



# Independent Stock Idea

March 9, 2015

## ExxonMobil (XOM) Safe at Any Likely Oil Price

Symbol	XOM	Ebitda Next Twelve Months ending 12/31/15 (US\$mm)	44,400
Rating		North American Natural Gas/Ebitda (%)	6
Price (\$/sh)	85.63	Natural Gas and Oil Production/Ebitda (%)	64
Pricing Date	3/6/15	Adjusted Reserves/Production NTM	14.1
Shares (mm)	4235	EV/Ebitda	10.0
Market Capitalization (\$mm)	363,000	PV/Ebitda	11.6
Debt (\$mm)	83,000	Undeveloped Reserves (%)	35
Enterprise Value (EV) (\$mm)	446,000	Natural Gas and Oil Ebitda (\$/boe)	19.20
Present Value (PV) (\$mm)	515,000	Present Value Proven Reserves(\$/boe)	13.00
Net Present Value (\$/share)	102	Present Value Proven Reserves(\$/mcf)	2.20
Debt/Present Value	0.16	Earnings Next Twelve Months (US\$/sh)	3.68
McDep Ratio - EV/PV	0.87	Price/Earnings Next Twelve Months	23
Dividend Yield (%/year)	3.2	Indicated Annual Dividend (US\$/sh)	2.76
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
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\$90 a barrel and natural gas, \$6 a million btu.			
For historical analysis of XOM since 2001 see <a href="http://www.mcdep.com/1xom.htm">www.mcdep.com/1xom.htm</a>			

### Summary and Recommendation

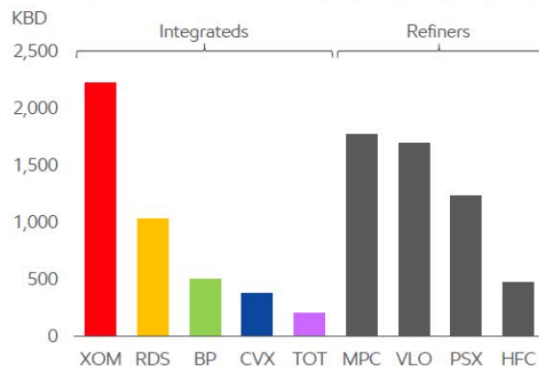
Trading near \$86 a share compared to the high of \$105 last summer and our Net Present Value (NPV) of \$102, the stock of **ExxonMobil (XOM)** looks like an attractive long-term investment at any likely oil price. A dividend at 3.2% a year at current stock price is backed by a low-debt balance sheet and robust cash flow. Exxon's AAA credit rating is stronger than the government's and matched by only two other corporations in the U.S. Because the dividend is covered 3.8 times by cash flow (Ebitda) the Board of Directors can readily declare growing future dividends. Also, the impact of reduced oil price on cash flow is muted by higher profits for XOM's refining and chemical businesses as well as by lower costs from more competitively priced oil field equipment and services. ExxonMobil has the largest refining capacity in the part of the North American industry where profits are the highest for taking land-locked crude oil priced at a discount to the world level and turning it into refined products priced at world levels (see slide [North American Downstream](#) on page 2). A giant chemical company within XOM invests actively to take advantage of low priced natural gas liquids in the U.S. and integration with large, efficient refining/chemical complexes in Saudi Arabia and Singapore (see slide [Global Chemical](#) on page 2). Among upstream opportunities, the frosting on XOM's cake is its shale oil exposure in three primary U.S. growth plays --- Bakken, Permian and southern Oklahoma (see slide [U.S. Onshore Liquids](#) on page 3). At Exxon's annual analyst meeting on March 4, Chief Executive Rex Tillerson stressed that innovation by the company and others has made U.S. shale oil growth profitable even at \$45 oil. Though XOM may not be a pure play on any of its integrated and diversified businesses, the businesses are managed well individually and in combination to provide investors with rewarding long-term dividend growth and total return at low risk and buy-range current valuation (see tables of McDep analysis on pages 3-5).

Kurt H. Wulff, CFA

## North American Downstream

Capturing North American value chain opportunities

Mid-Continent\* / Gulf Coast Equity Refining Capacity



Source: PIRA.  
\* United States and Canada.

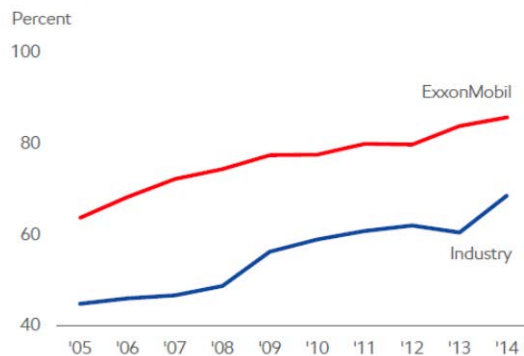
- Largest capacity in Mid-Continent / Gulf Coast
- Domestic crude processing up > 50% vs. 2010
- Securing advantaged logistics, including Edmonton Rail Terminal start-up in 2015
- Increased distillate production by 20% vs. 2010
- Growing higher-value product channels

**ExxonMobil**

## Global Chemical

Expanding advantaged commodity and specialty capacity

U.S. Ethylene Production from Ethane\*



Source: Jacobs Consultancy The Hodson Report.  
\* Includes ethane and ethane equivalents.

- World-scale facility expansions
  - U.S. Gulf Coast: ethylene and polyethylene facilities; 2017 start-up
  - Saudi Arabia: synthetic rubber and elastomer facilities; 2015 start-up
  - Singapore: synthetic rubber and adhesives plants; 2017 start-up
- Cost-efficient brownfield investments
- Deploying proprietary, advantaged technologies

**ExxonMobil**



# Independent Stock Idea

March 9, 2015

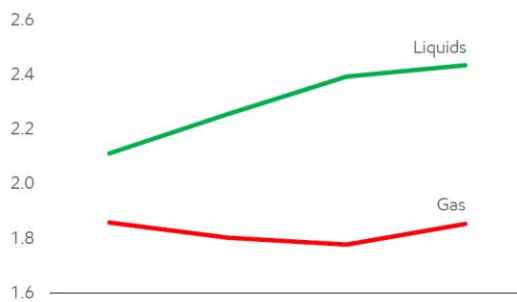
Creating Value Through the Cycle: Forward Plans

## Upstream Production Outlook

Improving volume and profitability mix

Total Net Production Outlook\*

MOEBD



	'14	'15	'16	'17
Total	4.0	4.1	4.2	4.3
Liquids/Linked	67%	70%	71%	71%

- Total production outlook
  - 2015: up 2%
  - 2016 – 2017: up 3% per year
- Liquids outlook
  - 2015: up 7%
  - 2016 – 2017: up 4% per year
- Gas outlook
  - 2015 – 2016: down 2% per year
  - 2017: up 4%
- Liquids and liquids-linked gas production becomes 71% of total

\* Production outlook excludes impact from future divestments and OPEC quota effects. Based on \$55 Brent.

**ExxonMobil**

<b>Exxon Mobil Corporation</b>					
<b>Functional Cash Flow and Present Value</b>					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	1,570	16.2	24.2	38,000	7%
Rest of World Natural Gas	9,760	13.9	8.2	80,000	16%
Oil	17,110	13.6	18.2	312,000	61%
Downstream	16,000		5.3	85,000	17%
	44,440	14.1	11.6	515,000	100%
Debt					83,000
Net Present Value (\$mm)					432,000
Shares					4,235
Net Present Value - Standard Estimate (US\$/sh)					102
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					107



# Independent Stock Idea

March 9, 2015

Exxon Mobil Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q1	Q2	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	3/31/14	6/30/14	9/30/14	12/31/14	2014	3/31/15	6/30/15	9/30/15	12/31/15	12/31/15
<b>Volume</b>										
Natural Gas (mmcf)										
North America	3,748	3,737	3,683	3,691	<b>3,715</b>	3,654	3,618	3,581	3,546	<b>3,599</b>
Overseas	8,268	7,013	6,912	7,543	<b>7,431</b>	8,185	6,943	6,843	7,468	<b>7,356</b>
Total	12,016	10,750	10,595	11,234	<b>11,145</b>	11,839	10,560	10,424	11,013	<b>10,956</b>
Oil (mbd)	2,148	2,048	2,048	2,182	<b>2,106</b>	2,204	2,226	2,248	2,271	<b>2,237</b>
Total gas & oil (mmb)	374	349	351	373	<b>1,447</b>	376	363	367	378	<b>1,483</b>
Total gas & oil (mbd)	4,151	3,840	3,814	4,054	<b>3,964</b>	4,177	3,986	3,985	4,106	<b>4,063</b>
<b>Price</b>										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	4.95	4.67	4.07	4.02	<b>4.43</b>	2.99	2.87	2.96	3.10	<b>2.98</b>
U.S.	4.78	4.46	3.93	3.72	<b>4.22</b>	2.99	2.87	2.96	3.10	<b>2.98</b>
International	10.59	9.00	8.47	9.09	<b>9.34</b>	9.09	9.09	9.09	9.09	<b>9.09</b>
Total	8.78	7.42	6.89	7.33	<b>7.63</b>	7.21	6.96	6.99	7.16	<b>7.08</b>
Oil (\$/bbl)										
WTI Cushing	98.74	102.98	97.24	73.18	<b>93.04</b>	49.28	51.34	55.35	57.73	<b>53.43</b>
Worldwide	99.82	102.56	95.21	68.15	<b>91.09</b>	48.25	50.27	54.19	56.52	<b>52.37</b>
Total gas & oil (\$/bbl)	77.07	75.48	70.28	56.98	<b>69.86</b>	45.88	46.51	48.84	50.46	<b>47.93</b>
NY Harbor 3-2-1 (\$/bbl)	19.04	21.12	19.27	15.34	<b>18.69</b>	14.02	19.37	18.52	14.63	<b>16.64</b>
<b>Revenue (\$mm)</b>										
Natural Gas										
U.S.	1,612	1,517	1,332	1,263	<b>5,724</b>	982	946	977	1,011	<b>3,916</b>
International	7,880	5,744	5,386	6,308	<b>25,318</b>	6,696	5,743	5,723	6,245	<b>24,407</b>
Total	9,493	7,260	6,718	7,571	<b>31,042</b>	7,679	6,689	6,699	7,256	<b>28,323</b>
Oil	19,297	19,115	17,940	13,680	<b>70,032</b>	9,569	10,182	11,208	11,806	<b>42,765</b>
Other	77,983	85,272	82,832	66,024	<b>312,112</b>	66,024	66,024	66,024	66,024	<b>264,098</b>
Total	106,773	111,647	107,490	87,276	<b>413,186</b>	83,272	82,895	83,932	85,087	<b>335,185</b>
<b>Expense</b>										
Production	13,946	12,516	11,521	9,365	<b>47,348</b>	10,349	10,122	10,744	11,437	<b>42,653</b>
Other	74,423	82,324	78,684	62,629	<b>298,060</b>	62,024	62,024	62,024	62,024	<b>248,098</b>
<b>Ebitda (\$mm)</b>										
Exploration and Production	14,844	13,859	13,137	11,887	<b>53,726</b>	6,899	6,748	7,163	7,625	<b>28,435</b>
Other	3,560	2,948	4,149	3,395	<b>14,052</b>	4,000	4,000	4,000	4,000	<b>16,000</b>
Total Ebitda	18,404	16,807	17,285	15,282	<b>67,778</b>	10,899	10,748	11,163	11,625	<b>44,435</b>
Exploration	317	606	428	592	<b>1,943</b>	592	592	592	592	<b>2,368</b>
Deprec., Deplet., & Amort.	4,192	4,285	4,362	4,458	<b>17,297</b>	4,458	4,458	4,458	4,458	<b>17,832</b>
<b>Ebit</b>	13,895	11,916	12,495	10,232	<b>48,538</b>	5,849	5,698	6,113	6,575	<b>24,235</b>
Interest	66	64	88	68	<b>286</b>	68	68	68	68	<b>272</b>
<b>Ebt</b>	13,829	11,852	12,407	10,164	<b>48,252</b>	5,781	5,630	6,045	6,507	<b>23,963</b>
Income Tax	4,840	4,148	4,342	3,557	<b>16,888</b>	2,023	1,971	2,116	2,277	<b>8,387</b>
<b>Net Income (\$mm)</b>										
Exploration and Production	7,783	6,281	6,686	5,468	<b>26,218</b>					
Other	1,860	1,452	2,224	1,724	<b>7,260</b>					
Unallocated	(654)	(29)	(845)	(585)	<b>(2,114)</b>					
Total	8,989	7,704	8,065	6,607	<b>31,364</b>	3,758	3,660	3,929	4,229	<b>15,576</b>
<b>Shares (millions)</b>										
Per share (\$)	4,328	4,297	4,267	4,235	<b>4,285</b>	4,235	4,235	4,235	4,235	<b>4,235</b>
Ebitda Margin (E&P)	2.08	1.79	1.89	1.56	<b>7.32</b>	0.89	0.86	0.93	1.00	<b>3.68</b>
Ebitda Margin (E&P)	52%	53%	53%	56%	<b>53%</b>	40%	40%	40%	40%	<b>40%</b>
Tax Rate	35%	35%	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>



# Independent Stock Idea

March 9, 2015

Exxon Mobil Corporation								
Production and Reserves, 2014								
		12/31/2014 Proven Reserves					NTM	
	2014 Production		Developed	Undeveloped	Weighted	Weighted	Adjusted	
	(daily)	(annual)	(bcfor mmb)	(bcfor mmb)	(bcfor mmb)	Life Index	R/P	
						(years)	(years)	
North American Natural Gas								
U.S.	3,404	1,361	14,363	11,896	20,311	14.9		
Canada/South America	310	132	615	611	921	7.0		
Total	3,714	1,493	14,978	12,507	21,232	14.2	16.2	
Rest of World Natural Gas								
Europe	2,816	1,059	8,354	2,447	9,578	9.0		
Africa	4	42	764	47	788	18.8		
Asia	4,099	1,567	21,336	1,629	22,151	14.1		
Australia/Oceania	512	201	2,179	5,097	4,728	23.5		
Total	7,431	2,869	32,633	9,220	37,243	13.0	13.9	
Oil								
U.S.	454	134	1,771	1,309	2,426	18.1		
Canada/South America	301	107	2,767	2,301	3,918	36.6		
Europe	184	57	231	43	253	4.4		
Africa	489	171	894	401	1,095	6.4		
Asia	624	193	2,803	982	3,294	17.1		
Australia/Oceania	59	14	112	99	162	11.5		
Natural Gas Liquids		92						
Total	2,111	768	8,578	5,135	11,146	14.5	13.6	
Total Oil Equivalent	3,969	1,495	16,513	8,756	20,891	14.0	14.1	

Weighted Life Index counts undeveloped reserves at half stated value and is computed on latest calendar year volume. NTM Adjusted R/P also counts undeveloped reserves at half and is computed on next twelve months production.

**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.