&G in the US

The recent wave of M&A has reduced the number of large publicly traded upstream oil and gas companies by roughly **20%**. **Consolidation reduces** the **risk** of overproduction driven by **aggressive competition** and allows for more **resilient players** which can better withstand the inherent **cyclical nature** of the energy sector.

HEADWINDS

Macro Uncertainty and Trade-Policy shocks

Macro uncertainty has translated into **less predictable prices**. In 2025, the EIA reported WTI's monthly average fell from about **USD 70/bbl** in January to about **USD 56/bbl** in December, with a 2025 annual average around the mid sixties, as **global supply exceeded demand**. Specifically, the **imposition** of **tariffs** leads to **lower expected** global output, which has hindered demand and therefore lowered hydrocarbon prices

Even though oil prices spiked at the start of 2026 due to **geopolitical events**, such as the strikes in Venezuela and Iran, it is **unlikely** that current WTI levels near **USD 90/bbl** will be sustained throughout the year, potentially leading to **lower margins** for O&G companies compared to investors' expectations.

Oversupply Risk

The medium-term supply and demand balance looks **structurally challenging** as **capacity** is projected to **expand faster** than demand. In its **Oil 2026 outlook**, the IEA forecasted global oil production to outpace demand by **3.1 mb/d** per day. Even without a recession, inventory is predicted to build up and with it **price pressure**, unless supply is actively restrained. Relatedly, **producer policy** adds another layer of uncertainty whenever OPEC+ adjusts cuts or production targets, causing markets to reprice quickly and amplify **volatility**.

Cost inflation and **trade frictions** are squeezing industry **margins** and raising breakeven thresholds. The IEA explicitly flags **higher production costs** linked to inflated costs for essential materials as a **downside risk** for investments. Cost pressures are reflected in the **Dallas Fed survey:** oilfield services costs rose, E&P lease operating expenses rose sharply, and operating margins weakened. These dynamics feed into the investment cycle. The IEA expected **upstream** oil **investment** to fall about 6% to around **USD 420B** in 2025, reinforcing a stop-start pattern where **spending contracted** as the prices softened, and then **rebounded** later upon tightening supplies. Uncertainty about **interest rates** further shrinks investment rates.

Energy Transition Risks

Electrification is already **displacing** oil demand in **measurable quantities**, and that displacement is accelerating in key markets. The IEA's **Global EV Outlook 2025** reports that the global stock of electric cars displaced over **1 mbbl/d of oil consumption** in 2024. In Europe, the Financial Times reported that **European EV sales** rose **30%** in 2025, with EVs reaching about **17%** of annual EU car sales and about **22.6%** market share in December (slightly above petrol).

Capital Intensity: Structural Burden

Capital intensity remains a **structural headwind**, even before adding decarbonization CapEx. The International Energy Forum (with S&P Global Commodity Insights) estimates a cumulative **USD 4.3T** of upstream investment is needed between 2026 and 2030 and indicates **annual upstream CapEx** needs to **rise** about **22%** by 2030 under its demand outlook. That scale creates direct **tension** between maintaining **base production** and **reinvesting** at the required rates.

Currency Volatility

The **denomination** of the global oil trade in **US Dollars** makes the demand and subsequently the **price** of oil **susceptible** to **fluctuations** in the **exchange rate**. Given the recent **volatility** in the currency market and the macro uncertainty around **interest rate differentials**, expected oil demand and thus **future earnings** of the company remain **unstable**.

KEY RISKS

Commodity Price and Differential Risk

Devon's **earnings** and **cash flow** depend heavily on oil, natural gas, and NGLs prices. The company's annual filings highlight that benchmark **prices** have been highly **volatile** in recent years, with **large swings** in both WTI and Henry Hub. These moves reflect **factors outside** Devon's **control**, such as global supply and demand, OPEC actions, geopolitical events, weather, inflation, interest rates, and broader macro conditions. When hydrocarbon prices fall, Devon's **realised revenue drops quickly**, and the market re-evaluates the stock's price. Devon also faces **basis** and **regional pricing risk**, as local market conditions can reduce **realised prices** versus the **benchmarks**.

Consistent Reinvestment Requirements

Devon operates in **unconventional** resource plays where well **production declines** steeply after initial production. As a result, Devon must **continue drilling** and **completing wells**, and, in some cases, **pursue acquisitions**, to maintain production levels and **replace reserves**. This creates a **structural dependence** on **sustained capital spending** and on the availability of rigs, crews, sand, steel, and other inputs. If Devon **reduces reinvestment** due to weaker prices, cost inflation, regulatory constraints, or infrastructure bottlenecks, production and cash flow can **decline** faster than investor expectations, which can typically **pressure valuation multiples**.

Regulatory Risks

Regulatory risk is **material** for Devon because it can raise costs, delay activity, and create new liabilities. Devon's annual report highlights increasing **regulation** and **enforcement** tied to greenhouse gas and methane emissions, including EPA methane standards and other requirements that can require **additional monitoring**, **leak detection**, and **operational changes**. Devon also notes the existence of **methane-related charges** and the possibility of **significant penalties** for non-compliance. For equity investors, this risk shows up as **higher** operating and capital **costs**, increased reporting burden, and a **higher** probability of **litigation** or enforcement outcomes that can create one-time or recurring **cash costs**.

Midstream Reliance and Commitments

Devon depends on **third-party midstream systems** for **gathering, processing**, and **transporting** its production, and it acknowledges that **capacity constraints** or **outages** can reduce sales volumes, worsen realised pricing, or force shut-ins. Devon also discloses **fixed delivery commitments** for oil and gas. It expects to satisfy these primarily with proved developed reserves, but it states that if those reserves do **not perform** as expected, it may need to **purchase commodities** in the **market** to meet **obligations**. This becomes a direct **margin** and **cash flow risk** during periods of operational **underperformance** or **unfavourable** basis **conditions**.

Cash Constrained Operations

Devon Energy aims to fund operations, acquisitions, dividends, and share repurchases primarily through **internally generated cash flow**, while limiting incremental debt. This capital allocation framework depends heavily on **commodity prices**. If oil prices were to fall below **USD 45/bbl** and remain depressed for a sustained period, it would be challenging to simultaneously **maintain** shareholder **returns** and sustain **elevated investment** levels needed to support production. The company could face **trade-offs** between funding capital **expenditures** and **upholding** its **commitments** to investors.

FUTURE OUTLOOK

Commodity Prices remain the Primary Driver

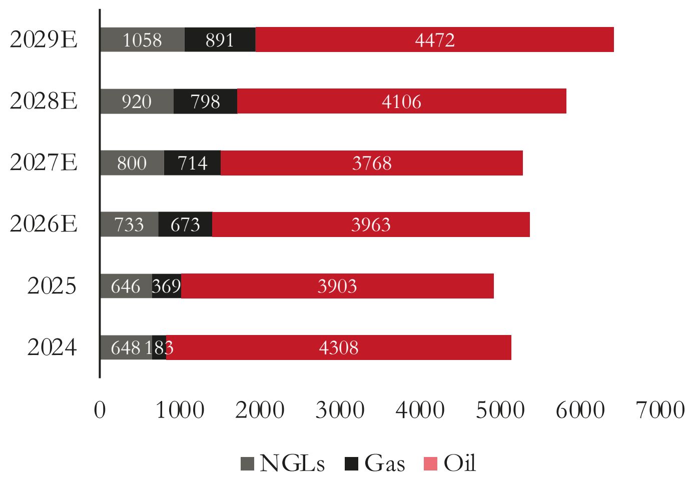
Devon's results are **highly sensitive** to oil, natural gas, and NGLs prices. The company states that **volatility** is likely to **continue** and lists drivers such as global supply and demand, OPEC actions, **geopolitical risks**, weather events, inflation, interest rates, and trade policy. A practical implication is that **earnings** and **free cash flow** are more sensitive to realized pricing than to marginal variations in production volumes.

Oil Prices: The recently **escalated conflict** between the **US**, **Israel** and **Iran** in the Middle East causes significant **uncertainty** surrounding **oil** prices. WTI and Brent Crude went **above USD 90/bbl** this week for the **first time**, since the **Russia-Ukraine conflict** and are currently trading well **above fair value** due to **supply** chain **disruptions**. Despite the hikes, future earnings are highly **dependent** on the **duration** of **war**, which is currently rather difficult to predict. When **considering** the bigger picture and **factoring** in **long-term S&D dynamics**, the **EIA** anticipates **inventories** to keep **rising** across the **next two years**. The **anticipated** range for **2026** is from a WTI of **USD 70** in **Q2 2026**, which is expected to stabilize at around **USD 60** in Q4 of this year.

Natural Gas: The EIA expects Henry Hub to stay **flat** in 2026 at just under USD 3.50/MMBtu, then rise in 2027 to almost USD 4.60/MMBtu as **demand** growth **outpaces supply** growth.

A **higher-volatility** regime can be strongly expected in 2026-2027, and this would directly affect Devon's earnings, margins, and cashflows throughout the period. **Costs** such as LOE, gathering, processing and transpiration expenses do **not vary** with commodity **prices**. This could lead to **margin shifts** based on how current **events unwind**.

Forecasted Adj EBITDA ($M) of Devon's Portfolio



Potential Mergers & Acquisitions

Devon positions M&A as a real lever in the **strategy**, stating that its business depends in part on making **acquisitions**, including **mergers** and similar transactions, to **complement** or **expand** the portfolio, and on integrating acquired assets successfully.

Consolidation can help Devon with scale, inventory, and capital returns. **Greater scale** can **improve unit costs** and **margins**. Devon explicitly states it expects to mitigate cost inflation through "efficiencies gained from the scale of our operations" and by **leveraging** long-standing supplier **relationships**. In practice, this should improve LOE and lock in more service **savings** when commodity markets are **strong**, and **keep costs** from **rising** when they're **weak**.

Further, consolidation can add higher-quality **drilling inventory** and diversify the production mix to support through-cycle earnings. Better **inventory quality** can defend margins when prices soften because the company can **allocate capital** to the **highest-return wells**.

In addition, Devon's internal analysis highlights that **acquisitions** can also bring **midstream assets** that create incremental operating margin uplift, which supports earnings resilience.

VALUATION AND SENSITIVITY

Assumptions

We present the **key assumptions** used to forecast Devon's operating performance and cash flows over the projection period. Each assumption is **applied consistently** across the model to support **internal comparability** across **years**.

Inflation: We use **US inflation** as the relevant inflation benchmark because Devon operates **exclusively** in the United States. We recognise a referenced forecast inflation level of **2.10%** for 2026 to 2028, but we apply **2.00%** assumption for 2029 (the **Federal Reserve**'s stated target inflation rate) to avoid **overstating** long-run inflation effects.

Revenues: We estimate **realised** oil and natural gas **prices** by applying a **multiple** of 0.95 and 0.71 respectively to their annual index prices, which have been estimated from historical effective prices. We then increase **all prices** at the rate of **inflation**. Production volumes for oil and natural gas are projected based on **historical growth levels**, and the production of NGLs reflects the **bump** caused by **recent acquisitions** and **increased activity** in existing basins.

Operating Costs: We model operating costs on a per barrel of oil equivalent (BOE) basis across all oil, gas, and NGLs because they are **extracted simultaneously** and incur shared costs.

We forecast these costs in **dollar terms** and convert to per BOE using annual production volumes. We set **production taxes** at **6.7%** of revenue, consistent over the last four years. The rest of the cost assumptions have been forecasted as percentage of production rather than of sales to mitigate the fluctuations of multiples which were due to volatile commodity prices.

Marketing and Midstream: We forecast marketing and midstream revenues and expenses on a per BOE basis and scale by **total production volumes**. We set 2026 per BOE values equal to the **average** of recent outcomes and adjust subsequent years for **inflation**. Thus, these assumptions are **dependent** on **previous** production **assumptions** across commodities.

Capital Expenditures: These expenditures are forecasted using the **company's guidance** for Q4 2025 and 2026 outlook, which were considered along the **historical averages**. For the following years, the forecasted values have been adjusted for the forecasted inflation in the US.

Financing And Shareholder Distributions: We incorporate the **USD 5B share buyback** program expiring in H12026 and **assume** it will be **fully completed**. We assume **no further share repurchases**. We increase fixed dividends by **$0.02**/share each year, consistent with the **stated trend**, and set variable dividends equal to **10%** of the operational **cash flow**.

DCF asset side (FCFO)	2024	2025	2026	2027	2028	2029	2030
EBIT	4,075	3,976	3,895	3,378	3,544	3,802	
Operational taxes	(1,067)	(944)	(802)	(724)	(772)	(837)	
NOPAT	3,008	3,032	3,093	2,653	2,772	2,965	3,024
CRR	1.88	0.04	0.57	0.73	0.69	0.64	0.09
FCFO	(2,652)	2,900	1,345	729	866	1,070	2,759
Discount factor (WACC)		0.93	0.87	0.81	0.75	0.70	
Present value of FCFO		2,700.17	1,166.02	587.93	650.61	748.32	
Terminal value						50,982.01	

PV of FCFO	**3,153**
PV of TV	**35,658**
Enterprise value	**38,811**
(Net debt)	(7,485)
+/- Surplus assets & non-operating liabilities	(663)
(Minorities)	(159)
Equity value	**30,504**
Number of shares (NOSH) (m)	620
Equity value per share (USD)	**49.22**
Implied EV / EBITDA 2025E multiple	4.88

WACC computation

We obtained a **discount rate** of **7.41%** for Devon by weighing the cost of equity and cost of debt according to their **respective proportions**. In this case, the capital structure of the company was composed of **20.59%** debt and **79.41%** equity.

Cost of Equity

The cost of equity was estimated using **classical CAPM**. The **10-year US Treasury yield** at **4.18%** was used as the **risk-free rate**. We adopted a mature **market risk premium** of **4.33%** based on Damodaran's data. To determine the **unlevered beta**, we selected a **peer group** of oil and gas companies operating in USA, and for these firms, we extracted the three-year **weekly raw betas**, adjusted them using the **Blume's formula**, and unlevered them using respective capital structures and tax rates. The resulting **average** of **0.69** was adopted as the measure of **industry risk**. This figure was then **re-levered** using Devon's own **capital structure** (D/E = 0.26; tax rate = 21%). Applying a **levered beta** of **0.93x**, we obtained a final cost of equity for Devon which come to 8.23%.

10y risk-free rate	4.18%
Levered beta	0.93x
Market risk premium	4.33%
Levered cost of equity	**8.23%**
Spread on debt	1.2%
Cost of debt	**5.4%**
Corporate tax rate	21%
Market value of net debt (M)	$7,485
Market capitalization at valuation date (M)	$25,578
D/(D+E)	20.59%
E/(D+E)	79.41%
WACC	**7.41%**

Cost of Debt

To determine the cost of debt, we took the sum of the previously mentioned **risk-free** rate to the **credit spread**. The credit spread (**1.2%**) is sourced from Damodaran's data for a **BBB issuer**. The rating itself comes from **Moody's (Baa2)** and **S&P (BBB)** assessments on Devon's most recent bond issuances. This justifies the use of a 1.2% spread over the 10Y US Treasury Rate of 4.18%, yielding a **5.4% pre-tax** cost of debt.

Adjusting for the **US federal corporate tax rate** of **21%**, and **no state taxes** for the state of Texas, we obtained a **post-tax** cost of debt at **4.27%.**

Price per Share sensitivity: WACC and perpetual growth

WACC \ Perpetual Growth	1,50%	1,75%	2,00%	2,25%	2,50%
6,41%	$59,54	$62,51	$65,81	$69,50	$73,67
6,91%	$51,78	$54,10	$56,66	$59,49	$62,63
7,41%	$45,36	$47,21	$49,22	$51,43	$53,86
7,91%	$39,96	$41,45	$43,07	$44,83	$46,74
8,41%	$35,36	$36,58	$37,90	$39,32	$40,85

Sensitivity Analysis

The sensitivity analysis examines the impact of **variations** in WACC and perpetual growth on price per share. The results indicate that the **price per share** is **inversely related** to WACC and **positively correlated** with perpetual growth. As WACC **increases**, the share price **decreases**, reflecting the **higher discount rate** applied to future cash flows. Conversely, **higher perpetual growth** assumptions result in a greater share price, as a **larger portion** of future earnings is **capitalized** into the **present valuation**. The sensitivity of the share price was tested around of the base-case **7.41%** WACC and **2.00%** perpetual growth rate.

Multiples Valuation

The multiples used in the evaluation of Devon are **EV/EBITDA**, **P/E**, and **EV/Sales**.

The use of **EV/EBITDA** aims to assess the firm's **operational performance** adjusted for its capital structure, assessing Devon's core profitability. The ratio for Devon is **4.6x**, while the average and median of its peer group are **6.5x** and **6.2x**. Devon's ratio is slightly below, indicating **possible undervaluation** of the firm's **performance**. A similar result holds with respect to **forward EV/EBITDA**.

The **P/E** ratio assesses how much the market **values** the **net income** of the company. It factors in the capital structure of the firm. From this point of view, Devon is **trading** at a **discount** compared to its peers. The firm's actual P/E is **10.4x**, while the peer group's average and median are **17.7x** and **18.9x**. Similar results hold when comparing forward P/E ratios.

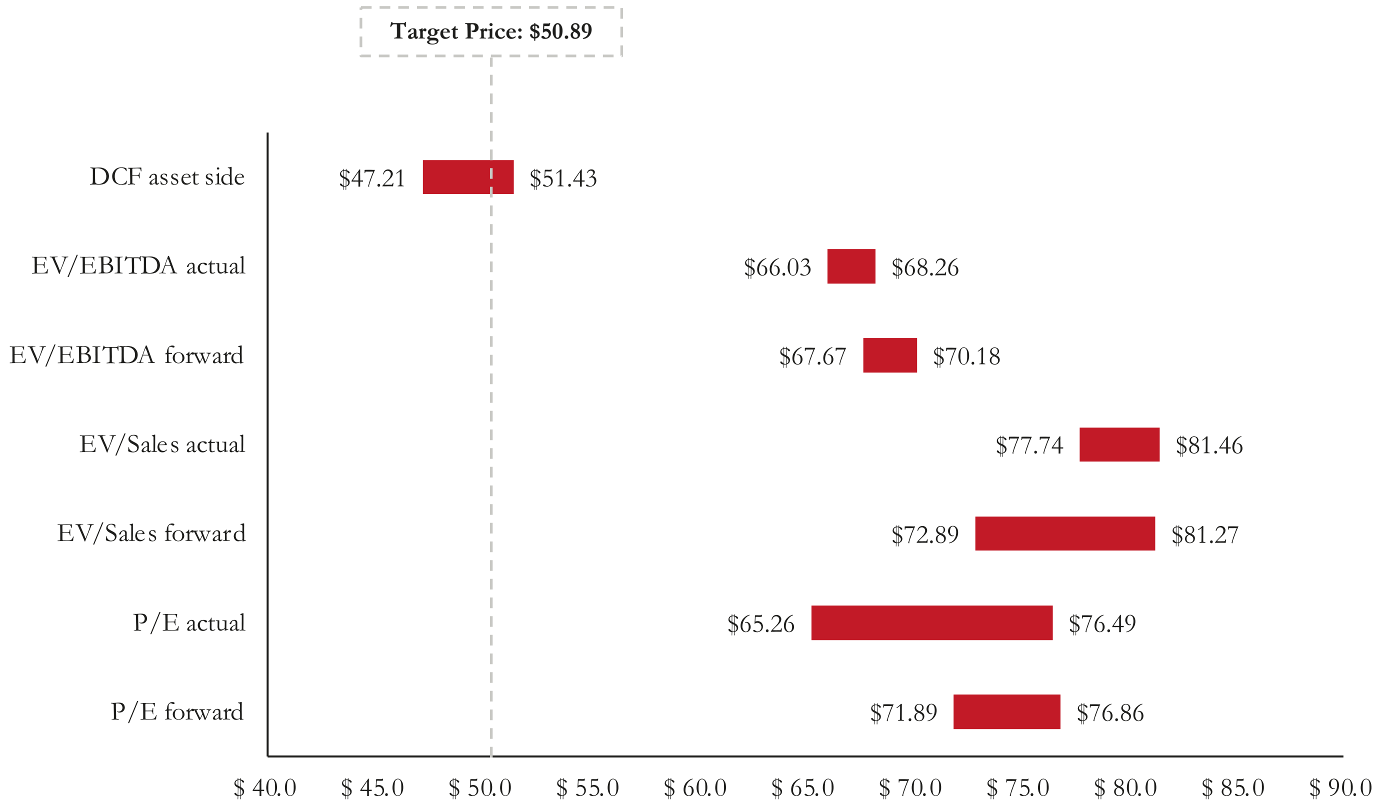
Market Multiples Valuation

MULTIPLES						
(USDm)	EV / Sales Actual	EV / Sales Forward	EV / EBITDA Actual	EV / EBITDA Forward	P/E Actual	P/E Forward
EOG RESOURCES	3,2x	3,2x	6,7x	5,9x	14,2x	13,8x
DIAMONDBACK ENERGY	3,6x	4,0x	8,4x	5,9x	30,6x	18,2x
OCCIDENTAL PETROLEUM CORP.	2,7x	2,7x	4,8x	5,1x	23,0x	42,1x
PERMIAN RESOURCES CORP.	5,8x	6,4x	8,4x	9,0x	29,5x	31,5x
OVINTIV	4,1x	4,1x	10,3x	8,5x	12,7x	13,2x
APA CORP.	1,9x	2,4x	3,3x	4,0x	10,3x	18,9x
CHORD ENERGY CORP.	4,4x	5,0x	13,0x	10,3x	259,7x	34,8x
MATADOR RESOURCES	2,6x	2,7x	3,9x	4,3x	9,1x	12,4x
MURPHY OIL CORP.	2,3x	2,5x	3,1x	4,7x	67,1x	91,2x
MAGNOLIA O&G CORP.	4,3x	4,3x	6,2x	6,2x	15,2x	15,8x
CALIFORNIA RESOURCES CORP.	1,9x	2,0x	6,1x	6,4x	15,0x	37,8x
Average	**3,3x**	**3,5x**	**6,5x**	**6,2x**	**17,7x**	**17,7x**
Median	**3,2x**	**3,2x**	**6,2x**	**5,9x**	**15,2x**	**18,9x**

Applying these valuation multiples to Devon's **forecasted financial performance** results in a broad range of implied equity values. The implied share price ranges between **USD 64.65** and **USD 80.70**, showing the severe dispersion.

Despite this variability, the **median-based** average implied value of **USD 70.19** remains **above** the current market price, suggesting that Devon may be **undervalued**. To filter out the noise caused by the geopolitical tension, we apply greater weight to the DCF and the regression valuations.

Devon Valuation – Football Field



ECONOMETRIC ANALYSIS

Devon's performance is highly **sensitive** to **commodity prices**, with roughly **80–90%** of net income driven by **oil sales**. We therefore focus on the outlook for oil prices and their impact on Devon's **equity value**. To assess this relationship, we conducted several **econometric analyses**, presenting our key findings below.

Oil Prices and EBITDA

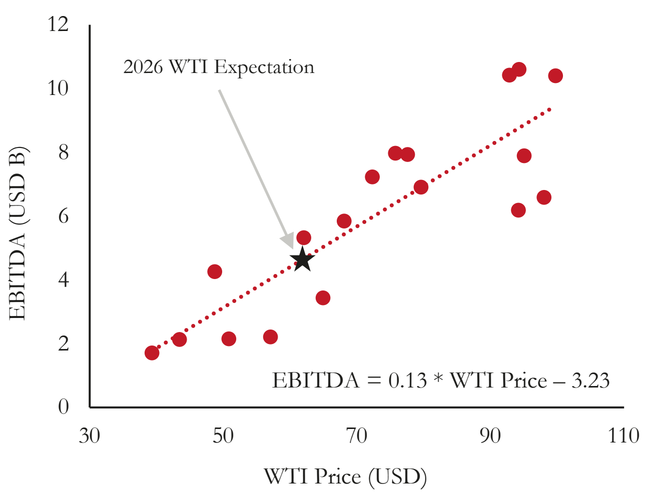
We examined the relationship between **WTI** prices and Devon's **operating performance**. Given that a significant portion of production **costs** are **relatively fixed** in the short term, EBITDA should be largely driven by the **spread** between **realised oil prices** and lifting costs. Using historical yearly average WTI prices and reported EBITDA, we observe a strong positive relationship, with an R^2 of **0.89**. As expected, **contemporaneous oil prices** explain a substantial portion of the variation in Devon's operating performance.

We then extended the analysis to test whether **current oil** prices can **predict** next year's EBITDA. In this specification, explanatory power declines materially, with R^2 falling to **0.25**. In addition, the regression coefficient roughly halves, suggesting that the **pass-through** from current oil prices to future EBITDA is significantly **weaker**. This reduction likely reflects **hedging** activity, **production adjustments**, and broader operational dynamics that **dampen** the direct transmission of spot price movements into forward earnings.

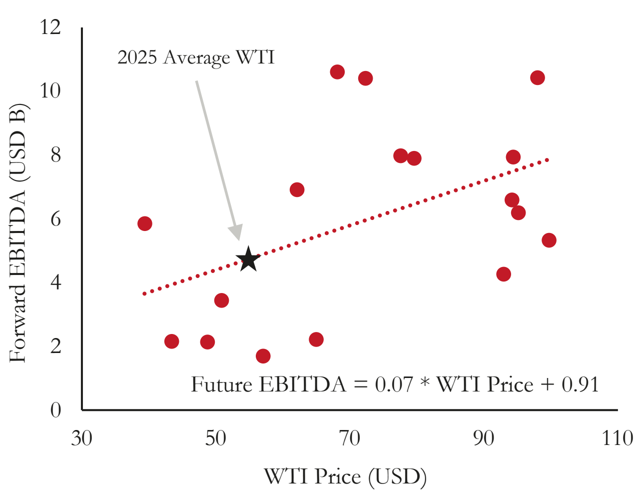
According to our **forward EBITDA** model and the 2025 average WTI price of **USD 64/bbl**, Devon's estimated 2026 EBITDA is projected at **USD 5.37B**. Applying the current peer **EV/EBITDA multiple** of **6.2x** implies a corresponding share price of **USD 41.4**, indicating potential **downside** from current levels. However, given the model's relatively **low explanatory power**, this valuation should be interpreted with **caution**, as it provides a limited basis for reliably forecasting Devon's equity value.

Instead, we place greater confidence in the **contemporaneous model**, which demonstrates stronger predictive power. By combining this more **robust relationship** with our **expectation** of future WTI price realisation, we derive a more defensible EBITDA estimate. Using a WTI assumption of **USD 64/bbl** and the same peer **EV/EBITDA multiple**, this approach yields an implied Devon share price of **USD 38.80**.

Average Yearly WTI prices vs EBITDA



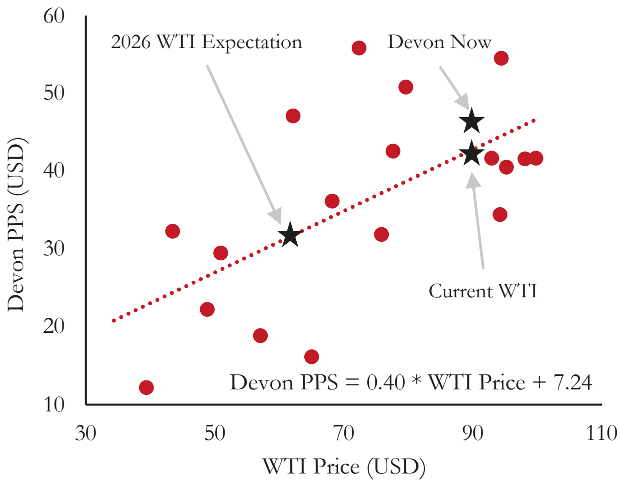
Average Yearly WTI prices vs Future EBITDA



Direct Valuation Approaches

Beyond the operational analysis, we also adopted a more **direct approach** by **regressing Devon**'s **share price** directly on **WTI prices**. The model exhibits a **visible** but **moderate** explanatory power, with a contemporaneous **R^2** of **0.38**. This is unsurprising, as Devon's share price reflects not only current operating performance but also forward-looking expectations regarding oil prices, capital structure, and broader **market** conditions.

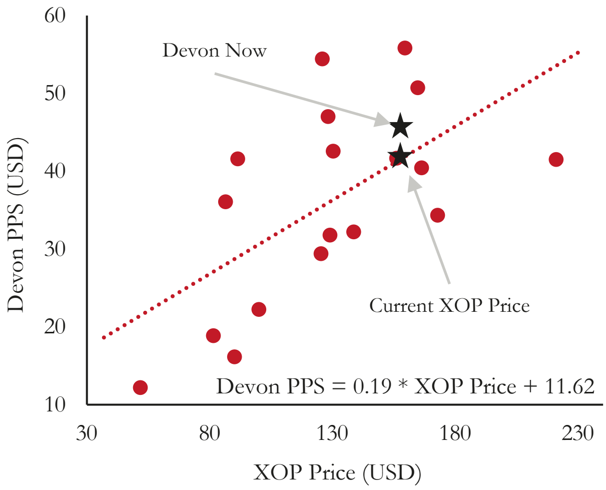
Average Yearly WTI prices vs Devon Price Per Share



Based on this regression, the **implied share price** given current WTI is **USD 43.60**, while the model suggests an expected year-end price of **USD 32.80**. As illustrated in the graph, Devon is currently trading at a **premium** of **32.9%** relative to this implied valuation. This gap may reflect factors such as **sustained** strong oil prices in recent years, improved corporate resilience due to **scale**, disciplined **capital allocation**, and generally **positive investor sentiment**.

To estimate Devon's valuation relative to other companies operating in the oil and gas sector, we regressed **Devon**'s **share price** against the **XOP** index, which represents a broad basket of major **US exploration** and **production** companies. This approach allows us to assess whether Devon is trading at a **premium** relative to its **sector peers**.

XOP Price vs Devon Price Per Share



The XOP-implied share price for Devon is **USD 42.80**, representing a **30.5%** premium over the WTI-implied valuation. This framework allows us to **break down investor optimism** into two components: a **market-driven** effect and an **idiosyncratic** effect (**2.4%**). The results suggest that the market expects Devon to **outperform** its **peers**. This premium likely reflects the company's US-focused asset base, which reduces **geopolitical** and **regulatory risk** while supporting lower transportation and operating costs.

Between the two direct valuations it is reasonable to place **greater confidence** in the **XOP-implied** one, as it incorporates broader market dynamics and sector-wide factors beyond oil prices alone. In the **short term**, Devon's **premium** appears **justified**: increased scale, disciplined capital allocation, and a relatively **resilient** business model position Devon to better **withstand** sustained periods of lower oil prices compared to before.

Over a longer horizon of more than five years, however, Devon's **concentrated focus** on US-based basins could **limit** its **exposure** to potential upside from international opportunities, like the resource-rich **Venezuelan market**, leading to a potential **extinguishing** of its **premium**.

APPENDIX: COMPANY HISTORICAL FINANCIALS

(USD M)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Income Statement										
Total Sales	4,673	13,750	19,827	15,140	15,919	16,786	18,643	19,941	22,247	24,808
Other Revenue	155	(1,544)	(658)	118	21	402	-	-	-	-
Total Revenue	**4,828**	**12,206**	**19,169**	**15,258**	**15,940**	**17,188**	**18,643**	**19,941**	**22,247**	**24,808**
Cost of Sales	(3,136)	(6,369)	(8,577)	(7,337)	(7,975)	(9,143)	(10,084)	(11,255)	(12,632)	(14,175)
Gross Profit	**1,692**	**5,837**	**10,592**	**7,921**	**7,965**	**8,045**	**8,559**	**8,686**	**9,615**	**10,633**
SG&A Expenses	(338)	(391)	(395)	(408)	(500)	(491)	(584)	(645)	(718)	(788)
Other Operating Expenses	(167)	(14)	(29)	(58)	(135)	(23)	(25)	(28)	(30)	(33)
Other Operating Income	35	211	139	30	-					
EBITDA	**1,222**	**5,643**	**10,307**	**7,485**	**7,330**	**7,532**	**7,950**	**8,014**	**8,867**	**9,811**
Margin	*25%*	*46%*	*54%*	*49%*	*46%*	*44%*	*43%*	*40%*	*40%*	*40%*
Depreciation, Depletion & Amortizatio	(1,300)	(2,158)	(2,223)	(2,554)	(3,255)	(3,556)	(4,055)	(4,636)	(5,323)	(6,009)
Impairment Losses	(2,693)	-	-	-	-	-	-	-	-	-
EBIT	**(2,771)**	**3,485**	**8,084**	**4,931**	**4,075**	**3,976**	**3,895**	**3,378**	**3,544**	**3,802**
Margin	*57%*	*29%*	*42%*	*32%*	*26%*	*23%*	*21%*	*17%*	*16%*	*15%*
Exceptional Items	(177)	(258)	-	-	-	-	-	-	-	-
Interest Income	(11)	59	61	61	38	42	42	42	42	42
Interest Expense	(259)	(388)	(370)	(369)	(401)	(497)	(508)	(543)	(606)	(675)
EBT	**(3,218)**	**2,898**	**7,775**	**4,623**	**3,712**	**3,521**	**3,429**	**2,877**	**2,980**	**3,169**
Income Taxes	547	(65)	(1,738)	(841)	(770)	(675)	(586)	(508)	(533)	(572)
Net Profit	**(2,671)**	**2,833**	**6,037**	**3,782**	**2,942**	**2,846**	**2,844**	**2,369**	**2,447**	**2,597**
Effective Tax Rate	*20%*	*2%*	*29%*	*22%*	*26%*	*24%*	*21%*	*21%*	*22%*	*22%*
Minorities	(9)	(20)	(22)	(35)	(51)	(39)	(30)	(23)	(17)	(13)
Net Profit attributable to owners	**(2,680)**	**2,813**	**6,015**	**3,747**	**2,891**	**2,807**	**2,814**	**2,346**	**2,430**	**2,584**
Margin	*56%*	*23%*	*31%*	*25%*	*18%*	*16%*	*15%*	*12%*	*11%*	*10%*
Dividend distribution	160	1,315	3,379	1,858	937	619	712	756	819	888
Retained portion	(2,840)	1,498	2,636	1,889	1,954	2,188	2,102	1,590	1,611	1,696

APPENDIX: COMPANY HISTORICAL FINANCIALS

(USD M)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Balance Sheet										
Accounts Receivable	775	1,626	1,767	1,573	1,972	1,792	1,708	1,783	1,982	2,203
Inventories	-	-	201	249	294	336	663	692	770	855
Other Current Assets	248	352	469	460	315	444	463	496	553	617
Accounts Payable	(242)	(500)	(859)	(760)	(806)	(790)	(1,329)	(1,388)	(1,543)	(1,715)
Due to Parties/Affiliates	(662)	(1,456)	(1,506)	(1,222)	(1,432)	(1,491)	(1,646)	(1,760)	(1,964)	(2,190)
Other Current Liabilities	(520)	(1,115)	(474)	(470)	(572)	(792)	(565)	(604)	(674)	(752)
Non-Cash Net Working Capital	**(401)**	**(1,093)**	**(402)**	**(170)**	**(229)**	**(501)**	**(706)**	**(781)**	**(876)**	**(982)**
Property, Plant, and Equipment	5,393	15,008	18,106	19,328	25,011	25,419	27,420	29,420	31,421	33,421
ROU	223	235	224	267	303	299	250	250	250	250
Goodwill	753	753	753	753	753	753	753	753	753	753
Fixed assets	**6,369**	**15,996**	**19,083**	**20,348**	**26,067**	**26,471**	**28,423**	**30,424**	**32,424**	**34,425**
Core Capital Employed	**5,968**	**14,903**	**18,681**	**20,178**	**25,838**	**25,970**	**27,717**	**29,642**	**31,548**	**33,443**
Long term Investments	12	402	440	666	727	727	852	911	1,017	1,134
Pension/Postretirement Liabilities	(259)	(226)	(178)	(186)	(180)	(176)	(218)	(235)	(254)	(274)
Other Non-current Assets	271	378	307	319	268	395	518	554	618	689
Other Non-current Liabilities	(666)	(1,595)	(2,711)	(3,185)	(3,592)	(1,609)	(1,774)	(1,897)	(2,117)	(2,360)
Surplus Assets & Non-Operating Lial	**(642)**	**(1,041)**	**(2,142)**	**(2,386)**	**(2,777)**	**(663)**	**(622)**	**(667)**	**(736)**	**(812)**
Net Capital Employed	**5,326**	**13,862**	**16,539**	**17,792**	**23,061**	**25,307**	**27,096**	**28,975**	**30,812**	**32,631**
Short-term Debt	—	0	251	483	485	667	393	410	456	506
Long term leases	246	252	257	295	320	320	320	320	320	320
Long-term Debt	4,298	6,482	6,189	5,672	8,398	5,073	5,528	5,772	6,416	7,130
Gross Financial Debt	**4,544**	**6,734**	**6,697**	**6,450**	**9,203**	**6,061**	**6,241**	**6,502**	**7,192**	**7,956**
Cash and Cash Equivalents	2,237	2,271	1,454	875	846	(1,425)	365	1,833	3,912	6,305
Net Financial Position	**2,307**	**4,463**	**5,243**	**5,575**	**8,357**	**7,485**	**5,876**	**4,669**	**3,280**	**1,651**
Retained earnings	208	1,692	4,297	6,195	8,166	11,631	15,186	18,311	21,577	25,062
Accumulated other comprehensive inc	(127)	(132)	(116)	(124)	(122)	(122)	(144)	(154)	(172)	(191)
Additional paid income	2,766	7,636	6,921	5,939	6,387	6,092	5,995	5,995	5,995	5,995
Treausury stock	—	—	—	(13)	0	0	0	0	0	0
Common stock	38	66	65	64	65	62	61	61	61	61
Group equity	**2,885**	**9,262**	**11,167**	**12,061**	**14,496**	**17,663**	**21,098**	**24,213**	**27,461**	**30,926**
Minorities	134	137	129	156	208	159	122	93	71	54
Total Equity	**3,019**	**9,399**	**11,296**	**12,217**	**14,704**	**17,822**	**21,220**	**24,306**	**27,532**	**30,980**
Total Funds Invested	**5,326**	**13,862**	**16,539**	**17,792**	**23,061**	**25,307**	**27,096**	**28,975**	**30,812**	**32,631**

APPENDIX: COMPANY HISTORICAL FINANCIALS

(USD M)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Cash Flow Statement										
EBIT		**3,485**	**8,084**	**4,931**	**4,075**	**3,976**	**3,895**	**3,378**	**3,544**	**3,802**
Operational Taxes		(80)	(2,327)	(1,097)	(1,067)	(944)	(802)	(724)	(772)	(837)
NOPAT		**3,405**	**5,757**	**3,834**	**3,008**	**3,032**	**3,093**	**2,653**	**2,772**	**2,965**
Depreciation		2,158	2,223	2,554	3,255	3,556	4,055	4,636	5,323	6,009
Impairment		0	0	0	0	0	0	0	0	0
Gross Cash Flow		**5,563**	**7,980**	**6,388**	**6,263**	**6,588**	**7,148**	**7,290**	**8,095**	**8,974**
Tangible CAPEX		(11,785)	(5,310)	(3,819)	(8,974)	(3,960)	(6,007)	(6,637)	(7,323)	(8,010)
Financial Assets										
Change in Working Capital		692	(691)	(232)	59	272	205	76	95	106
FCFO		**(5,530)**	**1,979**	**2,337**	**(2,652)**	**2,900**	**1,345**	**729**	**866**	**1,070**
Tax shields		15	589	256	297	268	217	216	239	265
Exceptional Items		(258)	0	0	0	0	0	0	0	0
Other Financial Gains		59	61	61	38	42	42	42	42	42
Other Financial Losses		(388)	(370)	(369)	(401)	(497)	(508)	(543)	(606)	(675)
Change in gross debt		2,190	(37)	(247)	2,753	(3,142)	180	261	690	764
Change in surplus assets		399	1,101	244	391	(2,114)	(41)	46	69	76
FCFE		**(3,513)**	**3,323**	**2,282**	**426**	**(2,543)**	**1,235**	**751**	**1,300**	**1,542**
Dividends		(1,315)	(3,379)	(1,858)	(937)	(619)	(712)	(756)	(819)	(888)
Change in Minorities		3	(8)	27	52	(49)	(37)	(29)	(22)	(17)
Other Change in Equity		4,859	(753)	(1,030)	430	940	1,304	1,502	1,619	1,756
Net Change in Cash		**34**	**(817)**	**(579)**	**(29)**	**(2,271)**	**1,789**	**1,468**	**2,079**	**2,393**
Change in cash reported in the BS		34	(817)	(579)	(29)	(2,271)	1,789	1,468	2,079	2,393

Disclaimer