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Stock Report

EXXONMOBIL
TICKER: XOM



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A REPORT BY AP
CAPITAL RESEARCH
Exxon Mobil

Business model and overview

EXXONMOBIL

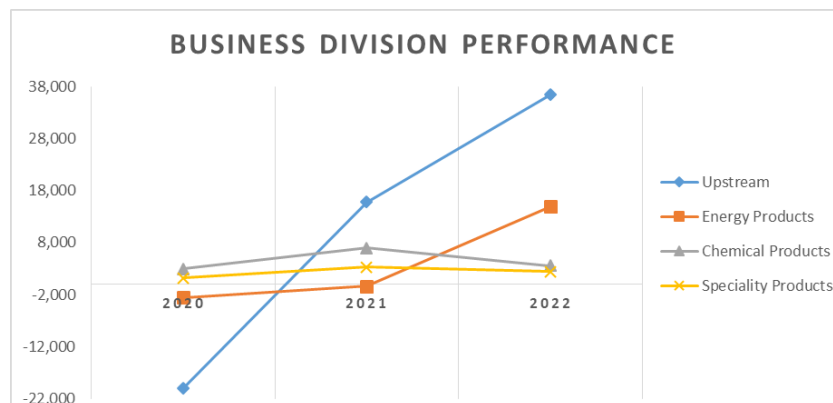
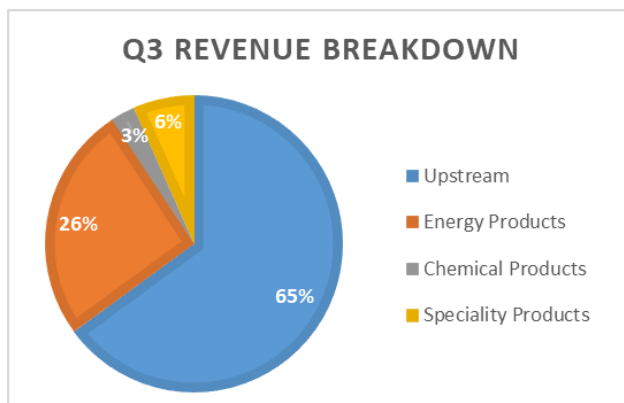
Exxon Mobil (XOM) was founded by John D. Rockefeller in 1882. Originally, Socony-Vacuum Oil Company, later Mobil, and Jersey Standard, which rebranded itself as Exxon, were both a significant segment of the Standard Oil Trust in the late 1880s, consequentially leading to a forceful dissolution by the government. In 1999, on November 30th, Exxon and Mobil merged to form Exxon Mobil, intrinsically acting as a reunification of the largest corporations of Rockefeller's Standard Oil Trust. Starting as a domestic distributor and refiner of kerosene, Exxon Mobil evolved into a multinational giant with 62,000 employees, supplying oil and gas to the global economy.

Headquartered in Spring, Texas, Exxon Mobil is one of the largest publicly traded companies within the petroleum and petrochemical industry, with \$90.8B of revenue in Q3 2023. At the core of its business, it specialises in exploration, extraction, shipping of oil & gas, and wholesale operations. Its mission is to "create energy and sustainable, low-carbon solutions", whereby repositing itself to meet society's ever-growing demand for natural gas, oil, and chemicals.

ExxonMobil Business Segments

ExxonMobil is divided into three constituent segments:

- **Upstream - Exploration, Extraction & Shipping of Oil and Gas**
 - Whilst competition is fierce, Exxon Mobil has managed to remain flexible and assertive with its interconnected operations, present in 40 nations, dispersed across the globe.
 - Beyond its facilities in the US, specifically the Permian Basin and Gulf of Mexico, Exxon Mobil undertakes crucial activities in countries such as Argentina, Germany, Indonesia, Iraq, and many more.
- **Chemicals Division**
 - A broader product solution department component focuses on developing plastic, synthetic rubber, and other chemical products. Exxon Mobil uses retail brands, predominantly Esso and Mobil, to market their products and services.
- **Low Carbon Solution**
 - Formed by a corporate restructuring in early 2021, this segment endeavours to reduce emissions in strictly carbon-concentrated industries.
 - The company intends to invest a large portion of funds into renewables, coupled with low-emission fuels, to capture and store excess emissions of hard-to-decarbonised sectors. Furthermore, advancements in clean fuel alternatives, such as biofuels and refined crude oil, allow the firm to reduce its carbon emissions and simultaneously foster ESG principles.



65%

of Exxon Q3 revenue comes from Upstream

60

ExxonMobil is operational in over 60 countries

\$17BN

Global investments in lower-emission initiatives

Management Team

EXXONMOBIL



Darren W. Woods: Chairman of the Board & CEO

Woods is an American businessman who managed the Chemical and Refining division before being appointed CEO in January 2017, following his predecessor Rex Tillerson's retirement. He has over 24 years of experience in the Oil & Gas industry at Exxon, deservedly earning his position as CEO and Chairman. Woods attained a BS in Electrical Engineering from Texas A&M University and an MBA from Northwestern University's Kellogg School of Management.



Kathryn A. Mikells: Vice President and Chief Financial Officer

Mikells joined ExxonMobil in August 2021, elected as senior president and CFO. She is at the forefront of the firm's finance functions, such as tax, treasury, strategic planning, investor relations and global services. She earned a BS from the University of Illinois and an MBA in Finance from the University of Chicago. MS. Mikells worked at many companies, including General Electric, Canadian Imperial Bank of Commerce, United Airlines Holdings and Diageo.



Neil A. Chapman: Senior Vice President

Chapman was elected Senior Vice President of the ExxonMobil Management Team in 2018. After graduating from the University of Surrey, he secured a position at Esso Chemical Company in the UK, which later was integrated into Exxon and Mobil. Chapman also served in miscellaneous roles during his tenure at Exxon.

140

years ExxonMobil has
been operating

15%

more energy needed by 2050 to
support a growing population with
rising living standards

62K

employees

Financials

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Overall, Exxon has maintained solid and stable gross margins and EBITDA margins, indicating its strong operational performance. Although revenues have declined from 2018 to 2020, Exxon's revenues reversed to its 5-year mean of \$282bn by 2021. They continued to grow in 2022 primarily due to Oil prices rising to record highs of \$116.20 in May 2022, enabling Exxon to record exceptional profits. Exxon's ROE is below the industry average as the industry average ROE was 26% and 15% in 2022 and 2021, compared with Exxon's ROE of -13.7% and 13.1%, respectively, indicating the company is creating less value for its shareholders than its peers.

From this year's perspective, Exxon has been producing strong results, with its annual dividend expected to be \$3.72 (a 1.4% increase from the previous year), achieving an estimated dividend yield of 3.7%. Third quarter refinery production was Exxon's highest, producing 4.22 million barrels per day, a growth of 1.1% from the previous quarter. Exxon continues to commit to sharing its earnings by buying back \$4.4bn in the third quarter to stay in alignment with its goal of repurchasing \$17.5bn shares in 2023. Exxon's operational performance, although strong, their EBITDA margin has declined 4.2% from Q1 to Q3, whereas its gross margin has remained relatively constant at around 30%

| Ratios | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|--------|--------|--------|-------|
| Revenue | -5.2% | -31.5% | 57.4% | 39.6% |
| Gross Profit | 31.8% | 31.4% | 33.1% | 31.9% |
| EBITDA margin | 30.2% | 27.0% | 25.1% | 29.3% |
| Refinery Throughput (mil b/d) | -6.81% | -5.22% | 4.56% | 2.15% |
| Net Earnings | -31.2% | -256% | 203% | 142% |
| EPS Growth | -31.1% | -256% | 203% | 146% |
| Dividend Growth | 6.25% | 1.42% | 0.39% | 4.10% |
| Operating Cash Flow | -17.5% | -50.6% | 227.7% | 59.6% |
| Return on Equity | 10.5% | 7.2% | -13.7% | 13.1% |

| \$ in millions | Q1 | Q2 | Q3 | TTM |
|-------------------------------|--------|--------|--------|---------|
| Revenue | 86,564 | 80,795 | 90,760 | 258,119 |
| COGS | 55,439 | 56,458 | 61,772 | 173,669 |
| Gross Profit | 31,125 | 24,337 | 28,988 | 84,450 |
| EBITDA | 28,594 | 23,874 | 26,161 | 78,629 |
| Refinery Throughput (mil b/d) | 3,998 | 4,173 | 4,215 | |
| Dividend | 0.92 | 0.92 | 0.92 | 2.77 |
| EPS | 2.79 | 1.94 | 2.25 | |
| Net Earnings | 11,430 | 7,880 | 9,070 | 28,380 |
| Operating Cash Flow | 16,341 | 9,383 | 15,963 | 41,687 |

\$2.25

Q3 2023 EPS

10.1

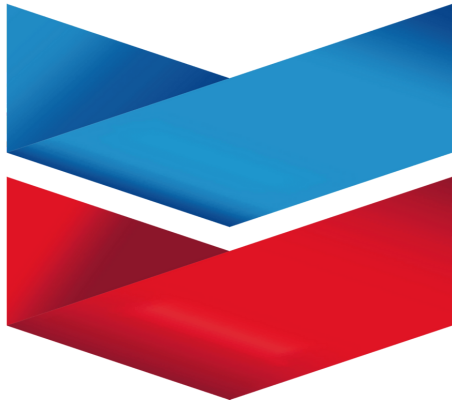
P/E ratio

\$0.92

Dividend per share

Competitors

EXXONMOBIL



**Chevron Corporation – Market Share: 11.9%,
Revenue: \$222.8bn, Beta: 1.16**

Chevron is the second largest Oil and Gas company in the United States, with a market capitalisation of \$265.86 bn. Headquartered in San Ramon, California, Chevron was formed following the break-up of the Standard Oil Company. A comprehensive approach centred around acquisitions, such as Texaco, Caltex and Havoline, enabled the company to position itself well across the global market. With 45,000 employees and operations in over 180 nations, Chevron intends to supply the volatile economy with affordable and sustainable oil and gas.



**British Petroleum – Market Share: 8.8%,
Revenue: \$164.2bn, Beta – 1.16**

British Petroleum (BP) is a UK-based multinational oil and gas company. With employees up to 70,000, BP plays an integral role in extracting, producing and providing oil, natural gas, and chemicals. BP traces its roots to the Anglo-Persian Oil Company in 1909, which later adopted British Petroleum. BP operates in nearly 80 countries, producing close to 4 million barrels of oil per day.



**Phillips 66 – Market Share: 8.6%, Revenue: \$160.7bn,
Beta: 1.34**

Headquartered in Houston, Texas, Phillips 66 is an American multinational oil and gas company with a presence in over 65 countries. The company took its present name via the merger with Conoco to form ConocoPhillips. Phillips's product categories include Natural Gas, Chemicals, Aviation/Motor Fuels and Lubricants. These products are refined, transported, and marketed worldwide. Phillips has around 15,000 employees and owns service station brands like Conoco, 76 and JET.

20.2%

ExxonMobil Market
Share

\$398B

ExxonMobil Revenue

1.06

ExxonMobil Beta

SWOT Analysis

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Strengths

- Strong Global reputation – As a leader in Energy Supply, they are responsible for meeting the ever-growing demand. ExxonMobil has a loyal customer base and provides premium products to its customers.
- Vertical Integration – Exxon's business is vertically integrated, allowing it to benefit from diversification. They have operations in various parts of the supply chains, enabling them to mitigate systemic risk and capitalise on emerging market transformations.
- Exxon Mobil is the second largest player in the Oil & Gas industry with a Market Capitalisation of \$406B, behind Saudi Aramco with a Market Capitalisation of \$2.17T.

Weaknesses

- The global energy landscape frequently creates geopolitical challenges that the company must face. Specifically, the growing demand for renewables and reduced dependence on fossil fuels pose significant risks to the company's long-term health.
- Exxon is vulnerable to the green energy transition, given that 65% of its business comes from its Upstream division. They will have to invest a lot of capital to transition their production to net-zero emissions.
- Operating in the Oil & Gas industry inherently comes with contentious controversies. More notable the company's greenhouse gas emissions, harsh exploration, oil spills and plastic pollution that can significantly destroy ecological life.

Opportunities

- The unprecedented transition from fossil fuels to renewables in recent years allows ExxonMobil to restructure its core business model and reduce its interdependence on finite resources.
- Efforts to fund carbon capture and storage projects to minimise emissions from their production can help the company sustain a respected corporate reputation within the energy sector.
- Promoting and adhering to sustainable practices facilitate expanding into new markets and meeting ethical business policies.
- Volatile energy prices, combined with a \$6bn operating cost reduction from their restructuring, provide an opportunity to return more cash flow to their investors through raising their share repurchasing programme.

Threats

- Volatile energy prices – Given the geopolitical tension and supply cuts by OPEC, ExxonMobil faces uncertainty with their raw material costs.
- Stringent regulation with greater emphasis on decarbonising the Oil & Gas Industry. This will lead to greater R&D costs required to remain competitive in the transitioning market as well as potential legal difficulties with their operations.
- Condemnation from the media and other institutions may deteriorate the reputation of ExxonMobil regarding its attitude towards the entrainment.

\$7.08T

Oil & Gas Industry
Market Cap

80%

Estimated growth in
Electricity use by 2050

20%

Growth in Natural Gas by 2050
as its low-carbon alternative

Technical Analysis

EXXONMOBIL



From a YTD perspective, ExxonMobil is down 2.59%. Since the start of 2023, the stock has been range-bound between two levels: \$118.50 and \$103.50.

Exxon is heavily correlated with the price of oil futures, considering their revenues depend on the price of WTI futures. As seen by the sharp movements in WTI Crude Oil futures [orange line], Exxon's stock mimics the same movement pattern as WTI, with sharp rallies and drawdowns all attributed to the macroeconomic headwinds we faced throughout this year. One persistent headwind is the battle with persistent inflation, which caused the Federal Reserve to hike interest rates to subdue economic activity to bring inflation down to a respectable level. Reducing economic activity can affect Oil and gas companies in the form of lower demand for oil, reduced sales, stockpiling oil barrels and increased storage costs.

Both oil and Exxon have formed a head-and-shoulders pattern, which signals a possible price reversal. Should oil prices draw down to their next support level of \$75, we could see a break of Exxon's current support level of \$103 and a drawdown to test \$100.

107.64

200-day Moving
Average

108.28

50-day Moving
Average

98.02

52 week low

Final Thoughts

EXXONMOBIL

Thomas Kinnell

The ever-changing market environments and regulations significantly challenge the oil and gas industry to drastically reduce their emissions, impacting ExxonMobil and our entire global economy. The transition from fossil fuels to renewables poses high capital expenditure costs for these companies to remain compliant with environmental regulations but also creates new opportunities to explore the renewable energy market.

Over the last years, Exxon has shown a strong commitment to maintaining dividend increases, although dividend yields continue to float around 3.30%, which may incentivise investors to seek more attractive alternatives. However, the consensus among Wall Street analysts is a 'moderate buy' of Exxon stock, underpinned by its AA rating and strong investment returns.

The high-rate environment significantly affects M&A activity; Exxon managed to secure funds for the largest takeover in 2023 and Exxon's largest acquisition in over two decades. Such integration offers the possibility of increasing cash flow and capturing a greater share of the global energy industry. With a 15% jump in energy requirements by 2050, Exxon seeks to become a dominant Shale oil producer within the Permian basin. The company's success depends on developing low-carbon emissions solutions, supplying growing energy needs, and improving its shareholder value whilst remaining competitive in the energy markets.



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EXXONMOBIL

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