



APA Corporation (APA)

Updated May 20th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$17	5 Year CAGR Estimate:	12.9%	Market Cap:	\$6.3 B
Fair Value Price:	\$30	5 Year Growth Estimate:	-3.0%	Ex-Dividend Date:	4/22/2025
% Fair Value:	57%	5 Year Valuation Multiple Estimate:	12.0%	Dividend Payment Date:	5/22/2025
Dividend Yield:	5.9%	5 Year Price Target	\$26	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector: Energy		Rating:	Sell

Overview & Current Events

On March 1st, 2021, Apache Corporation changed its name to APA Corporation. APA explores and produces crude oil, natural gas and natural gas liquids (NGLs) in the U.S., Egypt and the North Sea. It has a market capitalization of \$6.3 billion. In 2024, APA produced about 409,000 barrels of oil equivalent per day (excluding non-controlling interest). In this period, oil, natural gas, and NGLs comprised 85%, 7% and 8% of the total revenue of the company, respectively. The company is extremely sensitive to the prevailing price of oil; much more so than the well-known integrated oil majors like Exxon Mobil (XOM) and Chevron (CVX).

On April 1st, 2024, APA acquired Callon Petroleum (CPE) in an all-stock deal valued at \$4.5 billion (incl. debt). APA issued ~70 million shares for this deal. It also expects to grow its output ~50% and reap great synergies in the Permian Basin, where Callon Petroleum is present. As both the deal value and the output of Callon Petroleum are ~50% of the market cap and output of APA before the deal, respectively, we view the deal positively for APA, given expected synergies.

In early May, APA reported (5/7/25) financial results for the first quarter of 2025. Its production grew 2% sequentially thanks to strong execution in wells acquired from Callon Petroleum and the average realized prices of oil and gas improved. As a result, earnings-per-share grew 34%, from \$0.79 to \$1.06, and exceeded the analysts' consensus by \$0.24. APA cut its dividend by -90% in 2020 amid the pandemic but it restored its dividend in 2023.

APA has discovered about 700 million barrels of oil in Suriname, where it has exciting growth potential. In addition, in recent years, the company greatly benefited from above average oil prices, which resulted primarily from deep production cuts by OPEC and Russia. However, OPEC began to restore its output in April and thus the price of oil has fallen below the key technical support of \$70. As a result, we have lowered our forecast for earnings-per-share in 2025 from \$3.40 to \$3.00. In addition, we reiterate that APA is very sensitive to the gyrations of the oil price. Its -71% plunge in the last decade (vs. +182% of the S&P 500) is a stern reminder of the high risk of this stock.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-\$0.33	-\$0.75	\$0.24	\$1.77	-\$0.12	-\$1.08	\$3.90	\$7.68	\$4.53	\$3.77	\$3.00	\$2.58
DPS	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$0.33	\$0.14	\$0.63	\$1.00	\$1.00	\$1.00	\$1.16
Shares¹	378.0	379.4	381.0	374.7	377.0	378.0	362.0	322.0	307.0	368.0	365.0	330.0

APA is an investment for those who want to benefit from the long-term growth in U.S. shale oil production and the promising potential of the area offshore Suriname. The deposits are near oilfields offshore Guyana where Exxon Mobil has discovered about 11.0 billion barrels of oil in the last six years. U.S. shale oil production plunged in 2020 due to the pandemic but it has recovered to all-time highs thanks to the recovery of the oil price from that downturn.

However, the extreme sensitivity of APA to the price of oil warrants caution. Due to the extreme sensitivity of APA to the price of oil, we reiterate that it is essentially impossible to make an accurate long-term forecast. This is also evident from the highly volatile earnings record. Overall, we expect the earnings-per-share of APA to decrease by -3% per year on average over the next five years.

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	---	23.1	---	---	5.4	5.3	8.5	7.6	5.7	10.0
Avg. Yld.	1.8%	1.9%	2.1%	2.4%	3.6%	2.2%	0.7%	1.5%	2.6%	3.5%	5.9%	4.5%

APA has shed -44% in the last 12 months due to a weak outlook for oil prices and is now trading at 5.7 times its expected earnings this year. This level is much lower than the 10-year average earnings multiple of 10.0 of the stock. If APA trades at its average valuation level in five years, it will enjoy a 12.0% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

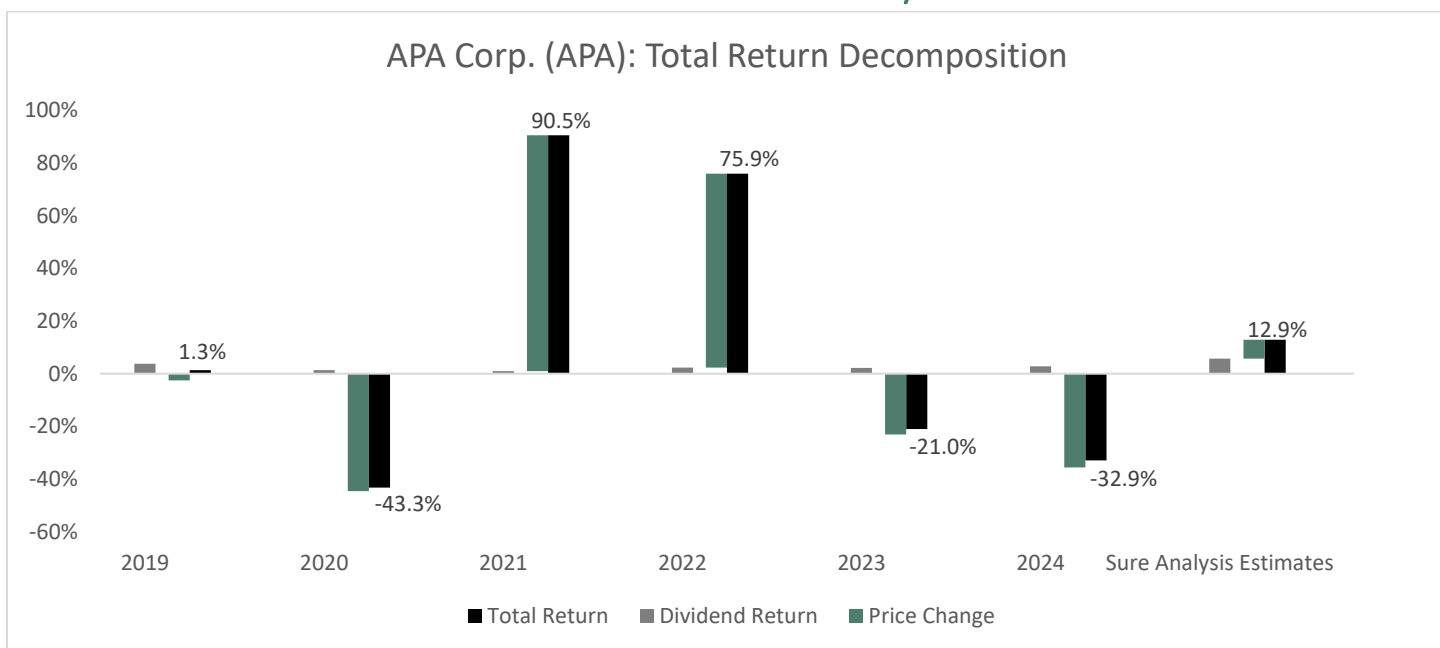
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	417%	56.5%	---	---	3.6%	8.2%	22.1%	26.5%	33.3%	45.0%

APA is highly cyclical and has remarkably volatile earnings, as it is extremely sensitive to fluctuations of the price of oil. In addition, free cash flows have been negative during years with low or average oil prices. This helps explain the decimation of the dividend in 2020. On the bright side, as APA thrives in the current environment of oil and gas prices, it has greatly reduced its debt load in the last three years. Nevertheless, its high vulnerability to the downturns of the energy sector renders the stock unsuitable for income-oriented investors.

Final Thoughts & Recommendation

APA has exciting growth potential in Suriname and Permian Basin but it wrote off \$8.0 billion of assets in 2019 and 2020 due to poor investments. The excessive write-offs raise a red flag for the risk of the stock. APA has dramatically underperformed the S&P 500 in the last 12 months (-44% vs. +12%). The stock could offer a 12.9% average annual return over the next five years thanks to a 5.9% dividend and a 12.0% valuation tailwind, partly offset by a -3% decrease in earnings-per-share. This highly cyclical stock is suitable only for those who have strong conviction in rising oil prices and can tolerate high stock price volatility. APA may sometimes offer great short-term returns, but it could offer poor long-term returns. Its 10-year return (-71% vs. +182% of S&P) is a testament to the risk of the stock. The stock receives a sell rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	6,510	5,367	5,887	7,705	6,491	4,435	7,985	11,075	8,279	9,737
Gross Profit	1,145	1,055	2,028	3,173	1,916	905	3,540	6,255	4,227	4,302
Gross Margin	17.6%	19.7%	34.4%	41.2%	29.5%	20.4%	44.3%	56.5%	51.1%	44.2%
SG&A Exp.	380	410	395	431	406	290	376	483	351	372
Operating Profit	(2,335)	(144)	712	1,969	445	173	2,920	5,230	3,376	3,199
Op. Margin	-35.9%	-2.7%	12.1%	25.6%	6.9%	3.9%	36.6%	47.2%	40.8%	32.9%
Net Profit	-10,352	(1,405)	1,304	40	(3,515)	(4,784)	1,135	3,604	2,855	804
Net Margin	-159%	-26.2%	22.2%	0.5%	-54.2%	-107.9%	14.2%	32.5%	34.5%	8.3%
Free Cash Flow	(2,141)	481	(332)	(127)	(94)	86	2,383	2,545	772	709
Income Tax	(1,010)	(442)	(585)	672	674	64	578	1,652	-324	417

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	25,500	22,519	21,922	21,582	18,107	12,746	13,303	13,147	15,244	19,390
Cash & Equivalents	1,467	1,377	1,668	714	247	262	302	245	87	625
Acc. Receivable	1,253	1,128	1,345	1,194	1,062	908	1,394	1,466	1,610	1,959
Inventories	570	476	368	401	502	492	473	427	453	425
Goodwill & Int.	---	---	---	---	---	---	---	---	---	---
Total Liabilities	16,010	14,840	13,131	12,770	13,642	13,391	13,308	11,802	11,553	13,028
Accounts Payable	618	585	641	709	695	444	731	771	658	1,224
Long-Term Debt	8,717	8,544	8,484	8,244	8,566	8,772	7,510	5,453	5,188	6,044
Total Equity	7,888	6,238	7,416	7,130	3,255	(1,639)	(1,595)	423	2,655	5,280
LTD/E Ratio	1.11	1.37	1.14	1.16	2.63	(5.35)	(4.71)	12.89	1.95	1.14

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-25.4%	-5.9%	5.9%	0.2%	-17.7%	-31.0%	8.7%	27.3%	20.1%	4.6%
Return on Equity	-61.2%	-19.9%	19.1%	0.6%	-67.7%	---	---	1148%	113%	16.0%
ROIC	-36.0%	-8.2%	7.8%	0.2%	-23.4%	-45.2%	14.0%	53.0%	36.4%	7.6%
Shares Out.	378.0	379.4	381.0	374.7	377.0	378.0	362.0	333	309	353
Revenue/Share	17.22	14.16	15.37	19.14	16.75	11.73	21.29	33.26	26.79	27.58
FCF/Share	(5.66)	1.27	(0.87)	(0.33)	(0.25)	0.23	6.35	7.64	2.50	2.01

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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