

# [Financial performance of chesapeake energy company, which aims to be a leading bu...](https://assignbuster.com/financial-performance-of-chesapeake-energy-company-which-aims-to-be-a-leading-business-in-the-mining-and-oil-industry/)

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The paper " Financial Performance of Chesapeake Energy Company" is an excellent example of a case study on business. Chesapeake is a natural gas and oil company headquartered in Oklahoma and the second-largest natural gas producer in the United States (Chesapeake 1). Chesapeake Energy Company started in 1989 with ten employees and an initial capital of $50, 000 (Krauss 1). Archie W. Dunham replaced Aubrey McClendon as the chairperson of the company in 2012 following shareholders dissatisfaction with his duties (Krauss 1). The company’s co-founder retired in 2013 due to management inefficiencies. Chesapeake Energy Company sold most of its assets in the Permian Basin in 2012 and completed its ownership interest in Chaparral Energy, Inc in 2014 (Krauss 1). The company started to trade in the NSE in 1995. Between the year 2003 and 2007, Chesapeake Company grew rapidly due to increase in prices of natural gas and in the year 2008 the company discovered Haynesville shale in East Texas and Northern Louisiana, one of the largest natural gas fields in the world (Krauss 1).
The company’s oil production has increased by 45% since 2010. The increased production results from increased capital efficiency. The company seeks to improve performance and shareholder returns together with ensuring long-term growth (Krauss 1). The company’s vision statement is to be the leading business in the mining and crude oil industry and the mission statement is to provide superior service to customers and communities through regulated energy and other business segments (Chesapeake 1).
In making business decisions and designing operations, the company relies on fundamental values that include integrity and trust, respect, transparency, and open communication, commercial focus and change leadership (Chesapeake 1). The company focuses on enhancing operations, improving productivity, managing expenses, and becoming a popular business partner (Chesapeake 1). Chesapeake Energy Company seeks to become efficient, sustainable, and competitive in the oil industry.
Chesapeake energy company strategy is to focus on long-term growth by discovering and developing diverse oil and natural gas resource base to deliver shareholder and investor values through financial discipline and profitable, efficient growth. The company has grown to become the11th largest producer of oil and natural gas liquids in America (Chesapeake 1). The company has a market capitalization of 15. 78B that is below the market capitalization of the companies in the industry (ABC News Network 1). Indeed, APC has a market capitalization of 47. 24B while BP’s market capitalization stands at 129. 46B (ABC News Network).
Market capitalization in the industry stands at 72, 314B with a return on equity of 12% (ABC News Network 1). The return on equity for Chesapeake was 10. 93% in 2011, -4. 78% in 2012 and 4. 59% in 2013. The ROE trend depicts reduced earnings from investment funds. The return on assets for 2011 was 4. 57%, in 2012 was -1. 73% and in 2013 was 1. 72%. The figures for ROA show that the return earned on all of the firm’s assets is significantly low.
Using DuPont analysis, the ROE shows that the company has relatively low-profit margins and the annual revenues and earnings change at a slow rate. ROA trends suggest operational challenges. My suggestion to the Chesapeake Company would be to diversify revenues streams and maintain a solid management team to run the operations.