

Occidental Petroleum Corp.

4Q23 recap: EPS beat; transitory GoM impacts '24 outlook – awaiting CrownRock

Reiterate Rating: BUY | PO: 80.00 USD | Price: 57.30 USD

EPS beat on OxyChem & strong production

OXY's adj EPS of \$0.75 topped consensus and BoFA estimates of \$0.67 and \$0.69. Note OXY pre-announced price realizations in a [Jan 8-K \(see our 11 Jan note\)](#) where it also called out issues with GoM volumes that would fall below its initial guide due to a 3rd party pipeline outage. Vs our estimates, OxyChem beat (\$250mm vs guidance of \$215mm) with production of 1,234 Mboe/d in the upper half of guidance (1,206-1,246 Mboe/d) on higher volumes in the Rockies, Permian and a PSC true up in Algeria. C/flow (before WC) of \$2.2bn missed consensus expectations of ~\$2.4bn on a tax true up while cash capex of \$1.45bn net of a \$98mm contribution from Blackrock to its Stratos DAC project left FcF at \$750mm, which was added to the b/sheet, a trend we expect to continue given the pending acquisition of CrownRock (CR), expected to close in 2H24. We update our estimates for results and remove CR from our forward estimates pending FTC review. OXY will give updated guidance at close.

GoM impacts outlook; Permian dips on activity cadence

OXY standalone 2024 budget (ex-[CrownRock – see our 13 Dec 2023 note](#)) of \$6.4-\$6.6bn is below consensus of \$7bn, on less activity in the Permian offset by greater share of spend at its Chems growth project Battleground, from \$230mm in 2023 to \$450mm in 2024 & \$425mm in 2025/26). OXY's growth is not just about oil & gas but at OXYChem: Battleground is expected to add \$300mm-\$400mm of annual EBITDA from 2026. Stable oil & gas capex leaves production guidance of 1,220 -1,280 Mboe/d up ~2% yoy which looks light vs consensus (1,360 Mboe/d) but commensurate with lower spend. However, a bigger issue is ~70,000 boepd impact to prod'n in the GoM affecting a few operators including OXY with an expected restart on 3/1. Weather & reduced activity in the Permian dents the cadence of Permian growth, although FY output is still expected flat yoy after a dip in 1Q24. Notable is that sustaining capex is now set at ~\$3.9bn on 2024 volumes expected ~70 Mboe/d higher yoy, which is below our estimate >\$4bn. On this metric, OXY remains one of the most capital efficient portfolios in the industry at < \$9.00 / boe.

Mixed guide leaves OXY rangebound pending CrownRock

On balance, the headline beat and mixed guide mainly on transitory third-party downtime in the GoM leaves OXY's outlook rangebound pending the step change in deleveraging capacity we expect with the FcF and debt-funded capital structure of the CrownRock acquisition. In a backward oil curve, we see OXY positioned to transfer value from debt to equity with our PO unchanged at \$80 (long-term \$75 Brent).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	9.40	3.72	3.93	4.70	4.76
EPS Change (YoY)	267.2%	-60.4%	5.6%	19.6%	1.3%
Consensus EPS (Bloomberg)			3.80	4.60	4.63
DPS	0.52	0.67	0.84	0.91	1.00
Valuation (Dec)					
P/E	6.1x	15.4x	14.6x	12.2x	12.0x
Dividend Yield	0.9%	1.2%	1.5%	1.6%	1.7%
EV / EBITDA*	3.5x	5.5x	5.6x	5.3x	5.4x
Free Cash Flow Yield*	22.1%	11.2%	10.4%	13.2%	13.2%

* For full definitions of *IQmethod*SM measures, see page 6.

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Stock Data

Price	57.30 USD
Price Objective	80.00 USD
Date Established	5-Jan-2024
Investment Opinion	C-1-7
52-Week Range	55.12 USD - 67.67 USD
Mkt Val (mn) / Shares Out (mn)	53,816 USD / 939.2
Free Float	71.4%
Average Daily Value (mn)	520.81 USD
BoFA Ticker / Exchange	OXY / NYS
Bloomberg / Reuters	OXY US / OXY.N
ROE (2024E)	16.3%
Net Dbt to Eqty (Dec-2023A)	60.6%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BoFA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BoFA ESGMeter Methodology".

DAC – Direct Air Capture

boepd – barrel of oil equivalent per day

Mboe – thousand barrel of oil equivalent

GoM – Gulf of Mexico

PSC – Production Share Contract

FTC – Federal Trade Commission

iQprofileSM Occidental Petroleum Corp.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	15.9%	6.8%	7.1%	7.8%	7.6%
Return on Equity	60.1%	16.9%	16.3%	17.1%	15.2%
Operating Margin	33.9%	23.3%	24.3%	25.4%	25.3%
Free Cash Flow	11,909	6,038	5,614	7,120	7,119

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.7x	3.4x	3.1x	2.8x	2.8x
Asset Replacement Ratio	0.6x	0.9x	0.9x	0.8x	0.8x
Tax Rate	25.4%	27.6%	25.8%	24.9%	24.4%
Net Debt-to-Equity Ratio	61.2%	60.6%	42.0%	22.8%	7.2%
Interest Cover	12.0x	6.6x	6.2x	10.1x	12.1x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	41,602	26,356	25,786	27,042	26,730
% Change	52.9%	-36.6%	-2.2%	4.9%	-1.2%
Gross Profit	41,602	26,356	25,786	27,042	26,730
% Change	52.9%	-36.6%	-2.2%	4.9%	-1.2%
EBITDA	21,241	13,457	13,166	13,807	13,648
% Change	52.9%	-36.6%	-2.2%	4.9%	-1.2%
Net Interest & Other Income	(1,179)	(936)	(1,009)	(678)	(559)
Net Income (Adjusted)	9,429	3,573	3,734	4,465	4,522
% Change	284.2%	-62.1%	4.5%	19.6%	1.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	9,429	3,573	3,734	4,465	4,522
Depreciation & Amortization	6,926	6,865	6,672	6,766	6,701
Change in Working Capital	(1,325)	660	0	0	0
Deferred Taxation Charge	(1,644)	57	133	212	226
Other Adjustments, Net	3,020	1,153	1,067	1,087	1,080
Capital Expenditure	(4,497)	(6,270)	(5,992)	(5,411)	(5,411)
Free Cash Flow	11,909	6,038	5,614	7,120	7,119
% Change	63.3%	-49.3%	-7.0%	26.8%	0%
Share / Issue Repurchase	(3,899)	(2,504)	(703)	(703)	(703)
Cost of Dividends Paid	(384)	(629)	(800)	(865)	(945)
Change in Debt	(9,484)	(22)	(1,712)	(2,476)	(2,476)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	984	1,426	1,426	4,502	7,497
Trade Receivables	4,046	3,742	3,742	3,742	3,742
Other Current Assets	3,604	2,473	2,473	2,473	2,473
Property, Plant & Equipment	58,851	60,850	59,701	58,166	56,695
Other Non-Current Assets	5,124	5,404	5,390	5,390	5,390
Total Assets	72,609	73,894	72,731	74,273	75,797
Short-Term Debt	165	1,202	1,202	1,202	1,202
Other Current Liabilities	7,389	7,681	7,681	7,681	7,681
Long-Term Debt	19,670	18,536	14,160	11,684	9,208
Other Non-Current Liabilities	14,580	16,240	16,524	16,936	17,362
Total Liabilities	41,804	43,659	39,566	37,503	35,453
Total Equity	30,805	30,235	33,165	36,770	40,344
Total Equity & Liabilities	72,609	73,894	72,731	74,273	75,797

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Oils

Company Description

Occidental Petroleum (OXY) is an oil-levered multinational organization whose principal business segments are oil & gas and chemicals. The oil and gas segment explores for, develops, produces, and markets crude oil and natural gas primarily in the US Permian Basin, Latin America, and the Middle East/North Africa. The chemicals segment manufactures and markets basic chemicals, vinyls, and performance chemicals.

Investment Rationale

Our Buy rating on OXY reflects a preference for defensive oil where unhedged revenue can transfer value from debt to equity holders

Stock Data

Average Daily Volume

9,257,909

Quarterly Earnings Estimates

	2023	2024
Q1	1.10A	0.55E
Q2	0.69A	1.09E
Q3	1.18A	1.23E
Q4	0.75A	1.06E

4Q23 Earnings Summary

The table below compares actuals to estimates and prior yoy and qoq results.

Exhibit 1: OXY 4Q23A earnings estimates (\$ in millions, except in per share data)

Y/Y and Q/Q Ccparison (\$ in millions, except in per share data)

Segment Earnings	4Q23A	4Q23E	4Q22A	YOY	3Q23A	QOQ
E&P	1,547	1,478	2,420	-36%	1,827	-15%
Midstream	(108)	(128)	(8)	1250%	(66)	64%
Chemicals	250	215	457	-45%	373	-33%
Corporate & Other	(439)	(425)	(462)	-5%	(403)	9%
US Income Before Tax	1,250	1,140	2,407	-48%	1,731	-28%
US Income Tax (Normalized)	(371)	(319)	(607)	-39%	(420)	-12%
Net Income (Adjusted)	879	820	1,800	-51%	1,311	-33%
Special Items & Tax Adj.	319	-	126	153%	61	423%
Net Income (Reported)	1,198	820	1,926	-38%	1,372	NM
Per Share Data						
EPS (Adjusted)	0.75	0.69	1.62	-54%	3.18	-77%
EPS (Reported)	0.75	0.69	1.62	-54%	3.18	-77%
Dividend	0.18	0.18	0.13	38%	0.13	38%

Source: BofA Global Research; Company data

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Estimate Changes

Adjusting for results, including updated guidance and specifically excluding CrownRock pending FTC approval, our estimates change as follows.

Exhibit 2: OXY earnings estimates

We update our earnings for 4Q23 results

	Q1	Q2	Q3	Q4	FY	BBG Consensus
2022A	2.12	3.18	2.46	1.62	9.40	9.62
2023E	1.10	0.69	1.18	0.75	3.72	3.65
Previous	1.10	0.69	1.18	0.69	3.66	n/a
2024E	0.55	1.09	1.23	1.06	3.93	3.80
Previous	0.90	1.31	1.39	1.24	4.85	n/a
2025E	1.05	1.17	1.28	1.20	4.70	4.60
Previous	1.22	1.39	1.53	1.44	5.59	n/a

Source: BofA Global Research estimates, Bloomberg

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Our DCF-based valuation is unchanged at \$80/sh assuming long term \$70 WTI.

Exhibit 1: OXY DCF: excludes CrownRock which we see as value neutral

PO is \$80 assuming long term \$75 Brent, and sustaining capex / ex growth from 2027 (post Battleground start up).

Discounted

	2024	2025	2026	2027	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33	Dec-34	Dec-35	Dec-36	Jan-38
cashflow														
Debt Adj C/flow														
ex WES	12,403	13,066	12,971	12,971	12,971	12,971	12,971	12,971	12,971	12,971	12,971	12,971	12,971	12,971
Capex, net of														
WES	(6,384)	(5,803)	(5,803)	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)
Acquisitions	-													
Disposals	-	-												
Unlevered FcF	6,019	7,263	7,169	9,071	9,071	9,071	9,071	9,071	9,071	9,071	9,071	9,071	9,071	9,071
NPV	97540													
Pref shares	(8,786)													
Net Debt	(18,312)													
add: WES 49.1% (no tax)	5,299													
Total	75741													
Valuation	80													



Exhibit 1: OXY DCF: excludes CrownRock which we see as value neutral
PO is \$80 assuming long term \$75 Brent, and sustaining capex / ex growth from 2027 (post Battleground start up).

Discounted															
cashflow	2024	2025	2026	2027	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33	Dec-34	Dec-35	Dec-36	Jan-38	
End period Share															
Count	950.1														

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Occidental Petroleum Corp. (OXY)

Our price objective of \$80/sh assumes \$75 Brent and \$70 WTI long-term. We assume long-term HH natural gas of \$4.00. We apply a long-term (post-tax) weighted average cost of capital (WACC) of 7.9%, which is based on the BofA strategy team's assumed risk premium and a five-year monthly beta.

Downside risks to our price objective are (1) the oil and gas price and margin environment, (2) significant delays to the new upstream projects critical to its production targets, and (3) inability to capture the price environment due to cost pressures (opex, capex, and taxation).

Upside risks to our price objective are higher oil & gas prices.

Analyst Certification

I, Doug Leggate, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as financial advisor to Occidental Petroleum Corporation in connection with its proposed acquisition of CrownRock LP, which was announced on December 11, 2023.

US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	APA Corporation	APA	APA US	Doug Leggate
	Canadian Natural Resources	YCNQ	CNQ CN	Doug Leggate
	Canadian Natural Resources	CNQ	CNQ US	Doug Leggate
	Chesapeake Energy	CHK	CHK US	Doug Leggate
	Chevron Corp.	CVX	CVX US	Doug Leggate
	ConocoPhillips	COP	COP US	Doug Leggate
	Coterra Energy Inc	CTRA	CTRA US	Doug Leggate
	EQT Corporation	EQT	EQT US	John H. Abbott
	ExxonMobil Corp.	XOM	XOM US	Doug Leggate
	Granite Ridge Resources, Inc	GRNT	GRNT US	John H. Abbott
	Imperial Oil	IMO	IMO US	Doug Leggate
	Imperial Oil	YIMO	IMO CN	Doug Leggate
	Kimbell Royalty Partners	KRP	KRP US	John H. Abbott
	Occidental Petroleum Corp.	OXY	OXY US	Doug Leggate
	Ovintiv Inc	YOVV	OVV CN	Doug Leggate
	Ovintiv Inc	OVV	OVV US	Doug Leggate
	Range Resources Corp	RRC	RRC US	Doug Leggate
	Suncor	YSU	SU CN	Doug Leggate
	Suncor	SU	SU US	Doug Leggate
NEUTRAL				
	California Resources Corporation	CRC	CRC US	Kalei Akamine
	CNX Resources	CNX	CNX US	John H. Abbott
	Delek US Holdings, Inc.	DK	DK US	Doug Leggate
	Devon Energy Corp.	DVN	DVN US	Doug Leggate
	Diamondback Energy Inc.	FANG	FANG US	Doug Leggate
	EOG Resources	EOG	EOG US	Doug Leggate
	Gulfport Energy Corporation	GPOR	GPOR US	Doug Leggate
	HF Sinclair Corporation	DINO	DINO US	Doug Leggate
	Marathon Petroleum Company	MPC	MPC US	Doug Leggate
	PBF Energy	PBF	PBF US	Doug Leggate



US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Permian Resources Corporation	PR	PR US	Doug Leggate
	Phillips 66	PSX	PSX US	Doug Leggate
	Valero Energy Corp.	VLO	VLO US	Doug Leggate
UNDERPERFORM				
	Chord Energy Corporation	CHRD	CHRD US	John H. Abbott
	Crescent Energy Company	CRGY	CRGY US	John H. Abbott
	Marathon Oil Corp.	MRO	MRO US	Doug Leggate
	National Fuel Gas Company	NFG	NFG US	John H. Abbott
	Northern Oil and Gas	NOG	NOG US	John H. Abbott
	Vital Energy Inc	VTLE	VTLE US	John H. Abbott
RSTR				
	Pioneer Natural Resources	PXD	PXD US	Doug Leggate

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

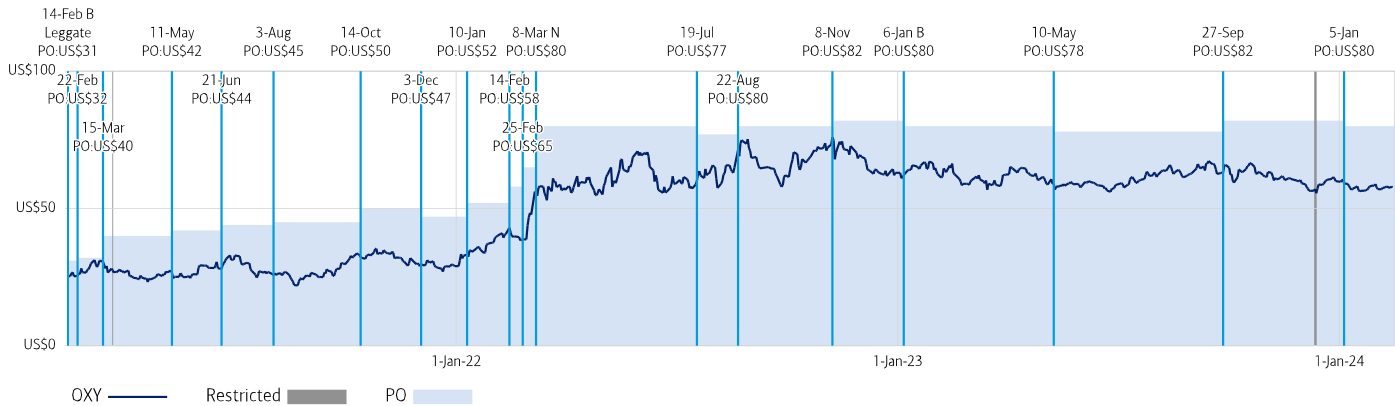
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Disclosures

Important Disclosures

Occidental (OXY) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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