



Occidental Petroleum Corporation (OXY)

Updated August 25th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$46	5 Year CAGR Estimate:	2.2%	Market Cap:	\$45.1 B
Fair Value Price:	\$34	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	9/10/2025
% Fair Value:	135%	5 Year Valuation Multiple Estimate:	-5.8%	Dividend Payment Date:	10/15/2025
Dividend Yield:	2.1%	5 Year Price Target	\$46	Years Of Dividend Growth:	4
Dividend Risk Score:	C	Sector:	Energy	Rating:	Hold

Overview & Current Events

Occidental Petroleum is an international oil and gas exploration and production company with operations in the U.S., the Middle East, and Latin America. It has a market capitalization of \$45.1 billion. While the company also has a midstream and a chemical segment, it is much more sensitive to the price of oil than the integrated oil majors. That's why Occidental was more severely affected than its integrated peers by the downturn in the oil market between mid-2014 and 2016. Due to that downturn, the company reported negligible earnings in 2015 and posted a loss in 2016.

On August 8th, 2019, Occidental acquired Anadarko. Occidental pursued that acquisition thanks to the promising asset base of Anadarko in the Permian, which has enhanced the already strong presence of Occidental in the area, and high synergies. However, that was a huge acquisition, as the \$38 billion value of the deal is 84% of the current market cap of Occidental. Occidental secured \$10 billion in funding from Berkshire Hathaway (BRK.A) in exchange for preferred shares, which receive an 8% annual dividend.

In early August, Occidental reported (8/6/25) results for the second quarter of 2025. Its production remained essentially flat over the prior quarter while its average realized price of oil declined -10% and its average realized price of natural gas fell -20%. As a result, earnings-per-share plunged -55%, from \$0.87 to \$0.39, though they exceeded the analysts' consensus by \$0.08. Occidental grew its reserves from 4.0 to 4.6 billion last year thanks to the acquisition of CrownRock. Due to its high debt, Occidental is extremely sensitive to oil and gas prices. As the price of oil has fallen towards \$60 lately amid increased output of OPEC, we have lowered our forecast for earnings-per-share in 2025 from \$2.95 to \$2.40.

Berkshire has acquired a 27% stake in Occidental and has requested approval to buy a stake of up to 50%. This has raised speculation that Berkshire may acquire Occidental but we view it as almost fully valued and hence we do not expect an acquisition around current stock prices. On May 6th, 2023, in the annual meeting of Berkshire, Buffett stated that he does not intend to acquire Occidental.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.12	-\$1.01	\$0.89	\$5.01	\$1.45	-\$3.91	\$2.55	\$9.35	\$3.70	\$3.46	\$2.40	\$3.21
DPS	\$2.94	\$3.01	\$3.05	\$3.10	\$3.14	\$0.82	\$0.04	\$0.52	\$0.72	\$0.88	\$0.96	\$1.24
Shares¹	764	764	766	755	810	919	973	1002	950	984	1010	1050

Occidental has greatly increased its production in the Permian Basin in recent years. The reserve replacement ratio of 230% in 2024 (organic ratio of 112%), which boosted reserves from 4.0 to 4.6 billion barrels, bodes well for future growth of output. However, we note the high debt load of the company and its resultant sensitivity to prices. We expect Occidental to grow its production but we do not expect much higher oil prices in the upcoming years, partly due to a fast-growing global supply. As a result, we expect the earnings-per-share of Occidental to grow at an average annual rate of 6% over the next five years. While we may miss a portion of the upside of the stock, we prefer to remain conservative due to its excessive downside whenever the next downcycle of the oil price shows up.

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	---	---	---	15.0	36.0	---	10.8	6.4	16.6	16.8	19.2	14.2
Avg. Yld.	4.0%	4.2%	4.7%	4.1%	6.0%	4.3%	0.1%	0.9%	1.2%	1.5%	2.1%	2.7%

Occidental is currently trading at 19.2 times its expected earnings this year. This earnings multiple is much higher than the 10-year average price-to-earnings ratio of 14.2 of the stock. If the stock trades at its average valuation level in five years, it will incur a -5.8% annualized drag due to the contraction of its valuation level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

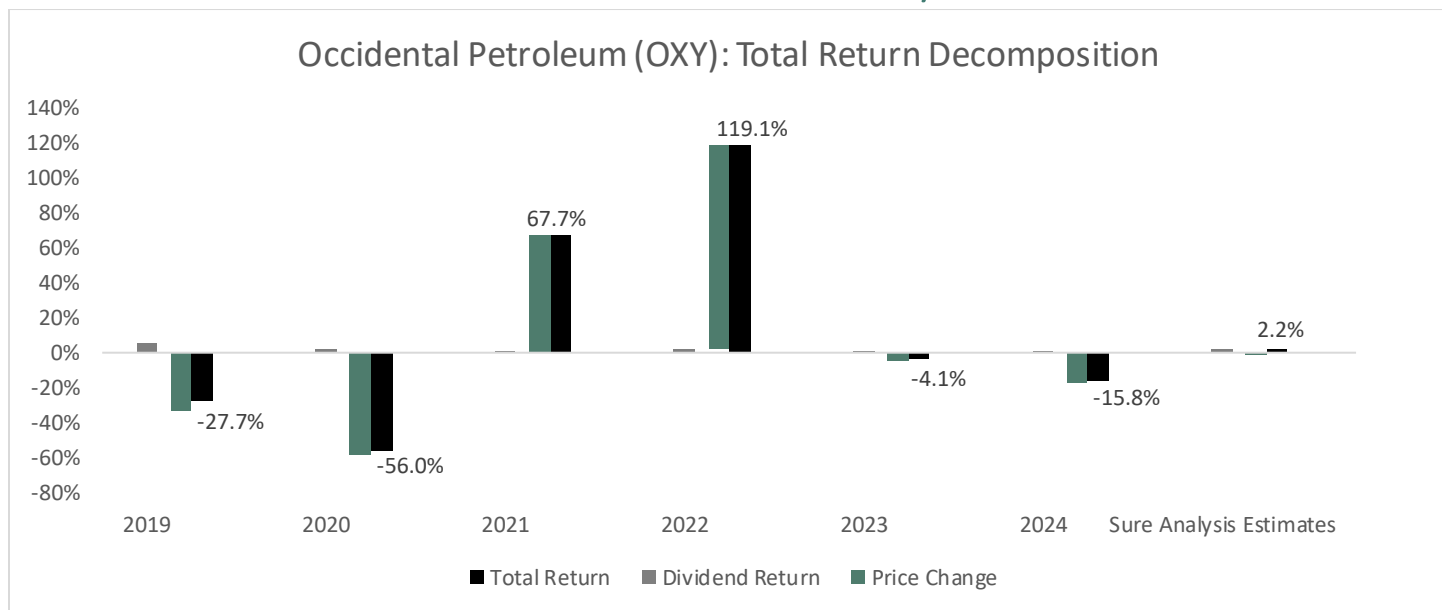
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	343%	61.9%	217%	---	1.6%	5.6%	19.5%	25.4%	40.0%	38.7%

Before the pandemic, Occidental had raised its dividend for 17 consecutive years at an 11% average annual rate. However, the pandemic caught Occidental off-guard, with a huge debt pile, and thus led to a -99% dividend cut in 2020. Moreover, Occidental is very sensitive to the gyrations of oil prices. The company's reliance on oil prices was displayed in the Great Recession, when its earnings-per-share fell -58%, from \$8.98 in 2008 to \$3.79 in 2009. We reiterate that the company is more sensitive to oil prices than its "supermajor" peers like Exxon Mobil (XOM), partly due to its high debt load. Due to its weak balance sheet, Occidental is essentially a leveraged bet for high oil prices in the future. Therefore, only those who have strong confidence in a sustained environment of high oil prices should consider this stock.

Final Thoughts & Recommendation

Due to its upstream nature and its takeover of Anadarko, which greatly increased interest expense, Occidental is extremely sensitive to the price of oil. As OPEC is restoring its output at a fast pace, the price of oil has declined significantly lately. This is a key reason behind the -33% decline of the stock in the last 16 months. The stock could return 2.2% per year on average over the next five years thanks to 6% growth of earnings and a 2.1% dividend, partly offset by a -5.8% valuation drag. Despite the -33% decline of the stock in the last 16 months, we still find it unappealing. The 10-year return of Occidental (-36% vs. +224% of the S&P 500) is indicative of the risk of the stock. Occidental receives a hold 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	12,480	10,090	12,508	17,824	20,911	17,809	25,956	36,634	28,257	26,725
Gross Profit	2,132	633	3,087	7,431	7,019	2,844	7,850	17,645	10,109	9,550
Gross Margin	17.1%	6.3%	24.7%	41.7%	33.6%	16.0%	30.2%	48.2%	35.8%	35.7%
SG&A Exp.	1,270	1,330	546	585	893	864	863	945	1,083	1,062
Operating Profit	483	(1,036)	1,095	5,117	2,983	(1,258)	4,665	13,665	6,414	5,593
Op. Margin	3.9%	-10.3%	8.8%	28.7%	14.3%	-7.1%	18.0%	37.3%	22.7%	20.9%
Net Profit	(7,829)	(574)	1,311	4,131	(667)	-14,831	2,322	13,304	4,696	3,056
Net Margin	-62.7%	-5.7%	10.5%	23.2%	-3.2%	-83.3%	8.9%	36.3%	16.6%	11.4%
Free Cash Flow	(2,513)	553	1,262	2,694	759	901	7,661	12,460	6,063	4,517
Income Tax	(1,330)	(662)	17	1,477	861	(2,172)	915	813	1,733	1,174

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	43,409	43,109	42,026	43,854	107,190	80,064	75,036	72,609	74,008	85,445
Cash & Equivalents	3,201	2,233	1,672	3,033	3,032	2,008	2,764	984	1,426	2,132
Acc. Receivable	2,970	3,989	4,145	4,893	4,233	2,115	4,208	4,281	3,195	3,526
Inventories	986	866	1,246	1,260	1,581	1,898	1,846	2,059	2,022	2,095
Total Liabilities	19,059	21,612	21,454	22,524	72,958	61,491	54,709	42,524	43,659	50,965
Accounts Payable	3,069	3,926	4,408	4,885	4,910	2,987	3,899	4,029	3,646	3,753
Long-Term Debt	8,305	9,819	9,828	10,317	38,588	36,185	29,028	19,146	19,001	25,323
Total Equity	24,350	21,497	20,572	21,330	24,470	8,811	10,565	20,323	21,963	25,872
D/E Ratio	0.34	0.46	0.48	0.48	1.13	1.95	1.43	0.64	0.63	0.74

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-15.7%	-1.3%	3.1%	9.6%	-0.9%	-15.8%	3.0%	18.0%	6.4%	3.8%
Return on Equity	-26.4%	-2.5%	6.2%	19.7%	-2.9%	-89.1%	24.0%	86.1%	15.5%	9.4%
ROIC	-21.0%	-1.8%	4.2%	13.3%	-1.3%	-23.3%	4.5%	27.0%	9.5%	5.6%
Shares Out.	763.7	764.2	766.4	755.4	809.5	918.7	958.8	1002	961	967
Revenue/Share	16.30	13.21	16.33	23.35	25.83	19.39	27.07	36.56	29.41	27.63
FCF/Share	(3.28)	0.72	1.65	3.53	0.94	0.98	7.99	12.44	6.31	4.67

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

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