

Stock Pitch

OCCIDENTAL

PETROLEUM

NYSE: OXY

Recommendation: BUY

Current Price: \$62.04

Target Price: \$85.37

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AGENDA

- Company Overview
- SWOT analysis
- Corporate Governance
- Recent Controversy
- Market Sentiment
- External Factors
- Market Capitalization
- Fundamental Screening & Analysis

COMPANY OVERVIEW

- Occidental Petroleum is one of the leading brands in the energy & power sector, a multinational core energy company based in the United States.
- Engages in the acquisition, exploration, and development of oil and gas properties in the United States, the Middle East, and North Africa.
- It operates through three segments: Oil and Gas, Chemical, and Midstream and Marketing.
- Publicly traded on the NYSE under the ticker symbol OXY
- Currently focusing on switching to more sustainable and renewable trends

OCCIDENTAL PETROLEUM CORPORATION
NYSE: OXY

SWOT ANALYSIS

STRENGTHS

- **Stable revenue:** *diversity* in range of products including not only oil and gas but also chemicals and plastics.
- **Global Presence:** in regions like *Middle East, Africa, and Latin America*- Reducing overall risks from economic troubles or political tension in one region.
- **Financial Performance:** more assets than liabilities; *positive cash flow*; can offer *dividends to shareholders*.
- Mostly **good sentiment** and **trust** maintained in the market, being in the industry since 1920

WEAKNESSES

- **Dependence on oil:** the company's business is heavily reliant on oil, a finite source, pushing to find new alternatives.
- **Dependence on few key markets:** significant portion of operations set up in few countries, making it vulnerable to political and economic changes in region.
- **Lack of scale:** asset and operations are still small compared to other big players in the market
- **Heavy Debt:** *underperformed* in some quarters; not highest dividend payer in market; in significant debt

SWOT ANALYSIS

OPPORTUNITIES

- **Expansion of global reach:** expand to new regions of geographical opportunities outside the US.
- **Increase margins:** develop and invest in cost-reducing strategies
- **Acquisition growth:** can acquire smaller players in the industry or mergers with other company to expand market share.
- **Renewable energy focus:** redirect to *renewable and sustainable energy options* and make the shift to low carbon venture

THREATS

- **Volatile gas prices:** *fluctuations* in energy prices and uncertainty in demand
- **Policy and regulation:** unfavorable regulation regarding emissions due climate change
- **Competition:** not only big players based in US but also in the middle east and much bigger and heavily funded companies.
- **Political Instability:** regions of political instability or changes in leadership can affect company.

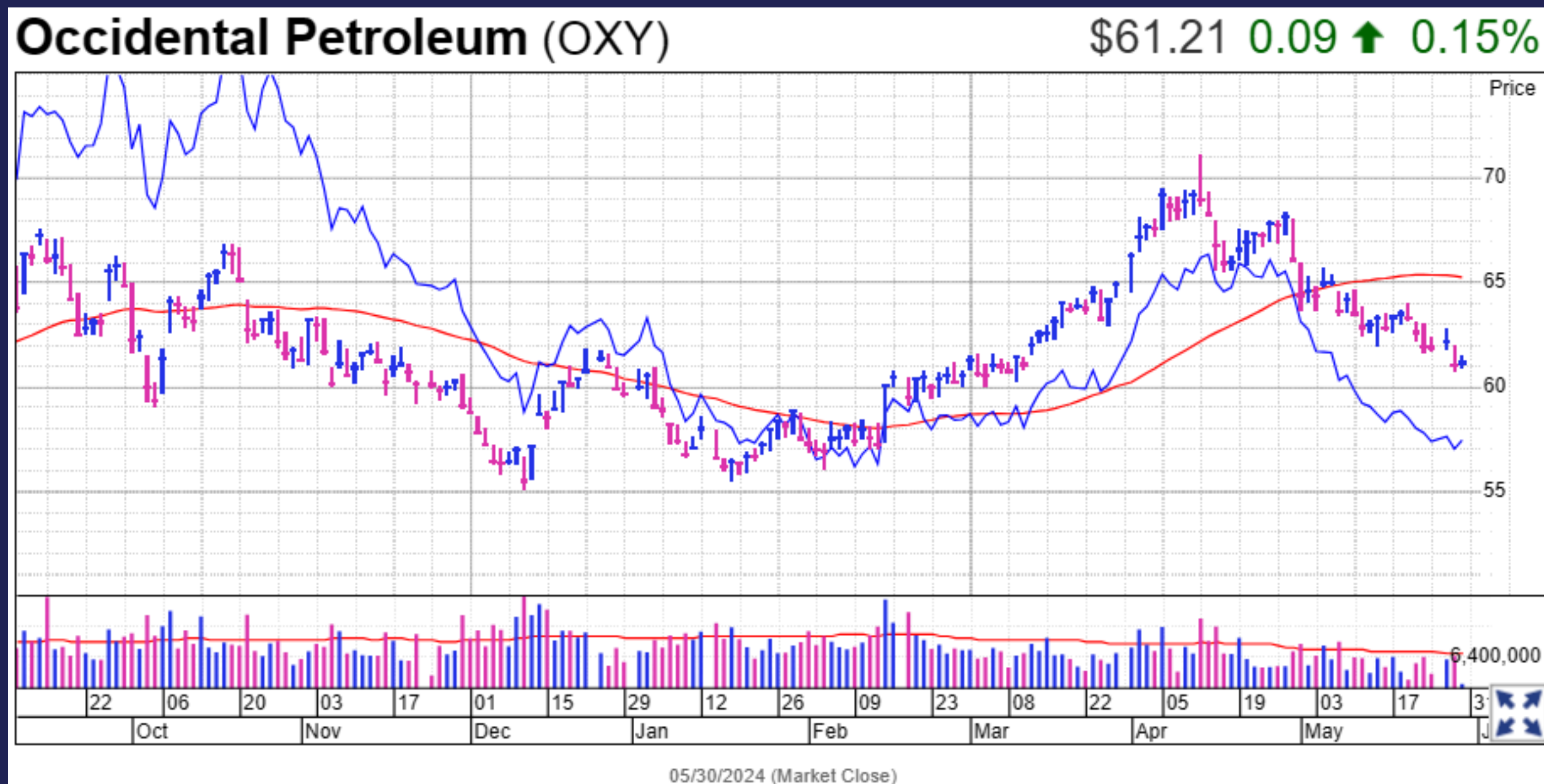
CORPORATE GOVERNANCE

- The Governing Board evaluate and select top executives, including the CEO. Also sets their compensation based on performance
- Ensure financial reporting is *accurate and transparent* through regular audits. - **Rigorous selection process and healthy business practices**
- The Board includes former executives from other companies, former government officials, and industry experts with an avg of 3.6yrs for management team and 6.4 yrs for the board- **experienced and skilled team of professionals**
- The CEO, Vicki Hollub, was appointed in 2016; has over 35 years of experience in the oil and gas industry; recognized for her leadership and contributions to the industry. CEO's total compensation is about average for companies of similar size; is consistent with company's yearly performance.- **renowned and established CEO and leadership**

RECENT CONTROVERSY

- **In January 2024**, *lawsuit* was filed by drivers in 3 US states accusing Occidental, along with seven others, of an illegal price-fixing scheme to constrain production of shale oil -> American drivers *paying more* for gasoline than they would have in a competitive market.
- **In May 2020**, *sued by some investors* who claim they suffered billions of dollars of losses because the heavily indebted company concealed its inability to battle plunging oil prices, and potentially misled them with incomplete information.

- Occidental Petroleum (OXY) experienced a slight increase of around 0.15% during Thursday's market action, closing at \$61.21.
- The stock fell 1.19% the previous week, dipping below its 50-day moving average. Despite a 2.51% gain in 2024, OXY remains down 14.02% from its April 12 high of \$71.19.



- Despite short-term fluctuations, UBS predicts continued importance of fossil fuels, including oil, in the global energy mix, albeit with a gradual shift towards renewables.
- Warren Buffett's continued investment in OXY, particularly in the \$57-\$61.50 price range, indicates confidence in the company's long-term prospects. Berkshire Hathaway substantially increased its stake in OXY over the past year, positioning it as one of Buffett's top holdings.
- Overall, while short-term market fluctuations and geopolitical factors impact sentiment, Buffett's ongoing investment in OXY suggests a positive long-term outlook for the company.

RECENT INSIDER TRANSACTION

Date	Value	Name	Entity	Role	Shares	Max Price
04 Feb 24	<div>Buy</div> US\$245,879,813	Berkshire Hathaway Inc.	Company		4,302,324	US\$57.98
20 Dec 23	<div>Buy</div> US\$312,092,882	Berkshire Hathaway Inc.	Company		5,182,615	US\$60.50
12 Dec 23	<div>Buy</div> US\$588,674,276	Berkshire Hathaway Inc.	Company		10,482,162	US\$57.05
24 Oct 23	<div>Buy</div> US\$246,408,342	Berkshire Hathaway Inc.	Company		3,921,835	US\$63.05
27 Jun 23	<div>Buy</div> US\$122,104,510	Berkshire Hathaway Inc.	Company		2,138,250	US\$57.17

Private Companies 0.00875%

77,592 shares

State or Government 0.0623%

552,185 shares

Individual Insiders 0.293%

2,600,924 shares

General Public 18.7%

165,521,640 shares

Public Companies 28%

248,018,128 shares

Institutions 53%

469,866,281 shares

Shareholders have not been meaningfully diluted in the past year

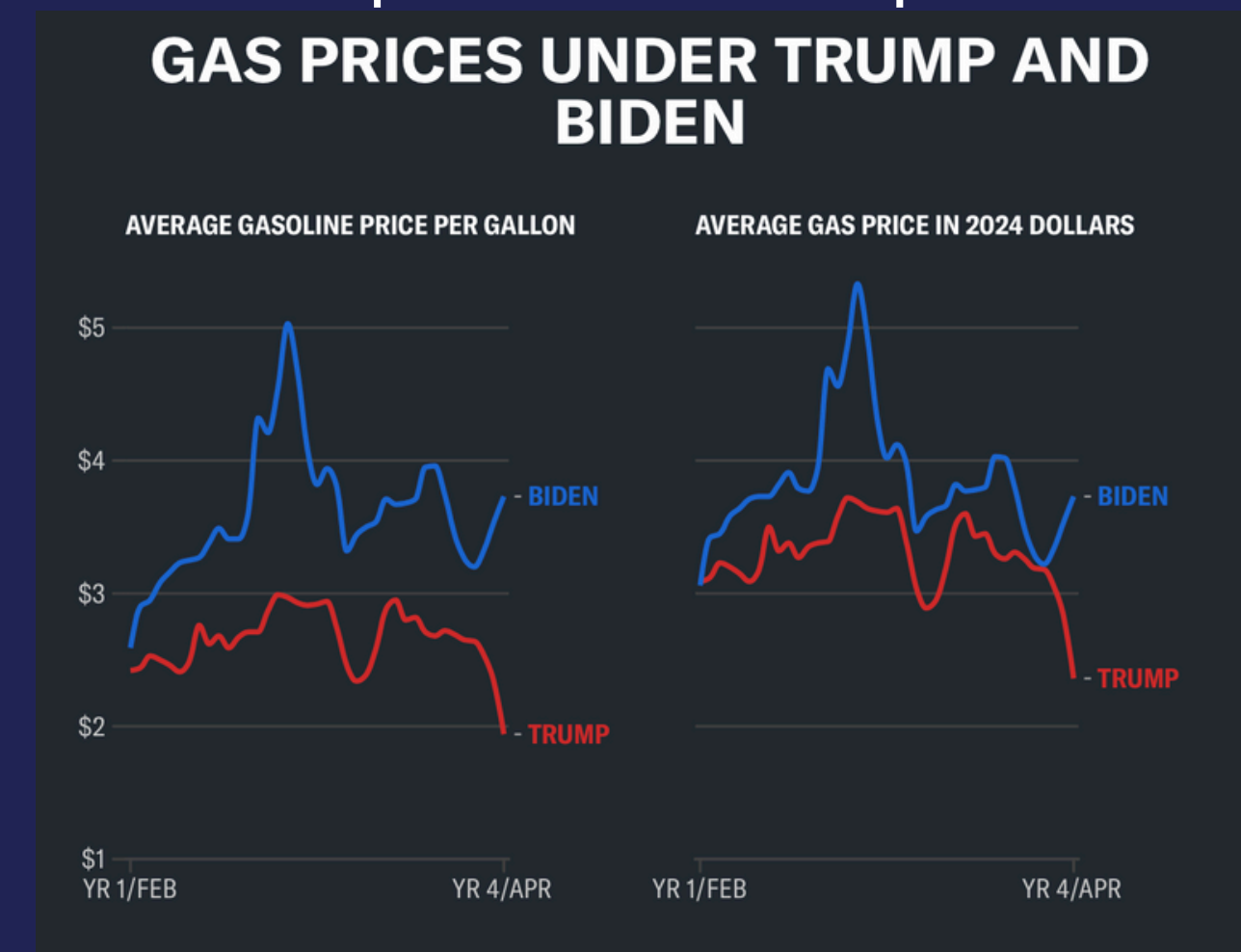
External Factors and Risk

International Politics

- Geopolitical tensions in the Middle East, uncertain demand signals from China, and rising U.S. stockpiles have influenced oil prices. U.S. crude settled below \$78 per barrel on Wednesday, with Brent crude trading under \$83 per barrel.
- Recent price increases suggest that market sentiment is changing, with Brent crude oil climbing above \$90 per barrel in early April. With traders now anticipating tighter crude and product fundamentals for the rest of the year, markets are now more sensitive to the risk of potential geopolitical disruptions to supply

The Presidential Election

- Uncertainty surrounding potential shifts in energy policies post-election, such as regulations on drilling permits, environmental standards, and renewable energy incentives, could impact OXY stock performance.



Price History & Performance

1M

3M

1Y

3Y

5Y

Max

1995

2000

2005

2010

2015

2020

Thu, 30 May 2024

US\$61.21

Max: US\$115.74

Min: US\$7.44

1992

1994

1996

1998

2000

2002

2004

2006

2008

2010

2012

2014

2016

2018

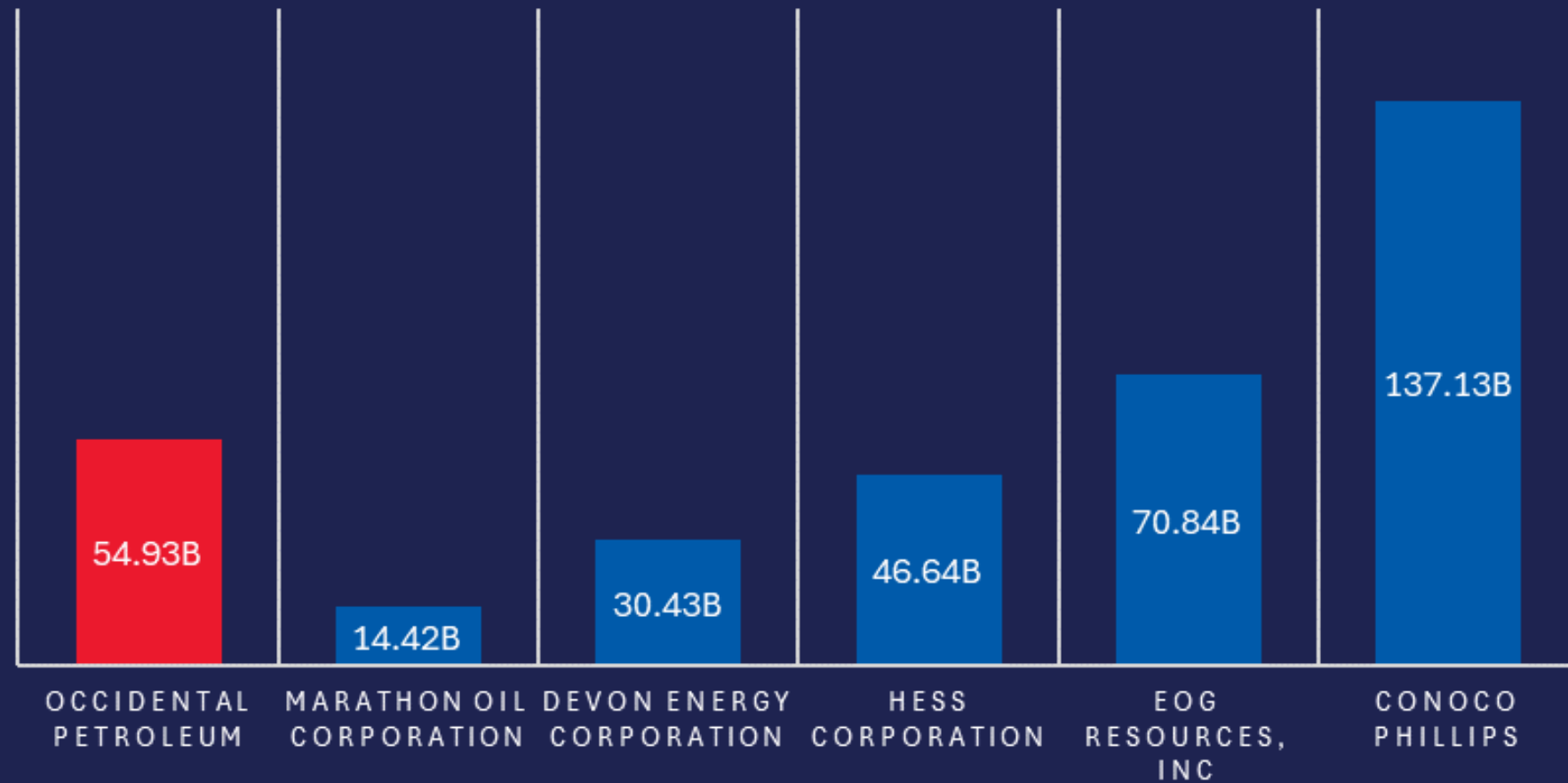
2020

2022

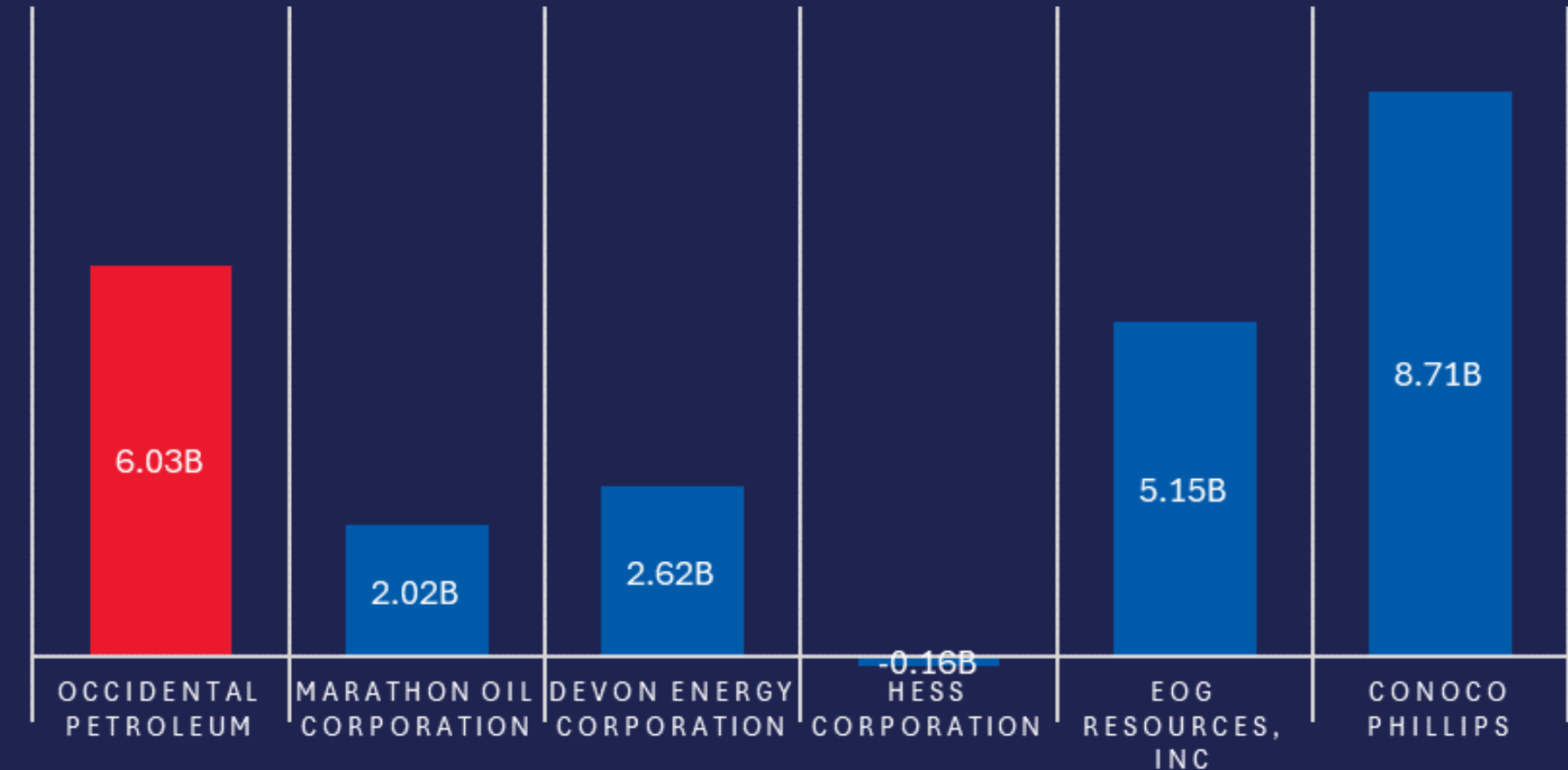
2024

Market Capitalization

MARKET CAPITALIZATION



FREE CASH FLOW



Comparable Companies Analysis

Company	Ticker	Market Data					Financials			Valuation		
		Share Price	Shares Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EV/Revenue	EV/EBITDA	P/E
Occidental Petroleum	OXY	61.21	887	54,271	17,575	71,846	28,331	13,652	3,750	2.5x	5.3x	14.5x
Marathon Oil Corporation	MRO	28.21	577	16,277	5,273	21,550	6,407	4,224	1,554	3.4x	5.1x	10.5x
Devon Energy Corporation	DVN	47.59	636	30,253	5,280	35,533	15,140	7,375	3,747	2.3x	4.8x	8.1x
Hess Corporation	HES	150.21	307	46,139	9,598	55,737	10,701	5,359	1,382	5.2x	10.4x	33.4x
EOG Resources, Inc	EOG	122.25	581	71,010	- 1,178	69,832	23,273	12,385	7,594	3.0x	5.6x	9.4x
Conoco Phillips	COP	113.58	1,180	134,024	12,173	146,197	56,055	23,462	10,922	2.6x	6.2x	12.3x
High										5.2x	10.4x	33.4x
75th Percentile										4.3x	8.3x	22.8x
Average										3.3x	6.4x	14.7x
Median										3.0x	5.6x	10.5x
25th Percentile										2.5x	5.0x	8.7x
Low										2.3x	4.8x	8.1x
Occidental Petroleum Implied Valuation										EV/Revenue	EV/EBITDA	P/E
Implied Enterprise Value										85,009	76,976	40,166
Net Debt										17,575	17,575	17,575
Implied Market Value										67,434	59,401	39,279
Shares Outstanding										887	887	887
Implied Value Per Share										76.06	67.00	44.30
Upside										24.25%	9.45%	-27.62%
*Share prices as of 5/30/24 market close												
DCF (Growth Exit 5Y)					60.44 - 136.79		85.37		39.5%			
DCF (Growth Exit 10Y)					78.75 - 162.85		106.39		73.8%			
DCF (EBITDA Exit 5Y)					59.02 - 73.88		64.64		5.6%			
DCF (EBITDA Exit 10Y)					77.52 - 99.18		86.23		40.9%			

Price to Earnings Ratio

Ticker	P/E
OXY	16.95
MRO	10.60
DVN	9.18
HES	23.21
EOG	9.73
COP	13.27
Total Average	13.82
Median	11.94
Industry Average	12.67

- OXY has the second highest P/E ratio of the group, suggesting that investors would be willing to pay more for each dollar of earnings.
- This highlights a strong market confidence in the company's future performance.

Debt to Equity Ratio

Ticker	D/E
OXY	0.68
MRO	0.49
DVN	0.53
HES	0.98
EOG	0.14
COP	0.37
Total Average	0.53
Median	0.51
Industry Average	0.38

- Although OXY has a high D/E ratio compared to its peers, this can lead to higher returns on equity should they effectively manage their debt to finance growth opportunities.
- A recent OXY acquisition was CrownRock (Midland-based oil and gas producer) which added on \$9.1 Billion in debt. This is however going to increase Oxy's production by 170mboe/d for a total of 750mboe/d, which is well above their 2023 outlook of 583mboe/d. This deal is also going to increase cash flow, and along with their debt reduction program, OXY should be able to reduce their debt by at least \$4.5B within the next 12 months.
- There is also the case that the higher leverage also increases the financial risk of investing in this company.

Price to Sales Ratio

Ticker	P/S
OXY	2.00
MRO	2.26
DVN	2.02
HES	4.03
EOG	3.01
COP	2.49
Total Average	2.64
Median	2.38
Industry Average	2.49

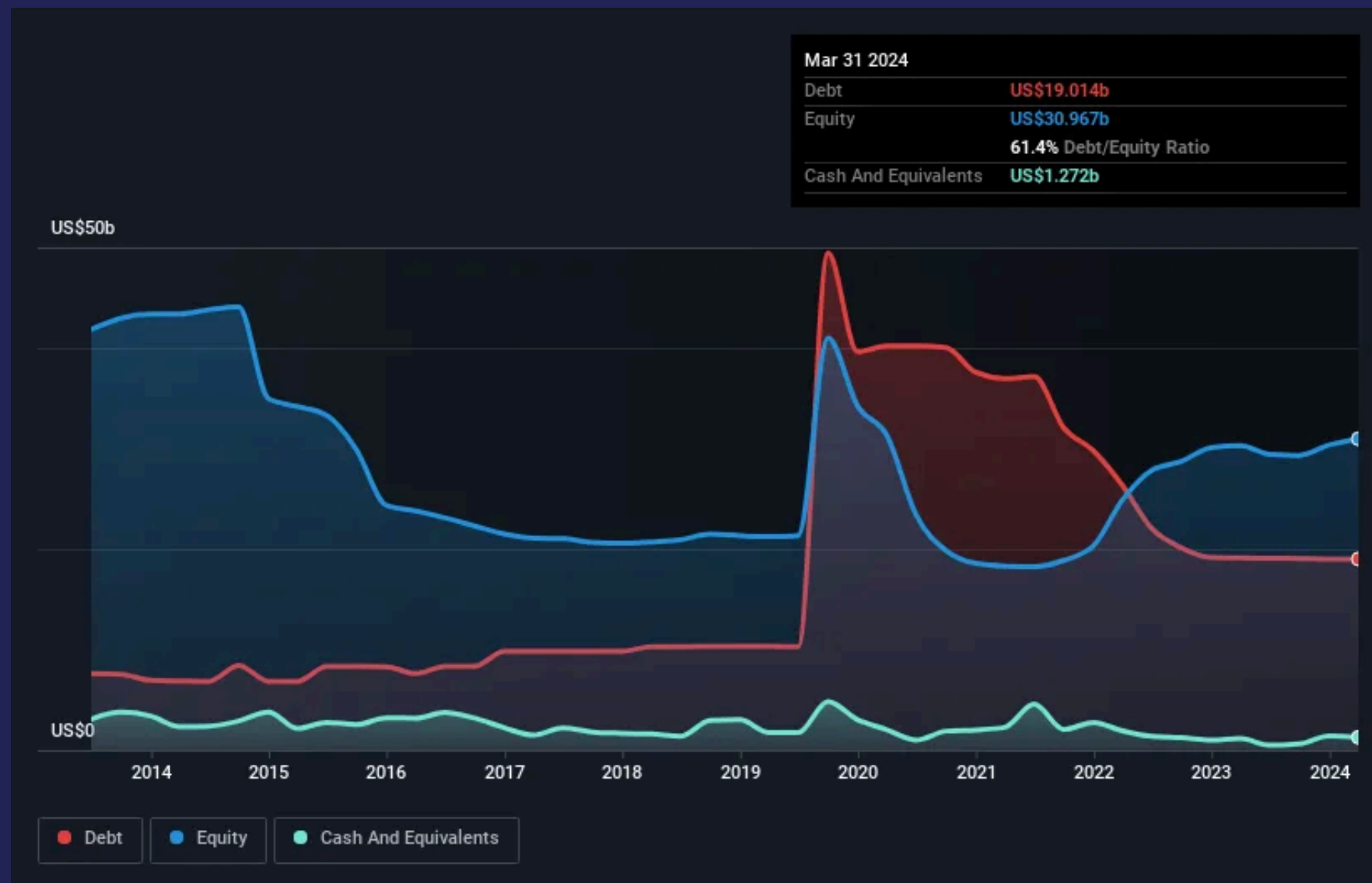
- OXY has the lowest P/S ratio, potentially making them the best buying opportunity among its peers.
- Leads investors to believe that OXY is undervalued relative to their sales.

Price to Book Ratio

Ticker	P/B
OXY	2.44
MRO	1.30
DVN	2.51
HES	4.73
EOG	2.47
COP	2.78
Total Average	2.71
Median	2.49
Industry Average	2.01

- The P/B ratio indicates that there is a favorable market valuation for OXY, suggesting that it is a solid investment with a a balanced future growth potential.
- This also suggests that investors are confident in OXY's asset management, as well as its future profitability.

Debt & Dilution



Net debt: 177B

\$8.81 billion of liabilities will mature in one year, and another \$34.5 billion will mature in one year. To offset these obligations, the company also has \$1.27 billion in cash and \$3.27 billion worth of receivables due within 12 months. As a result, its total liabilities are \$38.8 billion higher than the sum of cash and short-term receivables.

Profitability

Profitability	
Profit Margin	16.00%
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Operating Margin (ttm)	17.07%

The Operating / Profit Margin is 16%/17.07% which is between 10%-20%, and close to 20% we might estimate that OXY has MOAT and potential growth space over the industry

ROCI: 6.15% (Average 9.48%)

ROE: 11.39%

THANK YOU

