

ExxonMobil Corporation (XOM)

\$62.73 (As of 02/05/20)

Price Target (6-12 Months): **\$68.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/03/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: B

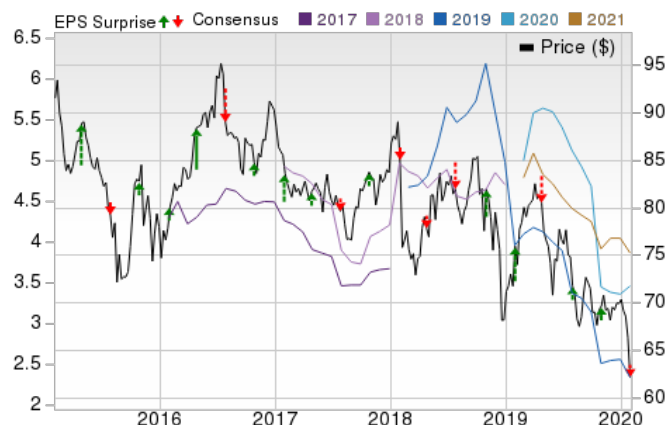
Growth: D

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. 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 16 oil discoveries in offshore Guyana and estimates 750,000 barrels of oil production per day from the region by 2025. However, the company's downstream and chemical businesses significantly underperformed in 2019, resulting in lower-than-expected earnings. The units are unlikely to recover in the coming quarters owing to scheduled maintenance activities. Notably, the stock has plummeted 11% in the past year compared with 9.3% decline of the industry it belongs to. As such, the stock warrants a cautious stance.

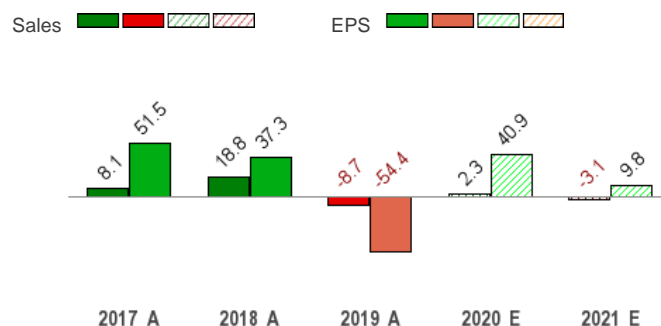
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$83.49 - \$59.89
20 Day Average Volume (sh)	18,406,980
Market Cap	\$265.4 B
YTD Price Change	-10.1%
Beta	1.01
Dividend / Div Yld	\$3.48 / 5.5%
Industry	Oil and Gas - Integrated - International
Zacks Industry Rank	Bottom 37% (160 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-6.8%
Last Sales Surprise	-2.8%
EPS F1 Est- 4 week change	-2.7%
Expected Report Date	04/24/2020
Earnings ESP	0.0%
P/E TTM	26.5
P/E F1	19.8
PEG F1	1.6
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	65,054 E	65,252 E	66,659 E	66,130 E	262,697 E
2020	66,895 E	67,439 E	68,367 E	69,924 E	271,146 E
2019	63,625 A	69,091 A	65,049 A	67,173 A	264,938 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.96 E	\$0.86 E	\$0.92 E	\$0.87 E	\$3.48 E
2020	\$0.66 E	\$0.80 E	\$0.90 E	\$0.89 E	\$3.17 E
2019	\$0.55 A	\$0.73 A	\$0.68 A	\$0.41 A	\$2.25 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 02/05/2020. The reports text is as of 02/06/2020.

Overview

Exxon Mobil Corporation, headquartered in Irving, TX, is the largest publicly-traded U.S. energy firm. 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.

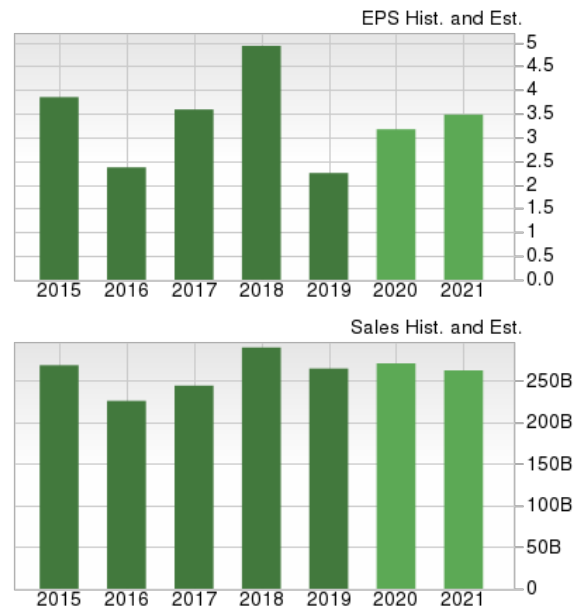
Upstream: Through this segment, ExxonMobil is involved in exploring and producing oil and natural gas resources across the world including the United States, Asia, Canada, South America, Australia, Oceania, Europe and Africa.

The upstream operations generally contribute the maximum to the company's earnings. ExxonMobil announced that it has produced 3.95 million oil-equivalent barrels per day through 2019. 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 83.2% of the company's 2019 earnings.

Downstream: Through downstream operations, the company operates 21 refineries across 14 countries. This segment — which accounted for 13.4% of 2019 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 3.4% of 2019 earnings.



Reasons To Buy:

- ▲ 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. ExxonMobil has made 16 discoveries in the Stabroek Block, located off the coast of Guyana, and estimates gross resources of more than 8 billion barrels of oil equivalent. In fact, the leading integrated energy player estimates 750,000 barrels of oil production per day from the region by 2025.
- ▲ 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, in the 2019-2025 time period, the company intends to distribute \$100 billion dividends from its estimated \$190-billion free cash flow generation.

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

Reasons To Sell:

- ▼ The company's downstream operations recorded \$3,687 million year-over-year lower profit in 2019. The underperformance can be attributed to maintenance activities and contraction in the industry's fuel margins. Notably, ExxonMobil's petroleum product sales declined thorough 2019. With no near-term resurgence in demand in the horizon, the sector's performance is not expected to improve anytime soon.
- ▼ The integrated energy player reported \$2,759 million lower year-over-year earnings from the chemical business in 2019. The underperformance resulted from soft margins, increased feed costs and decreased product sales. The Chemical business is unlikely to recover, since the company expects this operation to bear the brunt of significant scheduled maintenance activities in first-quarter 2020.
- ▼ 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.

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

Last Earnings Report

ExxonMobil's Q4 Earnings & Revenues Lag Estimates, Decline Y/Y

ExxonMobil reported unimpressive fourth-quarter 2019 results due to weaker margins in the refining and chemical business. This was partially offset by higher crude price realization and strong upstream production.

The largest publicly-traded integrated U.S. energy company's earnings per share of 41 cents missed the Zacks Consensus Estimate of 44 cents. Moreover, the bottom line declined substantially from the year-earlier period's \$1.51 per share.

Total revenues of \$67,173 million missed the Zacks Consensus Estimate of \$69,104 and deteriorated from the year-earlier figure of \$71,895 million.

Quarter Ending **12/2019**

Report Date	Jan 31, 2020
Sales Surprise	-2.79%
EPS Surprise	-6.82%
Quarterly EPS	0.41
Annual EPS (TTM)	2.37

Operational Performance

Upstream

Quarterly earnings of \$6.1 billion surged from \$3.3 billion a year ago, primarily due to higher oil price realizations. While profits from the United States declined to \$68 million in the quarter from the year-ago level of \$265 million, the same from non-U.S. operations rose to \$6.1 billion from year-ago quarter's \$3 billion.

Production: Total production averaged 4.018 million barrels of oil-equivalent per day (MMBoe/d), marginally higher than 4.010 MMBoe/d a year ago.

Liquid production increased to 2.436 million barrels per day (MMBbls/d) from 2.348 MMBbls/d in the prior-year quarter, courtesy of ramped-up activities in the prolific Permian Basin. While production from the United States rose significantly, it declined in Europe and Africa. Notably, natural gas production was 9.495 billion cubic feet per day (Bcf/d), down from 9.974 Bcf/d a year ago, due to lower output from Europe, Asia, Africa and Australia.

Price Realization: In the United States, the company recorded crude price realization of \$55.61 per barrel, higher than the year-ago quarter's \$54.50. The same metric for non-U.S. operations rose to \$56.61 per barrel from the year-ago level of \$53.74. In contrast, natural gas prices in the United States were recorded at \$2.16 per thousand cubic feet (Kcf), lower than the year-ago quarter's \$3.64. Similarly, in the Non-U.S. section, the metric fell to \$5.89 per Kcf from \$8.18 in fourth-quarter 2018.

Downstream

The segment recorded a profit of \$898 million, representing a significant decline of \$1,806 million from \$2,704 million in the December 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 MMBbls/d, lower than the year-earlier level of 4.3 MMBbls/d.

Chemical

This unit recorded \$355-million loss against \$737-million profit in the prior-year quarter, owing to soft margins and increased feed costs. The company's U.S. and Non-U.S. operations in the Chemical segment recorded quarterly losses against profits generated in the year-ago quarter.

Financials

During the quarter under review, ExxonMobil generated cash flow of \$9.4 billion from operations and asset divestments, boosted by \$3.1-billion Norway upstream asset sales, down from \$9.5 billion a year ago. Owing to significant investments in the prolific Permian Basin, the company's capital and exploration spending rose 8% year over year to \$8.5 billion.

At the end of fourth-quarter 2019, total cash and cash equivalents were \$3.1 billion, and debt amounted to \$46.9 billion.

Recent News

ExxonMobil Makes 16th Discovery in Stabroek Offshore Guyana – Jan 27, 2020

ExxonMobil made another huge oil discovery in the Stabroek Block, located offshore Guyana. The company announced the new hydrocarbon discovery at the Uaru exploration well, located northeast of the Liza field.

The latest discovery marks the 16th 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 8 billion barrels of oil equivalent. Notably, ExxonMobil considers deepwater Guyana and the booming Permian Basin as major growth drivers.

Valuation

ExxonMobil shares are down 16.6% over the trailing 12-months. Over the past year, the Zacks sub-industry and Zacks Oils-Energy sector are down 19.2% and 17.8%, respectively.

The S&P 500 index is up 19.7% in the past year.

The stock is currently trading at 17.97X forward 12-month earnings, which compares to 12.60X for the Zacks sub-industry, 13.01X for the Zacks sector and 18.88X 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 19.41X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$68 price target reflects 19.48X 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	17.97	12.6	13.01	18.88
	5-Year High	40.83	23.38	32.25	19.34
	5-Year Low	13.04	11.02	11.3	15.18
	5-Year Median	19.41	15.2	18.64	17.46
P/S F12M	Current	0.96	0.68	0.8	3.5
	5-Year High	1.7	0.88	1.44	3.5
	5-Year Low	0.92	0.57	0.67	2.54
	5-Year Median	1.21	0.76	1	3
EV/EBITDA TTM	Current	8.34	4.74	4.69	11.95
	5-Year High	13.86	9.83	10.26	12.85
	5-Year Low	5.3	3.95	4.58	8.49
	5-Year Median	9.74	6.21	6.53	10.66

As of 02/05/2020

Industry Analysis Zacks Industry Rank: Bottom 37% (160 out of 255)



Top Peers

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

Industry Comparison Industry: Oil And Gas - Integrated - International				Industry Peers		
	XOM Neutral	X Industry	S&P 500	BP Underperform	CVX Outperform	RDS.A Neutral
VGM Score	C	-	-	A	A	B
Market Cap	265.42 B	16.16 B	24.31 B	127.91 B	208.53 B	213.86 B
# of Analysts	7	2.5	13	6	6	4
Dividend Yield	5.55%	2.32%	1.78%	6.48%	4.32%	6.04%
Value Score	B	-	-	A	C	A
Cash/Price	0.02	0.21	0.04	0.19	0.06	0.12
EV/EBITDA	5.67	4.57	13.98	4.89	6.24	4.59
PEG Ratio	1.62	2.13	2.01	1.26	2.60	2.18
Price/Book (P/B)	1.35	1.06	3.29	1.27	1.33	1.12
Price/Cash Flow (P/CF)	6.68	4.04	13.58	4.50	5.08	4.74
P/E (F1)	19.79	11.97	18.82	11.97	15.60	10.90
Price/Sales (P/S)	1.00	0.61	2.66	0.45	1.42	0.61
Earnings Yield	5.05%	8.36%	5.30%	8.36%	6.41%	9.18%
Debt/Equity	0.13	0.41	0.71	0.64	0.16	0.43
Cash Flow (\$/share)	9.40	7.95	6.92	8.36	21.73	11.18
Growth Score	D	-	-	B	B	B
Hist. EPS Growth (3-5 yrs)	-3.14%	9.69%	10.80%	9.06%	30.90%	9.69%
Proj. EPS Growth (F1/F0)	41.02%	13.37%	7.40%	6.72%	12.76%	20.24%
Curr. Cash Flow Growth	13.08%	11.25%	10.22%	0.78%	16.65%	3.73%
Hist. Cash Flow Growth (3-5 yrs)	-4.38%	-0.82%	8.55%	0.91%	2.66%	-0.82%
Current Ratio	0.78	1.16	1.21	1.12	1.12	1.16
Debt/Capital	11.63%	29.93%	42.91%	39.19%	13.77%	29.93%
Net Margin	5.41%	3.66%	11.79%	1.42%	2.00%	4.50%
Return on Equity	5.11%	8.14%	17.24%	9.80%	8.14%	8.45%
Sales/Assets	0.74	0.66	0.55	0.97	0.57	0.87
Proj. Sales Growth (F1/F0)	2.34%	0.40%	4.10%	4.22%	2.89%	-6.10%
Momentum Score	F	-	-	A	B	F
Daily Price Chg	4.60%	1.96%	1.49%	3.21%	3.21%	2.52%
1 Week Price Chg	-6.33%	-4.37%	-2.60%	-5.25%	-4.21%	-8.78%
4 Week Price Chg	-9.39%	-9.39%	0.51%	-2.99%	-6.30%	-11.29%
12 Week Price Chg	-8.82%	-4.52%	4.44%	-3.93%	-9.81%	-12.17%
52 Week Price Chg	-16.65%	-10.03%	14.65%	-12.48%	-7.23%	-17.06%
20 Day Average Volume	18,406,980	100,243	1,935,862	8,215,370	7,166,540	4,274,214
(F1) EPS Est 1 week change	-8.07%	0.00%	0.00%	-3.72%	-1.79%	-10.05%
(F1) EPS Est 4 week change	-2.67%	0.00%	0.00%	3.34%	8.31%	-4.61%
(F1) EPS Est 12 week change	-5.81%	0.00%	-0.10%	2.38%	11.04%	-5.07%
(Q1) EPS Est Mthly Chg	-11.93%	-8.55%	0.00%	19.62%	10.65%	-8.55%

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	D
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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