



Occidental Petro Bulls Accumulate Calls for 2020

Ticker/Price: OXY (\$47)

Analysis:

Occidental Petro (OXY) early trade opens 2100 August \$47.50 calls for \$3.68 with May \$45 adjusting. OXY has seen significant bullish positioning since early December and a lot of adjusting along the way with size building in February and May calls, while January 2021 \$45 and \$50 calls also accumulated. OXY has been integrating its large acquisition of Anadarko (APC) while Icahn has been involved with a proxy fight. Buffett took a new stake in OXY in Q3 that made headlines after helping finance the APC deal. The \$41.7B Oil & Gas leader trades 3.9X EV/EBITDA with a 6.7% dividend yield and at 1.5X Book. OXY grew revenues 16% in FY19 and sees 21.6% growth in FY20 while EBITDA seen rising by nearly 30%. OXY shares have risen sharply since early December and now running into potential resistance at the 200 day MA, though a move up to retest the big breakdown level at \$58 in coming months is possible. OXY is considered a leader in Shale, CO₂, Enhanced Oil Recovery, and Low Carbon as a cost and return of capital leader that has now enhanced its asset profile with the APC deal. Analysts have an average target near \$50 and short interest low at 2.4% of the float. MSCO upgraded to Overweight this week with a \$59 target calling it a top 2020 pick with its peer leading yield and strong FCF, expecting a re-rate move higher through debt reduction, synergy realization and operational improvements. Mizuho raised to Buy on 1/8 with a \$58 target seeing sustainable dividend growth and progress on divestures. Hedge Fund ownership rose 11.8% in Q3 filings.

Hawk Vision:



Hawk's Perspective: OXY has made a big run but like the name on valuation and yield long-term while near-term would wait for a nice pullback and base to set back up, a name that should outperform peers in 2020.

Confidence Ranking: \$\$