



# Independent Stock Idea

January 30, 2009

rating: buy  
s&p 500: 823 intraday

## Exxon Mobil Corporation (XOM) Natural Gas Leader

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 12/31/09 (US\$mm)</i>	48,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (\$/sh)</i>	77.15	<i>Natural Gas and Oil Production/Ebitda (%)</i>	74
<i>Pricing Date</i>	1/30/09	<i>Adjusted Reserves/Production NTM</i>	12.3
<i>Shares (mm)</i>	5045	<i>EV/Ebitda</i>	8.6
<i>Market Capitalization (\$mm)</i>	389,000	<i>PV/Ebitda</i>	10.0
<i>Debt (\$mm)</i>	30,000	<i>Undeveloped Reserves (%)</i>	38
<i>Enterprise Value (EV) (\$mm)</i>	419,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	24.90
<i>Present Value (PV) (\$mm)</i>	484,000	<i>Present Value Proven Reserves(\$/boe)</i>	16.30
<i>Net Present Value (\$/share)</i>	90	<i>Present Value Proven Reserves(\$/mcf)</i>	2.70
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.46
<i>McDep Ratio - EV/PV</i>	0.87	<i>Price/Earnings Next Twelve Months</i>	17
<i>Dividend Yield (%/year)</i>	2.1	<i>Indicated Annual Dividend (US\$/sh)</i>	1.60
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\$75 a barrel and natural gas, \$10 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

Estimated Net Present Value (NPV) of \$90 a share is more than 10% above stock price for low-debt, buy-recommended **ExxonMobil (XOM)**. Released today, fourth quarter results displayed a predictable reduction in unlevered cash flow (Ebitda) driven by crude oil and natural gas prices (see table [Next Twelve Months Operating and Financial Estimates](#)). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil, and to an industry multiple for downstream. Latest calculations result in NPV concentrated 32% on natural gas, 46% on oil and 21% on downstream (see table [Functional Cash Flow and Present Value](#)). Natural gas concentration, mostly outside North America, is highest among the traditional international oil majors. During 2009, ExxonMobil will be initiating deliveries of liquefied natural gas in Q-Max class ships, the largest in the industry with capacity of 266,000 cubic meters, or the equivalent of 1.67 million barrels of oil. By recycling LNG that vaporizes during long voyages, the new design also minimizes greenhouse gas emission during transportation. Finally, pointing to expected oil price recovery, futures prices for the next six years averaged US\$62 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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Kurt H. Wulff, CFA

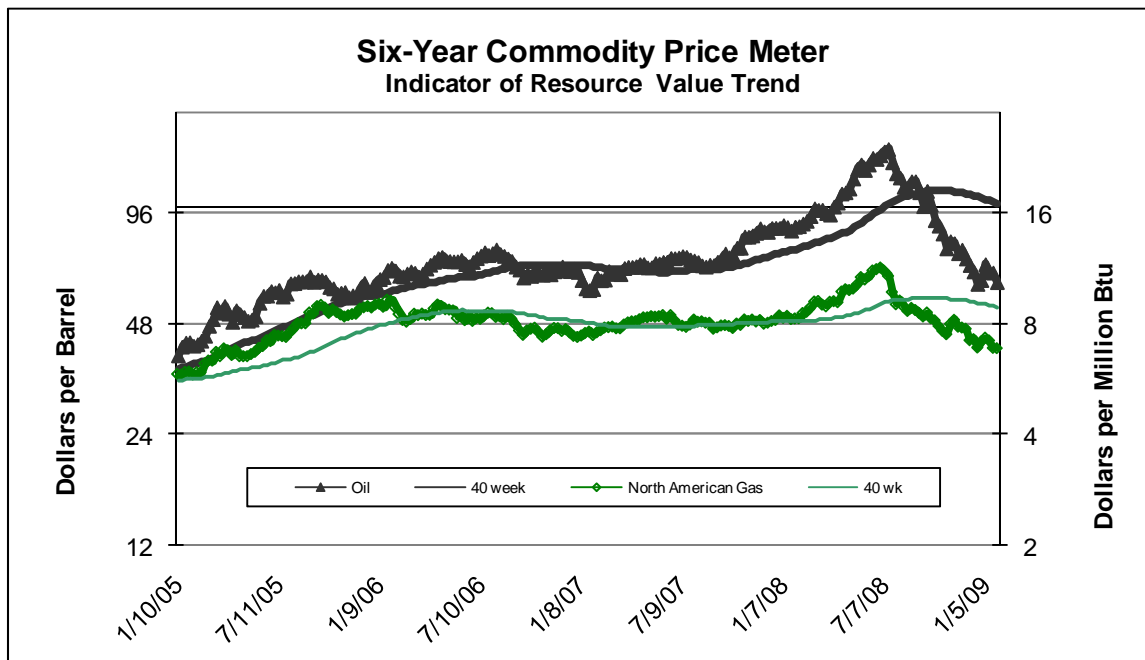
Exxon Mobil Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/07	9/30/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	12/31/09
<b>Volume</b>									
Natural Gas (mmcf)									
North America	2,122	1,800	1,832	<b>1,894</b>	1,832	1,832	1,832	1,832	<b>1,832</b>
Overseas	8,292	6,023	8,017	<b>7,221</b>	8,246	6,522	6,023	8,017	<b>7,198</b>
Total	10,414	7,823	9,849	<b>9,115</b>	10,078	8,354	7,855	9,849	<b>9,030</b>
Days	92	92	92	<b>366</b>	90	91	92	92	<b>365</b>
Oil (mbd)	2,517	2,291	2,472	<b>2,407</b>	2,472	2,472	2,472	2,472	<b>2,472</b>
Total gas & oil (mmb)	391	331	378	<b>1,436</b>	374	352	348	378	<b>1,452</b>
Total gas & oil (mbd)	4,253	3,595	4,114	<b>3,922</b>	4,152	3,864	3,781	4,114	<b>3,977</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.97	10.25	6.95	<b>9.04</b>	5.03	4.62	4.93	5.73	<b>5.08</b>
U.S.	6.38	9.33	5.57	<b>8.33</b>	4.03	3.70	3.95	4.59	<b>4.07</b>
International	8.19	10.14	9.90	<b>9.77</b>	9.28	9.90	10.14	9.90	<b>9.78</b>
Total	7.82	9.95	9.09	<b>9.47</b>	8.32	8.54	8.70	8.91	<b>8.62</b>
Oil (\$/bbl)									
WTI Cushing	90.67	117.99	58.45	<b>99.59</b>	44.74	49.86	52.65	54.65	<b>50.48</b>
Worldwide	85.04	111.48	50.98	<b>93.10</b>	39.02	43.48	45.92	47.66	<b>44.05</b>
Total gas & oil (\$/bbl)	69.49	92.71	52.41	<b>79.10</b>	43.44	46.28	48.09	49.98	<b>46.95</b>
NY Harbor 3-2-1 (\$/bbl)	8.19	11.84	5.10	<b>9.86</b>	7.57	7.78	6.23	3.44	<b>6.26</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S.	1,246	1,545	939	<b>5,757</b>	664	617	665	773	<b>2,720</b>
International	6,248	5,619	7,302	<b>25,760</b>	6,887	5,876	5,619	7,302	<b>25,683</b>
Total	7,493	7,164	8,241	<b>31,517</b>	7,551	6,493	6,284	8,075	<b>28,403</b>
Oil	19,693	23,496	11,593	<b>82,034</b>	8,681	9,782	10,444	10,840	<b>39,747</b>
Other	89,456	107,077	64,862	<b>363,808</b>	64,862	64,862	64,862	64,862	<b>259,449</b>
Total	116,642	137,737	84,696	<b>477,359</b>	81,095	81,137	81,590	83,777	<b>327,599</b>
<b>Expense</b>									
Production	11,498	13,429	9,024	<b>52,176</b>	7,629	7,649	7,862	8,890	<b>32,030</b>
Other	83,468	100,017	60,158	<b>343,151</b>	62,383	61,764	61,516	61,392	<b>247,054</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	15,688	17,231	10,810	<b>61,374</b>	8,603	8,625	8,866	10,025	<b>36,119</b>
Other	5,987	7,060	4,704	<b>20,658</b>	2,479	3,099	3,347	3,471	<b>12,395</b>
Total Ebitda	21,675	24,291	15,514	<b>82,032</b>	11,082	11,724	12,212	13,496	<b>48,514</b>
Exploration	520	404	376	<b>1,457</b>	376	376	376	376	<b>1,504</b>
Deprec., Deplet., & Amort.	3,155	3,008	3,008	<b>12,210</b>	3,008	3,008	3,008	3,008	<b>12,032</b>
Other non cash				-	-	-	-	-	-
<b>Ebit</b>	18,000	20,879	12,130	<b>68,365</b>	7,698	8,340	8,828	10,112	<b>34,978</b>
Interest	128	318	100	<b>655</b>	100	100	100	100	<b>400</b>
<b>Ebt</b>	17,872	20,561	12,030	<b>67,710</b>	7,598	8,240	8,728	10,012	<b>34,578</b>
Income Tax	6,255	7,196	4,211	<b>23,698</b>	2,659	2,884	3,055	3,504	<b>12,102</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	8,204	9,351	5,634						
Other	3,379	4,100	2,569						
Unallocated	34	(87)	(383)						
Total	11,617	13,364	7,820	<b>44,011</b>	4,939	5,356	5,673	6,508	<b>22,476</b>
<b>Shares (millions)</b>									
Shares (millions)	5,454	5,160	5,045	<b>5,215</b>	5,045	5,045	5,045	5,045	<b>5,045</b>
Per share (\$)	2.13	2.59	1.55	<b>8.44</b>	0.98	1.06	1.12	1.29	<b>4.46</b>
Ebitda Margin (E&P)	58%	56%	55%	<b>54%</b>	53%	53%	53%	53%	<b>53%</b>
Tax Rate	35%	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>



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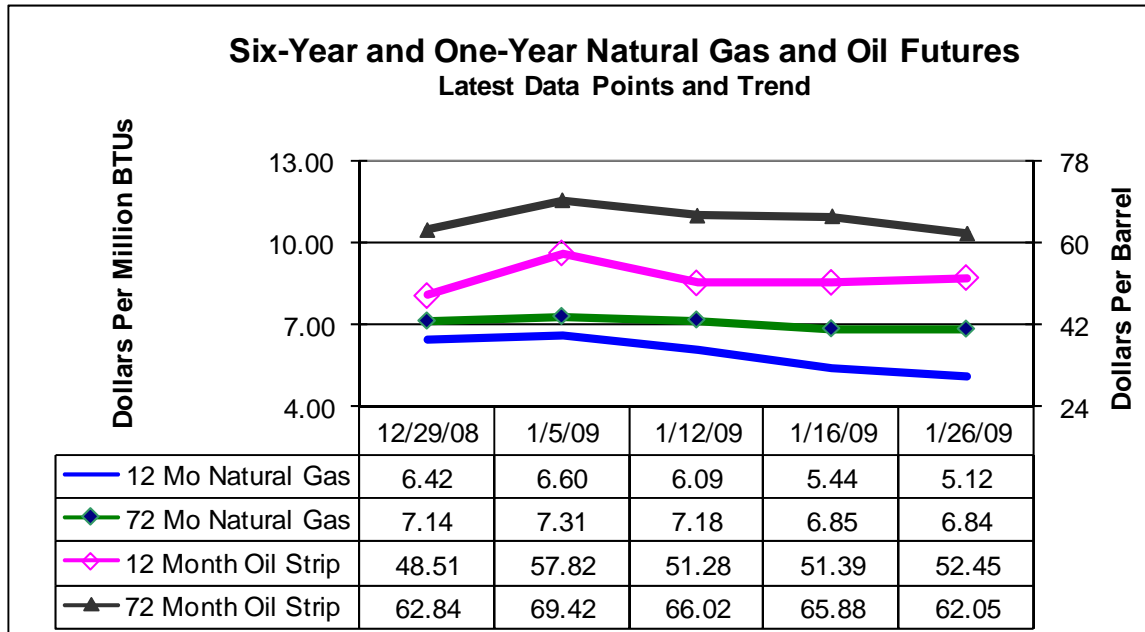
Exxon Mobil Corporation					
Functional Cash Flow and Present Value					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	1,440	15.4	17.4	25,000	5%
Rest of World Natural Gas	13,610	16.1	9.8	133,000	27%
Oil	21,070	10.1	10.5	222,000	46%
Downstream	12,390		8.4	104,000	21%
	48,510	12.3	10.0	484,000	100%
Debt					30,000
Net Present Value (\$mm)					454,000
Shares					5,045
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					92





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