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BUSINESS

Anadarko Says Occidental Now 'Superior' Offer to Chevron

The development puts Occidental ahead in the battle to buy Anadarko and its coveted Permian Basin assets

Occidental CEO Vicki Hollub, shown in April, says the company felt it had no choice but to remove a shareholder vote from the offer. **PHOTO:** LUCY NICHOLSON/REUTERS

By Christopher M. Matthews

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Anadarko Petroleum Corp. APC **3.81%** ▲ said Monday that a $38 billion bid by Occidental Petroleum Corp. was superior to an offer it accepted from Chevron Corp. , raising the stakes in the battle for the company.

Anadarko said it had notified Chevron that it will terminate the $33 billion deal it struck with Chevron in favor of Occidental's offer, a day after Occidental sweetened its bid by raising the cash portion.

Chevron now has four business days to make another offer, Anadarko said, though that period could be extended. If Chevron doesn't counter and the deal is terminated, Anadarko will owe it a $1 billion breakup fee.

A Chevron spokesman said it had received Anadarko's notification and had no further comment at this time. Occidental said it is pleased that Anadarko determined that its offer was superior and looks forward to the next steps.

During a call with investors Monday, Occidental Chief Executive Vicki Hollub explained the company's decision to raise the cash portion of its offer saying it sought to bolster its bid because Anadarko still hadn't declared it superior to the agreement Anadarko struck with Chevron. The strategy appears to have worked.

"We saw the two options as increase the share price, or provide clarity of closing," Ms. Hollub said during a call to discuss Occidental's earnings. "We felt like clarity of closing was the lower cost."

Ms. Hollub also discussed why the company no longer wanted shareholders to have to vote on its offer, saying she was trying to act in their best interest by removing a hurdle that Anadarko's board saw as a stumbling block to a deal.

"We felt that our greater fiduciary responsibility from a governance standpoint for our shareholders was to make this deal happen," Ms. Hollub said.

Occidental announced a revised offer of $76-a-share on Sunday, $59 of which will be cash, nearly two weeks after it countered the deal Anadarko previously struck with Chevron. The Chevron deal is now valued at about $62 a share as of Monday's close but was initially considered superior by Anadarko's board, despite being lower.

Ms. Hollub said that increasing the cash portion of the bid would provide Anadarko shareholders with more of an immediate return than Chevron's offer. Raising the cash portion also allowed Occidental to avoid putting the issue to shareholders, which would have been required if it issued 20% or more of existing shares.

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Some shareholders have expressed frustration they won't have a vote on the deal. Ms. Hollub said that over months of talks with Anadarko, none of Occidental's contemplated offers would have avoided such a vote. But, once Anadarko's board cited the risk a vote would block the deal as a hurdle, Ms. Hollub felt Occidental had no choice but to remove the vote.

That decision may strengthen the company's offer, but it also sets up a confrontation with some Occidental investors during the company's annual meeting Friday. T. Rowe Price Group Inc. said last week that the deal would push Occidental into new business lines and weaken its balance sheet. The asset manager also signaled that if the transaction doesn't come up for a vote, T. Rowe will vote against Occidental's directors at the meeting.

Occidental also released its first-quarter earnings a day early on Sunday evening, reporting net income of $631 million, about 10% less than during the first three months of 2018. Production in its Permian Resources unit surged 47% to the equivalent of 261,000 barrels a day of oil and gas. The results beat analysts' expectations, and Occidental shares rose 1.4% to $58.77 on Monday.

Ms. Hollub said she has been working constructively with Anadarko's management team and that there were few remaining sticking points between the two sides.

—Bradley Olson contributed to this article.

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