



Independent Stock Idea

October 29, 2009

rating: buy
s&p 500: 1055 intraday

Exxon Mobil Corporation (XOM) Cash Flow Rising after Decline

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 9/30/10 (US\$mm)</i>	55,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (\$/sh)</i>	72.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	81
<i>Pricing Date</i>	10/29/09	<i>Adjusted Reserves/Production NTM</i>	12.4
<i>Shares (mm)</i>	4803	<i>EV/Ebitda</i>	7.1
<i>Market Capitalization (\$mm)</i>	348,000	<i>PV/Ebitda</i>	8.5
<i>Debt (\$mm)</i>	47,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	395,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	32.20
<i>Present Value (PV) (\$mm)</i>	474,000	<i>Present Value Proven Reserves(\$/boe)</i>	18.30
<i>Net Present Value (\$/share)</i>	89	<i>Present Value Proven Reserves(\$/mcf)</i>	3.00
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.43
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	2.3	<i>Indicated Annual Dividend (US\$/sh)</i>	1.68
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, \$8 a million btu.			
For historical analysis of XOM since 2001 see www.mcdep.com/1xom.htm			

Summary and Recommendation

Analyzing third quarter results released today, we reaffirm estimated Net Present Value (NPV) of \$89 a share for buy-recommended **ExxonMobil (XOM)**. On that basis unlevered appreciation potential is 19% to a McDep Ratio of 1.0 where stock price would equal NPV. The prospects for stock market gain by our measure appear higher in absolute and relative terms than we have been accustomed to seeing for XOM over the decades. Attempting to reconcile underperformance in the stock market this year we might point to overseas natural gas and downstream showing less resilience to decline than in the past. Yet, overseas natural gas may be the industry's best long-term growth business and downstream volatility is shared by all companies. In any case, the second quarter was a low point and the latest quarter looks like the start of a rising trend in unlevered cash flow (see table [Next Twelve Months Operating and Financial Estimates](#)). We shift some emphasis away from overseas natural gas and downstream toward oil in our valuation that capitalizes cash flow at multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table [Functional Cash Flow and Present Value](#)). Along with rising cash flow, XOM stock trades above its 200-day average again. Futures prices for the next six years for oil are also in a rising trend signified by current quotes above the 40-week average (see chart [Six-Year Commodity Price Meter](#)).

Kurt H. Wulff, CFA



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Exxon Mobil Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next
	9/30/08	6/30/09	9/30/09	12/31/09	2009E	3/31/10	6/30/10	9/30/10	Twelve
									Months
									9/30/10
Volume									
Natural Gas (mmcf)									
North America	1,800	1,892	1,906	1,906	1,897	1,906	1,906	1,906	1,906
Overseas	6,023	6,121	6,223	8,017	7,165	8,313	6,121	6,223	7,165
Total	7,823	8,013	8,129	9,923	9,062	10,219	8,027	8,129	9,071
Days	92	91	92	92	365	90	91	92	365
Oil (mbd)	2,291	2,347	2,335	2,335	2,373	2,335	2,335	2,335	2,335
Total gas & oil (mmb)	331	335	339	367	1,417	363	334	339	1,404
Total gas & oil (mbd)	3,595	3,683	3,690	3,989	3,883	4,038	3,673	3,690	3,847
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	10.25	3.50	3.39	4.48	4.07	5.58	5.61	5.84	5.38
U.S.	9.33	3.14	3.19	4.22	3.73	5.25	5.28	5.50	5.06
International	10.14	5.36	5.14	6.80	6.55	8.46	8.51	8.86	8.09
Total	9.95	4.84	4.68	6.30	5.96	7.86	7.74	8.07	7.45
Oil (\$/bbl)									
WTI Cushing	117.99	59.52	68.22	77.69	62.10	80.00	81.52	82.60	80.45
Worldwide	111.48	56.63	65.52	74.62	59.28	76.84	78.30	79.33	77.27
Total gas & oil (\$/bbl)	92.71	46.62	51.78	59.35	50.14	64.32	66.70	67.99	64.48
NY Harbor 3-2-1 (\$/bbl)	11.84	9.49	9.45	7.51	8.91	7.63	10.46	10.27	8.97
Revenue (\$mm)									
Natural Gas									
U.S.	1,545	541	559	740	2,581	901	916	964	3,521
International	5,619	2,986	2,943	5,012	17,143	6,329	4,741	5,074	21,155
Total	7,164	3,526	3,502	5,751	19,724	7,229	5,657	6,038	24,676
Oil	23,496	12,095	14,076	16,029	51,336	16,147	16,637	17,042	65,856
Other	107,077	122,450	64,682	64,682	299,762	64,682	64,682	64,682	258,728
Total	137,737	138,072	82,260	86,463	370,823	88,058	86,976	87,762	349,259
Expense (\$mm)									
Production	13,429	7,592	9,087	10,890	36,361	11,688	11,147	11,540	45,266
Other	100,017	120,347	62,083	62,083	289,482	61,702	62,579	62,083	248,447
Ebitda (\$mm)									
Exploration and Production	17,231	8,030	8,491	10,890	34,700	11,688	11,147	11,540	45,266
Other	7,060	2,103	2,599	2,599	10,280	2,980	2,103	2,599	10,280
Total Ebitda	24,291	10,133	11,089	13,489	44,980	14,668	13,250	14,139	55,546
Exploration	404	491	501	501	1,843	501	501	501	2,004
Deprec., Deplet., & Amort.	3,008	3,004	3,004	3,004	11,805	3,004	3,004	3,004	12,016
Other non cash				-	-	-			-
Ebit	20,879	6,638	7,584	9,984	31,332	11,163	9,745	10,634	41,526
Interest	318	343	343	343	1,136	343	343	343	1,372
Ebt	20,561	6,295	7,241	9,641	30,196	10,820	9,402	10,291	40,154
Income Tax	7,196	2,203	2,535	3,374	10,569	3,787	3,291	3,602	14,054
Net Income (\$mm)									
Exploration and Production	9,351	3,812	4,012						
Other	4,100	879	1,201						
Unallocated	(87)	(599)	(506)						
Total	13,364	4,092	4,707	6,267	19,628	7,033	6,112	6,689	26,100
Shares (millions)	5,160	4,871	4,803	4,803	4,853	4,803	4,803	4,803	4,803
Per share (\$)	2.59	0.84	0.98	1.30	4.04	1.46	1.27	1.39	5.43
Ebitda Margin (E&P)	56%	51%	48%	50%	49%	50%	50%	50%	50%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

Please see disclosures on the final page.

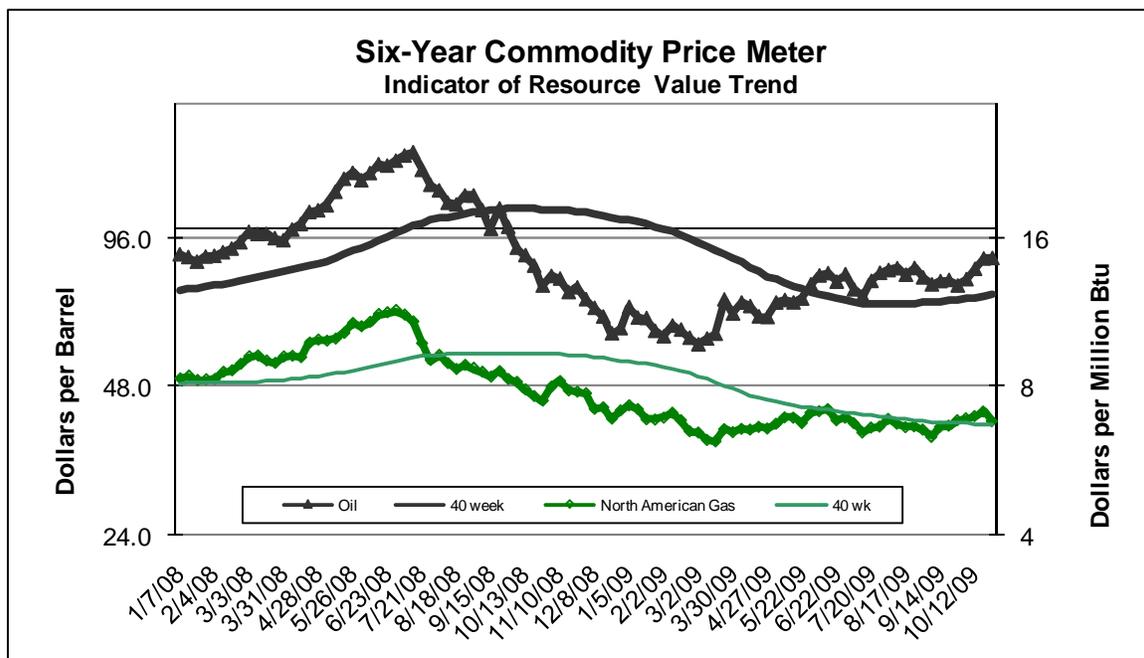
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Exxon Mobil Corporation					
Functional Cash Flow and Present Value					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u><i>Ebitda</i></u>	<u><i>R/P</i></u>	<u><i>Ebitda</i></u>	<u><i>Value</i></u>	
North American Natural Gas	1,760	16.1	13.6	24,000	5%
Rest of World Natural Gas	10,580	16.5	9.9	105,000	22%
Oil	32,930	9.7	7.7	255,000	54%
Downstream	10,280		8.8	90,000	19%
	55,550	12.4	8.5	474,000	100%
Debt					47,000
Net Present Value (\$mm)					427,000
Shares					4,803
Net Present Value - Standard Estimate (US\$/sh)					89
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					85





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