

Buy : \$52.25



Price Target : \$64



Upside : 22%

Buy: Devon Energy (DVN)

By Philip Vattes

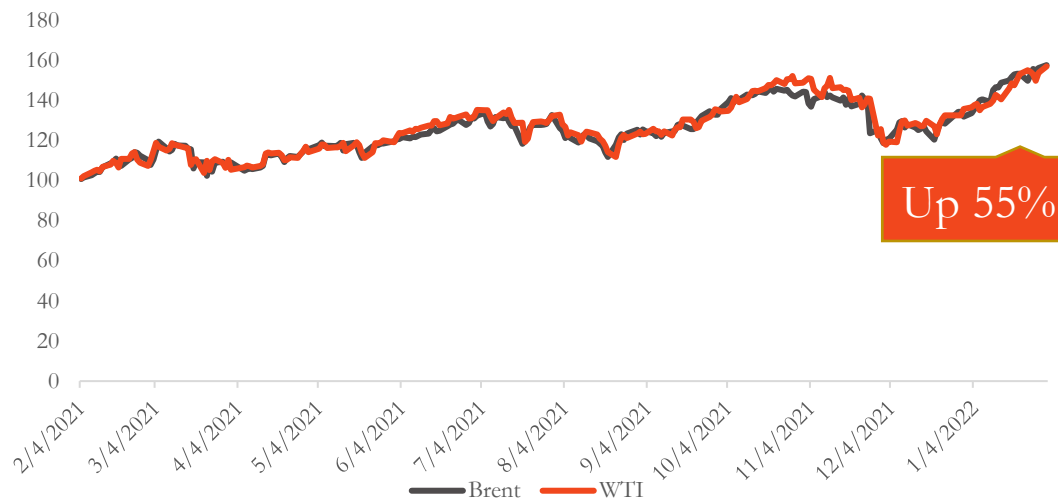


Industry Overview

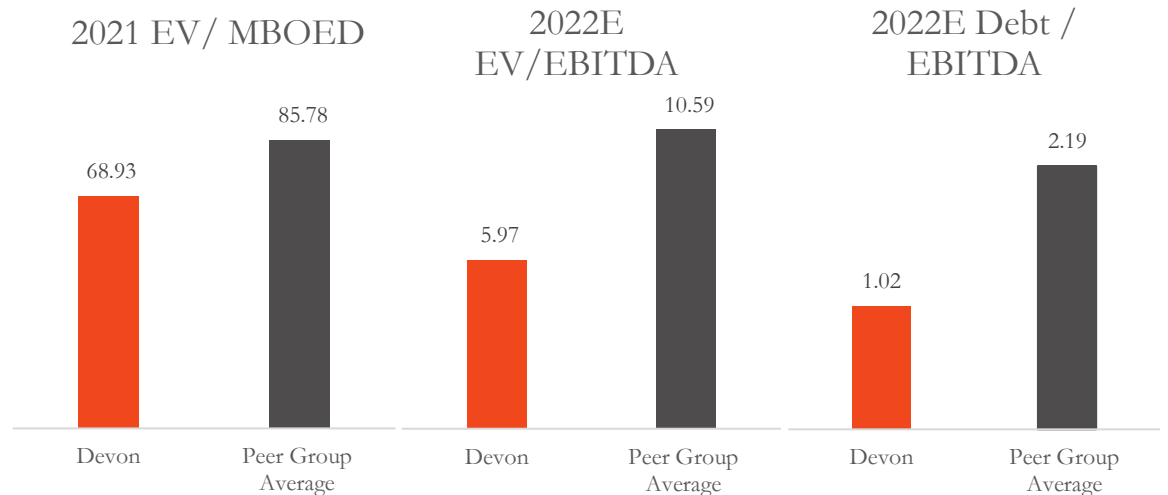
Key Energy News

- Oil prices are the highest they've been since 2014, at ~\$90 per barrel. Many factors could lead to higher prices
- Reluctance to increase oil supply from OPEC+, agreeing to up production by 400,000 barrels a day each month
 - OPEC+ missed production goals by 700,000 barrels a day in December
- European gas prices continue to soar as low Russian gas flows into Europe build further tension in the region
- The Permian Basin is one of few oil sources that can meet demand under U.S. Jurisdiction, which Devon has a strong foothold in

1 Year Brent Crude and WTI Prices



Industry Multiples

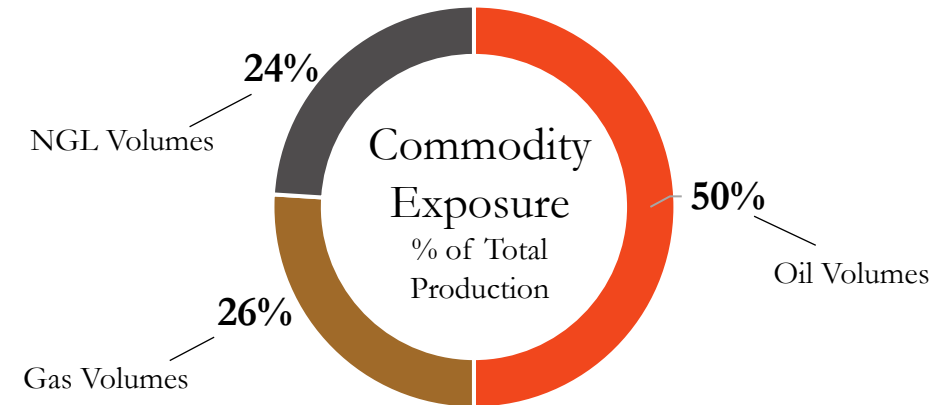


Company Overview

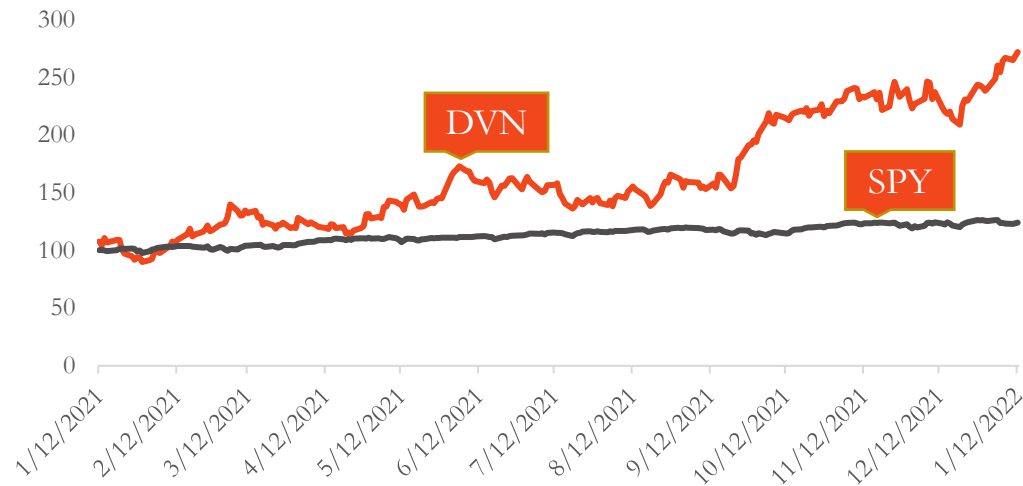
Devon Background

- Devon is an independent oil and gas production firm with a focus on U.S. onshore projects
- 70% of Production in the Permian Basin
- Breakeven price per barrel for Devon is \$30, while oil has been trading around \$90 per barrel.
- Devon is only 25% hedged in 2022, leaving much of their oil free to take advantage of continued price increases

Production Portfolio



1 Year Price Performance



Financial Snapshot

Market Cap	33.74B
52 Week Range	16.11 - 55.44
Beta	1.65
P/E	29.67
TTM EPS	\$1.68

Balance Sheet and Dividend Strength

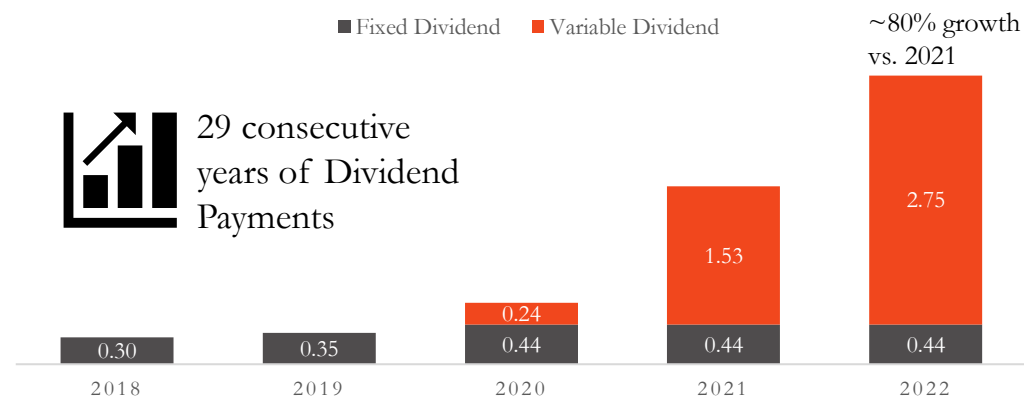
Fixed and Variable Dividend

- Devon started paying out the first fixed-plus-variable dividend in the oil industry in 2021
- Fixed dividend of \$.11 quarterly plus a variable dividend up to 50% of free cash flow after capital expenditures
- Devon paid out \$1.97 in total dividends last year as compared to \$.68 in 2019
- Share repurchase program up to 1 billion this year will reduce outstanding shares and boost per-share dividend

Balance Sheet Strength

- The company's cash flows depend on oil prices. Meaning increased prices will give increased cash flow.
- With the price of WTI crude per barrel at \$75 (at \$90 now), Devon foresees its cash flow growing 35% in 2022. At this rate, its dividend would also increase 80% from 2021
- Strong liquidity (2.3B in cash) paired with minimal near-term debt maturities provides significant flexibility
- Net-debt-to-EBITDA < 1x

Dividend Payouts



2022E Free Cash Flow (\$B)



Devon Purchase of WPX Energy

Recent acquisition of WPX Energy

- Merger of equals transaction worth \$12B, with an exchange ratio of .53 DVN shares per WPX share
- Both pre-merged companies have well productivity more than 40% greater than peers
- Accelerates cash-return business model

New assets in the Permian and Williston Basin



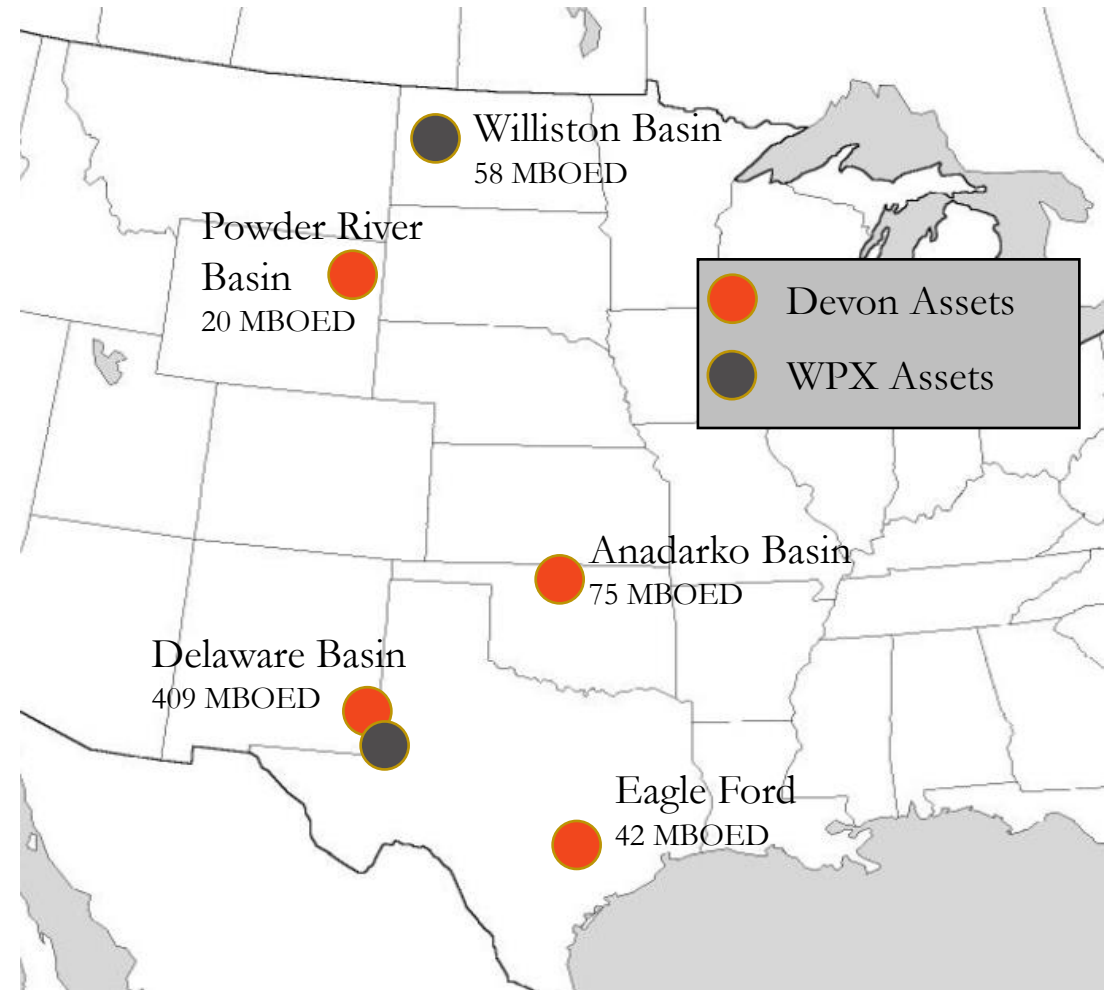
Allows nearly doubled production, making Devon the 4th largest producer in the US

Captures \$575 million in cost savings per year



More than \$2B in cost savings over the next 5 years

Active Drill Sites



ESG Focus

Sustainability and Governance Focus

- Devon has deployed new technologies to cut emissions and reduce flaring and continue to improve
- Merger with WPX Energy allows Devon to scale up its ESG-related performance
- Engaged with approximately 100 governance representatives of institutional investors representing more than 46% of outstanding shares.

Environmental Performance Targets

Greenhouse gas emissions intensity scope 1 and 2 50% reduction by 2030

Flaring intensity .5% or lower of gross natural gas produced by 2025

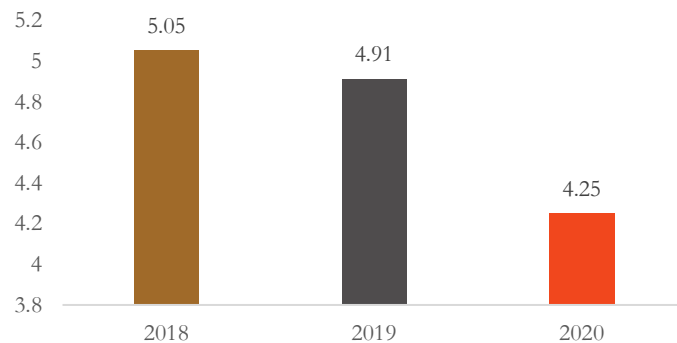
NET ZERO GNG emissions by 2050

65% methane emission intensity reduction by 2030

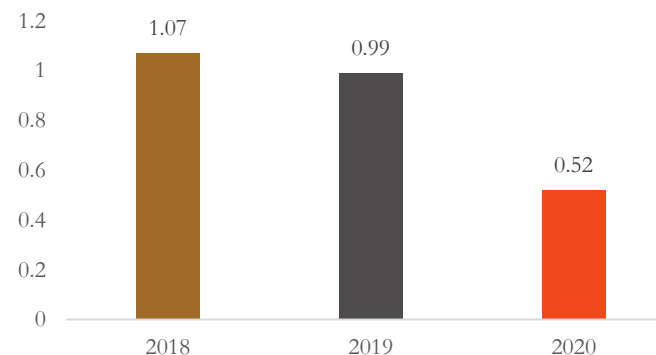
Routine Flaring entirely eliminated, as defined by the world bank, by 2030

Environmental Improvements

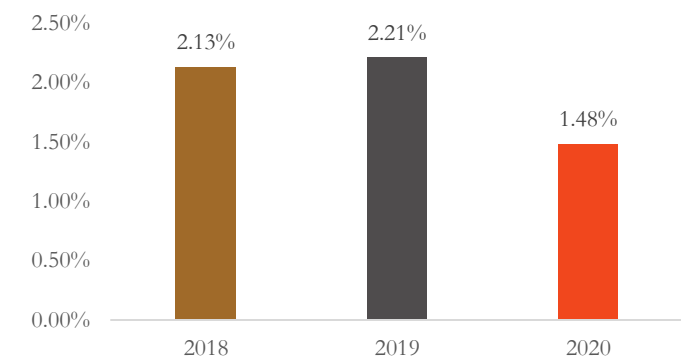
GNG emissions (million of tonnes of CO₂)



Methane emissions (million tonnes of CO₂)

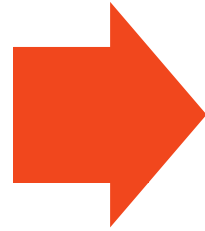


Flaring intensity (% of natural gas produced)

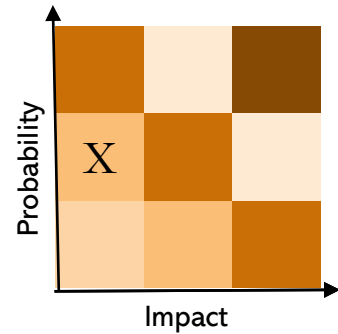


Risks and Mitigants

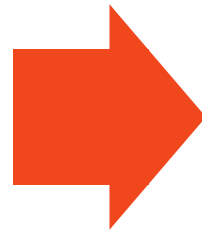
Government limits oil production on federal lands



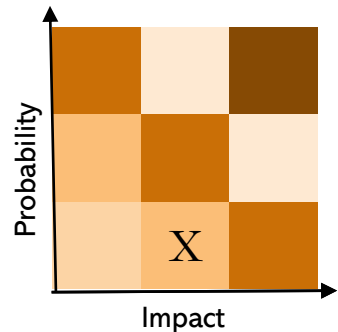
Only 35% of Devon's 400,000 Permian Basin acres are on federal land



Largely unhedged inventory leaves Devon vulnerable to reductions in oil prices



Demand has been steadily rising as the world reopens





Valuation

Binghamton Investment Fund | February 11, 2022

Football Field Analysis



Gordon Growth Sensitivity Analysis

Gordon Growth Sensitivity Table

		WACC					
		\$ 68.12	9.73%	10.23%	10.73%	11.23%	11.73%
Growth Rate	5%	\$ 95.83	\$ 86.16	\$ 78.23	\$ 71.61	\$ 66.02	
	4.50%	\$ 87.64	\$ 79.54	\$ 72.78	\$ 67.07	\$ 62.18	
	4%	\$ 80.88	\$ 73.98	\$ 68.14	\$ 63.15	\$ 58.84	
	3.50%	\$ 75.20	\$ 69.24	\$ 64.14	\$ 59.74	\$ 55.90	
	3%	\$ 70.37	\$ 65.16	\$ 60.66	\$ 56.74	\$ 53.30	

Multiples Method Sensitivity Analysis

Terminal Multiple Sensitivity Table

		WACC					
		\$ 85.43	9.73%	10.23%	10.73%	11.23%	11.73%
EV/EBITDA	7.23	101.21	99.05	96.96	94.93	92.95	
	6.73	95.17	93.16	91.21	89.32	87.48	
	6.23	89.13	87.27	85.46	83.71	82.01	
	5.73	83.09	81.38	79.72	78.10	76.54	
	5.23	77.04	75.48	73.97	72.50	71.07	

Thank you!
Questions?

Appendix A: Income Statement

Income Statement in millions	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	3Q21
Upstream revenues	\$ 1,319	\$ 1,069	\$ 1,332	\$ 2,565	\$ 6,285	\$ 710	\$ 1,191	\$ 1,147	\$ 307	\$ 3,355	\$ 1,527	\$ 755	\$ 1,154	\$ 1,237	\$ 4,673	\$ 2,290	\$ 3,120	\$ 3,801	\$ 3,801
Marketing and midstream revenues	2,491	1,180	0	\$ 778	\$ 4,449	\$ 791	\$ 730	\$ 700	\$ 644	\$ 2,865	\$ 560	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Oil, gas and NGL derivatives	0	0	0	0	0	0	0	0	0	0	0	(361)	(87)	\$ 603	155	(528)	(703)	(335)	(335)
Total revenues	3,810	2,249	2,579	\$ 2,096	\$ 10,734	\$ 1,501	\$ 1,921	\$ 1,847	\$ 951	\$ 6,220	\$ 2,087	394	1,067	\$ 1,280	4,828	1,762	2,417	3,466	3,466
Revenue Growth %			-41%	15%	-19%		-28%	28%	-4%	-49%	-42%	119%	-81%	171%	20%	-22%	38%	37%	43%
Production expenses	543	572	554	556	2,225	506	371	368	\$ (48)	1,197	318	263	271	\$ 271	1,123	489	513	555	555
Exploration expenses	33	68	32	44	177	13	7	18	\$ 20	58	112	12	39	\$ 4	167	3	3	3	3
Marketing and midstream expenses	2,214	1,160	0	\$ 989	\$ 4,363	\$ 759	\$ 713	\$ 684	\$ 656	\$ 2,812	\$ 578	0	0	\$ 0	578	0	0	0	0
Depreciation, depletion and amortization	537	420	416	\$ 285	\$ 1,658	\$ 459	\$ 394	\$ 402	\$ 242	\$ 1,497	\$ 401	299	299	\$ 301	1,300	467	536	578	578
Asset impairments		154	2	\$ 0	156	\$ 0	0	0	0	0	2,666	0	0	\$ 27	2,693	0	0	0	0
Asset dispositions	(12)	23	(6)	\$ (268)	(263)	(44)	(1)	(2)	(1)	(48)	0	0	0	\$ (1)	(1)	(32)	(87)	0	0
General and administrative expenses	226	153	147	\$ 124	650	153	114	107	101	475	102	79	75	\$ 82	338	107	94	95	95
SGA as % of Sales	6%	7%	6%	6%	6%	10%	6%	6%	11%	8%	5%	20%	7%	6%	7%	6%	4%	3%	3%
Financing costs, net	431	62	75	\$ 26	594	73	66	60	51	250	65	69	66	\$ 70	270	77	80	86	86
Restructuring and transaction costs	0	94	11	\$ 9	114	54	12	10	8	84	0	0	0	\$ 49	49	189	23	18	18
Other expenses	19	24	(31)	\$ 128	140	(45)	8	6	35	4	(48)	13	0	\$ 1	(34)	(29)	(14)	2	2
Total expenses	3,991	2,730	2,417	\$ 676	9,814	1,928	1,684	1,653	1,064	6,329	4,194	1,074	1,260	\$ 1,390	7,918	1,794	2,113	2,502	2,502
Expenses as % of Sales	105%	121%	94%	32%	91%	128%	88%	89%	112%	102%	201%	273%	118%	109%	164%	102%	87%	72%	72%
Earnings (loss) from continuing operations before income taxes (EBIT)	(245)	(481)	162	\$ 1,484	920	(427)	237	194		(109)	(2,107)	(680)	(193)	\$ (110)	(3,090)	(32)	304	964	964
Income tax benefit	(34)	(7)	(138)	\$ 335	156	(110)	71	55	(46)	(30)	(417)	(3)	(90)	\$ (37)	(547)	(248)	43	120	120
Net earnings (loss) from continuing operations	(211)	(474)	300	\$ 1,149	764	(317)	166	139	(67)	(79)	(1,690)	(677)	(103)	\$ (73)	(2,543)	216	261	844	844
Net earnings from discontinued operations, net of income tax expense	58	139	2,263	\$ 0	2,460		329	(30)		(274)	(125)	9	13		(128)				
Net earnings (loss)	(153)	(335)	2,563	\$ 1,149	3,224	(317)	495	109	(573)	(353)	(1,815)	(668)	(90)	\$ (98)	(2,671)	216	261	844	844
Net earnings attributable to noncontrolling interests	44	90	26	\$ 0	160				2	2	1	2	2	\$ 4	9	3	5	6	6
Net earnings (loss) attributable to Devon	\$ (197)	\$ (425)	\$ 2,537	\$ 1,149	\$ 3,064	\$ (317)	\$ 495	\$ 109	(642)	\$ (355)	\$ (1,816)	\$ (670)	\$ (92)	\$ (102)	\$ (2,680)	\$ 213	\$ 256	\$ 838	\$ 838
Basic net earnings (loss) per share:																			
Basic earnings (loss) from continuing operations per share	(0.41)	\$ (0.92)	\$ 0.61	2.25	\$ 1.53	\$ (0.74)	\$ 0.40	\$ 0.35	(0.22)	\$ (0.21)	\$ (4.48)	\$ (1.80)	\$ (0.29)	(0.21)	\$ (6.78)	\$ 0.33	\$ 0.38	\$ 1.24	\$ 1.24
Basic earnings from discontinued operations per share	0.04	0.09	4.56	(0.08)	4.61		0.80	(0.08)	(1.40)	(0.68)	(0.34)	0.02	0.04	(0.06)	(0.34)				
Basic net earnings (loss) per share	(0.37)	(0.83)	5.17	2.17	6.14	(0.74)	1.20	0.27	(1.62)	(0.89)	(4.82)	(1.78)	(0.25)	(0.27)	(7.12)	0.33	0.38	1.24	1.24
Diluted net earnings (loss) per share:																			
Diluted earnings (loss) from continuing operations per share	(0.41)	(0.92)	0.61	2.24	1.52	(0.74)	0.40	0.35		(0.21)	(4.48)	(1.80)	(0.29)		(6.78)	0.32	0.38	1.24	1.24
Diluted earnings from discontinued operations per share	0.04	0.09	4.53	(0.08)	4.58		0.79	(0.08)	(1.39)	(0.68)	(0.34)	0.02	0.04	(0.06)	(0.34)				
Diluted net earnings (loss) per share	(0.37)	\$ (0.83)	\$ 5.14	2.16	\$ 6.10	\$ (0.74)	\$ 1.19	\$ 0.27	(1.61)	\$ (0.89)	\$ (4.82)	\$ (1.78)	\$ (0.25)	(0.27)	\$ (7.12)	\$ 0.32	\$ 0.38	\$ 1.24	\$ 1.24
Comprehensive earnings (loss):																			
Net earnings (loss)	\$ (153)	\$ (335)	\$ 2,563	1,149	\$ 3,224	\$ (317)	\$ 495	\$ 109	(640.00)	\$ (353)	\$ (1,815)	\$ (668)	\$ (90)	(98.00)	\$ (2,671)	\$ 216	\$ 261	\$ 844	\$ 844

Appendix B: Balance Sheet

Balance Sheet in millions	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21
Current assets:																		
Cash and cash equivalents	\$ 1,424	\$ 1,460	\$ 3,102	\$ 2,414	\$ 2,414	\$ 1,327	\$ 3,470	\$ 1,375	\$ 1,464	\$ 1,464	\$ 1,527	\$ 1,474	\$ 1,707	\$ 2,237	\$ 2,237	\$ 1,878	\$ 1,539	\$ 2,321
Accounts receivable	1,695	1,141	1,226	885	885	1,038	842	787	832	832	594	515	493	601	601	1,089	1,185	1,517
Current Assets held for sale	0	10,764		197	197		131				736	0	0	0	0	0	0	0
Other current assets	516	455	429	941	941	338	354	383	279	279	998	446	359	248	248	334	312	309
Total current assets	3,635	13,820	4,757	4,437	4,437	2,703	5,167	2,846	3,851	3,851	4,055	3,378	3,477	3,260	3,260	3,467	3,076	4,227
Oil and gas property and equipment, based on successful efforts accounting, net	13,475	12,957	13,056	12,813	12,813	12,766	8,987	9,122	7,558	7,558	4,756	4,673	4,553	4,436	4,436	13,826	13,727	13,613
Midstream and other property and equipment, net	7,908	1,164	1,146	1,122	1,122	1,098	1,050	1,055	1,035	1,035	1,024	1,013	1,003	957	957	1,448	1,462	1,465
Total property and equipment, net	21,383	14,121	14,202	13,935	13,935	13,864	10,037	10,177	8,593	8,593	5,780	5,686	5,556	5,393	5,393	15,274	15,189	15,078
Goodwill	2,383	841	841	841	841	841	841	841	753	753	753	753	753	753	753	753	753	753
Other long-term assets	1,915	377	372	353	353	365	232	216	196	196	245	227	233	283	283	306	0	367
Other assets held for sale						304	99	95	81	81	74	82	81	0	0	0	0	0
Total assets	29,316	29,159	20,172	19,566	19,566	18,077	16,649	14,394	13,717	13,717	11,144	10,357	10,326	9,912	9,912	20,457	20,065	21,057
Current liabilities:																		
Accounts payable	862	771	777	662	662	603	522	513	428	428	444	309	415	242	242	564	487	537
Revenues and royalties payable	1,269	959	947	898	898	850	772	700	730	730	617	473	562	662	662	909	1,030	1,443
Short-term debt	354	277	257	162	162	0	0	0	0	0	0	0	0	0	0	226	0	0
Current liabilities held for sale	0	5,291		69	69		1,894	0			0	0	0	0	0	0	0	0
Other current liabilities	997	1,079	1,243	435	435	515	279	273	310	310	199	229	269	536	536	1,246	1,555	1,525
Total current liabilities	3,482	8,377	3,224	2,226	2,226	1,968	3,467	1,658	1,927	1,927	1,554	1,452	1,709	1,440	1,440	2,945	3,072	3,505
Long-term debt	9,628	5,790	5,791	5,785	5,785	5,786	4,294	4,295	4,294	4,294	4,295	4,296	4,297	4,298	4,298	7,042	6,502	6,492
Asset retirement obligations	1,141	1,088	1,103	1,030	1,030	298	528	526	380	380	386	391	398	358	358	455	450	462
Other long-term liabilities	567	624	613	462	462	938	431	431	426	426	461	458	372	551	551	1,269	1,248	1,281
Long term liabilities held for sale	0	0				458	189	175	185	185	163	162	157	0	0	0	0	0
Deferred income taxes	773	432	543	877	877	772	483	523	341	341	0	0	0	0	0	0	0	0
Total Liabilities	15,591	16,311	11,274	10,380	10,380	10,220	\$ 9,655	\$ 7,852	\$ 7,797	\$ 7,797	\$ 7,104	\$ 7,004	\$ 7,178	\$ 6,893	\$ 6,893	\$ 11,971	\$ 11,530	\$ 11,996
Equity:																		
Common stock, \$0.10 par value. Authorized 1.0 billion shares; issued 526 million and 525 million shares in 2018 and 2017, respectively	53	51	47	45	45	42	41	39	38	38	38	38	38	38	38	67	68	68
Treasury stock, at cost, 0.4 million shares in 2018	(12)	(22)	(35)	(22)	(22)	(47)	(20)	(8)	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	7,269	6,888	5,217	4,486	4,486	3,518	3,352	2,815	2,735	2,735	2,701	2,720	2,750	2,766	2,766	8,172	8,189	8,206
Retained earnings	473	6	2,505	3,650	3,650	3,280	3,738	3,812	3,148	3,148	1,298	586	351	208	208	218	243	750
Accumulated other comprehensive earnings	1,122	1,091	1,164	1,027	1,027	1,064	(117)	(116)	(119)	(119)	(118)	(117)	(116)	(127)	(127)	(104)	(101)	(100)
Total stockholders' equity attributable to Devon	8,905	8,014	8,898	9,186	9,186	7,857	6,994	6,542	5,802	5,802	3,919	3,227	3,023	2,885	2,885	8,353	8,399	8,924
Noncontrolling interests	4,820	4,834				118			118	118	121	126	125	134	134	133	136	137
Total equity	13,725	12,848	8,898	9,186	9,186	7,857	6,994	6,542	5,920	5,920	4,040	3,353	3,148	3,019	3,019	8,486	8,535	9,061
Total liabilities and equity	\$ 29,316	\$ 29,159	\$ 20,172	\$ 19,566	\$ 19,566	\$ 18,077	\$ 16,649	\$ 14,394	\$ 13,717	\$ 13,717	\$ 11,144	\$ 10,357	\$ 10,326	\$ 9,912	\$ 9,912	\$ 20,457	\$ 20,065	\$ 21,057

Appendix C: Net Working Capital

Net Working Capital	FY18	FY19	FY20	2021E	2022E	2023E	2024E	2025E	2026E	
Accounts Receivable		885	832	601	1,430	1,898	2,458	3,136	3,901	4,720
<i>Days Sales Outstanding</i>	30.1	48.8	45.4	41.5	41.5	41.5	41.5	41.5	41.5	41.5
Other current assets		941	279	248	599	795	1,030	1,314	1,635	1,978
<i>Other Assets as % of Rev</i>	32.0	16.4	18.7	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Cash and cash equivalents		\$ 2,414	\$ 1,464	\$ 2,237	\$ 3,014	\$ 4,000	\$ 5,181	\$ 6,610	\$ 8,222	\$ 9,949
<i>Cash as % of Rev</i>	82.09	85.91	169.12	87.37	87.37	87.37	87.37	87.37	87.37	87.37
Total Current Assets		4,240	2,575	3,086	5,042	6,693	8,669	11,061	13,757	16,647
Short term debt		162	0	0	0	0	0	0	0	0
Accounts Payable		662	428	242	758	1,006	1,303	1,663	2,068	2,502
<i>Days Payable Outstanding</i>	22.5	25.1	18.3	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Revenues and Royalties Payable		898	730	662	1,419	1,883	2,440	3,113	3,871	4,685
<i>Days Payable Outstanding</i>	30.5	42.8	50.0	41.1	41.1	41.1	41.1	41.1	41.1	41.1
Other current Liabilities		435	310	536	845	1,122	1,453	1,854	2,306	2,790
<i>Other Liabilities as % of Rev</i>	14.8	18.2	40.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5
Total Current Liabilities		2,157	1,468	1,440	3,022	4,011	5,196	6,629	8,245	9,977
NWC		2,083	1,107	1,646	2,020	2,682	3,474	4,432	5,512	6,670
Change in NWC			(976)	539	374	661	792	958	1,080	1,158



Appendix D: Cash Flow Statement

Binghamton Investment Fund | February 11, 2022

Cash Flow Statement in millions	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	
Cash flows from operating activities:																			
Net earnings (loss)		\$ (153)	\$ (355)	\$ 2,563	\$ 1,149	\$ 3,224	\$ (317)	\$ 495	\$ 109	\$ (640)	\$ (353)	\$ (1,815)	\$ (668)	\$ (90)	\$ (98)	\$ (2,671)	\$ 216	\$ 261	\$ 844
Adjustments to reconcile net earnings to net cash from operating activities:																			
Earnings from discontinued operations, net of tax		0	(139)	(2,263)	(58)	(2,460)	0	(329)	30	573	274	125	(9)	(13)	\$ 25	128	0	0	0
Depreciation, depletion and amortization		557	420	416	285	1,658	459	394	402	242	1,497	401	299	299	\$ 301	1,300	467	536	578
As % of CapEx		65%	70%	70%	68%	68%	84%	80%	75%	73%	78%	94%	97%	147%	139%	113%	94%	106%	122%
Asset impairments		0	154	2	0	156	0	0	0	0	0	2,666	0	0	\$ 27	2,693	0	0	0
Leasehold impairments		8	53	15	19	95	1	1	13	3	18	110	3	36	\$ 3	152	1	1	0
Accretion on discounted liabilities		16	15	15	15	61	17	10	10	(4)	33	8	8	8	\$ 8	32	(54)	(7)	(7)
Total (gains) losses on commodity derivatives		41	497	276	(1,422)	(608)	709	(140)	(127)	12	454	(720)	361	87	\$ 117	(155)	528	703	335
Cash settlements on commodity derivatives		11	(131)	(91)	127	(84)	(43)	23	71	115	164	101	232	10	\$ (27)	316	(232)	(367)	(370)
(Gains) losses on asset dispositions		(12)	23	(6)	(268)	(263)	(44)	(1)	(2)	(1)	(48)	0	0	0	\$ (1)	(1)	(32)	(87)	0
Deferred income tax expense (benefit)		(32)	20	(114)	352	226	(107)	69	53	(40)	(25)	(311)	0	0	\$ (17)	(328)	(243)	24	119
Share-based compensation		44	58	31	28	161	48	23	23	21	115	20	19	31	\$ 18	88	41	20	19
Early retirement of debt		312	0	0	0	312	0	0	0	0	0	0	0	0	\$ 0	0	27	(10)	0
Total (gains) losses on foreign exchange		0	31	(28)	134	139	(34)	0	0	0	0	0	0	0	\$ 0	0	0	0	0
Settlements of intercompany foreign denominated assets/liabilities		0	(244)	0	3	(241)	0	0	0	34	0	0	0	0	\$ 0	0	0	0	0
Other		26	(20)	42	(53)	(5)	(10)	2	2	0	(9)	0	4	1	\$ 0	5	0	2	11
Changes in assets and liabilities, net		6	(133)	(51)	35	(143)	(302)	(59)	13	264	(82)	(56)	(99)	58	\$ 2	(95)	(127)	17	68
Net cash from operating activities - continuing operations		804	269	807	348	2,228	377	488	597	388	2,043	529	150	427	\$ 338	1,464	592	1,093	1,598
Cash flows from investing activities:																			
Capital expenditures		(832)	(602)	(598)	(419)	(2,451)	(548)	(494)	(536)	(332)	(1,910)	(425)	(307)	(204)	\$ 0	(1,153)	(499)	(504)	(474)
As % of Sales		22%	27%	23%	20%	23%	37%	26%	29%	35%	31%	20%	78%	19%	17%	24%	28%	21%	14%
Acquisitions of property and equipment		(6)	(10)	(19)	(20)	(55)	(11)	(13)	(5)	(2)	(31)	(4)	(1)	0	\$ (3)	(8)	0	(5)	(10)
Divestitures of property and equipment		48	560	89	314	1,013	311	28	7	44	304	25	3	1	\$ 5	34	15	49	1
Net cash from investing activities - continuing operations		(790)	(52)	(528)	(123)	(1,493)	(248)	(479)	(534)	(290)	(1,551)	(404)	(305)	(203)	\$ (215)	(1,127)	(130)	(452)	(474)
Cash flows from financing activities:																			
Repayments of long-term debt principal		(1,236)	0	(21)	335	(922)	(162)	0	0	0	(162)	0	0	0	\$ 0	0	(533)	(710)	0
Early retirement of debt		(304)	0	0	0	(304)	0	0	0	0	0	0	0	0	\$ 0	0	(27)	(32)	0
Repurchases of common stock		(71)	(428)	(1,698)	(759)	(2,956)	(999)	(187)	(561)	(102)	(1,849)	(38)	0	0	\$ 0	(38)	0	0	0
Dividends paid on common stock		(32)	(42)	(38)	(37)	(149)	(34)	(37)	(35)	(34)	(140)	(34)	(42)	(43)	\$ (138)	(257)	(203)	(229)	(329)
Shares exchanged for tax withholdings		(43)	(6)	(3)	4	(48)	(20)	(3)	(1)	5	(25)	(17)	0	0	\$ (1)	(18)	(33)	(9)	(3)
Net cash from financing activities - continuing operations		(1,213)	(476)	(1,760)	(937)	(4,386)	(1,221)	(227)	(597)	(16)	(2,061)	(90)	(39)	(46)	\$ (131)	(306)	(824)	(982)	(537)
Effect of exchange rate changes on cash:																			
Settlements of intercompany foreign denominated assets/liabilities		0	244	0	(3)	241	0	0	0	0	0	0	0	0	\$ 0	0	0	0	0
Other		0	(17)	10	(28)	(35)	0	0	0	0	0	0	0	0	\$ 0	0	0	0	0
Total effect of exchange rate changes on cash - continuing operations		(15)	227	10	(16)	206	1	37	(3)	0	45	(23)	8	4	\$ 0	(9)	3	2	(5)
Net change in cash, cash equivalents and restricted cash of continuing operations			(32)	(1,471)	(3,445)	(10,991)	(218)	0	0	10	(1,509)	38	(194)	178	\$ 2	31	(359)	(339)	782
Cash flows from discontinued operations:																			
Operating activities		194	236	46	476	476	0	135	(96)	(11)	28	(131)	(43)	45	19	(119)	0	0	0
Investing activities		(180)	(222)	2,950	2,548	2,548	0	2,544	7	(79)	2,472	(1)	171	1	311	481	0	0	0
Financing activities		39	73	71	183	183	0	0	(1,571)	(7)	(1,578)	0	0	0	0	0	0	0	0
Net change in cash, cash equivalents and restricted cash of discontinued operations		53	87	3,067	3,207	3,207	0	2,716	(1,663)	(86)	967	(155)	136	50	331	362	0	0	0
Net change in cash, cash equivalents and restricted cash		(1,214)	55	1,596	(675)	(238)	(1,091)	2,498	(2,197)	188	(602)	(117)	(58)	228	\$ 34	393	(359)	(339)	782
Cash, cash equivalents and restricted cash at beginning of period			1,470	1,525	2,684	2,684	2,446	1,355	3,853	2,444	2,444	1,844	1,727	1,669	(3,306)	1,844	2,237	1,878	1,539
Cash, cash equivalents and restricted cash at end of period			1,470	1,525	3,121	2,446	2,446	1,355	3,853	1,656	1,844	1,844	1,727	1,669	(3,056)	2,237	1,878	1,539	2,321
Reconciliation of cash, cash equivalents and restricted cash:																			
Cash and cash equivalents		1,424	1,460	3,102	2,414	2,414	1,327	3,470	1,375	1,464	1,464	1,527	1,474	1,707	(2,661)	2,047	1,683	1,348	2,144
Restricted cash included in other current assets		46	28	19	32	32	28	13	280	(321)	0	200	195	190	(395)	190	0	0	0
Cash and cash equivalents included in current assets held for sale		0	0	0	0	0	0	0	1	0	0	0	0	0	\$ 0	0	195	191	177
Cash, cash equivalents and restricted cash at end of period		\$ 1,470	\$ 1,525	\$ 3,121	\$ 2,446	\$ 2,446	\$ 1,355	\$ 3,853	\$ 1,656	\$ 1,844	\$ 1,844	\$ 1,727	\$ 1,669	\$ 1,897	(3,056)	\$ 2,237	\$ 1,878	\$ 1,539	\$ 2,321

Appendix E: Revenue Build

		1Q18	2Q18	3Q18	4Q18	FY2018	1Q19	2Q19	3Q19	4Q19	FY2019	1Q20	2Q20	3Q20	4Q20	FY2020	1Q21	2Q21	3Q21	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E
Upstream Revenues	Oil, gas and NGL sales	\$ 1,319	\$ 1,069	\$ 1,332		6,285	710	1,191	1,147	307	3,355	1,527	229	619	742	2,695	1,022	1,402	2,010	2,914.9	7,349	\$10,877	\$15,227	\$20,557	\$26,724	\$33,405
	% Growth		-19%	25%	93%		-72%	68%	-4%	-73%	-47%	397%	-85%	171%	20%	-20%	38%	37%	43%	45%	173%	48%	40%	35%	30%	25%
Marketing and Midstream	Marketing and midstream revenues	2,491	1,180	0	778	4,449	791	730	700	644	2,865	560	165	448	538	1,978	740	1,015	1,456	2,029	5,240	\$ 5,834	\$ 6,417	\$ 7,059	\$ 7,624	\$ 8,157
	% Growth		-53%	-100%			2%	-8%	-4%	-8%	-36%	-13%	-70%	171%	20%	-31%	38%	37%	43%	39%	165%	11%	10%	10%	8%	7%
Total Revenue	Total revenues	3810	2249	2579	2096	\$ 10,734	1,501	1,921	1,847	951	\$ 6,220	2,087	394	1,067	1,280	\$ 4,828	1,762	2,417	3,466	4,944.3	12,589	\$16,710	\$21,644	\$27,615	\$34,347	\$41,562
	% Growth		-41%	15%	-19%		-28%	28%	-4%	-49%	-42%	119%	-81%	171%	20%	-22%	38%	37%	43%	43%	161%	33%	30%	28%	24%	21%
Total Expenses	Total Expenses	3991	2730	2417	676	9,814	1,928	1,684	1,653	1,064	6,329	4,194	1,074	1,260		7,918	1,794	2,113	2,502	3,560	9,969	\$12,533	\$17,315	\$22,369	\$27,821	\$33,665
	% of Revenue	105%	121%	94%	32%	91%	128%	88%	89%	112%	102%	201%	273%	118%	109%	164%	102%	87%	72%	72%	79%	75%	80%	81%	81%	81%
EBIT		\$ (181)	\$ (481)	\$ 162	\$ 1,420	\$ 920	\$ (427)	\$ 237	\$ 194	\$ (113)	\$ (109)	\$ (2,107)	\$ (680)	\$ (193)	\$ (110)	\$ (3,090)	\$ (32)	\$ 304	\$ 964	\$ 1,384	\$ 2,620	\$ 4,178	\$ 4,329	\$ 5,247	\$ 6,526	\$ 7,897



Appendix F: DCF

Devon Energy DCF

Terminal Value Calculations

Binghamton Investment Fund | February 11, 2022

	FY2018	FY2019	FY2020	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	\$10,734	\$6,220	\$4,828	\$12,589	\$16,710	\$21,644	\$27,615	\$34,347	\$41,562
<i>Revenue Growth (Annualized)</i>		-42.05%	22.38%	160.76%	32.73%	29.53%	27.59%	24.38%	21.00%
EBIT	920	-109	-3,090	2,620	4,178	4,329	5,247	6,526	7,897
<i>EBIT Margin</i>	8.57%	-1.75%	64.00%	20.81%	25.00%	20.00%	19.00%	19.00%	19.00%
NOPAT	727	-86	-2,441	2,070	3,300	3,420	4,145	5,156	6,238
<i>Tax Rate</i>	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
Plus: D&A	1,658	1,497	1,300	1,572	1,874	2,614	3,573	4,444	5,736
Less: CapEx	-2,451	-1,910	-1,153	-1,823	-2,172	-3,030	-4,142	-5,152	-6,650
Less: Δ NWC		(976)	539	374	661	792	958	1,080	1,158
FCFF		477	-2,833	1,445	2,340	2,212	2,617	3,367	4,167

Discount Factor				0.5	1.5	2.5	3.5	4.5	5.5
PV of Future CF				1374	2010	1716	1835	2133	2385

	Perpetuity Method	Terminal Multiple Method	
Terminal Cash Flow	4,167	Terminal EBITDA	13,633
WACC	10.68%	WACC	10.68%
Terminal Growth Rate	4.00%	EV/EBITDA	6.36
Terminal Value	64,866	Terminal Value	86,715
PV of Terminal Value	37,122	PV of Terminal Value	49,626
Enterprise Value	48,574	Enterprise Value	61,077
Less: Debt	4,298	Less: Debt	4,298
Add: Cash	2,237	Add: Cash	2,237
Equity Value	46,513	Equity Value	59,016
Basic Shares Outstanding	677	Basic Shares Outstanding	677

	\$		\$
Price per Share	68.70	Price per Share	87.17
<i>Upside/Downside (%)</i>	28%		63%
<i>Current Share Price</i>	53.5		53.5

Appendix G: Comparable Companies

Company Name	Ticker	Price	Shares Outstanding	Market Cap	Cash	Debt	Enterprise Value	EBIT	EBITDA	Revenue	LTM EPS	P/E	EV/EBITDA	EV/EBIT	EV/Revenue	Debt/EBITDA	Net Debt/EBITDA
Devon Energy	DVN	53.50	677	36,219.50	2,321	6,492	40,391	4,178	6,350	\$16,710	1.68	31.85	6.36	9.67	2.417	1.02	0.66
Hess Corp	HES	92.21	309.73	28,560.20	2,420	9,210	35,350	1,445	3,300	6,400	0.63	146.37	10.71	24.46	5.523	2.79	2.06
Pioneer Natural Resources	PXD	216.12	244.13	52,761.38	725	7,261	59,297	1,954	4,310	14,310	6.28	34.41	13.76	30.35	4.144	1.68	1.52
EOG Resources	EOG	105.68	585.09	61,832.31	4,290	5,370	62,912	4,055	7,666	16,740	5.19	20.36	8.21	15.51	3.758	0.70	0.14
Marathon Oil Corporation	MRO	19.44	778.54	15,134.82	485	4,140	18,790	451	2,522	4,710	-0.05		7.45	41.66	3.989	1.64	1.45
Diamondback Energy Inc	FANG	125.94	181.17	22,816.55	457	6,970	29,330	844	2,062	5,538	2.56	49.20	14.22	34.75	5.296	3.38	3.16
APA Corp	APA	32.97	363.27	11,977.01	377	7,500	19,100	1,733	3,151	7,000	1.56	21.13	6.06	11.02	3.449	2.38	2.26

Appendix H: WACC

WACC Calculation	
Expected Market Return	8.00%
Market Risk Premium	6.00%
Risk Free Rate (10 year note)	2.00%
Beta	1.66
Cost of Equity	11.94%
Pre-tax Cost of Debt	0.98%
Tax Rate	21.00%
After-Tax Cost of Debt	0.77%
Stock Price	53.50
Shares Outstanding	677
Equity (Market Cap)	36,220
Debt	4,298
WACC	10.76%

Interest Coverage Ratio	5.648995
Spread	0.98%
A+ Rating	

Greater	Less	Rating	Spread
8.5	100000	Aaa/AAA	0.63%
6.5	8.499999	Aa2/AA	0.78%
5.5	6.499999	A1/A+	0.98%
4.25	5.499999	A2/A	1.08%
3	4.249999	A3/A-	1.22%
2.5	2.999999	Baa2/BBB	1.56%
2.25	2.249999	Ba1/BB+	2.00%
2	2.249999	Ba2/BB	2.40%
1.75	1.999999	B1/B+	3.51%
1.5	1.749999	B2/B	4.21%
1.25	1.499999	B3/B-	5.15%
0.8	1.249999	Caa/CCC	8.20%
0.65	0.799999	Ca2/CC	8.64%
0.2	0.649999	C2/C	11.34%
-100000	0.199999	D2/D	15.12%

Appendix I: ESG



Via Devon Energy Sustainability Page

GNG emissions (million of tonnes of CO ₂)	
2018	5.05
2019	4.91
2020	4.25
Methane emissions (million tonnes of CO ₂)	
2018	1.07
2019	0.99
2020	0.52
Flaring intensity (% of natural gas produced)	
2018	2.13%
2019	2.21%
2020	1.48%