



Independent Stock Idea

April 30, 2009

rating: hold
s&p 500: 873

Imperial Oil (IMO) Investing through the Cycle

<i>Symbol</i>	IMO	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$mm)</i>	2,600
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	7
<i>Price (US\$/sh)</i>	35.62	<i>Natural Gas and Oil Production/Ebitda (%)</i>	67
<i>Pricing Date</i>	4/30/09	<i>Adjusted Reserves/Production NTM</i>	18.5
<i>Shares (mm)</i>	856	<i>EV/Ebitda</i>	12.9
<i>Market Capitalization (US\$mm)</i>	30,500	<i>PV/Ebitda</i>	17.0
<i>Debt (US\$mm)</i>	2,400	<i>Undeveloped Reserves (%)</i>	44
<i>Enterprise Value (EV) (US\$mm)</i>	32,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	17.50
<i>Present Value (PV) (US\$mm)</i>	43,500	<i>Present Value Proven Reserves(US\$/boe)</i>	12.56
<i>Net Present Value (US\$/share)</i>	48	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.09
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.37
<i>McDep Ratio - EV/PV</i>	0.76	<i>Price/Earnings Next Twelve Months</i>	26
<i>Dividend Yield (%/year)</i>	0.9	<i>Indicated Annual Dividend (US\$/sh)</i>	0.34
Note: Estimated cash flow and earnings tied to one-year futures prices for oil, natural gas and refinery crack.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
For historical research on Imperial Oil since 2004 see http://www.mcdep.com/2imo.htm			

Summary and Recommendation

Hold-rated **Imperial Oil (IMO)** offers unlevered appreciation potential of 32% to a McDep Ratio of 1.0 and levered appreciation potential of 35% to Net Present Value (NPV) of US\$48 a share. During the first quarter, according to results released today, IMO generated cash from oil and gas production of about US\$12 a barrel of oil equivalent as the difference between price of about US\$35 and cash operating costs of about US\$23. Unlevered cash flow (Ebitda) was less than expectations from three months ago in oil production and more in oil refining and chemicals. We project increases in Ebitda from oil production in the next few quarters (see tables Next Twelve Months Operating and Financial Estimates and Oil Production and Revenue). Following the company's disclosure of a 50% increase in proven reserves last year, we have reclassified about \$10 billion of present value for the Kearl project to an expanded oil sands mining category combining Syncrude and Kearl (see table Functional Cash Flow and Present Value). When practically all other major expansion projects in oil sands mining have shut down for a combination of current oil price and financing restraints, Imperial is proceeding with the design and construction of Kearl. Pointing to expected oil price recovery, futures prices for the next six years averaged US\$66 a barrel recently (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures).

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Imperial Oil Limited									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									<i>Next Twelve Months</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Months</i>
	<i>3/31/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>3/31/10</i>
Volume									
Natural Gas (mmcf)	259	239	249	262	262	262	262	262	262
Days	91	92	366	90	91	92	92	365	365
Oil (mbd)	216	224	213	240	208	219	231	224	225
Total gas & oil (bcf)	142	146	558	153	137	145	152	587	589
Total gas & oil (mbd))	259	264	254	284	252	263	275	268	269
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.42	3.62	4.57	4.13	4.30
Currency (US\$/C\$)	1.00	0.83	0.94	0.80	0.84	0.84	0.84	0.83	0.84
Henry Hub (C\$/mmbtu)	8.05	8.40	9.58	6.09	4.07	4.32	5.45	4.97	5.14
Canada (C\$/mcf)	8.00	7.31	8.67	5.82	3.89	4.13	5.21	4.74	4.90
Oil (\$/bbl)									
WTI Cushing	97.94	58.45	99.59	42.96	49.97	52.66	55.70	50.32	54.12
WTI Cushing (C\$/bbl)	98.40	70.62	104.25	53.43	59.62	62.83	66.46	60.58	64.57
Worldwide	83.91	54.22	88.97	46.18	49.20	52.67	51.36	49.82	52.34
Total gas & oil (\$/mcf)	13.43	8.78	13.94	7.33	7.45	8.01	8.03	7.71	8.10
NY Harbor 3-2-1 (\$/bbl)	7.57	5.10	9.86	9.18	8.11	6.98	3.00	6.82	5.74
Revenue (\$mm)									
Natural Gas	251	161	858	125	93	100	125	443	469
Oil	1,649	1,117	6,921	997	931	1,061	1,091	4,080	4,308
Other	5,362	4,664	23,800	3,547	3,547	3,547	3,547	14,190	14,190
Total	7,263	5,942	31,579	4,670	4,571	4,708	4,764	18,713	18,966
Expense	2,036	1,677	9,198	1,433	669	767	791	3,660	5,154
Ebitda (\$mm)									
Exploration and Production	1,046	596	4,715	367	440	499	523	1,829	2,054
Other	135	399	1,419	310	228	268	268	1,075	993
Total Ebitda	1,182	995	6,134	677	669	767	791	2,904	3,047
Exploration	40	41	132	83	83	83	10	259	186
Deprec., Deplet., & Amort.	181	178	728	197	178	178	178	731	712
Other non cash			-					-	-
Ebit	961	776	5,274	397	408	506	603	1,914	2,149
Interest	(3)	2	-	2				2	-
Ebt	964	774	5,274	395	408	506	603	1,912	2,149
Income Tax	284	111	1,398	113	143	177	211	644	752
Net Income (\$mm)									
Exploration and Production	650	336	2,923	142				142	
Other	54	285	896	205				205	
Unallocated	(25)	42	57	(65)				(65)	
Total	680	663	3,876	282	265	329	392	1,269	1,397
Shares (millions)									
Earnings per share (\$)	0.75	0.76	4.36	0.33	0.31	0.38	0.46	1.48	1.63
Ebitda Margin (E&P)	55%	47%	61%	33%	43%	43%	43%	40%	43%
Tax Rate	29%	14%	27%	29%	35%	35%	35%	34%	35%



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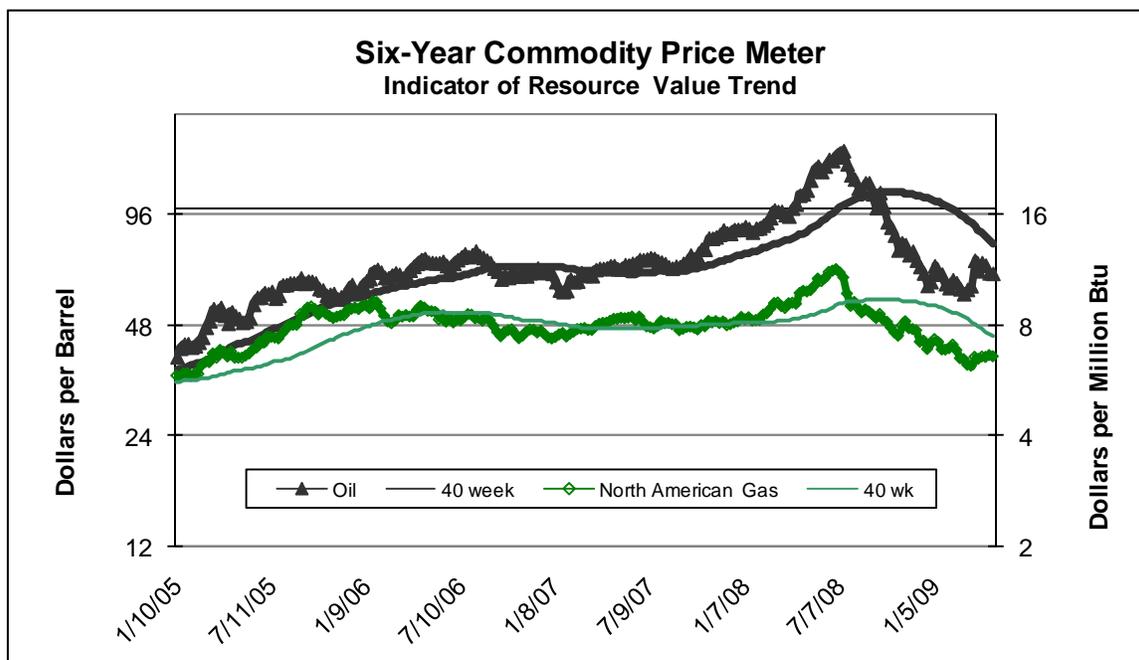
Imperial Oil Limited									
Oil Production and Revenue									
(Canadian Dollars)									
									Next
									Twelve
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Months
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	3/31/10
Volume									
Days	91	92	366	90	91	92	92	365	365
Oil (mmb)									
Conventional	1.8	1.8	7	2.1	2.1	2.1	2.1	8	8
Cold Lake	11.9	11.9	45	12.7	10.7	10.8	11.9	46	46
Syncrude	5.2	6.3	23	6.3	5.5	6.7	6.7	25	26
Natural Gas Liquids	0.7	0.6	3	0.5	0.5	0.6	0.6	2	2
Total Oil	19.7	20.6	78	21.6	18.9	20.1	21.2	82	82
Oil (mbd)									
Conventional	20	20	20	23	23	23	23	23	23
Cold Lake	131	129	124	141	118	117	129	126	126
Syncrude	57	68	62	70	61	73	73	69	70
Natural Gas Liquids	8	7	7	6	6	6	6	6	6
Total Oil	216	224	213	240	208	219	231	224	225
Price									
Currency (US\$/C\$)	1.00	0.83	0.94	0.80	0.84	0.84	0.84	0.83	0.84
Oil (C\$/bbl)									
Light, Sweet (US\$/bbl)	97.94	58.45	99.59	42.96	49.97	52.66	55.70	50.32	54.12
Light, Sweet (C\$/bbl)	98.40	70.62	104.25	53.43	59.62	62.83	66.46	60.58	64.57
Conventional	93.27	56.75	95.52	46.61	52.01	54.81	57.98	52.89	56.32
Cold Lake (Hardisty)	77.64	48.95	82.89	43.81	44.71	47.75	43.20	44.78	46.29
Syncrude (Par Edmonton)	98.58	64.55	102.19	51.23	57.17	60.24	63.72	58.24	62.13
Natural Gas Liquids	58.67	43.61	62.30	41.20	45.97	48.45	51.25	46.75	49.78
Total Oil	83.91	54.22	88.97	46.18	49.20	52.67	51.36	49.82	52.34
Ratio: Cold Lake/Light Swt	0.79	0.69	0.80	0.82	0.75	0.76	0.65	0.74	0.72
Revenue (C\$m)									
Conventional	170	104	691	96	109	116	123	444	473
Cold Lake	926	581	3,754	556	480	514	513	2,063	2,132
Syncrude	511	404	2,311	323	317	404	428	1,471	1,594
Natural Gas Liquids	43	28	165	22	25	27	28	102	109
Total Oil	1,649	1,117	6,921	997	931	1,061	1,091	4,080	4,308



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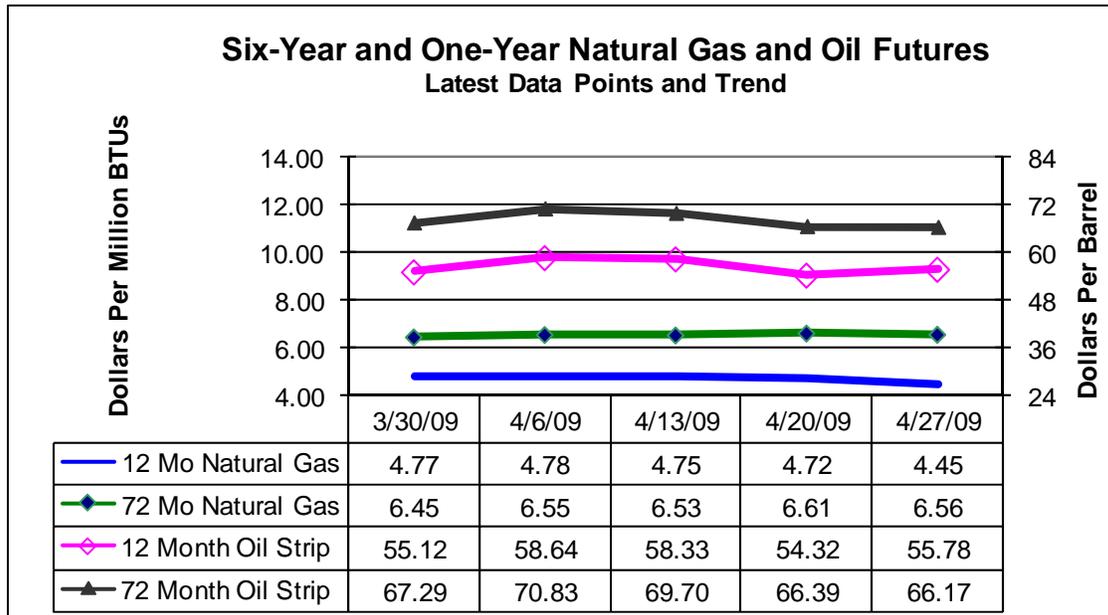
Imperial Oil Limited					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	114	5.8	17.6	2,000	5%
Syncrude and Kearl	627	28.6	39.3	24,600	57%
Oil - Conventional and Cold Lake	981	10.4	10.1	9,900	23%
Downstream	832		8.4	7,000	16%
	2,554	18.5	17.0	43,500	100%
Debt (US\$mm)					2,400
Net Present Value (US\$mm)					41,100
Shares (mm)					856
Net Present Value - Standard Estimate (US\$/sh)					48
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					49





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