



FEATURED OPTIONS RADAR REPORT



Bulls Target Long-Time E&P Laggard as Balance Sheet Improves

Ticker/Price: OXY (\$27.57)

Analysis:

Occidental (OXY) bullish flow today including buyers early of 4,500 November \$31 calls for \$1.37 and volume now running over 9,450X. Later 1,500 December \$27 ITM calls were bought for \$3.45 to \$3.50 and follows a surge in bullish activity recently including buyers in the December \$31 calls, December \$40 calls, and November \$32 calls with sellers active in the January and February puts. Shares are breaking out above monthly value today and room to run up to the untested VPOC from July at \$29.25. And, there's a broader inverted-and-shoulders pattern that is also triggering today that measures up to \$31.50 and the June highs. OXY has been a laggard in the energy space since mid-2018 but starting to show signs of a bigger trend shift higher and initial longer-term targets would be near \$40. The \$24.63B company trades 26.87X earnings, 1.25X sales, and 5.5X FCF with a small yield. OXY has been working on improving their balance sheet and retired over \$3B in debt through the end of Q2 behind better cash flows and divestitures. They continue to see increased efficiency in their DJ Basin wells while bringing more capacity online in Texas without pressuring costs. OXY sees significant room for growth with their chemicals business, OxyChem, which is a leader in caustic potash, a key component of direct air capture process to separate CO₂ in carbon-neutral oil recovery. The increased use of direct air capture will be driving higher in the next decade due to a greater global emphasis on curbing greenhouse gases and OXY can become a leader in the emerging space. Analysts have an average target for shares of \$28 with a Street High \$39. Citi starting at Buy on 8/30 as they think the company's base carbon capture, utilization, and storage, or CCUS, business is attractive. The analyst notes that if the company can deliver a cash positive direct air capture system, he sees terminal value accretion, potentially material. Hedge fund ownership rose 25% last quarter. Carl Icahn added another 17M shares and now holds over 66M total, a \$1.7B position and their second largest. Insiders also active recently including a \$515K buy from a director on 8/9 at \$25.76, the first open market buy in over a year.

Hawk Vision:



Hawk's Perspective: OXY has run a bit this week already and would like to see it pull back into the 8-EMA for a better risk/reward but like the setup overall and think they should continue to see company-specific positive headlines around more asset sales while OxyChem is a very intriguing long-term driver

Confidence Ranking: \$\$