

Inside Conoco Phillips: Last Quarter's Progress.

Aug. 25, 2022

Conoco Phillips earnings just keep getting better. This quarter rang in 115% revenue growth, hitting a new record since the company spun off its downstream and midstream assets, solely becoming an upstream oil and gas player. With oil and gas prices as high as they are today, Conoco generates massive cash flow. This quarter, it made \$8 billion in cash from operations, invested \$2 billion back into the business, paid off \$2 billion in debt, and returned almost \$3.5 billion to shareholders through dividends and buybacks. It raised its buyback program another \$5 billion and announced the variable dividend for the 4th quarter would be \$1.40 per share, double that of the third quarter.

Conoco made several moves this quarter to advance its natural gas portfolio. As Outlook recently pointed out, US natural gas prices hit 14 year highs. European natural gas prices are even higher than that given their more immediate dependence on recently cut off Russian gas. LNG, liquified natural gas, is a cleaner fuel than oil and is expected to remain in higher demand throughout the clean energy transition of the next couple decades.

Conoco's purchases last year of Shell's Permian assets and of Concho Resources gave it more shale oil fields, which produce more ancillary gas than conventional fields. It recently announced its purchase of a 30% stake in Semptra's Port Arthur, TX LNG plant, scheduled for start up in 2025. It also bought an additional 10% stake in APLNG, an Australian LNG supplier. Finally, it won a stake in the expansion of Qatar's North Field East project, based in the world's biggest natural gas field. The strategy behind these moves is to make LNG a greater part of Conoco's portfolio and also integrate all parts of the LNG market into its business. Once these projects are up and running, it will be able to produce the gas in its Permian fields, have a stake in the liquefaction of that gas at the Port Arthur plant, and know where to market the gas to since it has its hands in the largest gas markets globally.

Part of Qatar's North Field East LNG Project



Quarter after quarter, both management's actions and the company's results have been impressive. It's a nice time to be Conoco Phillips and to be invested in Conoco Phillips.