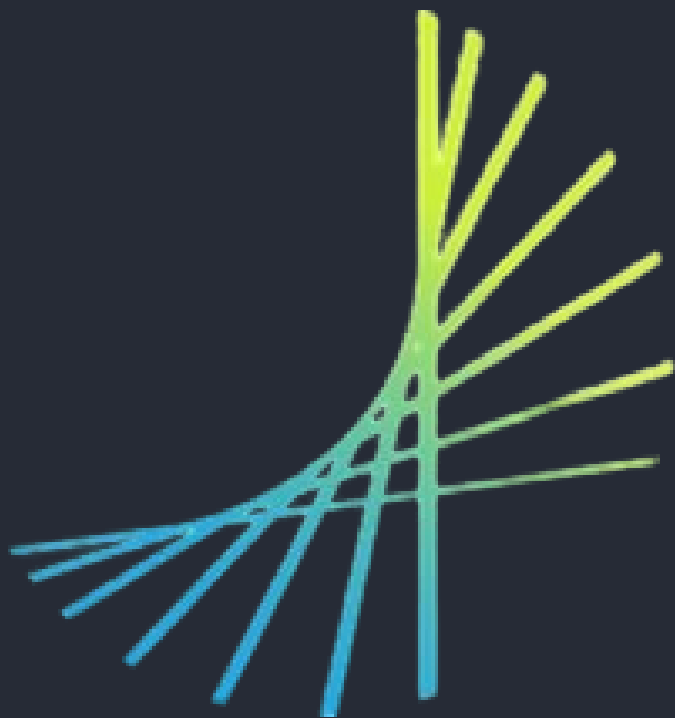


# Chord Energy (CHRD)

May 5th, 2025

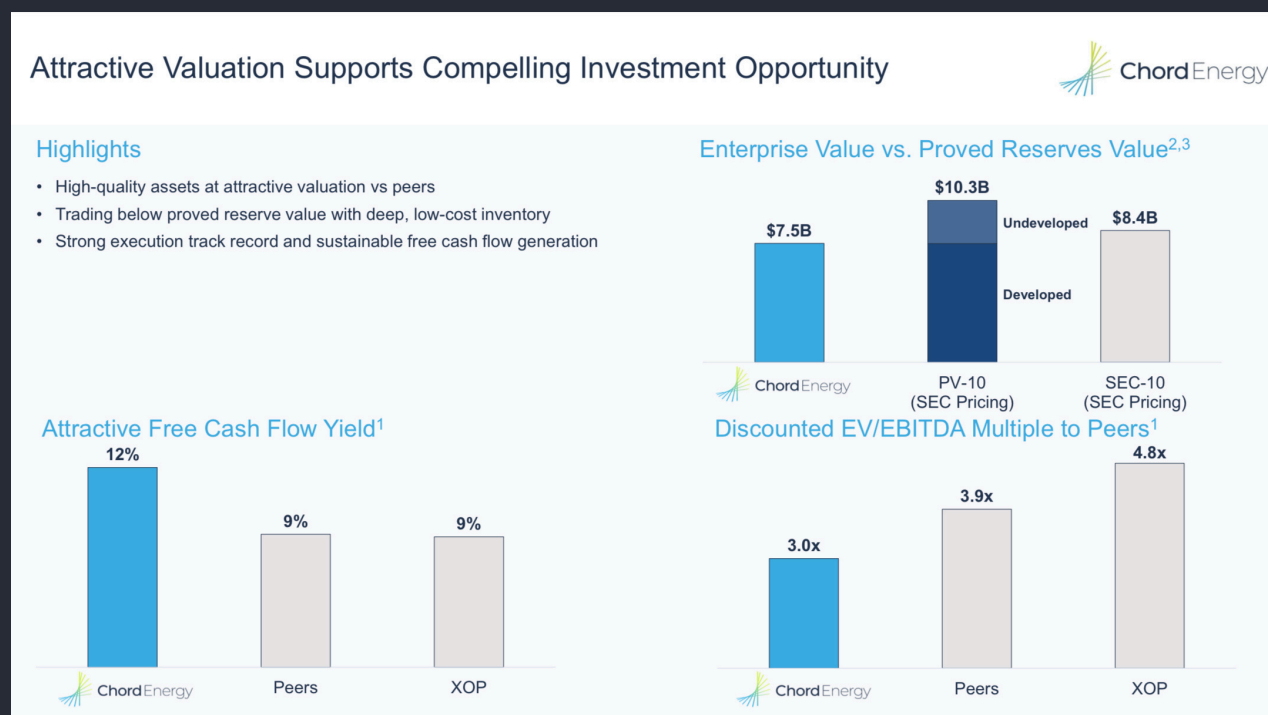


Over the past few weeks with a super volatile market, I found myself looking for companies that would be the most immune to these fluctuations. One of the best criteria for this solidity is having a strong balance sheet, in which if the company sold off all of its assets and paid off all of its liabilities the shareholders would still have a profit given today's market cap, and having little exposure to the downsides of tariffs, where the companies results wouldn't be affected or they'd have at least less exposure to their competitors which would allow them to grab market share in case the tariff war cripples competitors prices.

One company that I believe fit these criteria is Chord Energy (CHRD). The company currently trades at \$5.5 billion market cap and has a very strong balance sheet with \$8.7 billion in equity. Most of their assets (around \$10 billion worth) are net property, plant and equipment (PP&E), which leads me to believe that if these assets really were to be liquidated the shareholders would receive almost the full value of the \$8.7 billion in equity, which would imply a 58% upside in even the worst case scenario for the company, giving me a great safety net and comfort in investing in the company. The company has half a billion in cash right now

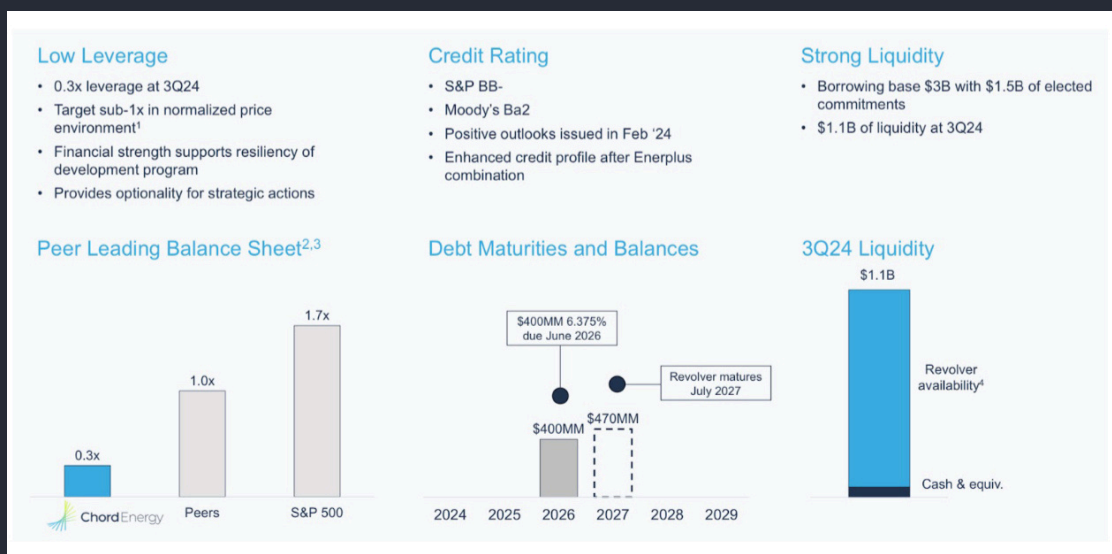
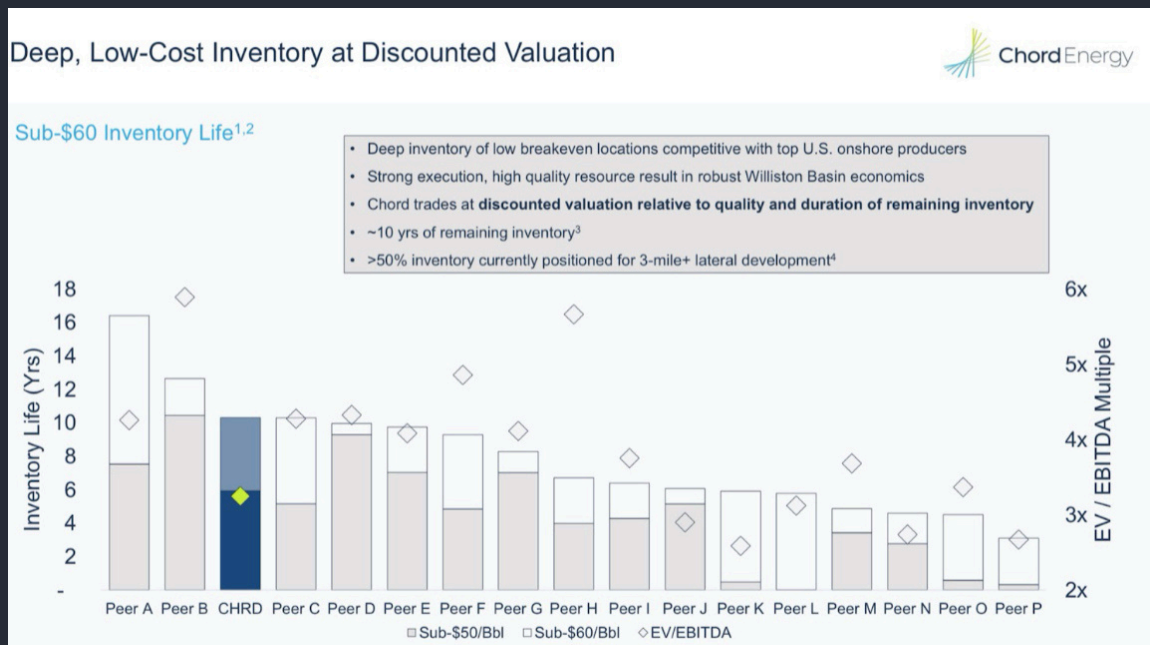
However, I do not believe that this will happen, since the company is doing very well for itself. The company explores oil, NGLs and natural gas in continental US in the Williston Basin (Located mostly in North Dakota and Montana), where it owns more than a million acres of land and operates most of their drilling locations.

Their inventory and reserves are also a point to be excited about. Their low cost extraction inventory has an average life of 10 more years, really good compared to peers in the industry while they have about \$8Billion dollars worth of developed reserves and about \$10 billion worth when considering undeveloped. This may be the tip of the iceberg given that Chord spends around \$1.2 billion in capex and could expand production if required to do so, though that's not their main focus right now.

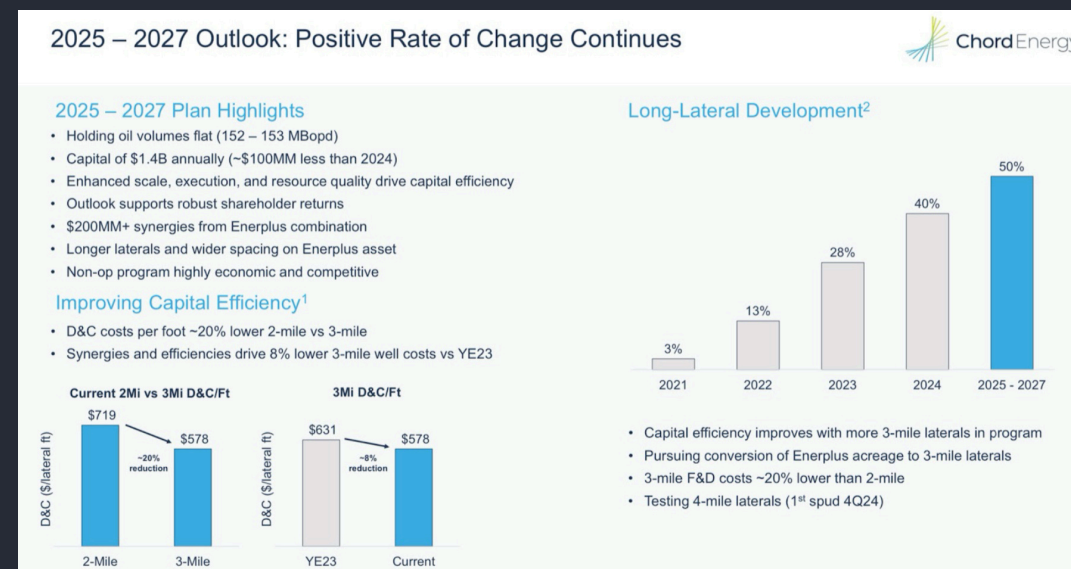
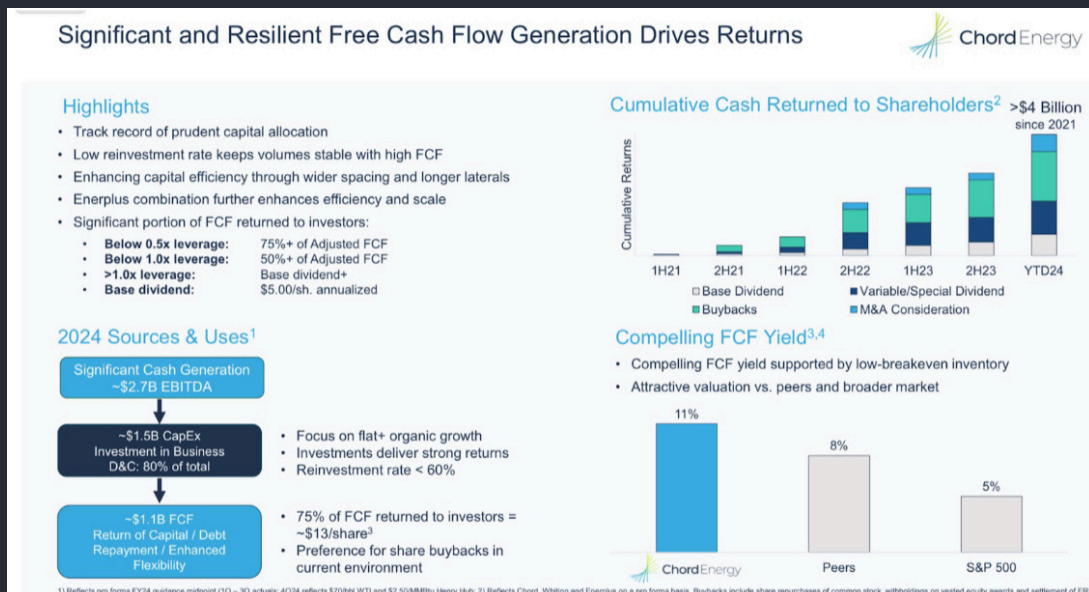


The company solely produces in the US and ships most of its products to the US, making them very resilient against tariffs.

Of course, they're still subject to changes in tariffs in production inputs such as steel, but I believe that the biggest impact of steel tariffs already happened, in the beginning of the Trump administration, so the company should be more stable and enjoy their comparative advantage against peer companies that explore oil abroad or export oil to other countries.



The manner in which they extract is also very cost efficient. Lateral drilling involves turning the well horizontally after reaching the target rock layer, allowing access to more of the reservoir from a single well. The longer the lateral, the more oil-rich rock it contacts, which boosts production and reduces costs per barrel. Chord extracts most of its resources in a 2-mile long horizontal extraction form. They are efficiently shifting to a 3-mile long extraction that would greatly improve their energetic exploration volume while keeping costs relatively untouched and relatively decreasing capex.





All this allows for Chord to have a relatively low breakeven cost of around \$45.03 per BOE. When calculating the breakeven price to fund operations + capex + dividends and repurchases we arrive at a price of around \$56 dollars, and this is a very conservative number with some leeway for operational inefficiencies and not considering expanding current levels of production. The low breakeven price shows Chord's cost discipline and capital efficiency, allowing it to not only sustain operations but also return significant capital to shareholders even in moderate pricing environments. This margin cushion positions Chord to outperform in volatile markets, maintain steady production through downcycles, and potentially gain market share from higher-cost peers during industry downturns.

Chord has consistently returned value to shareholders through dividends and share buybacks. The company has returned more than \$4 billion to shareholders since 2021 and has a commitment to reward shareholders while keeping leverage under control according to the table presented on the picture below. With a healthy balance sheet, I expect them to return at least 50%+ of adjusted FCF to shareholders. The repurchases fall under their \$750 Million repurchase program approved in October 2024, and they still have around \$592 million to repurchase until October 2025.

So now, with the market pricing CHRD stock considering the recent lows of the oil price, the company is well positioned to perform well as oil prices bounce back up or hold its line/operations if it prices don't. And with a strong balance sheet + strong returns to shareholders, I think the company is set to grow. A great upside potential combined with share repurchases and dividend payouts is a powerful investing combination

CHRD is a great company that found itself mostly protected from the turmoil of the tariffs and trade war while its management maintains a steady commitment to reward shareholders with share repurchases and dividends that come from a steady stream of low breakeven cost oil production. I expect the company to deliver solid returns in the near future and, with the resilience of its balance sheet and operations, I don't expect that much volatility. This is why I'm having a solid position of CHRD in my portfolio. Being very conservative with revenue, margins, P/FCF multiple and share buybacks, I expect a return of around 14% per year + dividends

	Revenue (M)	Revenue Growth	FCF margin	Share count (M)	share change		
Y0	\$4.917,00	-4%	15%	52	-8%	Company	CHRD
Y1	\$4.720,32	-4%	15%	47,84	-6%		
y2	\$4.531,51	-4%	15%	44,9696	-3%		
y3	\$4.350,25	-4%	15%	43,620512	-3%		
y4	\$4.176,24	-4%	15%	42,31189664	-3%		
y5	\$4.009,19	-4%	15%	41,04253974	-3%	Future MKT Cap(M)	7.216,54
						Multiple	12
Y5 FCF	\$601,38			current share price	\$91,22	Future share price	175,8306782
						return (CAGR)	14,03%