ExxonMobil Corporation (XOM)

$70.33 (As of 01/03/20)

Price Target (6-12 Months): **$75.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 12/03/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: B | Growth: C | Momentum: F	

Summary

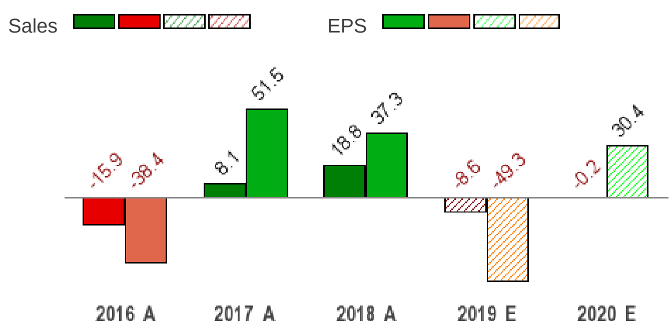
ExxonMobil's bellwether status in the energy space and optimal integrated capital structure have helped it come up with industry-leading returns. Moreover, the management's track record of capex discipline across the commodity price cycle make it a relatively lower-risk energy sector play. The company owns some of the most prolific upstream assets globally, with a number of major projects slated to come online over the next few years. Notably, ExxonMobil has made 15 oil discoveries in offshore Guyana. The firm estimates 750,000 barrels of oil production per day from the region by 2025. However, the integrated energy player's downstream & chemical units significantly underperformed in the first nine months of 2019. The units are unlikely to have recovered in the fourth quarter owing to scheduled maintenance activities.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$83.49 - $66.31**
20 Day Average Volume (sh)	**12,548,090**
Market Cap	**$297.6 B**
YTD Price Change	**0.8%**
Beta	**1.00**
Dividend / Div Yld	**$3.48 / 4.9%**
Industry	**Oil and Gas - Integrated - International**
Zacks Industry Rank	**Bottom 25% (190 out of 252)**
Last EPS Surprise	**6.3%**
Last Sales Surprise	**-4.2%**
EPS F1 Est- 4 week change	**-3.0%**
Expected Report Date	**01/31/2020**
Earnings ESP	**0.0%**
P/E TTM	**20.3**
P/E F1	**21.6**
PEG F1	**1.8**
P/S TTM	**1.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates **(millions of $)**

	Q1	Q2	Q3	Q4	Annual*
2020	66,517 E	67,258 E	68,286 E	67,521 E	264,670 E
2019	63,625 A	69,091 A	65,049 A	67,166 E	265,244 E
2018	68,211 A	73,501 A	76,605 A	71,895 A	290,212 A

EPS Estimates

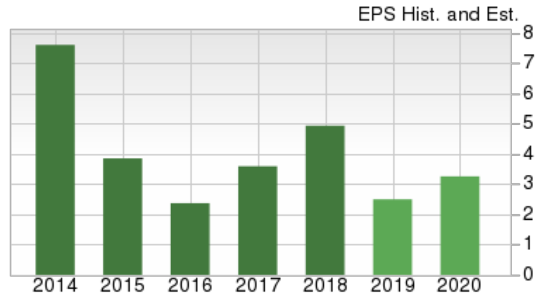
	Q1	Q2	Q3	Q4	Annual*
2020	$0.75 E	$0.75 E	$0.85 E	$0.86 E	$3.26 E
2019	$0.55 A	$0.73 A	$0.68 A	$0.71 E	$2.50 E
2018	$1.09 A	$0.92 A	$1.46 A	$1.51 A	$4.93 A

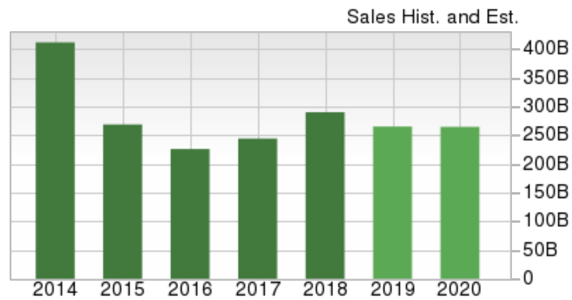
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/03/2020. The reports text is as of 01/06/2020.

Overview

Exxon Mobil Corporation, headquartered in Irving, TX, is the largest publicly traded energy firm in the world. Being an integrated energy player, the firm has operating interests in prolific oil and natural gas resources across the world. Notably, ExxonMobil's refining and marketing businesses are the largest in the world.





The integrated energy firm, founded in 1870, operates through three segments: Upstream, Downstream and Chemicals.

Upstream: Through this segment, ExxonMobil is involved in exploring and producing oil and natural gas resources across the world including the United States, Asia, Canada, South America, Australia, Oceania, Europe and Africa.

The upstream operations generally contribute the maximum to the company's earnings. ExxonMobil announced that it produced 3.8 million oil-equivalent barrels per day through 2018. In Guyana, ExxonMobil continues to make major offshore oil discoveries. The company also announced strategic acquisitions in Brazil, Papua New Guinea, transactions of tight oil plays in the United States and Mozambique.

Through 2018, ExxonMobil added 4.5 billion oil-equivalent barrels of proved oil and gas reserves. Thus, the company was able to replace 313% of production through last year. As of Dec 31, 2018, ExxonMobil recorded its reserves at 24.3 billion oil-equivalent barrels, representing an increase of 23% year over year. Notably, the upstream segment accounted for 60% of the company's 2018 earnings.

Downstream: Through downstream operations, the company operates 21 refineries across 14 countries. This segment — responsible for 25% of the 2018 earnings — comprises ExxonMobil's worldwide portfolio of refining, marketing and distribution assets. Of the refining capacity of about 4.7 million barrels per day, more than two-thirds are located outside the United States, mostly in Europe, the Asia-Pacific and Canada.

Chemicals: Through chemical operations, ExxonMobil is primarily involved in manufacturing raw materials that are being employed for making plastics.. Chemicals represented roughly 15% of 2018 earnings.

Reasons To Buy:

> Major discoveries in the Stabroek Block have enhanced prospects for ExxonMobil's upstream businesses.

- ExxonMobil's bellwether status in the energy space, optimal integrated capital structure that has historically produced industry leading returns, and management's track record of capex discipline across the commodity price cycle make it a relatively lower-risk energy sector play.
- The company owns some of the most prolific upstream assets globally, with a number of major projects coming online over the next few years. Notably, ExxonMobil has made 15 discoveries in the Stabroek Block, located off the coast of Guyana. In fact, the leading integrated energy player estimates 750,000 barrels of oil production per day from the region by 2025. Moreover, the company expects the divestment of its Norwegian oil and gas production assets to fetch gain of roughly $3.4 billion to $3.6 billion that has likely boosted fourth-quarter 2019 earnings.
- ExxonMobil is also strongly committed to returning cash back to the stockholders. In fact, the integrated energy firm has been rewarding stockholders with 6.2% average annual dividend hike for the past 37 years. Moreover, from 2019 to 2025, the company intends to distribute $100 billion dividends from its estimated $190-billion free cash flow generation.

Reasons To Sell:

- The company's downstream operations recorded $412 million year-over-year lower profit in the September-end quarter of 2019. The underperformance can be attributed to maintenance activities and contraction in the industry's fuel margins. Notably, ExxonMobil expects higher scheduled maintenance activities to continue hurting its refining business in fourth-quarter 2019.

Weakness in the firm's downstream business is a concern.

- The integrated energy player reported $472 million lower year-over-year earnings from its chemical business in third-quarter 2019. The underperformance resulted from soft margins and increased project expenses. The Chemical business is unlike to recover since the company is expecting this operation to bear the brunt of significant scheduled maintenance activities in fourth-quarter 2019 as well as first-quarter 2020. Notably, the energy major expects its chemicals business to have reported loss in the December quarter of 2019.

- ExxonMobil's exit from a joint venture in Russia is concerning. The company had collaborated with Rosneft for exploring resources off the coast of Russia, which contains huge oil reserves. However, the United States' sanctions against Russia compelled the company to exit the venture, owing to which, it missed significant growth opportunities from the region.

Last Earnings Report

ExxonMobil Q3 Earnings Beat Estimates, Revenues Miss

Quarter Ending	09/2019
Report Date	**Nov 01, 2019**
Sales Surprise	**-4.16%**
EPS Surprise	**6.25%**
Quarterly EPS	**0.68**
Annual EPS (TTM)	**3.47**

ExxonMobilreported better-than-expected earnings for third-quarter 2019, courtesy of ramped-up liquid volumes in the prolific Permian Basin. This was offset partially by soft fuel margins.

This largest publicly-traded integrated energy company's earnings per share of 68 cents surpassed the Zacks Consensus Estimate of 64 cents. However, the bottom line declined substantially from the year-earlier $1.46.

Total revenues of $65,049 million missed the Zacks Consensus Estimate of $67,872 and deteriorated from the year-earlier $76,605 million.

It is to be noted that ExxonMobil has divested around one-third of its targeted $15 billion of non-strategic assets. The company added that it has strengthened its portfolio of upstream assets in the September quarter after another oil discovery in the Stabroek block, located off the coast of Guyana. Notably, this is the fourth discovery in Guyana in 2019.

Operational Performance

Upstream: Quarterly earnings of $2.2 billion declined from $4.2 billion a year ago, owing to lower price realizations of commodities.

Total production averaged 3.899 million barrels of oil-equivalent per day (MMBOE/d), higher than 3.786 MMBOE/d a year ago.

Liquid production increased year over year to 2.392 million barrels per day (MMB/D) from 2.286 MMB/D, courtesy of ramped-up activities in the prolific Permian Basin. Also, natural gas production was 9.045 BCF/d (billions of cubic feet per day), marginally up from 9.001 BCF/d a year ago.

Downstream: The segment recorded a profit of $1,230 million, representing a decline of $412 million from $1,642 million in the September quarter of 2018. The underperformance can be attributed to maintenance activities and contraction in the industry's fuel margins.

ExxonMobil's refinery throughput averaged 4.1 million barrels per day (MMB/D), lower than the year-earlier level of 4.4 MMB/D.

Chemical: This unit contributed to the company's $241-million profit, down from $713 million in the prior-year quarter, induced by soft margins and increased project expenses.

Financials

During the quarter under review, ExxonMobil generated cash flow of $9.5 billion from operations and asset divestments, down from $12.6 billion a year ago. Owing to significant investments in the prolific Permian Basin, the company's capital and exploration spending rose 17% year over year to $7.7 billion.

Recent News

ExxonMobil Eyes $3.4-$3.6B Gain From Norway Asset Divestment – Jan 3, 2020

ExxonMobilexpects a gain of $3.4-$3.6 billion from the divestment of Norwegian assets. This will likely give a boost to its fourth-quarter 2019 results. The company's recent regulatory filing showed that the gains from this divestment can offset lower margins from chemicals and refining businesses.

Divestment

The Norway divestment deal of September included ownership interests in more than 20 producing fields, with total production of around 150,000 barrels of oil equivalent per day in 2019. The buyer was Var Energi, owned jointly by private-equity firm Hitecvision and integrated energy firm Eni SpA (E). Notably, Var Energi had earlier bought resources in Norway from ExxonMobil in 2017.

Per reports from last November, ExxonMobil is looking to divest around $25 billion of hydrocarbon assets through 2025 in order to focus on more profitable projects. The assets to be sold — which are located in Asia, Africa and Europe — are expected to increase competitiveness of the company's portfolio. Its latest reported divestment program targets $15-billion asset sell-off by 2021.

Operating Highlights

The recent regulatory filing reflected the largest publicly-traded energy company's decline in profits from the chemicals business. It is further expected to take a hit from a global glut in polyethylene. While the segment recorded a $200-million profit in third-quarter 2019, it is expected to be impacted by $500-$300 million in the fourth quarter and result in $100-$300 million loss.

Similarly, the downstream business — which generated $1.2 billion in profits in third-quarter 2019 — is expected to take a $800-$600 million hit in the fourth quarter. The segment might be affected by continued pressure on refining margins and the impact of derivatives on diesel, gasoline, and other products.

However, operating profits from its upstream activities may reach to $2.3 billion in fourth-quarter 2019 from $2.2 billion a quarter earlier, based on the midpoint of its estimates in the filing.

ExxonMobil Makes 15th Discovery in Stabroek Offshore Guyana – Dec 23, 2019

ExxonMobil made another huge oil discovery in the Stabroek Block, located offshore Guyana. Days after Guyana's first oil production from the Liza offshore field with the Liza Destiny FPSO vessel, the company announced the new hydrocarbon discovery at the Mako-1 well, located southeast of the Liza field.

The latest discovery marks the 15th one in the Stabroek Block. In the past few months, the largest publicly-traded energy mammoth has increased reserve estimates in the block to more than 6 billion barrels of oil equivalent. Notably, ExxonMobil considers deepwater Guyana and the booming Permian Basin as major growth drivers.

The new Mako-1 well consists of around 50 meters of high-quality oil-bearing sandstone reservoir. The well, drilled in 1,620 meters under water, is only 10 kilometers southeast of the Liza offshore field. This increases the probability of tied-back opportunities and additional developments.

Notably, the Liza Phase 1 development is expected to have a peak production capacity of 120,000 barrels of oil per day (BPD). The company is planning on bringing a second FPSO vessel for the phase 2 development. The Liza Unity FPSO vessel, expected to have a 220,000 BPD production capacity, is currently under construction. This May, ExxonMobil authorized the $6-billion Liza Phase 2 project that is expected to commence within mid-2022.

The third development, named Payara, is still awaiting approvals. It is located north of the Liza field and will have a FPSO vessel named Prosperity. Production from Payara can start in 2023 and reach the 220,000 BPD level. The company expects the whole Stabroek Block to produce 750,000 BPD by 2025 with the help of five FPSO vessels.

ExxonMobil owns a 45% stake in the Stabroek block, with Hess Corporation holding a 30% interest. The remaining 25% stake at the block is owned by CNOOC Petroleum Guyana Limited, a subsidiary of CNOOC Limited.

Valuation

ExxonMobil shares are up 3.1% over the trailing 12-months. Over the past year, the Zacks sub-industry and sector are up 2% and 1.7%, respectively.

The S&P 500 index is up 28.5% in the past year.

The stock is currently trading at 21.53X forward 12-month earnings, which compares to 14.8X for the Zacks sub-industry, 15.09X for the Zacks sector and 18.71X for the S&P 500 index.

Over the past five years, the stock has traded as high as 40.83X and as low as 13.04X, with a 5-year median of 19.4X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $75 price target reflects 22.96X F12M earnings.

The table below shows summary valuation data for XOM

Valuation Multiples - XOM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.53	14.8	15.09	18.71
	5-Year High	40.83	23.38	32.45	19.34
	5-Year Low	13.04	11.02	11.28	15.17

	5-Year Low	[illegible]	[illegible]	[illegible]	[illegible]
	5-Year Median	19.4	15.22	18.7	17.44
P/S F12M	Current	1.12	0.79	0.9	3.47
	5-Year High	1.7	0.88	1.44	3.47
	5-Year Low	0.93	0.57	0.66	2.54
	5-Year Median	1.21	0.76	0.99	3
EV/EBITDA TTM	Current	7.98	5.27	5.09	11.99
	5-Year High	13.86	9.83	10.22	12.86
	5-Year Low	5.3	3.95	4.55	8.48
	5-Year Median	9.61	6.07	6.5	10.67

As of 01/03/2020

Industry Analysis **Zacks Industry Rank:** Bottom 25% (190 out of 252)

Top Peers

BP p.l.c. **(BP)**	Neutral
Chevron Corporation **(CVX)**	Neutral
Occidental Petroleum Corporation **(OXY)**	Neutral
Phillips 66 **(PSX)**	Neutral
Royal Dutch Shell PLC **(RDS.A)**	Neutral
TOTAL S.A. **(TOT)**	Neutral
ConocoPhillips **(COP)**	Underperform
Eni SpA **(E)**	Underperform

Industry Comparison Industry: Oil And Gas - Integrated - International

Industry Peers

	XOM Neutral	X Industry	S&P 500	BP Neutral	CVX Neutral	RDS.A Neutral
VGM Score	C	-	-	A	B	B
Market Cap	297.57 B	18.30 B	23.66 B	131.85 B	228.81 B	243.19 B
# of Analysts	5	2	13	6	6	4
Dividend Yield	4.95%	2.33%	1.79%	6.28%	3.93%	5.31%
Value Score	B	-	-	A	B	A
Cash/Price	0.02	0.19	0.04	0.18	0.05	0.09
EV/EBITDA	6.30	4.80	13.88	5.03	5.94	4.83
PEG Ratio	1.77	2.02	1.99	1.34	3.14	2.36
Price/Book (P/B)	1.51	1.07	3.36	1.32	1.46	1.26
Price/Cash Flow (P/CF)	7.48	4.61	13.62	4.61	6.56	5.77
P/E (F1)	21.57	14.42	18.74	12.74	18.84	11.82
Price/Sales (P/S)	1.10	0.68	2.67	0.46	1.50	0.65
Earnings Yield	4.64%	6.94%	5.32%	7.85%	5.31%	8.45%
Debt/Equity	0.13	0.40	0.72	0.66	0.16	0.40
Cash Flow ($/share)	9.40	7.98	6.94	8.43	18.43	10.44
Growth Score	C	-	-	B	B	B
Hist. EPS Growth (3-5 yrs)	-4.63%	4.89%	10.56%	9.06%	18.28%	4.28%
Proj. EPS Growth (F1/F0)	30.33%	5.01%	7.41%	5.01%	-0.74%	14.57%
Curr. Cash Flow Growth	13.08%	13.08%	14.83%	29.56%	33.57%	3.19%
Hist. Cash Flow Growth (3-5 yrs)	-4.38%	-0.18%	9.00%	0.91%	-0.22%	1.21%
Current Ratio	0.78	1.16	1.23	1.17	1.12	1.15
Debt/Capital	11.63%	28.33%	42.92%	39.73%	13.77%	28.33%
Net Margin	5.43%	4.37%	11.08%	1.66%	8.70%	5.51%
Return on Equity	7.45%	8.89%	17.10%	10.67%	8.89%	9.71%
Sales/Assets	0.76	0.66	0.55	1.00	0.60	0.92
Proj. Sales Growth (F1/F0)	-0.22%	0.00%	4.20%	2.78%	-2.03%	2.15%
Momentum Score	F	-	-	A	A	D
Daily Price Chg	-0.80%	0.00%	-0.61%	1.81%	-0.35%	0.79%
1 Week Price Chg	-0.07%	1.12%	0.13%	0.03%	0.52%	1.56%
4 Week Price Chg	2.81%	6.33%	2.60%	5.95%	4.02%	6.59%
12 Week Price Chg	3.05%	12.38%	8.87%	4.49%	5.60%	5.15%
52 Week Price Chg	2.49%	3.67%	29.34%	0.05%	11.46%	1.69%
20 Day Average Volume	12,548,090	103,563	1,603,615	5,930,112	5,119,766	2,398,943
(F1) EPS Est 1 week change	-2.97%	0.00%	0.00%	2.63%	0.00%	0.00%
(F1) EPS Est 4 week change	-2.97%	-0.15%	0.00%	1.36%	1.24%	-0.15%
(F1) EPS Est 12 week change	-28.23%	-6.37%	-0.57%	-15.33%	-21.61%	-1.63%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	C
Momentum Score	F
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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