Occidental Petroleum

Needs to balance growth with deleveraging targets

18 May 2026

Company Overview

Occidental Petroleum (OXY) is an international energy company operating primarily operating in the USA, Middle East and North Africa. It is a leading oil & gas producer in the USA, including Permian and DJ Basins and offshore Gulf of Mexico. As of early 2026, it has disposed of its Chemicals business. As of 2025, OXY's total average production stood at 1,434mboepd, comprising around 50% oil, 23% NGLs and 27% natural gas.

Investment Overview

Focus on operational excellence and capex optimisation. OXY's quality asset portfolio - one of the largest acreages in the US - combined with its efficient cost strategy, are expected to remain core advantages in the future. OXY maximises efficiencies to lower breakeven costs (domestic operating cost down 17% since 2023) and generate excess free cash flow, supporting growth through optimised capital intensity in Permian Basin, DJ Basin, Gulf of Mexico, UAE, Oman and Algeria. Permian Basin operations remain OXY's crown jewel, and accounts for about half of overall production.

CrownRock acquisition is a key growth driver. Keeping pace with consolidation trends in the US shale space, OXY closed the USD12bn CrownRock acquisition in 2024, which has delivered improved scale in the Midland Basin (Permian) and enhanced OXY's high-grade Permian asset portfolio. This enabled OXY to deliver 8% y/y production growth in 2025.

Focus on deleveraging before enhanced shareholder returns. Growth in the US shale business will need to be balanced by the need to reduce long-term financial leverage, especially after the CrownRock acquisition. OXY will need to ensure gearing levels stay within control and prevent a repeat of previous instances of balance sheet stress and restructuring that it had endured following the Anadarko acquisition in 2019. With the USD9.7bn OxyChem sale completed in January 2026, OXY has lowered debt by USD7.1bn YTD to USD13.3bn, the lowest since 2Q19, and is and progressing towards a USD10bn principal debt milestone.

We maintain our HOLD call with a revised TP of USD58. Our TP is based on a forward P/BV multiple of 1.6x, which is slightly below the average trading range for OXY. We remain cautious on OXY given high leverage and low dividend yields compared to its peers. Once OXY is able to meet debt reduction targets and use excess cash flows for shareholder growth and returns more effectively, we will look to revisit our call.

Risks

OXY is exposed to significant macroeconomic risks, as earnings are closely tied to price volatility of oil, NGLs, natural gas and other chemical products. OXY is also subject to new or amended laws and regulations, catastrophic events, and cyber-related risks, given the increasing reliance of its oil & gas segment on IT and industrial control systems for exploration, development and production activities.

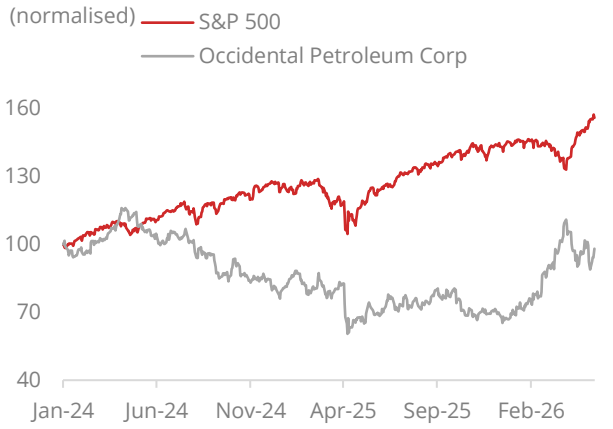
Suvro Sarkar
Analyst
groupresearch@dbs.com

Key Financial Data

Bloomberg Ticker	OXY US
Sector	Energy
Share Price (USD)	58.39
DBS Rating	HOLD
12-mth Target Price (USD)	58.0
Market Cap (USDb)	58.1
Volume (m shares)	3.7
Free float (%)	73.0
Dividend yield (%)	1.7
Net Debt to Equity (%)	56.4
Fwd. P/E (x)	11.1
P/Book (x)	1.9
ROE (%)	14.1

Closing Price as of 14 May2026
Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

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Financial Summary (USDmn)

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Sales	28,918	26,880	25,439	25,958	24,916
% y/y	*(22.0)*	*(7.0)*	*(5.4)*	*10.7*	*(3.8)*
Gross Profit	17,635	17,076	15,558	19,768	18,664
% y/y	*(29.6)*	*(3.2)*	*(2.8)*	*24.6*	*(5.0)*
EBITDA	14,436	13,500	12,705	16,881	15,092
% y/y	*(35.7)*	*(6.5)*	*(5.9)*	*47.9*	*(9.3)*
Net Profit	4,310	4,045	2,899	6,999	4,859
% y/y	*(57.9)*	*(6.1)*	*(28.3)*	*150.3*	*(26.4)*
FCF	6,038	4,421	4,105	7,446	7,143
% y/y	*(51.0)*	*(26.8)*	*(13.0)*	*110.4*	*(1.8)*
CAPEX	6,270	7,018	6,427	5,816	5,882
% y/y	*39.4*	*11.9*	*(8.4)*	*(17.1)*	*1.3*
EBITDA Margin (%)	60.6	60.8	57.6	66.4	61.0
Net Margin (%)	12.6	12.5	10.1	25.1	16.8
ROA (%)	4.9	4.2	2.6	8.3	5.0
ROE (%)	11.8	10.4	6.2	16.5	9.4
Tax Rate (%)	27.6	27.8	31.4	26.3	29.4

Source: Company, DBS

Valuation Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
P/E (x)	12.3	13.4	20.1	8.4	12.1
P/B (x)	2.6	2.2	2.1	1.7	1.6
Dividend Yield (%)	1.2	1.5	1.6	1.8	1.8
EV/EBITDA (x)	5.4	5.7	6.1	4.0	5.1
FCF Yield (%)	10.5	7.7	6.9	12.4	12.0
Dividend Per Share (DPS)	0.7	0.9	1.0	1.1	1.1

Source: Company, DBS

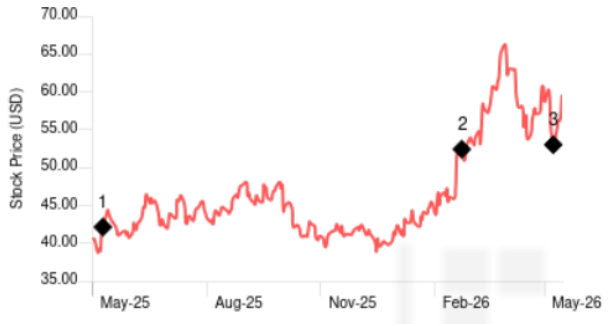
Credit & Cashflow Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Debt / Equity (%)	65.0	75.7	61.2	34.6	31.2
Net Debt / Equity (x)	0.6	0.7	0.6	0.2	0.0
Debt / Assets (%)	26.7	30.6	26.6	17.5	16.7
Net Debt / Assets (x)	0.2	0.3	0.2	0.1	0.0
ST Debt / Total Debt (x)	0.1	0.0	0.1	0.0	0.0
Debt / EBITDA (x)	1.4	1.9	1.8	0.9	1.0
[Cash + CFO] / ST Debt (%)	11.4	11.9	7.1	54.7	71.5
Receivables Days	41.1	47.9	42.6	58.4	59.8
Days Payable	46.9	51.0	47.1	52.5	56.4
Inventory Days	25.5	28.4	26.2	25.9	28.1

Source: Company, DBS

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Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1	09 May'25	41.44	46.00	HOLD
2	23 Feb'26	51.84	50.00	HOLD
3	08 May'26	53.94	58.00	HOLD

Source: DBS
Analyst: Suvro Sarkar

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
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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DBS REGIONAL RESEARCH OFFICES

HONG KONG
DBS Bank (Hong Kong) Ltd
Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE
DBS Bank Ltd
Contact: Andy Sim
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA
PT DBS Vickers Sekuritas (Indonesia)
Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND
DBS Vickers Securities (Thailand) Co Ltd
Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
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