The Henry Fund
Henry B. Tippie College of Business
Lino Padrón Reyes [lino-padrn@uiowa.edu]

RESEARCH HenryFund.Org

ConocoPhillips ($COP) | November 3, 2025
Energy – Oil & Gas Exploration | Stock Rating: BUY

Investment Thesis

Price Target: $115

We initiate coverage on ConocoPhillips (COP) with a **Buy** rating and a **6-12 month price target of $115**. Our bullish thesis is predicated on the company's peer-leading capital return framework, a globally diversified low-cost asset base, and a clear pathway to significant free cash flow growth from its major project pipeline. With the stock currently trading at approximately $88, our target implies **upside potential of over 30%**, presenting a strong valuation opportunity for investors.

Drivers of Thesis

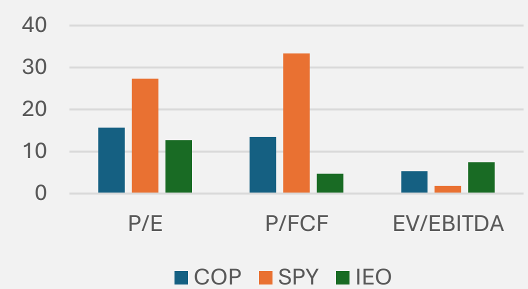
- A portfolio of major projects, including Willow and global LNG ventures, is projected to nearly double annual free cash flow by 2029.
- The Marathon Oil acquisition is expected to deliver $2 billion in total synergies and cost benefits by 2026, enhancing margins. Concurrently, a $5 billion divestiture program strengthens the balance sheet and refocuses the portfolio on highest-return assets.
- The company is committed to returning over 30% of cash flow to shareholders, with a $10 billion plan for 2025.

Risks to Thesis

- The accelerating global energy transition to renewables poses a structural risk to long-term oil and gas prices, with demand projected to peak by the early 2030s.
- The company's growth narrative depends on the on-budget execution of major projects like Willow, which faces supply chain and inflationary pressures.
- Evolving carbon pricing and emissions regulations in key operating regions directly increase operational costs and capital requirements.

Henry Fund DCF	$215
Henry Fund DDM	$102
Relative Multiple	$87
HF % Upside	30%
Price Data	
Current Price	$88
Date of Price	11/3/2025
52wk Range	$80 – $115
Consensus Price Target	$115
Consensus % Upside	30%
Key Statistics	
Market Cap (B)	$110.98
Diluted Shares Out. (M)	8.93
Institutional Ownership	83%
Beta	0.78
Dividend Yield	3.51%
LT Growth Rate	-2%

[Ticker] vs. SPY & Industry ETF



Earnings / EBITDA Estimates

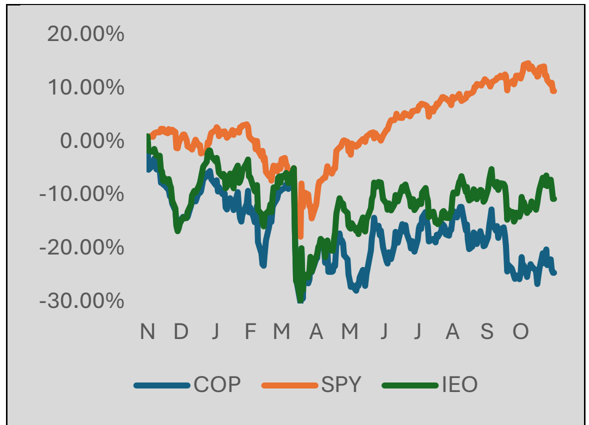
Year	2022	2023	2024	2025e	2026e	2027e
HF EPS	14.66	9.11	7.84	7.41	6.97	9.71
% Growth		-37.8%	-13.9%	-5.5%	-5.9%	39.3%
Street EPS	14.66	9.11	7.84	6.55	6.34	7.13
% Growth		-37.8%	-13.9%	-16.5%	-3.2%	12.5%
HF EBITDA	36047	25616	24832	29062	29433	32783
% Growth		-28.9	-3.1%	16.9%	1.4%	11.4%
Street EBITDA	36047	25616	24832	25468	24581	27589
% Growth		-28.9	-3.1%	2.6%	-3.5%	12.2%

Balance Sheet / Cash Flow Snapshot

Net Debt	9185	13302	19137	16454	16740	14705

Price Performance

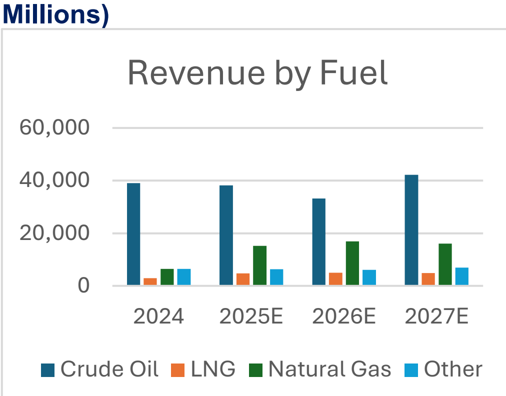
Debt/Equity	0.34	0.36	0.36	0.39	0.40	0.41
FCF	22153	8867	-10041	25313	25568	27122
CFO	21355	15340	17108	16062	10959	13979



Profitability						
HF EBITDA	36047	25616	24832	29062	29433	32783
Gross Margin	52.4%	49.0%	63.3%	57.3%	56.7%	56.8%
Net Margin	22.7%	18.7%	16.2%	13.7%	13.0%	15.2%
ROA	19.9%	11.4%	7.5%	7.1%	6.2%	7.8%
ROE	38.9%	22.2%	14.3%	14.0%	12.6%	16.3%
ROIC	34.27%	21.44%	19.92%	29.59%	29.71%	31.9%

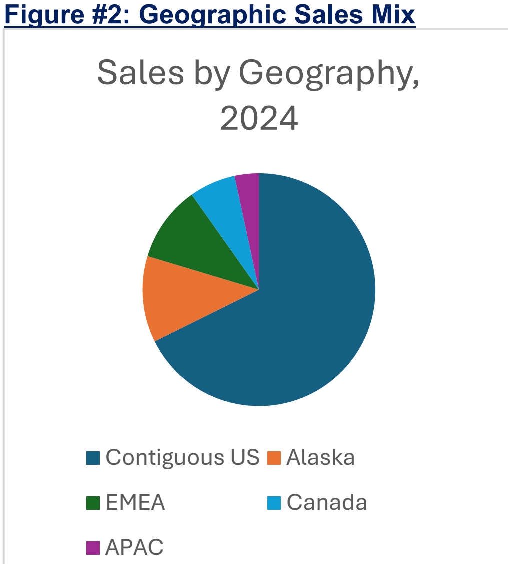
[Ticker] vs. Peer Group – Sales Growth			
	2025e	**2026e**	**2027e**
CVX	-%	-%	-%
EOG	-34.53%	-27.68%	-10.14%
XOM	3.83%	12.01%	15.35%
OXY	-71.67%	-192.76%	-181.41%
WMB	13.16%	-17.09%	-42.28%

Figure #1: Revenue by Fuel Type (in Millions)



Source: 10-K and Henry Fund Forecast, generated in Excel

Figure #2: Geographic Sales Mix



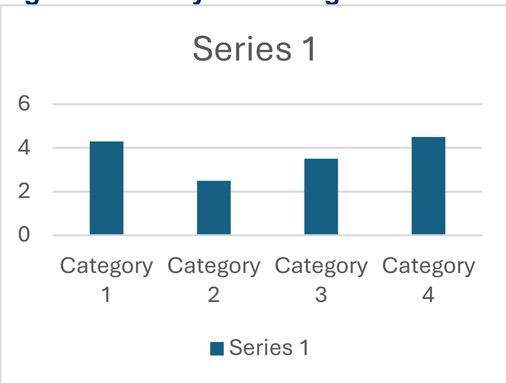
Source: 10-K, generated in Excel

Company Description

ConocoPhillips is one of the world's largest independent exploration and production (E&P) companies, with a diversified portfolio of high-quality assets across 13 countries. Headquartered in Houston, Texas, the company's operations are exclusively focused on finding and producing oil and natural gas, following the spin-off of its downstream refining business into Phillips 66 over a decade ago. Its core product lines are crude oil, natural gas, and natural gas liquids (NGLs), which it extracts from a balanced portfolio including conventional production, unconventional shale resources, oil sands, and major LNG projects. The company's primary revenue streams are generated from the sale of these hydrocarbons, supplemented by a sophisticated marketing and trading division that optimizes sales and captures arbitrage opportunities. A key recent initiative is the strategic pivot to LNG through offtake agreements from the Port Arthur LNG project and investments in Qatar's North Field expansion, positioning the firm to capitalize on growing global demand for natural gas.

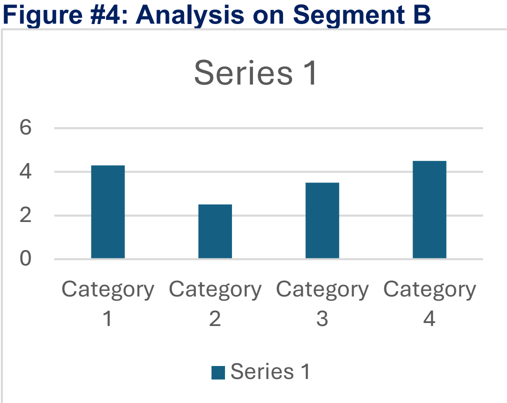
The company's financial performance is heavily weighted towards liquid hydrocarbons. In 2024, crude oil and condensate constituted the dominant share of revenue at 71% ($39.0 billion), underscoring its leverage to global oil prices. Natural gas contributed 12% ($6.4 billion), while NGLs and the "Other Products" segment—which includes marketing and bitumen—contributed 5% ($2.9 billion) and 12% ($6.4 billion), respectively. From a profitability perspective, the crude oil segment is the primary driver of the company's substantial operating cash flow, which funds its peer-leading capital return program. The company has demonstrated a commitment to shareholder returns, consistently allocating over 30% of its operating cash flow to dividends and share repurchases, supported by a strong balance sheet with a net debt-to-EBITDA ratio well below the industry average.

Figure #3: Analysis on Segment A



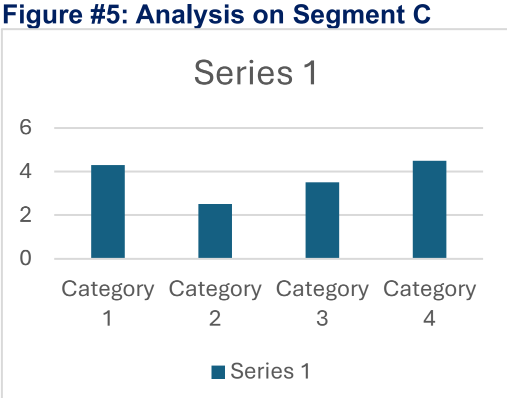
Source:

Figure #4: Analysis on Segment B



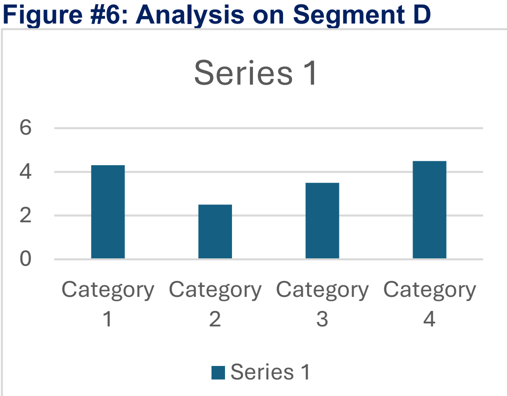
Source:

Figure #5: Analysis on Segment C



Source:

Figure #6: Analysis on Segment D



Source:

Crude Oil & Derived Products

Crude oil is the undisputed financial core of ConocoPhillips, representing the lion's share of its revenue and the primary driver of its peer-leading cash flow. In 2024, this segment generated $39.0 billion, accounting for 71% of total revenue. The company's production is geographically diverse, spanning the high-intensity, short-cycle hydraulic fracturing operations in the Permian and Eagle Ford shales of the Lower 48 states, to the complex, capital-intensive conventional fields on Alaska's North Slope, and the thermal in-situ bitumen projects in Canada. This segment's high energy density and global liquidity make it the most significant contributor to the company's operating margin and its ability to fund a multi-billion dollar annual shareholder return program.

Recent performance underscores this critical role. Production climbed to 1,104 thousand barrels per day (MBOD) in 2024, a 9% year-over-year increase, demonstrating strong operational execution. The recent closure of the $22.5 billion all-stock acquisition of Marathon Oil is a transformative event, adding significant scale in the Eagle Ford and Bakken basins. This acquisition is projected to boost ConocoPhillips' 2025 crude production to approximately 1,246 MBOD, cementing its position as a dominant onshore operator. This growth occurred despite the average realized price softening to $76.74 per barrel in 2024 from the post-pandemic highs of 2022.

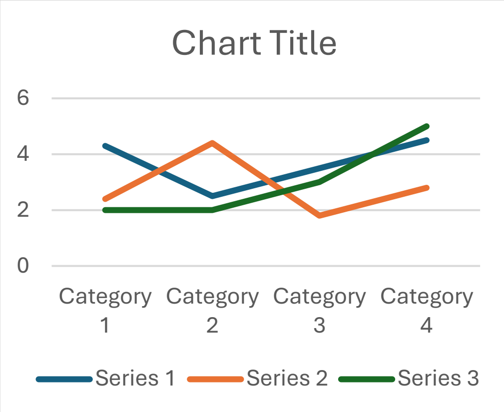
Looking forward, the trajectory is a tale of volume growth versus price pressure. Production is forecast to grow steadily, reaching a peak of 1,711 MBOD by 2034, heavily supported by the phased ramp-up of the massive Willow project in Alaska. However, this volume growth is projected to be overwhelmingly offset by a significant assumption of long-term crude price erosion. Our model anticipates prices declining from an estimated peak of $71.67/bbl in 2027 to just $42.43/bbl by 2034. As a result, total crude oil revenue is projected to peak at $42.2 billion in 2027 before entering a sustained decline, falling to $33.7 billion by 2034. This dynamic highlights the strategic imperative to monetize current high-margin barrels and return cash to shareholders aggressively.

Natural Gas

Natural gas serves as a critical, albeit more volatile, secondary revenue pillar and a key tool for portfolio diversification. In 2024, the segment contributed $6.4 billion, or 12% of total revenue. A substantial portion of this production is "associated gas," co-produced with crude oil from the company's vast Permian Basin and other liquid-rich operations. ConocoPhillips enhances the value of this segment not just through production but through its sophisticated marketing and trading division, one of the largest in North America, which optimizes transportation and sales to capture favorable regional price differentials.

The segment's inherent volatility was starkly evident in its recent performance. After revenue skyrocketed to $26.9 billion during the 2022 supply crunch, it collapsed in 2024 as a combination of robust production, ample storage, and warm weather drove the average realized price down to $4.69 per thousand cubic feet (Mcf). In a

Figure #7: Cost Structure Analysis



Source:

Figure #8: Additional Company Analysis

Include any image/graph that that fits with your analysis to the right.

Figure #9: Debt Maturity Analysis

Fiscal Year	Coupon (%)	Payment ($m)
2025		
2026		
2027		
2028		
2029		
Thereafter		
Total		

Source:

Figure #10: ESG Analysis

Figure #11: Relevant Info/Graphics from Earnings Release

strategic response to this domestic price vulnerability, the company has decisively pivoted to the global market, securing key positions in LNG. This includes a 20-year offtake agreement from Port Arthur LNG Phase 1 (startup expected 2027) and a joint venture stake in Qatar's North Field East and South expansion projects (startup expected 2027/2028).

The forward-looking strategy is designed to fundamentally de-risk the natural gas segment by linking it to international pricing benchmarks. Production is forecast to grow steadily from 4,049 million cubic feet per day (MMcf/d) in 2025E to 4,569 MMcf/d by 2034E. Crucially, our model incorporates a more moderate price decline for gas compared to crude, with prices assumed to fall from $6.60/Mcf in 2028 to $4.85/Mcf by 2034. The premium pricing expected from LNG exports, commencing in the 2027-2028 timeframe, is pivotal. This strategic shift is why we project the natural gas segment's contribution to rise to nearly 25% of total revenue by 2034, transforming it from a volatile side-business into a core pillar of long-term, stable cash flow.

Liquid Natural Gas

Natural Gas Liquids represent a high-value, petrochemical-linked product line for ConocoPhillips. NGLs—including ethane, propane, and butane—are separated from the raw natural gas stream at processing plants and are primarily sold as feedstocks to the global petrochemical industry. For ConocoPhillips, this segment acts as a lucrative byproduct of its extensive natural gas operations, particularly in the "wet" gas regions of the Permian Basin and Eagle Ford.

The segment is poised for a major step-change, with revenue projected to surge 62% in 2025 to $4.7 billion, up from $2.9 billion in 2024 (5% of revenue). This explosive growth is driven by a combination of higher price realizations ($31.33/bbl in 2025E vs. $23.19/bbl in 2024) and a significant volume increase to 410 MBOD, largely attributable to the integration of Marathon Oil's assets. The company's focus on operational excellence in its gas processing infrastructure ensures high recovery rates, maximizing the value extracted from each gas stream.

The long-term outlook for NGLs is one of reliable, steady contribution. After the 2025 surge, revenue is forecast to maintain a consistent ~7% share of the total revenue mix throughout the decade. The segment's profitability is closely tied to global petrochemical demand, which is expected to remain robust, providing a solid, if unspectacular, foundation for cash flow. Future value creation will likely stem from operational improvements, such as debottlenecking gas plants to improve NGL recovery rates, rather than large-scale acquisitions.

Figure #12: Recent Development #2

Other Products

The "Other Products" segment is a diversified category that provides a stable, non-operational revenue stream. It primarily includes income from the company's extensive commodity marketing and trading activities, as well as its ownership in various midstream infrastructure assets. This segment allows ConocoPhillips to leverage its market intelligence and logistical scale to generate profits from arbitrage and market structure, creating a revenue stream that is somewhat insulated from direct production volumes.

Figure #13: Industry Trend #1

This segment has demonstrated consistent performance, generating $6.4 billion, or 12% of revenue, in 2024. It is projected to maintain this approximate 10% share of the revenue mix going forward. The marketing and trading operations, in particular, add a layer of sophistication to the company's earnings profile, providing a valuable buffer against commodity price volatility and enhancing overall margins without significant capital investment.

Figure #14: Industry Trend #2

Cost Structure Analysis

ConocoPhillips has honed a relatively lean cost structure for its scale, but our forecasts reveal a challenging profitability trajectory defined by near-term strength giving way to long-term compression. The company's major costs are Purchased Commodities—which move directly with its marketing revenue—and core operational expenses like Production & Operating and Depreciation (DD&A). We project Production costs to see a significant drop in 2025 to $4.37 billion due to the dilution of fixed costs over the larger Marathon Oil production base, but they will then trend upwards to $5.23 billion by 2034 as assets mature. More telling is the DD&A, which is set to jump from $9.6 billion in 2024 to over $11.4 billion annually from 2025-2027, reflecting the high capital intensity of recent acquisitions and new projects like Willow, whose costs will be amortized against future production.

Figure #16: Peer #1 Revenue Chart

This cost story directly drives our profitability outlook. In the near-term, we project robust performance, with EBITDA margins expanding from 25.3% in 2024 to a peak of 31.5% in 2027, as high-margin production from new projects outpaces associated cost increases. However, the core of our long-term thesis is a significant margin squeeze that begins post-2027. As the structural decline in

Figure #17: Peer #2 Revenue Chart

hydrocarbon prices we've forecasted accelerates, revenue will fall faster than the company can cut its semi-fixed costs.

Consequently, we project a steady and material erosion of profitability: the Operating Income Margin is forecast to decline from a peak of 20.7% in 2027 to just 13.4% by 2034, with Net Income Margin following a similar path. This compression is the fundamental long-term risk, signifying that even with best-in-class operations, the company is not immune to the macroeconomic pressures of a declining industry. Therefore, the investment case hinges entirely on the company's ability to harvest these peak cash flows in the 2025-2029 window to fund massive shareholder returns, as organic growth becomes increasingly uneconomical.

Figure #18: Peer #3 Revenue Chart

Additional Company Analysis

ConocoPhillips operates as a pure-play exploration and production company, generating revenue through a globally diversified portfolio of oil and natural gas assets. The company's financial performance is fundamentally driven by the volatile interplay between commodity prices and production volumes, with crude oil constituting approximately 71% of revenue, natural gas 12%, NGLs 5%, and marketing operations 12%. Our analysis projects steady production growth from 2.3 million barrels of oil equivalent per day in 2024 to over 2.5 MBoe/d by 2034, fueled by the integration of Marathon Oil assets and the development of the Willow project in Alaska. However, this volume growth is strategically essential to counterbalance our forecast of significant long-term price erosion, where Brent crude is expected to decline from $75/bbl in 2027 to approximately $44/bbl by 2034.

Figure #19: Peer #4 Revenue Chart

Within the global energy market, ConocoPhillips has strategically positioned itself as a low-cost, returns-focused independent, deliberately separated from refining and retail operations to emphasize capital discipline and portfolio quality. The firm's competitive differentiation stems from this disciplined framework, underpinned by a peer-leading cost structure with a corporate break-even price below $40 WTI per barrel. This low-cost advantage, combined with a globally diversified asset base that mitigates regional risks, allows ConocoPhillips to generate substantial free cash flow even in moderate price environments where competitors struggle. The company further distinguishes itself through its transparent capital return program, committing over 30% of operating cash flow to shareholders, providing a clear yield proposition that appeals to income-focused investors in a sector often criticized for poor capital allocation.

Figure #20: Economic Variable #1

Figure #21: Economic Variable #2

The viability of this business model remains exceptionally strong through the medium-term, with robust cash flow projected through at least 2027, powered by its low-cost assets and major project pipeline. However, the long-term sustainability faces fundamental challenges from structural industry trends, particularly the global energy transition and our forecasted secular decline in hydrocarbon prices post-2030. While ConocoPhillips' low-cost position and balance sheet strength make it the most resilient player in the E&P space—likely a "last company standing" in a declining industry—its ultimate sustainability hinges on effectively monetizing its highest-quality assets within this decade. The strategic pivot toward LNG

Figure #22: Revenue Chart

through projects like Port Arthur provides some insulation against domestic gas price weakness, but the company's future depends on maximizing shareholder returns from current assets before structural industry headwinds intensify. This creates a compelling but time-bound investment case centered on harvesting peak cash flows during the current window of favorable energy market dynamics.

Figure #23: Cost Chart

Figure #24: CapEx Chart

Figure #25: Football Field (Take this from the presentation)

Figure #26: Henry Fund vs. The Street

Estimates			
		2025e	
	Rev	EPS	EBITDA
HF	67375	7.41	29026
Street	61322	6.55	25468
% Diff.	9.9	13.1	14.0

Estimates			
		2026e	
	Rev	EPS	EBITDA
HF	64036	6.97	29433
Street	59007	6.34	24581
% Diff.	8.5	9.9	19.7

Debt Maturity Analysis

ConocoPhillips maintains a conservative financial structure that is a key pillar of its S&P A- investment-grade credit rating, positioning it favorably within the independent E&P sector where many peers carry BBB or non-investment-grade ratings. This superior rating reflects the company's disciplined strategy, globally diversified asset base, and peer-leading cash flow generation. Our forecasts project long-term debt will increase from $23.3 billion in 2024 to a peak of approximately $37.5 billion by 2034 to fund strategic initiatives and shareholder returns. However, this must be viewed in the context of its robust financial profile, which is expected to comfortably support this leverage level for the foreseeable future.

The company's ability to service its debt is exceptionally strong, a direct contributor to its best-in-class credit rating. With annual operating cash flow projections averaging over $28 billion from 2025-2030, ConocoPhillips possesses a cash flow profile that is the envy of its sector. This provides management with significant strategic optionality for handling maturing debt. We expect the company will proactively refinance a substantial portion of upcoming maturities to maintain liquidity and its competitive cost of capital advantage. This ability to access debt markets efficiently and at favorable rates is a critical comparative advantage, especially as the industry faces a more uncertain long-term demand outlook.

Management's strategy is clearly aligned with preserving its premium credit rating, which supports the low cost of capital necessary to fund major projects like Willow and its LNG initiatives. The projected increase in absolute debt is more than offset by strong near-term EBITDA, keeping key leverage metrics well within the 'A' category range. However, our long-term forecasts indicate a shift beginning around 2031, as structural industry headwinds pressure cash flows while debt levels remain elevated. To defend its coveted A- rating against peers in a declining market, we anticipate management will need to initiate a gradual deleveraging phase in the 2032-2034 period, likely by moderating the scale of its share repurchase program to proactively manage its balance sheet strength.

ESG Analysis

ConocoPhillips presents a significant ESG profile characterized by pronounced environmental risks that are not yet fully counterbalanced by its strategic initiatives. The core of the concern lies in its environmental footprint, with a total GHG emissions intensity of 1,765.04 tCO_2e per USD million EVIC. Most critically, the company explicitly lacks a Paris-aligned carbon emission

Estimates			
		2027e	
	Rev	EPS	EBITDA
HF	72825	9.71	32783
Street	63619	7.13	27589
% Diff.	14.5	36.2	18.8

reduction initiative, creating a substantial strategic gap as global regulatory and investor pressures intensify. This is compounded by a business model overwhelmingly reliant on fossil fuels, with 99.97% of revenue derived from upstream oil and gas, and Scope 3 emissions constituting 93% of its total carbon footprint. This exposure positions COP at high risk from energy transition shifts, potential carbon pricing mechanisms, and evolving stakeholder expectations.

In contrast, the company's Social and Governance metrics demonstrate a more mature and structured approach. From a governance perspective, the board shows reasonable diversity (31% female) and strong independence (85%). However, the dual role of Chairman and CEO is a noted governance weakness, concentrating authority and potentially weakening board oversight. On the social front, COP has established foundational policies against bribery, corruption, and for human rights and workplace safety, with no reported violations of major international guidelines. This indicates a baseline operational integrity, though it does not necessarily represent a competitive advantage.

Recent Developments

Q2 2025 Earnings

ConocoPhillips reported a solid operational performance for the second quarter of 2025, delivering an earnings per share (EPS) beat despite a challenging commodity price environment. The company posted adjusted EPS of $1.42, surpassing the street consensus of $1.36. This outperformance was primarily driven by a significant 23% year-over-year increase in total production, which reached 2,391 MBOE/d and exceeded expectations. The successful integration of recent acquisitions provided substantial volume growth, effectively offsetting the negative impact of lower realized prices for crude oil and natural gas compared to the prior year. Revenue of $14.74 billion fell within the wide range of analyst estimates, confirming that volume was the key differentiator for the quarter.

Looking ahead, management has reaffirmed its full-year 2025 capital expenditure guidance of approximately $11.5 billion and maintained the midpoint of its production guidance. For our modeling, we view the reaffirmed production target as achievable but maintain a more conservative outlook on the company's ability to fully mitigate the margin compression from lower commodity prices through volume alone. Furthermore, while management has increased its asset disposition target to $5 billion by end-2026 to fund shareholder returns, our model incorporates a slightly more protracted timeline for these sales, reflecting potential market execution risks. The commitment to returning over 45% of operating cash flow to shareholders remains a cornerstone of our valuation thesis, supporting a stable dividend and ongoing buybacks.

Acquisition of Marathon Oil

The defining strategic development for ConocoPhillips this year has been the transformative acquisition of Marathon Oil, an initiative that is already demonstrating significant operational and financial outperformance beyond initial expectations. While the deal was always predicated on creating a stronger, more efficient combined entity, the integration is proving even more potent than forecast, with identified annual run-rate synergies now on track to surpass $1 billion by year-end, doubling the original $500 million target. This acceleration is not merely a financial benefit but a testament to the quality of the asset overlap and the company's execution prowess, fundamentally enhancing the company's low-cost operator status.

This enhanced synergy capture is directly translating into superior operational efficiency, allowing ConocoPhillips to do more with less. The company has dramatically optimized its development approach in the combined asset base, successfully reducing its active rig and frac crew count by nearly 30% while simultaneously driving a significant 23% year-over-year increase in total production. This disciplined capital stewardship has concurrently bolstered the company's long-term inventory, increasing its low-cost supply by nearly 25% and ensuring a more durable and profitable growth profile for years to come, effectively high-grading the entire portfolio.

These efforts are not occurring in isolation but are a core component of a broader corporate strategy focused on portfolio optimization and strengthened shareholder returns. The success of the integration provides a solid foundation for the company's increased $5 billion asset disposition target through 2026, which will further refine its production mix and bolster its balance sheet. This entire framework—from synergy realization and cost reduction to strategic divestments—collectively fuels ConocoPhillips' robust capital return program, firmly positioning it to distribute over 45% of its operating cash flow to shareholders and reinforcing its investment proposition in a volatile commodity price environment.

Industry Trends

Portfolio Optimization and Strategic Consolidation

The oil and gas E&P sector is undergoing a significant phase of strategic consolidation, driven by a focus on portfolio optimization and economies of scale. Companies are prioritizing the acquisition of high-quality, low-breakeven inventory to secure long-term development prospects. This has led to a rise in asset-level mergers and acquisitions, as firms divest non-core assets and acquire strategic positions in key basins. The primary goal is to improve the overall quality of their portfolios and achieve greater operational efficiency.

This consolidation trend is occurring alongside a sustained commitment to capital discipline. Despite a more supportive regulatory landscape, many producers are maintaining restrained capital expenditure budgets. Free cash flow is being prioritized for strengthening balance sheets and funding shareholder returns through dividends and buybacks, rather than aggressive production growth. This disciplined financial strategy is expected to result in modest overall output growth, with a greater focus on returns on capital employed.

Growing Natural Gas Demand and Digital Efficiency Gains

Natural gas is expected to be the strongest-growing fossil fuel, supported by increasing global demand for LNG and rising domestic power consumption from data centers. US LNG exports are projected to grow significantly over the next decade, providing a structural outlet for domestic production. This demand growth reinforces the strategic value of gas-weighted assets and is likely to support continued investment in gas-oriented projects and related infrastructure.

To maintain competitiveness in this environment, companies are increasingly focused on operational efficiency, particularly through digital transformation. With shale productivity gains leveling off and supply chain costs rising, firms are deploying technologies like AI and predictive analytics to optimize drilling, reduce downtime, and lower operating expenses. This shift towards data-driven operations is becoming a key differentiator for managing margins and improving capital efficiency across both existing and newly acquired assets.

Markets and Competition

COP's Peer Group

ConocoPhillips' peer group consists of the largest independent exploration and production companies, as well as the integrated supermajors with significant upstream operations. This group was determined based on operational focus, scale, and market capitalization to ensure a relevant competitive comparison. The major players include ExxonMobil, Chevron, EOG Resources, and Occidental Petroleum, alongside other significant independents. These firms collectively represent a substantial portion of global production, with the top ten companies controlling a significant share of major basins like the Permian. Geographically, peers are dispersed across key regions including North American shale plays, deepwater assets, and international liquefied natural gas projects.

The industry structure has evolved toward consolidation through strategic mergers and acquisitions, moving firms away from hostile battles and toward a more stable equilibrium where companies maintain specific operational niches—whether geographic or technical—while competing on efficiency. This transformation was driven by key developments over the past decade, including the shale revolution, investor pressure for capital discipline after the 2014-2016 downturn, and recent high-profile acquisitions that reshaped competitive dynamics. The industry is in a mature life cycle stage, characterized by moderated future growth prospects and a focus on returns over volume expansion.

Competition is based on cost structure, inventory quality, and capital efficiency, with profitability and market share concentrated among operators with premium assets and scalable operations. Distinctions between participants arise from asset geography, operational expertise, and balance sheet strength. The primary risks to the industry include long-term energy transition pressures, demand substitution from electric vehicles and renewables, and potential regulatory changes affecting fossil fuel development.

Exxon Mobil (XOM)

As a fully integrated supermajor, Exxon Mobil operates across the entire energy value chain, from upstream exploration to downstream refining and chemicals. Its peer status stems from its massive upstream portfolio, which includes deepwater assets, major liquefied natural gas projects, and a dominant position in the Permian Basin. The company differentiates itself through its integrated model, large-scale research and development efforts, and a strategic focus on major projects and carbon capture technologies.

Chevron (CVX)

Chevron is another integrated supermajor and a key peer due to its large, global upstream operations. The company maintains a disciplined capital allocation framework and a strong balance sheet. Its recent acquisition significantly boosts its exposure to high-growth offshore assets, distinguishing its production growth profile. Chevron competes on the strength of its diversified portfolio, technical expertise in complex projects, and a consistent commitment to shareholder returns.

EOG Resources (EOG)

EOG Resources is a leading independent exploration and production company and a direct peer due to its focus on high-quality US resource plays and its reputation for capital discipline. The company is widely regarded as a top-tier operator in shale development, with a history of innovation and efficiency gains. It competes by maintaining a large inventory of premium drilling locations and employing a sophisticated marketing strategy to capture price premiums for its crude oil.

Occidental Petroleum (OXY)

Occidental Petroleum is a large independent with a diversified portfolio that includes a strong presence in the Permian Basin, international assets, and a growing carbon management business. Its major acquisition several years ago significantly increased its scale and debt load, shaping a recent strategy focused on balance sheet improvement. The company competes through its expertise in enhanced oil recovery and its distinctive, first-mover strategy in direct air capture technology.

Economic Outlook

Oil & Gas Prices

Oil and gas prices are the most important factor for company profits. Prices are driven by global supply and demand, along with weather and geopolitics. Natural gas prices recently jumped due to forecasts for a cold winter, which increases heating demand. We see gas prices stabilizing for now, but expect them to rise again due to soaring electricity demand from data centers and AI. For oil, we expect slight upward pressure after the first half of 2026 as the market tightens.

This price outlook is positive for ConocoPhillips. Higher natural gas prices mean the company earns more money from its gas production, which is sold at the Henry Hub benchmark. This directly increases its cash flow. Stronger cash flow allows the company to fund its operations and continue paying high dividends and buying back shares, all without taking on debt.

Global GDP Growth

Global economic growth is closely linked to energy demand. When the economy is strong, factories and consumers use more energy, which increases demand for oil and gas. While overall global GDP growth is expected to be steady but modest, a new factor is changing the equation: the massive energy needs of data centers. This creates a new source of demand that is less dependent on the broader business cycle.

For ConocoPhillips, this means a stable foundation for its business. The company doesn't need a booming economy to succeed. The constant, high demand for electricity to power data centers directly supports the need for natural gas, a key part of ConocoPhillips's portfolio. This positions the company to generate steady profits from its gas assets, even if general economic growth is only moderate.

Valuation

Revenue Assumptions

Our revenue forecast is built on two core inputs: our production volume estimates and our commodity price outlook. We project ConocoPhillips' crude oil and bitumen production to grow substantially from 1,104 Mbo/d in 2024 to 1,711 Mbo/d by 2034, driven by the Marathon Oil integration and the phased ramp-up of the Willow project. This is supported by steady growth in natural gas and NGL volumes.

We apply our price forecasts to these volumes, which see Brent crude oil declining from a peak of $75/bbl in 2027 to $43.63/bbl by 2034, with Henry Hub natural gas prices falling from $4.00/Mcf in 2029 to $2.36/Mcf by 2034. The central narrative of our model is that this robust volume growth will be more than offset by this significant price erosion in the later years, leading us to project revenue peaking at $74.5 billion in 2028 before entering a sustained decline.

Cost Assumptions

Our cost model treats Purchased Commodities as a variable cost directly tied to marketing activities, calculating it as a percentage of sales. For Production & Operating Expenses, we forecast a sharp reduction to $4.37 billion in 2025, implying a highly competitive $5.14 per Boe, reflecting operational efficiencies from the Marathon Oil integration. However, we model these costs rising gradually to

$5.23 billion by 2034 as inflation and production declines offset initial synergies.

For DD&A, we project a sustained increase to over $11.4 billion annually from 2025-2027, directly reflecting the capital intensity of the Marathon acquisition and Willow development. This elevated charge will persist as these assets are depleted, creating a persistent drag on reported earnings despite strong cash flow generation.

Capital Expenditures

Our capital expenditure forecast is anchored by management's explicit guidance of $12.9 billion for 2025. For the subsequent years, we have modeled CapEx to grow at a gradually decelerating rate, reflecting our expectation that the company will begin to moderate its investment pace as our model projects revenue and operating cash flow to peak in 2028 and then enter a structural decline. This methodology results in a peak CapEx of approximately $22.7 billion by 2034, but with the year-over-year growth rate consistently cooling. This aligns with a prudent financial strategy where the company is expected to pivot capital allocation away from aggressive growth and towards sustaining capital and shareholder returns as the top-line growth narrative weakens.

WACC

Our weighted average cost of capital is 7.22. This rate reflects the company's relatively low-risk profile within the energy sector. The cost of equity of 7.91% is derived from a Capital Asset Pricing Model using a 10-year Treasury risk-free rate of 4.03%, a raw 1-year weekly beta of 0.78, and the Henry Fund Equity Risk Premium of 5.00%. The after-tax cost of debt is 4.05%, based on the current yield to maturity on the company's outstanding debt and a 21% marginal tax rate. These components are weighted by our estimate of the firm's market-value capital structure, consisting of 82.3% equity and 17.7% debt.

DCF/EP

Our discounted cash flow model yields a price target of $215 per share, representing significant upside from the current price. This valuation is based on a detailed 10-year explicit forecast period, using a WACC of 7.22% to discount projected free cash flows. The key drivers of our valuation are the strong projected cash flow generation between 2025-2028, peaking at $28.2 billion, followed by a decline as structural headwinds impact the business. The terminal value assumes a -2.0% perpetual growth rate for NOPLAT, reflecting our long-term view of industry decline, and a terminal return on invested capital of 14.91%, consistent with our final forecast year. The convergence of our DCF and economic profit models at the same intrinsic value provides strong confirmation of our price target.

Relative P/E

Our relative valuation price target is $87 per share, derived from a forward Price-to-Earnings multiple analysis. We have applied a 2025E P/E multiple of 14.1x to our 2025 earnings per share estimate of $6.30. This multiple represents a moderate premium to the broader market but is justified by ConocoPhillips' peer-leading capital discipline, low-cost asset base, and transparent shareholder return framework. However, the multiple remains constrained relative to historical sector averages, reflecting our view that the market will continue to price in long-term structural headwinds from the energy transition. The significant discount of this $87 relative valuation to our DCF-based target of $215 highlights the substantial disconnect between near-term cash flow generation and long-term market expectations for the sector.

Henry Fund vs. The Street

Our analysis presents a significantly more bullish outlook than consensus, driven by two core convictions the market is underestimating. First, we are substantially more optimistic on structural energy demand growth, particularly from the AI data center boom that began in 2023, which we believe will drive Brent crude to $75/bbl by 2027. Second, we forecast that ConocoPhillips' disciplined capital expenditure will successfully translate into higher production levels capable of capturing premium international pricing through LNG and crude exports, as global demand growth outpaces the U.S. market. While tariffs pose a transient risk, the fundamental global supply-demand imbalance for reliable energy is a more powerful and lasting driver.

This divergence in our commodity and volume outlook directly results in our higher earnings and cash flow estimates for the 2025-2028 period. Consequently, our DCF-derived price target of $215 is substantially above consensus. The street's more conservative view likely fails to fully price in the compounding effect of AI-driven electricity demand and the company's strategic positioning to monetize its production growth in the tight global market. We believe ConocoPhillips is a primary beneficiary of this underestimated macro shift.

References

1. ConocoPhillips 10K 2024

2. ConocoPhillips 10Q Q2 2025
3. ConocoPhillips Q2 2025 Earnings Call Transcript
4. McKinsey & Co. Global Energy Perspective 2025
5. Deloitte 2026 Oil & Gas Industry Outlook
6. FactSet
7. Bloomberg Terminal