

DESK NOTE

26.02.2025

APA Corporation (APA US) – *Buy on growing international exposure and strong cash flow outlook*

Conclusive Summary: We recommend buying APA stock at \$22.5 or lower with a target price of \$33, implying a 47% upside. The company benefits from increasing exposure to international markets, particularly through its Suriname offshore oil project, which presents a major long-term growth driver, and improving natural gas pricing in Egypt. Strong free cash flow generation and an active share buyback program provide additional support for stock appreciation. Meanwhile, OPEC's tacit support at the medium-term range floor near \$70/bbl could act as an immediate catalyst for oil and oil companies reversal.

- APA's Suriname offshore project is expected to significantly increase production starting in 2028, reducing reliance on U.S. oil prices. The final investment decision (FID) on Block 58, announced in October, significantly enhances long-term growth visibility.
- The recent gas price agreement in Egypt improves profitability, supporting stronger free cash flow.
- Cost reduction measures, along with a disciplined capital spending strategy, enhance financial flexibility. APA's balanced production mix, consisting of oil and natural gas, along with asset sales, optimizes its portfolio for long-term value creation.

Competitive Position: APA's diversified international footprint favorably differentiates it from U.S.-focused peers like Devon Energy, EOG Resources, and Marathon Oil. The GranMorgu oil project in Suriname (750M barrels recoverable) secures the company's position among major global competitors like Exxon, Chevron, and TotalEnergies SE. Risks include commodity price volatility and operational uncertainties in Suriname, but APA's flexibility in capital spending and diversified portfolio mitigate them.

Valuation: Our forecast assumes stable production growth and strong cash flow generation with the long-term average oil prices above \$70 (USD/bbl). Based on this outlook, combined with DCF analysis and market multiples, we estimate a 12-month blended target price of \$33 with the recommended entry point of \$22.5 or below.

Ticker: APA US

Previous day close price: \$22.38

Price range (52w): \$20.32 - \$36.04

Target price (12m): \$33 (47% upside)

Recommendation: **Buy@22.5**

Description: APA Corporation (former Apache Corporation) is an independent energy company specializing in the exploration, development, and production of crude oil (71.6% of revenue), natural gas (10.5%), and natural gas liquids (6%). The company operates in several key regions, including the United States (36%), Egypt (36%), and the North Sea (16%) and Suriname. Within the U.S., APA's operations are primarily concentrated in the Permian Basin of West Texas and Eastern New Mexico, with additional activities in the Eagle Ford shale and Austin Chalk areas of Southeast Texas, and offshore in the Gulf of Mexico. APA is actively engaged in exploration and appraisal operations in Suriname entering it in 2012 (Block 53), expanding in 2015 (Block 58), and forming a joint venture with TotalEnergies 2019 that is expected to drive future growth, with first oil in 2028). Last year proved reserves totaled 807 million barrels of oil equivalent, with net reported production of 405 thousand boe/day. Established in 1954. Headquartered in Houston, Texas. Market cap \$8.3B. Dividend yield 4.5%.

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| Multiple (2 year avg.) | | Factor | Target EV | Net Debt | Target MCap | Shares | Target Price |
|---------------------------|-----|--------|-----------|----------|-------------|--------|--------------|
| EV/EBITDA | 3.5 | 5,192 | 18,172 | 6,504 | 11,668 | 369.9 | \$31.54 |
| EV/Sales | 2 | 9,170 | 18,340 | 6,504 | 11,836 | 369.9 | \$32.00 |
| P/E | 8 | 3.8 | | | | | \$30.11 |
| Avg. Multiple Price | | | | | | | \$31.22 |
| DCF Price | | | | | | | \$35.09 |
| Avg. Multiple & DCF Price | | | | | | | \$33.15 |

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