



# **The Acquisition of SM Energy as a Proposed Strategy for Chevron Corp. Growth**

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# Introduction

- **Energy Industry**
  - Global
  - Worth \$7.5 Trillion
- **Traditional Sources of Energy**
  - Scarce
  - Volatile Pricing
- **Competition**
  - Royal Dutch Shell, ExxonMobil, British Petroleum, PetroChina, Eni S.P.A, Conoco Phillips, Occidental Petroleum, and others
- **Population Increasing**



# Chevron Corporation

- **Global Company**
  - **8<sup>th</sup> Producer in the World**
- **Net Sales of \$230.09 B**
- **Market Share of 3.60%**
- **Began as Pacific Coast Oil Co. in California in 1876**
- **Recognize “era of easy oil is over” (Anon 2013g).**



# Natural Gas

- **Cleaner burning than oil and coal**
- **The price of Natural Gas has experienced a 5.6% growth from 2013 to 2014 (Anon 2013b).**
- **Natural Gas Exports have increased by 5.9% (Anon 2013b).**
- **Projected exports have increased by 140% between the Annual Energy Report of 2013 and 2014 (Anon 2013b).**



# SM Energy

- **Independently competitive company that operates in four regions of the United States**
  - **Mid-Continent**
  - **Rocky Mountain**
  - **Permian**
  - **South Texas & Gulf Coast regions**
- **Engaged in the Exploration and Production of crude oil, natural gas, and natural gas liquids in onshore North America**



# Critical Issues

- **The increasing demand for energy**
  - **Must adapt to the rising demand for energy by investing in natural gas and biofuels**
- **Sustainability**
  - **Innovate**
- **Competition**
  - **Look externally to assess its competitors using Strategic Management Methodologies**
  - **Look internally and assess its strengths, weaknesses, and capabilities**



# Recommended Strategy

- **Purchase SM Energy in its entirety over the course of two years**
  - **Chevron Corp. should initially purchase 51% of SM Energy**
  - **Allot one year before purchasing the remaining 49%**
- **Strategic funds analysis that allotted US\$8.56 B**
- **Market capitalization of SM Energy is US\$5.73 B and its total debt is US\$2.786 B**
- **Total cost of a complete buyout would be US\$8.286 B**
- **Chevron Corp. would maintain US\$274 MM in reserve**



# Justification

- **Increase Chevron's presence in the Exploration and Production Market Segment domestically**
- **Combined crude oil, natural gas plant liquids are expected to grow by 20% through 2040 (Anon 2013b).**
- **Domestic production increases self-sufficiency**
  - **removes the obstacles of producing in foreign countries, where political unrest often disrupts supply lines.**
- **Future exportation as oil prices increase and natural gas becomes a viable and less expensive alternative**





# Implementation Plan

- **Negotiate with SM Energy to purchase 100% of its stock within two years**
- **Internally**
  - Reiterate to shareholders increase in value of stock
- **Externally**
  - Prepare SM Energy for integration



# Environmental Threats and Opportunities Profile

- **Threats**
  - **Competition**
    - Scarce and depleting oil reserves drives competition
    - Majority of oil consumption occurs in developed nations, they account for only 8% of proven oil reserves (Anon 2007).
  - **Politics**
    - Government regulations, both domestic and foreign, affect many Market Segments of the Energy Industry
- **Opportunities**
  - **Social**
    - Population increasing will demand more energy
  - **Technology**
    - Produce computer models, motorized drills and drill bits to drill directional holes deeper into the ground.



# Procedures for Collecting Data

- **Modified Excel formula based on multiple linear regression used to project sales forecasts**
- **The data was obtained through current and historical 10-K Annual Reports of SM Energy**



# Results

- **Sales Projections:**
  - \$US 8.51B in 2035
- **Growth Rates:**
  - Level out and become more cyclical between 7% and 10%.
- **Property, Plant and Equipment:**
  - 80% to 120%
- **Net Present Value:**
  - 2031



# Exhibit 1: Net Sales Forecast, 2014-2035

Year	Sales (\$MM)	Growth Rate
2003	393.71	-
2004	433.10	9.10%
2005	739.59	41.44%
2006	787.70	6.11%
2007	990.09	20.44%
2008	1,301.30	23.92%
2009	832.20	-56.37%
2010	1,092.83	23.85%
2011	1,603.32	31.84%
2012	1,505.10	-6.53%
2013	1,603.93	6.16%
2014	1,845.65	13%
2015	2,214.78	20%
2016	2,524.85	14%
2017	2,827.83	12%
2018	3,138.90	11%
2019	3,390.01	8%
2020	3,695.11	9%
2021	3,953.76	7%
2022	4,190.99	6%
2023	4,400.54	5%
2024	4,664.57	6%
2025	4,804.51	3%
2026	4,900.60	2%
2027	5,047.62	3%
2028	5,249.52	4%
2029	5,407.01	0.03
2030	5,515.15	2.00%
2031	5,680.60	3%
2032	5,794.21	2%
2033	5,968.04	3%
2034	6,206.76	4%
2035	6,330.90	2%



# Exhibit 2: Pro-Forma Income Statement (2014-2019)

<i>SMM</i>	2014	% of Sales	2015	% of Sales	2016	% of Sales	2017	% of Sales	2018	% of Sales	2019	% of Sales
Growth Rate			20%		14%		12%		11%		8%	
<b>Net Sales</b>	1,845.65	100%	2,214.78	100%	2,524.85	100%	2,827.83	100%	3,138.90	100%	3,390.01	100%
COGS	1,458.06	79%	1,771.83	80%	1,994.63	79%	2,205.71	78%	2,479.73	79%	2,610.31	77%
<b>Gross Margin</b>	387.59	21%	442.96	20%	530.22	21%	622.12	22%	659.17	21%	779.70	23%
<i>Additional Capital Expenditures for capacity growth to support Net Sales</i>												
S,G&A	55.37	3%	44.30	2%	100.99	4%	84.84	3%	94.17	3%	67.80	2%
<b>R&amp;D</b>	45.00	2%	46.00	2%	47.00	2%	48.00	2%	49.00	2%	49.60	1%
Depreciation Expense	272.81	15%	300.09	14%	327.10	13%	356.54	13%	385.06	12%	404.31	12%
Operating Expenses	373.18	20%	390.39	18%	475.09	19%	489.37	17%	528.23	17%	521.71	15%
(TCOS) Total Cost of Sales	1,831.24	99%	2,162.21	98%	2,469.73	98%	2,695.08	95%	3,007.95	96%	3,132.02	92%
Operating Income (EBIT)	14.41	1%	52.57	2%	55.13	2%	132.75	5%	130.94	4%	257.99	8%
Taxes	4.18	0%	15.25	1%	15.99	1%	38.50	1%	37.97	1%	74.82	2%
<b>Net Income</b>	10.23	0.6%	37.32	1.7%	39.14	1.6%	94.25	3.3%	92.97	3.0%	183.17	5.4%



# Exhibit 3: Pro-Forma Income Statement (2020-2025)

<i>SMM</i>	2026	% of Sales	2027	% of Sales	2028	% of Sales	2029	% of Sales	2030	% of Sales	2031	% of Sales
Growth Rate	2%		3%		4%		3%		2%		3%	
<b>Net Sales</b>	4,900.60	100%	5,047.62	100%	5,249.52	100%	5,407.01	100%	5,515.15	100%	5,680.60	100%
COGS	3,626.44	74%	3,785.71	75%	3,884.65	74%	3,947.12	73%	4,026.06	73%	4,090.03	72%
<b>Gross Margin</b>	1,274.16	26%	1,261.90	25%	1,364.88	26%	1,459.89	27%	1,489.09	27%	1,590.57	28%
<i>Additional Capital Expenditures for capacity growth to support Net Sales</i>												
S,G&A	147.02	3%	100.95	2%	104.99	2%	108.14	2%	110.30	2%	113.61	2%
<b>R&amp;D</b>	<b>57.00</b>	<b>1%</b>	<b>58.00</b>	<b>1%</b>	<b>59.00</b>	<b>1%</b>	<b>61.00</b>	<b>1%</b>	<b>62.50</b>	<b>1%</b>	<b>64.00</b>	<b>1%</b>
Depreciation Expense	542.28	11%	563.97	11%	586.53	11%	604.13	11%	628.29	11%	647.14	11%
Operating Expenses	746.30	15%	722.92	14%	750.52	14%	773.27	14%	801.09	15%	824.75	15%
(TCOS) Total Cost of Sale	4,372.74	89%	4,508.64	89%	4,635.17	88%	4,720.38	87%	4,827.15	88%	4,914.79	87%
Operating Income (EBIT)	527.86	11%	538.98	11%	614.35	12%	686.63	13%	688.00	12%	765.82	13%
Taxes	153.08	3%	156.30	3%	178.16	3%	199.12	4%	199.52	4%	222.09	4%
<b>Net Income</b>	<b>374.78</b>	<b>7.6%</b>	<b>382.68</b>	<b>7.6%</b>	<b>436.19</b>	<b>8.3%</b>	<b>487.50</b>	<b>9.0%</b>	<b>488.48</b>	<b>8.9%</b>	<b>543.73</b>	<b>9.6%</b>



# Exhibit 4: Pro-Forma Income Statement (2026-2031)

<i>SMM</i>	2026	% of Sales	2027	% of Sales	2028	% of Sales	2029	% of Sales	2030	% of Sales	2031	% of Sales
Growth Rate	2%		3%		4%		3%		2%		3%	
<b>Net Sales</b>	4,900.60	100%	5,047.62	100%	5,249.52	100%	5,407.01	100%	5,515.15	100%	5,680.60	100%
COGS	3,626.44	74%	3,785.71	75%	3,884.65	74%	3,947.12	73%	4,026.06	73%	4,090.03	72%
<b>Gross Margin</b>	1,274.16	26%	1,261.90	25%	1,364.88	26%	1,459.89	27%	1,489.09	27%	1,590.57	28%
<i>Additional Capital Expenditures for capacity growth to support Net Sales</i>												
S,G&A	147.02	3%	100.95	2%	104.99	2%	108.14	2%	110.30	2%	113.61	2%
R&D	57.00	1%	58.00	1%	59.00	1%	61.00	1%	62.50	1%	64.00	1%
Depreciation Expense	542.28	11%	563.97	11%	586.53	11%	604.13	11%	628.29	11%	647.14	11%
Operating Expenses	746.30	15%	722.92	14%	750.52	14%	773.27	14%	801.09	15%	824.75	15%
(TCOS) Total Cost of Sale	4,372.74	89%	4,508.64	89%	4,635.17	88%	4,720.38	87%	4,827.15	88%	4,914.79	87%
Operating Income (EBIT)	527.86	11%	538.98	11%	614.35	12%	686.63	13%	688.00	12%	765.82	13%
Taxes	153.08	3%	156.30	3%	178.16	3%	199.12	4%	199.52	4%	222.09	4%
<b>Net Income</b>	374.78	7.6%	382.68	7.6%	436.19	8.3%	487.50	9.0%	488.48	8.9%	543.73	9.6%





# Exhibit 5: Pro-Forma Income Statement (2032-2035)

<i>\$MM</i>	2032	% of Sales	2033	% of Sales	2034	% of Sales	2035	% of Sales
Growth Rate	2%		3%		4%		2%	
<b>Net Sales</b>	5,794.21	100%	5,968.04	100%	6,206.76	100%	6,330.90	100%
COGS	4,171.83	72%	4,237.31	71%	4,406.80	71%	4,431.63	70%
<b>Gross Margin</b>	1,622.38	28%	1,730.73	29%	1,799.96	29%	1,899.27	30%
<i>Additional Capital Expenditures for capacity growth to support Net Sales</i>								
S,G&A	11588%	0.02	13130%	2%	124.14	2%	189.93	3%
R&D	6500%	0.01	6600%	1%	67.40	1%	69.00	1%
Depreciation Expense	66655%	0.12	67989%	11%	700.28	11%	441.48	7%
Operating Expenses	84744%	0.15	87718%	15%	891.82	14%	700.41	11%
(TCOS) Total Cost of Sales	501927%	0.87	511449%	86%	5,298.62	85%	5,132.03	81%
Operating Income (EBIT)	77494%	0.13	85355%	14%	908.14	15%	1,198.86	19%
Taxes	22473%	0.04	24753%	4%	263.36	4%	347.67	5%
<b>Net Income</b>	55021%	0.09	60602%	10%	644.78	10%	851.19	13%



# Exhibit 6: Pro-Forma Balance Sheet (2014-2019)

Item	2014	% TA	2015	% TA	2016	% TA	2017	% TA	2018	% TA	2019	% TA
<b>SMM</b>												
<b>Assets</b>												
<b>Current Assets:</b>												
Cash	295.30	4%	354.37	5%	403.98	5%	452.45	5%	502.22	5%	542.40	6%
Accounts Receivables	812.09	11%	974.50	13%	1,110.93	13%	1,244.25	14%	1,381.11	15%	1,491.60	16%
Inventories	553.70	8%	664.43	9%	782.70	9%	876.63	10%	973.06	10%	1,050.90	11%
<b>Total Current Assets</b>	<b>1,661.09</b>	<b>23%</b>	<b>1,993.30</b>	<b>26%</b>	<b>2,297.61</b>	<b>28%</b>	<b>2,573.33</b>	<b>29%</b>	<b>2,856.39</b>	<b>31%</b>	<b>3,084.91</b>	<b>32%</b>
Property, Plant & Equipment	5,729.00	80%	6,301.90	82%	6,869.07	83%	7,487.29	85%	8,086.27	0%	8,490.58	89%
Less: Accumulated Depreciation	272.81	4%	572.90	7%	900.00	11%	1,256.54	14%	1,641.60	18%	2,045.91	21%
<b>Net P,P &amp; E Assets:</b>	<b>5,456.19</b>	<b>77%</b>	<b>5,729.00</b>	<b>74%</b>	<b>5,969.07</b>	<b>72%</b>	<b>6,230.75</b>	<b>71%</b>	<b>6,444.67</b>	<b>69%</b>	<b>6,444.67</b>	<b>68%</b>
<b>Total Assets</b>	<b>7,117.28</b>	<b>100%</b>	<b>7,722.30</b>	<b>100%</b>	<b>8,266.69</b>	<b>100%</b>	<b>8,804.08</b>	<b>100%</b>	<b>9,301.07</b>	<b>100%</b>	<b>9,529.58</b>	<b>100%</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Accounts Payable	553.70	8%	664.43	9%	757.46	9%	848.35	10%	941.67	10%	1,017.00	11%
Other Liabilities	941.28	13%	1,129.54	15%	1,295.25	16%	1,442.20	16%	1,600.84	17%	1,698.39	18%
<b>Total Current Liabilities:</b>	<b>1,494.98</b>	<b>21%</b>	<b>1,793.97</b>	<b>23%</b>	<b>2,052.70</b>	<b>25%</b>	<b>2,290.55</b>	<b>26%</b>	<b>2,542.50</b>	<b>27%</b>	<b>2,715.40</b>	<b>28%</b>
<b>Net Working Capital (NWC)</b>	<b>166.11</b>	<b>2%</b>	<b>199.33</b>	<b>3%</b>	<b>244.91</b>	<b>3%</b>	<b>282.78</b>	<b>3%</b>	<b>313.89</b>	<b>3%</b>	<b>369.51</b>	<b>4%</b>
<b>Long-Term Liabilities:</b>												
Long-Term Debt	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
<b>Total Liabilities</b>	<b>1,494.98</b>	<b>21%</b>	<b>1,793.97</b>	<b>23%</b>	<b>2,052.70</b>	<b>25%</b>	<b>2,290.55</b>	<b>26%</b>	<b>2,542.50</b>	<b>27%</b>	<b>2,715.40</b>	<b>28%</b>
<b>Stockholders Equity</b>												
<b>Stockholders Equity:</b>												
Retained Earnings from Strategy	5,622.30	79%	5,928.33	77%	6,213.98	75%	6,513.53	74%	6,758.56	73%	6,814.18	72%
<b>Total Stockholders Equity</b>	<b>5,622.30</b>	<b>79%</b>	<b>5,928.33</b>	<b>77%</b>	<b>6,213.98</b>	<b>75%</b>	<b>6,513.53</b>	<b>74%</b>	<b>6,758.56</b>	<b>73%</b>	<b>6,814.18</b>	<b>72%</b>
<b>Total Liabilities &amp; Stockholder Equity</b>	<b>7,117.28</b>	<b>100%</b>	<b>7,722.30</b>	<b>100%</b>	<b>8,266.69</b>	<b>100%</b>	<b>8,804.08</b>	<b>100%</b>	<b>9,301.07</b>	<b>100%</b>	<b>9,529.58</b>	<b>100%</b>



# Exhibit 7: Pro-Forma Balance Sheet (2020-2025)

Item	2020	% TA	2021	% TA	2022	% TA	2023	% TA	2024	% TA	2025	% TA
<b>SMM Assets</b>												
<b>Current Assets:</b>												
Cash	591.22	6%	612.60	6%	745.56	7%	774.09	8%	746.33	7%	768.72	7%
Accounts Receivable SMM	1,625.85	17%	1,739.66	18%	1,844.04	18%	1,936.24	19%	2,052.41	20%	2,113.98	21%
Inventories	1,071.58	11%	1,146.59	12%	1,173.48	12%	1,232.15	12%	1,306.08	13%	1,345.26	13%
<b>Total Current Assets</b>	<b>3,288.65</b>	<b>34%</b>	<b>3,498.85</b>	<b>35%</b>	<b>3,763.07</b>	<b>37%</b>	<b>3,942.48</b>	<b>39%</b>	<b>4,104.82</b>	<b>40%</b>	<b>4,227.97</b>	<b>41%</b>
<b>Property, Plant &amp; Equipment</b>	<b>9,000.02</b>	<b>92%</b>	<b>9,360.02</b>	<b>94%</b>	<b>9,734.42</b>	<b>96%</b>	<b>10,123.80</b>	<b>99%</b>	<b>10,528.75</b>	<b>103%</b>	<b>10,949.90</b>	<b>106%</b>
Less: Accumulated Depreciation	2,474.48	25%	2,920.20	29%	3,383.74	33%	3,865.83	38%	4,367.20	43%	4,888.62	48%
<b>Net P,P &amp; E Assets:</b>	<b>6,525.54</b>	<b>66%</b>	<b>6,439.82</b>	<b>65%</b>	<b>6,350.68</b>	<b>63%</b>	<b>6,257.97</b>	<b>61%</b>	<b>6,161.55</b>	<b>60%</b>	<b>6,061.28</b>	<b>59%</b>
<b>Total Assets</b>	<b>9,814.18</b>	<b>100%</b>	<b>9,938.67</b>	<b>100%</b>	<b>10,113.75</b>	<b>100%</b>	<b>10,200.45</b>	<b>100%</b>	<b>10,266.38</b>	<b>100%</b>	<b>10,289.25</b>	<b>100%</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Accounts Payable	1,108.53	11%	1,186.13	12%	1,257.30	12%	1,320.16	13%	1,399.37	14%	1,441.35	14%
Other Liabilities	1,773.65	18%	1,802.92	18%	1,986.53	20%	2,033.05	20%	1,959.12	19%	2,017.89	20%
<b>Total Current Liabilities:</b>	<b>2,882.18</b>	<b>29%</b>	<b>2,989.05</b>	<b>30%</b>	<b>3,243.83</b>	<b>32%</b>	<b>3,353.21</b>	<b>33%</b>	<b>3,358.49</b>	<b>33%</b>	<b>3,459.25</b>	<b>34%</b>
<b>Net Working Capital (NWC)</b>	<b>406.46</b>	<b>4%</b>	<b>509.80</b>	<b>5%</b>	<b>519.25</b>	<b>5%</b>	<b>589.26</b>	<b>6%</b>	<b>746.33</b>	<b>7%</b>	<b>768.72</b>	<b>7%</b>
<b>Long-Term Liabilities:</b>												
Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,882.18</b>	<b>29%</b>	<b>2,989.05</b>	<b>30%</b>	<b>3,243.83</b>	<b>32%</b>	<b>3,353.21</b>	<b>33%</b>	<b>3,358.49</b>	<b>33%</b>	<b>3,459.25</b>	<b>34%</b>
<b>Stockholders Equity</b>												
<b>Stockholders Equity:</b>												
Retained Earnings from Strategy	6,932.00	71%	6,949.63	70%	6,869.92	68%	6,847.23	67%	6,907.88	67%	6,830.00	66%
<b>Total Stockholders Equity</b>	<b>6,932.00</b>	<b>71%</b>	<b>6,949.63</b>	<b>70%</b>	<b>6,869.92</b>	<b>68%</b>	<b>6,847.23</b>	<b>67%</b>	<b>6,907.88</b>	<b>67%</b>	<b>6,830.00</b>	<b>66%</b>
<b>Total Liabilities &amp; Stockholder Equity</b>	<b>9,814.18</b>	<b>100%</b>	<b>9,938.67</b>	<b>100%</b>	<b>10,113.75</b>	<b>100%</b>	<b>10,200.45</b>	<b>100%</b>	<b>10,266.38</b>	<b>100%</b>	<b>10,289.25</b>	<b>100%</b>



# Exhibit 8: Pro-Forma Balance Sheet (2026-2031)

Item	2026	% TA	2027	% TA	2028	% TA	2029	% TA	2030	% TA	2031	% TA
<b>SMM Assets</b>												
<b>Current Assets:</b>												
Cash	784.10	8%	807.62	8%	839.92	8%	865.12	9%	882.42	9%	908.90	9%
Accounts Receivable	2,156.26	22%	2,220.95	22%	2,309.79	23%	2,379.08	24%	2,426.67	24%	2,499.47	25%
Inventories	1,078.13	11%	1,160.95	12%	1,207.39	12%	1,189.54	12%	1,268.48	13%	1,306.54	13%
<b>Total Current Assets</b>	<b>4,018.49</b>	<b>40%</b>	<b>4,189.52</b>	<b>42%</b>	<b>4,357.10</b>	<b>43%</b>	<b>4,433.75</b>	<b>45%</b>	<b>4,577.57</b>	<b>46%</b>	<b>4,714.90</b>	<b>48%</b>
<b>Property, Plant &amp; Equipment</b>	<b>11,387.90</b>	<b>114%</b>	<b>11,843.41</b>	<b>118%</b>	<b>12,317.15</b>	<b>122%</b>	<b>12,686.66</b>	<b>128%</b>	<b>13,194.13</b>	<b>132%</b>	<b>13,589.95</b>	<b>138%</b>
Less: Accumulated Depreciation	5,430.90	54%	5,994.87	60%	6,581.40	65%	7,185.53	72%	7,813.82	78%	8,460.96	86%
<b>Net P,P &amp; E Assets:</b>	<b>5,956.99</b>	<b>60%</b>	<b>5,848.54</b>	<b>58%</b>	<b>5,735.74</b>	<b>57%</b>	<b>5,501.13</b>	<b>55%</b>	<b>5,380.31</b>	<b>54%</b>	<b>5,128.99</b>	<b>52%</b>
<b>Total Assets</b>	<b>9,975.49</b>	<b>100%</b>	<b>10,038.06</b>	<b>100%</b>	<b>10,092.85</b>	<b>100%</b>	<b>9,934.88</b>	<b>100%</b>	<b>9,957.88</b>	<b>100%</b>	<b>9,843.89</b>	<b>100%</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Accounts Payable	1,470.18	15%	1,514.29	15%	1,574.86	16%	1,622.10	16%	1,654.54	17%	1,704.18	17%
Other Liabilities	1,764.22	18%	1,817.14	18%	1,858.33	18%	1,849.20	19%	1,820.00	18%	1,874.60	19%
<b>Total Current Liabilities:</b>	<b>3,234.40</b>	<b>32%</b>	<b>3,331.43</b>	<b>33%</b>	<b>3,433.19</b>	<b>34%</b>	<b>3,471.30</b>	<b>35%</b>	<b>3,474.54</b>	<b>35%</b>	<b>3,578.78</b>	<b>36%</b>
<b>Net Working Capital (NWC)</b>	<b>784.10</b>	<b>8%</b>	<b>858.10</b>	<b>9%</b>	<b>923.92</b>	<b>9%</b>	<b>962.45</b>	<b>10%</b>	<b>1,103.03</b>	<b>11%</b>	<b>1,136.12</b>	<b>12%</b>
<b>Long-Term Liabilities:</b>												
Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,234.40</b>	<b>0.32</b>	<b>3,331.43</b>	<b>0.33</b>	<b>3,433.19</b>	<b>0.34</b>	<b>3,471.30</b>	<b>0.35</b>	<b>3,474.54</b>	<b>0.35</b>	<b>3,578.78</b>	<b>36%</b>
<b>Stockholders Equity</b>												
<b>Stockholders Equity:</b>												
Retained Earnings from Strategy	6,741.09	68%	6,706.63	67%	6,659.66	66%	6,463.58	65%	6,483.34	65%	6,265.11	64%
<b>Total Stockholders Equity</b>	<b>6,741.09</b>	<b>68%</b>	<b>6,706.63</b>	<b>67%</b>	<b>6,659.66</b>	<b>66%</b>	<b>6,463.58</b>	<b>65%</b>	<b>6,483.34</b>	<b>65%</b>	<b>6,265.11</b>	<b>64%</b>
<b>Total Liabilities &amp; StockHldr Equity:</b>	<b>9,975.49</b>	<b>100%</b>	<b>10,038.06</b>	<b>100%</b>	<b>10,092.85</b>	<b>100%</b>	<b>9,934.88</b>	<b>100%</b>	<b>9,957.88</b>	<b>100%</b>	<b>9,843.89</b>	<b>100%</b>



# Exhibit 9: Pro-Forma Balance Sheet (2026-2031)

Item	2032	% TA	2033	% TA	2034	% TA	2035	% TA
<i>SMM</i>								
<b>Current Assets:</b>								
Cash	927.07	10%	954.89	10%	993.08	11%	1,012.94	11%
Accounts Receivable	2,549.45	26%	2,625.94	28%	2,730.98	29%	2,785.60	30%
Inventories	1,332.67	14%	1,372.65	15%	1,427.56	15%	1,456.11	16%
<b>Total Current Assets</b>	<b>4,809.20</b>	<b>50%</b>	<b>4,953.47</b>	<b>53%</b>	<b>5,151.61</b>	<b>55%</b>	<b>5,254.65</b>	<b>56%</b>
<b>Property, Plant &amp; Equipment</b>	<b>13,997.65</b>	<b>145%</b>	<b>14,277.60</b>	<b>152%</b>	<b>14,705.93</b>	<b>157%</b>	<b>15,000.05</b>	<b>161%</b>
Less: Accumulated Depreciation	9,127.52	94%	9,807.40	104%	10,507.69	112%	10,949.16	118%
<b>Net P,P &amp; E Assets:</b>	<b>4,870.13</b>	<b>50%</b>	<b>4,470.20</b>	<b>47%</b>	<b>4,198.25</b>	<b>45%</b>	<b>4,050.89</b>	<b>44%</b>
<b>Total Assets</b>	<b>9,679.33</b>	<b>100%</b>	<b>9,423.67</b>	<b>100%</b>	<b>9,349.86</b>	<b>100%</b>	<b>9,305.53</b>	<b>100%</b>
<b>Current Liabilities:</b>								
Accounts Payable	1,738.26	18%	1,790.41	19%	1,862.03	20%	1,899.27	20%
Other Liabilities	1,894.71	20%	1,951.55	21%	1,973.75	21%	1,975.24	21%
<b>Total Current Liabilities:</b>	<b>3,632.97</b>	<b>38%</b>	<b>3,741.96</b>	<b>40%</b>	<b>3,835.78</b>	<b>41%</b>	<b>3,874.51</b>	<b>42%</b>
<b>Net Working Capital (NWC)</b>	<b>1,176.23</b>	<b>12%</b>	<b>1,211.51</b>	<b>13%</b>	<b>1,315.83</b>	<b>14%</b>	<b>1,380.14</b>	<b>15%</b>
<b>Long-Term Liabilities:</b>								
Long-Term Debt	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,632.97</b>	<b>38%</b>	<b>3,741.96</b>	<b>40%</b>	<b>3,835.78</b>	<b>41%</b>	<b>3,874.51</b>	<b>41.64%</b>
<b>Stockholders Equity:</b>								
Retained Earnings from Strategy	6,046.36	62%	5,681.71	60%	5,514.08	59%	5,431.02	58%
<b>Total Stockholders Equity</b>	<b>6,046.36</b>	<b>62%</b>	<b>5,681.71</b>	<b>60%</b>	<b>5,514.08</b>	<b>59%</b>	<b>5,431.02</b>	<b>58%</b>
<b>Total Liabilities &amp; StockHldr Equity:</b>	<b>9,679.33</b>	<b>100%</b>	<b>9,423.67</b>	<b>100%</b>	<b>9,349.86</b>	<b>100%</b>	<b>9,305.53</b>	<b>100%</b>



# Exhibit 10: Permanent Income Worksheet (2014-2035)

Year	Net Sales	Property, Plant & Equipment	R & D	Total Permanent Investment	Change in Permanent Investment	Working Capital	Change in Working Capital
2014	1,846	5729.00	45.00	5774.00	1336.00	166	166
2015	\$ 2,215	6301.90	46.00	6347.90	573.90	199.33	33.22
2016	\$ 2,525	6869.07	47.00	6916.07	568.17	244.91	45.58
2017	\$ 2,828	7487.29	48.00	7535.29	619.22	282.78	37.87
2018	\$ 3,139	8086.27	49.00	8135.27	599.98	313.89	31.11
2019	\$ 3,390	8490.58	49.60	8540.18	404.91	369.51	55.62
2020	\$ 3,695	9000.02	50.54	9050.56	510.38	406.46	36.95
2021	\$ 3,953.76	9360.02	51.30	9411.32	360.76	509.80	103.34
2022	\$ 4,190.99	9734.42	52.00	9786.42	375.10	519.25	9.44
2023	\$ 4,400.54	10123.80	53.00	10176.80	390.38	589.26	70.02
2024	\$ 4,664.57	10528.75	54.75	10583.50	406.70	746.33	157.07
2025	\$ 4,804.51	10949.90	56.00	11005.90	422.40	768.72	22.39
2026	\$ 4,900.60	11387.90	57.00	11444.90	439.00	784.10	15.37
2027	\$ 5,047.62	11843.41	58.00	11901.41	456.52	858.10	74.00
2028	\$ 5,249.52	12317.15	59.00	12376.15	474.74	923.92	65.82
2029	\$ 5,407.01	12686.66	61.00	12747.66	371.51	962.45	38.53
2030	\$ 5,515.15	13194.13	62.50	13256.63	508.97	1103.03	140.58
2031	\$ 5,680.60	13589.95	64.00	13653.95	397.32	1136.12	33.09
2032	\$ 5,794.21	13997.65	65.00	14062.65	408.70	1176.23	40.11
2033	\$ 5,968.04	14277.60	66.00	14343.60	280.95	1211.51	35.29
2034	\$ 6,206.76	14705.93	67.40	14773.33	429.73	1315.83	104.32
2035	\$ 6,330.90	15000.05	69.00	15069.05	295.72	1380.14	64.30

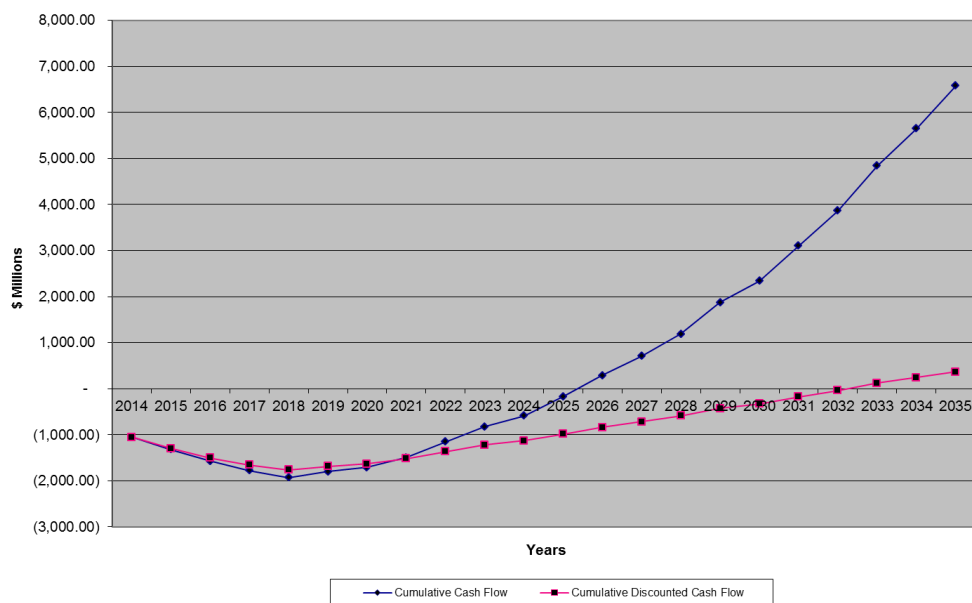


# Exhibit 11: Cash Flow Forecasts (2014-2035)

Year	Change in Permanent Investment	Change in Net Working Capital	Cash Outflow	Depreciation	Net Income	Cash Inflow	Net Cash Flow	Cumulative Cash Flow	Discounted Net Cash Flow @ 10%	Cumulative Discounted Cash Flow @ 10%
	P,P&E+R&D	(NWC)2 - (NWC)1 Change in NWC	(Change in Permanent Investment + Change in Net Working Capital)	(Straight-Line)		(Depreciation + Net Income)	(Cash Inflow - Cash Outflow)			
2014	1336.00		1,336.00	272.81	10.23	283.04	(1,052.96)	(1,052.96)	(1,052.96)	(1,052.96)
2015	573.90	33.22	607.12	300.09	37.32	337.42	(269.71)	(1,322.67)	(245.19)	(1,298.15)
2016	568.17	45.58	613.75	327.10	39.14	366.24	(247.51)	(1,570.18)	(204.56)	(1,502.70)
2017	619.22	37.87	657.09	356.54	94.25	450.79	(206.30)	(1,776.48)	(155.00)	(1,657.70)
2018	599.98	31.11	631.09	385.06	92.97	478.03	(153.06)	(1,929.54)	(104.54)	(1,762.24)
2019	404.91	55.62	460.53	404.31	183.17	587.48	126.95	(1,802.59)	78.83	(1,683.42)
2020	510.38	36.95	547.33	428.57	210.77	639.34	92.02	(1,710.57)	51.94	(1,631.48)
2021	360.76	103.34	464.10	445.72	236.63	682.34	218.24	(1,492.34)	111.99	(1,519.49)
2022	375.10	9.44	384.54	463.54	258.84	722.38	337.84	(1,154.49)	157.61	(1,361.88)
2023	390.38	70.02	460.40	482.09	307.45	789.54	329.14	(825.35)	139.59	(1,222.29)
2024	406.70	157.07	563.77	501.37	300.64	802.01	238.24	(587.11)	91.85	(1,130.44)
2025	422.40	22.39	444.79	521.42	340.49	861.92	417.13	(169.98)	146.20	(984.24)
2026	439.00	15.37	454.37	542.28	374.78	917.06	462.69	292.71	147.43	(836.81)
2027	456.52	74.00	530.51	563.97	382.68	946.65	416.13	708.84	120.54	(716.27)
2028	474.74	65.82	540.56	586.53	436.19	1,022.72	482.17	1,191.01	126.97	(589.30)
2029	371.51	38.53	410.05	604.13	487.50	1,091.63	681.58	1,872.59	163.17	(426.14)
2030	508.97	140.58	649.55	628.29	488.48	1,116.77	467.22	2,339.81	101.68	(324.45)
2031	397.32	33.09	430.41	647.14	543.73	1,190.87	760.46	3,100.27	150.45	(174.00)
2032	408.70	40.11	448.80	666.55	550.21	1,216.76	767.96	3,868.23	138.12	(35.88)
2033	280.95	35.29	316.24	679.89	606.02	1,285.91	969.67	4,837.89	158.55	122.67
2034	429.73	104.32	534.05	700.28	644.78	1,345.06	811.01	5,648.91	120.55	243.22
2035	295.72	64.30	360.02	441.48	851.19	1,292.67	932.65	6,581.56	126.03	369.25



# Exhibit 12: Cash Flow Forecasts Graph (2014-2035)







# Conclusion

- **Positive cumulative discounted net cash flow: 19 years after initial investment**
  - Financially sound, competitive, and realistic
- **Balanced risk of acquiring SM Energy**
  - Strategic and competitive
- **Access to increased domestic market share and reserves**
  - Removes the added risk of acquiring foreign reserves
  - Less susceptible to changes affecting the global arena
- **Pursuing natural gas production**
  - Sustainable and viable new market
  - cleaner burning than traditional oil.
- **Consistent with Chevron Corp.’s commitment to “finding newer, cleaner ways to power the world” (Anon 2013g).**



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