

EOG Resources Inc

Inorganic growth kicker finally

17 November 2025

Company Overview

EOG Resources, Inc. is an independent oil and gas company headquartered in Houston, Texas. It is one of the largest exploration & production (E&P) companies in the US with activities in the US and Trinidad. As of 2024, EOG's daily average production amounted to 1.06mmbopd, which will likely grow to more than 1.30mmbopd by 2026 following the acquisition of Encino Acquisition Partners.

Investment Overview

Premiumisation strategy is unique. EOG's "double premium" wells strategy (doubling the return hurdle from 30% to 60%) has enabled EOG to generate higher cash flow and faster investment payback; lower WTI breakeven prices (from USD85/bbl in 2014 to USD44/bbl in 2023 for 10%+ ROCE); and significantly reduce finding & development costs. To ensure sustainable operations, EOG is committed to reduce methane emissions across its portfolio to near-zero and has also launched a carbon capture & storage pilot project.

Focus on Utica play for growth bolstered by strategic acquisition. The company's earnings outlook is significantly bolstered by the recently closed USD5.6bn acquisition of Encino Acquisition Partners (Encino), which transforms the Utica play into a core multi-basin asset for EOG in addition to its Delaware and Eagle Ford assets. The acquisition will be funded by USD3.5bn in debt and USD2.1bn in cash, a sign of EOG's strong balance sheet position, which allows for bolt on acquisitions without diluting shareholders. Encino's integration adds pro forma production of around 275,000 bopd, and is accretive on an annualized basis to 2025 EBITDA by 10%, and cash flow from operations and free cash flow by 9%, according to management estimates. EOG also expects to generate more than USD150mn of synergies in the first year driven by lower capital, operating, and debt financing costs. Beyond Utica, the Delaware Basin delivers peer-leading breakeven, while Eagle Ford economics improved through longer laterals and a 30k net acre bolt-on. International expansion into the UAE and Bahrain includes planned 2025 drilling. EOG has also expanded its gas sales linked to LNG indices from 140,000 to 900,000mmbtu per day by 2027, with pricing diversification.

Competitive cash returns play with zero gearing. EOG has low-cost structure, high-quality well inventory, and strong balance sheet to support sustainability of shareholder returns. Despite moderate commodity price environment, EOG generated USD1.4bn in free cash flow in 3Q25 (2Q25: USD1.1bn) and returned USD1.0bn to shareholders (c.7% total annualised yield), distributing USD545mn through regular dividends (up 5%) and executing share repurchases amounting to USD440mn. EOG has around USD4.0bn remaining under the share repurchase authorisation. Given the outperformance in 3Q, management has raised full-year 2025 FCF guidance to ~USD4.5bn (+USD200mn), supported by lower operating costs and disciplined capital allocation. To note, the Encino Acquisition was financed via cash and USD3.5bn of senior notes, thus shifting the balance sheet from a net cash position in 2Q25 to a net debt position by the end of 3Q25, but in terms of net gearing, this is still a very healthy position at less than 0.1x net debt/ equity for EOG.

We have a BUY call on EOG with a TP of USD150. Our TP is implying a forward P/BV multiple of 2.5x, premised on around +1.0 S.D. valuations, given high ROEs of close to 18% with low gearing, amid uncertain macro environment. The company's low-cost resource base, industry-leading balance sheet and commitment to higher cash returns, position it well to continue generating sustainable investor interest. The strong balance sheet continues to position EOG to evaluate opportunities to consider further bolt-on acquisitions to add low-cost acreage to its multi-basin portfolio.

Risks

Key risk is lower-than-expected commodity prices. The higher commodity prices (eg. crude oil, natural gas, NGLs) has helped EOG to deliver superior earnings, thus significant drop in commodity prices may affect company performance. Valuations may also be impacted by relatively low scores on environmental pillar in ESG factors, owing to emission intensive operations.

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Analyst

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Key Financial Data

Bloomberg Ticker	EOG US
Sector	Energy
Share Price (USD)	110.40
DBS Rating	BUY
12-mth Target Price (USD)	150.0
Market Cap (USD\$b)	59.9
Volume (m shares)	3.7
Free float (%)	99.7
Dividend yield (%)	3.6
Net Debt to Equity (%)	-4.4
Fwd. P/E (x)	10.9
P/Book (x)	2.0
ROE (%)	18.5

Closing Price as of 13 Nov 2025

Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

The full report and disclaimers are accessible here:



Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	26,183	23,185	23,608	21,886	22,570
% y/y	33.1	(11.5)	1.8	(3.5)	3.1
EBITDA	14,733	12,702	12,986	11,901	12,418
% y/y	47.2	(13.7)	2.2	(6.2)	4.4
Net Profit	8,080	6,825	6,612	5,587	5,498
% y/y	60.7	(15.5)	(3.1)	(15.6)	(1.7)
FCF	7,239	5,150	5,469	4,206	4,579
% y/y	31.8	(29.9)	6.3	(16.7)	10.3
CAPEX	5,000	6,185	6,372	6,458	6,661
% y/y	29.9	23.7	3.0	0.7	3.2
EBITDA Margin (%)	59.8	58.3	58.3	55.5	56.8
Net Margin (%)	30.9	29.4	28.0	25.4	23.9
ROA (%)	20.3	16.0	14.5	11.2	10.1
ROE (%)	34.4	25.8	23.0	18.6	17.1
Tax Rate (%)	21.7	21.6	22.0	21.7	22.5

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	9.4	10.3	10.6	10.7	10.5
P/B (x)	3.1	2.5	2.4	1.9	1.8
Dividend Yield (%)	6.9	4.9	3.0	3.7	3.9
EV/EBITDA (x)	5.6	5.3	5.4	5.5	5.2
FCF Yield (%)	9.5	7.3	7.8	7.1	7.9

Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity (%)	20.5	13.5	16.2	26.4	23.7
Net Debt / Equity (x)	(0.0)	(0.1)	(0.1)	0.1	0.1
Debt / Assets (%)	12.3	8.7	10.1	15.3	14.1
Net Debt / Assets (x)	(0.0)	(0.0)	(0.0)	0.1	0.1
ST Debt / Total Debt (x)	0.3	0.0	0.1	0.0	0.0
Debt / EBITDA (x)	0.4	0.3	0.4	0.7	0.6
[Cash + CFO] / ST Debt (%)	13.3	488.8	36.2	65.6	64.5
Days Payable	35.3	38.4	38.1	49.7	48.8
Inventory Days	14.7	20.1	15.2	15.4	15.4

Source: Visible Alpha

Target Price & Ratings History



#	Date of Report	Closing Price	12-m Target Price	Rating
1	02 May'25	111.68	142.00	BUY
2	13 Aug'25	118.01	150.00	BUY

Source: DBS

Analyst: Suvro Sarkar

DBS Group Research recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

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*Share price appreciation + dividends

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