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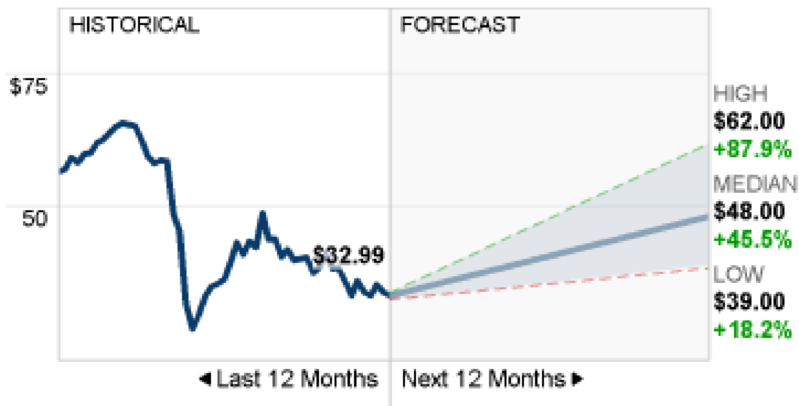
ConocoPhillips **(NYSE:COP)** **10/21/2020 Price $30.64**

52 week high $67.13
52 week low $20.84
Beta 1.68
P/E 14.63 ttm

Dividend Yield 4.97%
Financial data
ROE ttm 7.37%
EPS ttm $2.10
Total Debt/Equity mrq 47.62

The 23 analysts offering 12-month price forecasts for ConocoPhillips have a median target of 48.00, with
a high estimate of 62.00 and a low estimate of 39.00. The median estimate represents a +45.50% increase
from the last price of 32.99.



Overview

ConocoPhillips explores for, produces, transports, and markets crude oil, bitumen, natural gas, liquefied natural gas (LNG), and natural gas liquids worldwide. The company primarily engages in the conventional and tight oil reservoirs, shale gas, heavy oil, LNG, oil sands, and other production operations. Its portfolio includes unconventional plays in North America; conventional assets in North America, Europe, Asia, and Australia; various LNG developments; oil sands assets in Canada; and an inventory of conventional and unconventional exploration prospects. The company was founded in 1917 and is headquartered in Houston, Texas.

ConocoPhillips announced on Monday that it was acquiring Concho Resources for $9.7 billion. This creates one of the industry's biggest shale drillers providing both scale and quality.

Conoco has raised its dividend and now has an impressive dividend yield of approximately 5%.

Key Positive Arguments	Key Negative Arguments
Competitive Position • The acquisition of Concho makes it the largest U.S. independent oil and gas producer, pumping 1.5 million barrels per day (bpd). This gives it a major presence in top oil producing field in US. • COP acquired Concho at fraction of its former value • Now in position to buy since it has been conservative about growth vs. its competitors • Economic downturn creates more potential employees **Fundamentals** • Strong free cash flow • Strong dividend yield • Strong brand • Innovative • Skilled workforce • Low inflation helps with capital costs **Growth opportunities** • Expertise in entering new markets • Can utilize new technologies • Demand likely to increase as recession ends • Opportunities to scale up and to cut redundancies with acquisition of Concho • Scant drilling acreage on federal lands so protected from potential new regulations	**Competitive Threats** • Oil industry under pressure from reduced demand due to pandemic • Many companies consolidating • Climate Change pressuring move to renewables **Fundamentals** • Integration of Concho could cause difficulties • Demand lower in short run; may not increase soon • Environmental changes could impact operations • Taxes could change **Other Concerns** • Changing laws can create confusion • Structural change to industry • Investors since 2018 have pulled out of the energy sector, the worst performer of the S&P 500 stock index.

Conclusion:

As ConocoPhillips acquires Concho Resources for $9.7 billion in all stock deal, by swapping 1.46 shares of ConocoPhillips for each Concho share, it emphasizes the need for size, scope, and scale going forward. It secures low cost supply that enables the Company to manage volatile markets. The deal is expected to close in the first quarter of 2021.

The pandemic has reduced daily oil consumption was down more than 6 percent in September from a year earlier, according to the Energy Department. Many think the industry will not recover fully until 2022. However, Conoco only needs oil to average $41 a barrel next year to sustain its combined production level and allow it to pay its impressive dividend yield. Any increase in oil prices will improve its free cash flow.

Changes in the makeup of the energy industry as moves are made to renewables will take time. Meanwhile, you could enjoy a roughly 5% dividend yield with COP.