

## ExxonMobil Corp.

## 4Q23 8-K: EPS to \$2.22/sh looks ahead of consensus on better refining / chemicals

Reiterate Rating: BUY | PO: 140.00 USD | Price: 102.32 USD

## Mid-point EPS guide of \$2.22/sh looks ahead of consensus

After-market ExxonMobil filed its 4Q23 8K highlighting various market factors impacting results. For 4Q23 EPS in a range of \$1.67 - \$2.85 (\$2.22 midpoint). At this level, EPS looks ahead of consensus of ~\$2.06/sh. Implied earnings of \$8.9bn compares with \$9.1bn in 3Q23. Before non-recurring items deltas are led by a change in E&P earnings of '\$400mm to \$(1.3bn)' with lower oil prices offset by better gas realizations; at the mid-point, E&P earnings look lower by \$450mm. Energy products declined by \$300mm, but with the range between '\$200mm to \$(800mm)' - versus \$2.5bn in 3Q23 implies \$2.2bn of earnings. Finally, Chemicals & Specialty Products improved \$600mm at the mid-point, tracking indicator margins off recent lows. Overall XOM's earnings imply a q/q decline of ~\$200mm, including \$1.1bn of unsettled derivatives, bringing our updated EPS estimate to \$2.22/sh (see Exhibit 2 for our estimate changes). Including non-cash impairments and following CVX' write downs in California, reported earnings look closer to \$1.64/sh.

## PXD to bolster organic FcF expansion in 2024E

We estimate cashflow ex-working capital at ~\$12.6bn. After estimated cash capex (~\$5.7bn) we see XOM generating over \$7bn in free cashflow. After dividends of \$3.7bn, XOM has capacity for \$3.3bn of share buy backs, below the ~\$4,375mm quarterly pace committed prior to the Pioneer acquisition (and which is expected to move to \$5bn post the deal close). However, assuming some slow down for black out reasons, we expect buy backs to be below the recent run rate, in which case we expect net debt to decline from the end 3Q23 level of \$8.3bn (net of \$33bn cash). All of this is prior to closing the all-share PXD acquisition expected in 2Q24, which we expect to drive FcF higher.

## Reiterate Buy on differentiated momentum: PO \$140/sh

Looking forward XOM continues to progress multiple developments that have tangible cashflow contributions and can drive ratable growth through at least 2027 – led by multiple downstream and large E&P projects at various stages of development – led by Guyana, and the combined XOM / PXD Permian. We continue to view XOM's visible growth outlook as differentiated vs peers, reloading capacity for outside dividend growth starting in 2024. Note that as reviewed in our [2024 Year Ahead report](#) adopting 'permanent backwardation' as our base case we now assume \$75 Brent (\$80 prior) and \$70 WTI long-term (\$75 prior) and our PO moves to \$140 (\$150 prior).

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	5.46	14.05	9.26	8.15	9.93
GAAP EPS	5.52	13.69	9.52	8.15	9.93
EPS Change (YoY)	NM	157.3%	-34.1%	-12.0%	21.8%
Consensus EPS (Bloomberg)			9.22	9.30	9.48
DPS	3.49	3.55	3.64	3.53	3.50
Valuation (Dec)					
P/E	18.7x	7.3x	11.0x	12.6x	10.3x
GAAP P/E	18.5x	7.5x	10.7x	12.6x	10.3x
Dividend Yield	3.4%	3.5%	3.6%	3.4%	3.4%
EV / EBITDA*	8.2x	4.3x	6.1x	7.4x	6.2x
Free Cash Flow Yield*	7.3%	13.4%	8.0%	7.2%	9.8%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

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Timestamp: 05 January 2024 06:28AM EST

05 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	150.00	140.00
2023E DPS	3.76	3.64

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## Stock Data

Price	102.32 USD
Price Objective	140.00 USD
Date Established	5-Jan-2024
Investment Opinion	B-1-7
52-Week Range	97.48 USD - 120.70 USD
Mkt Val (mn) / Shares Out (mn)	426,470 USD / 4,168.0
Free Float	99.6%
Average Daily Value (mn)	2236.09 USD
BofA Ticker / Exchange	XOM / NYS
Bloomberg / Reuters	XOM US / XOM.N
ROE (2023E)	18.6%
Net Dbt to Eqty (Dec-2022A)	5.5%
ESGMeter <sup>TM</sup>	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

## Definitions

E&amp;P - Exploration and Production

PXD – Pioneer Natural Resources

CVX - Chevron

# iQprofile<sup>SM</sup> ExxonMobil Corp.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	8.3%	19.3%	12.6%	11.3%	13.9%
Return on Equity	14.4%	31.7%	18.6%	17.0%	20.7%
Operating Margin	11.3%	19.0%	15.4%	12.0%	12.4%
Free Cash Flow	31,098	57,348	33,928	30,560	41,656

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.0x	1.4x	1.5x	1.6x	1.6x
Asset Replacement Ratio	0.8x	0.9x	1.2x	1.3x	1.3x
Tax Rate	24.4%	25.9%	28.3%	15.5%	14.0%
Net Debt-to-Equity Ratio	23.5%	5.5%	3.8%	6.3%	4.0%
Interest Cover	34.0x	NM	NM	49.3x	NM

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	285,640	413,680	353,602	345,918	406,945
% Change	57.4%	44.8%	-14.5%	-2.2%	17.6%
Gross Profit	130,476	184,721	206,925	345,918	406,945
% Change	49.1%	41.6%	12.0%	67.2%	17.6%
EBITDA	53,842	103,616	72,857	60,322	70,963
% Change	175.1%	92.4%	-29.7%	-17.2%	17.6%
Net Interest & Other Income	(947)	(798)	(763)	(841)	(921)
<b>Net Income (Adjusted)</b>	<b>23,343</b>	<b>59,101</b>	<b>37,525</b>	<b>34,285</b>	<b>42,785</b>
<b>% Change</b>	<b>NM</b>	<b>153.2%</b>	<b>-36.5%</b>	<b>-8.6%</b>	<b>24.8%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	23,598	57,577	38,586	34,285	42,785
Depreciation & Amortization	20,607	24,040	17,540	18,355	19,727
Change in Working Capital	4,162	(194)	(2,064)	0	0
Deferred Taxation Charge	45	(3,082)	935	1,267	1,281
Other Adjustments, Net	(719)	1,711	376	1,238	3,281
Capital Expenditure	(16,595)	(22,704)	(21,445)	(24,584)	(25,418)
<b>Free Cash Flow</b>	<b>31,098</b>	<b>57,348</b>	<b>33,928</b>	<b>30,560</b>	<b>41,656</b>
<b>% Change</b>	<b>NM</b>	<b>84.4%</b>	<b>-40.8%</b>	<b>-9.9%</b>	<b>36.3%</b>
Share / Issue Repurchase	0	(15,000)	(17,467)	(18,750)	(20,000)
Cost of Dividends Paid	(14,924)	(14,938)	(14,765)	(14,799)	(15,094)
Change in Debt	(20,532)	(2,257)	60	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	6,050	29,665	32,973	32,973	32,973
Trade Receivables	24,755	48,063	41,814	41,814	41,814
Other Current Assets	19,925	26,432	26,355	26,355	26,355
Property, Plant & Equipment	219,742	217,861	205,979	212,142	215,487
Other Non-Current Assets	60,934	65,452	65,255	65,255	65,255
<b>Total Assets</b>	<b>331,406</b>	<b>387,473</b>	<b>372,376</b>	<b>378,539</b>	<b>381,884</b>
Short-Term Debt	14,922	634	4,743	4,743	4,743
Other Current Liabilities	41,965	72,743	66,185	66,185	66,185
Long-Term Debt	32,778	40,559	36,159	41,398	36,892
Other Non-Current Liabilities	64,392	63,640	57,030	55,950	54,830
<b>Total Liabilities</b>	<b>154,057</b>	<b>177,576</b>	<b>164,117</b>	<b>168,277</b>	<b>162,650</b>
<b>Total Equity</b>	<b>177,349</b>	<b>209,897</b>	<b>208,259</b>	<b>210,262</b>	<b>219,233</b>
<b>Total Equity &amp; Liabilities</b>	<b>331,406</b>	<b>387,473</b>	<b>372,376</b>	<b>378,539</b>	<b>381,884</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Oils

## Company Description

ExxonMobil (XOM) is the world's largest international integrated oil and gas company with average 2021 production of 3.71 mmbopd, the world's largest refining system with 4.57 kbpd of crude capacity, and one of the largest and most profitable chemical manufacturers. XOM consistently demonstrates disciplined investing, operational excellence and technological innovation.

## Investment Rationale

We believe ExxonMobil is poised for a relative recovery after several years of lagging performance. The starting point is a step change in upstream portfolio leverage that we believe has been masked by the collapse in oil prices. Since 2013, XOM has started over 30 major projects with improved cash margins versus the legacy base business, and enabled by higher oil leverage that was masked by the coincident drop in oil prices.

## Stock Data

Average Daily Volume 21,918,280

## Quarterly Earnings Estimates

	2022	2023
Q1	2.07A	2.83A
Q2	4.15A	1.94A
Q3	4.46A	2.27A
Q4	3.39A	2.22E

## 4Q23 8-K Review

The table below reconciles XOM's implied earnings range for 4Q23, benchmarked off actual 3Q23 earnings. At the mid-point, XOM's implied earnings look ahead of consensus. Versus our estimates, E&P is the primary drag on earnings.

### Exhibit 1: 8k suggests EPS range of \$1.67 to 2.85 excluding impairments and divestments

We move our estimate to the midpoint of the range, \$2.22, which stands ahead of \$2.06 consensus

8-K Implied EPS Range:		Incl'd Impairments / divestments					
High	\$2.85	\$2.30					
Mid	\$2.22	\$1.64					
Low	\$1.67	\$0.97					
BofA Last Published		4Q23 Billion Shares 4.0061					
Consensus							
Reference 3Q23 results:							
	Upstream	Energy Products	Chemical Products	Specialty Products	Corp & Fin	Total	Total / Sh
3Q23 Earnings / (Loss)	6.10	2.40	0.20	0.60	(0.40)	9.10	\$2.27
Identified Items	-	-	-	-	-	-	\$0.00
3Q23 Adjusted Earnings / (Loss)	6.10	2.40	0.20	0.60	(0.40)	9.10	\$2.27
MID POINT							
Estimated effects of market factors impacting 4Q23 results:							
Change in liquids prices	(0.60)	-	-	-	-	(0.60)	(\$0.15)
Change in gas prices	0.60	-	-	-	-	0.60	\$0.15
Change in industry margins	-	(1.60)	0.40	0.10	-	(1.10)	(\$0.27)
Change in unsettled derivatives	(0.10)	1.20	-	-	-	1.10	\$0.27
Estimated effects of planned and seasonal factors, and other items impacting 4Q23 results:							
Change in scheduled maintenance	-	(0.10)	-	-	-	(0.10)	(\$0.02)
Change in seasonal gas demand	-	-	-	-	-	-	\$0.00
Day effect (additional day in 4Q23 vs 3Q23)	-	-	-	-	-	-	\$0.00
Inventory effects	(0.30)	0.20	-	0.10	-	-	
Additional European Taxes	(0.05)	(0.05)	-	-	-	-	
Total effects on 4Q23	(0.45)	(0.35)	0.40	0.20	-	(0.20)	(\$0.05)
Implied 4Q23 results	5.65	2.05	0.60	0.80	(0.40)	8.90	\$2.22

Source: BofA Global Research estimates, Bloomberg

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The table below summarizes EPS changes incorporating observations from XOM's 8-k and marking to market oil and gas prices and refining margins for the current forward curve. Note 2024 and 2025 EPS is lowered as we reduce our oil price estimates from \$90 to \$80 Brent and from \$80 to \$75 Brent, respectively.

### Exhibit 2: XOM Earnings Estimates

EPS of \$2.22/sh compares with our prior 4Q23 estimate of \$2.52

	Q1	Q2	Q3	Q4	FY	BBG Consensus
2022A	2.07	4.15	4.46	3.39	14.05	13.93
2023E	2.83	1.94	2.27	2.22	9.26	9.19
Previous	2.83	1.94	2.27	2.52	9.56	n/a
2024E	1.91	2.11	2.26	1.87	8.15	9.16
Previous	2.53	2.65	2.64	2.45	10.27	n/a
2025E	2.25	2.49	2.68	2.52	9.93	9.44
Previous	2.43	2.63	2.78	2.64	10.47	n/a

Source: BofA Global Research estimates, Bloomberg

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The table below summarizes our updated estimates vs prior expectations, and versus prior year-over-year and sequential quarters.



**Exhibit 3: XOM Earnings Variance**

Y/Y and Q/Q Comparison (\$ in Millions, except in per share data)

<b>Segment Earnings</b>	<b>4Q23E</b>	<b>4Q22A</b>	<b>YOY</b>	<b>3Q23A</b>	<b>QOQ</b>	<b>4Q23E</b>
United States E&P	1,685	2,493	-32%	1,566	8%	1,685
International E&P	4,006	6,269	-36%	4,573	-12%	4,006
<b>Total E&amp;P</b>	<b>5,692</b>	<b>8,762</b>	<b>-35%</b>	<b>6,139</b>	<b>-7%</b>	<b>5,692</b>
United States R&M	1,300	2,246	-42%	1,356	-4%	1,300
International R&M	875	2,508	-65%	1,119	-22%	875
<b>Total R&amp;M</b>	<b>2,175</b>	<b>4,754</b>	<b>-54%</b>	<b>2,475</b>	<b>-12%</b>	<b>2,175</b>
United States Chem	890	704	26%	664	34%	890
International Chem	556	346	61%	204	172%	556
<b>Total Chemicals</b>	<b>1,446</b>	<b>1,050</b>	<b>38%</b>	<b>868</b>	67%	<b>1,446</b>
Corporate & Other	(397)	(531)	-25%	(365)	9%	(397)
<b>Net Income (Adj)</b>	<b>8,916</b>	<b>14,035</b>	<b>-36%</b>	<b>9,117</b>	<b>-2%</b>	<b>8,916</b>
Special Items	-	(1,285)	-100%	(47)	-100%	-
<b>Net Income (Reported)</b>	<b>8,916</b>	<b>12,750</b>	<b>-30%</b>	<b>9,070</b>	<b>-2%</b>	<b>8,916</b>
Earnings (Adjusted)	2.22	3.39	-35%	2.27	-2%	2.22
Earnings (Reported)	2.22	3.08	-28%	2.25	-1%	2.22
Dividend	0.91	0.91	0%	0.91	0%	0.91

Source: BofA Global Research estimates; Company data

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## Price objective basis & risk

### ExxonMobil Corp. (XOM)

Our price objective of \$140/sh assumes \$75 Brent and \$70 WTI long-term. We assume long-term HH natural gas of \$4.25. We apply a long-term (post-tax) weighted average cost of capital (WACC) of 7.7%, which is based on the BofA strategy team's assumed risk premium and a five-year monthly beta.

The risks to our price objective are (1) the oil and gas price and margin environment, (2) significant delays to the new upstream projects critical to its growth targets, and (3) inability to capture the price environment due to cost pressures (opex, capex, and taxation). Upside risks to our price objective are higher oil & gas prices.

## Analyst Certification

I, Doug Leggate, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

BofA Securities is currently acting as Financial Advisor to Pioneer Natural Resources Co in connection with its proposed sale to Exxon Mobil Corp, which was announced on October 11, 2023. The proposed transaction is subject to approval by shareholders of Pioneer Natural Resources Co. This research report is not intended to provide voting advice, serve as an endorsement of the proposed transaction, or result in the procurement, withholding or revocation of a proxy.

### US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	APA Corporation	APA	APA US	Doug Leggate
	California Resources Corporation	CRC	CRC US	Kalei Akamine
	Canadian Natural Resources	YCNQ	CNQ CN	Doug Leggate
	Canadian Natural Resources	CNQ	CNQ US	Doug Leggate
	Chesapeake Energy	CHK	CHK US	Doug Leggate
	Chevron Corp.	CVX	CVX US	Doug Leggate
	Chord Energy Corporation	CHRD	CHRD US	John H. Abbott
	ConocoPhillips	COP	COP US	Doug Leggate
	EOG Resources	EOG	EOG US	Doug Leggate
	EQT Corporation	EQT	EQT US	John H. Abbott
	ExxonMobil Corp.	XOM	XOM US	Doug Leggate
	Granite Ridge Resources, Inc	GRNT	GRNT US	John H. Abbott
	Gulfport Energy Corporation	GPOR	GPOR US	Doug Leggate
	Imperial Oil	IMO	IMO US	Doug Leggate
	Imperial Oil	YIMO	IMO CN	Doug Leggate
	Kimbell Royalty Partners	KRP	KRP US	John H. Abbott
	Northern Oil and Gas	NOG	NOG US	John H. Abbott
	Occidental Petroleum Corp.	OXY	OXY US	Doug Leggate
	Ovintiv Inc	YOVV	OW CN	Doug Leggate
	Ovintiv Inc	OW	OW US	Doug Leggate
	Range Resources Corp	RRC	RRC US	Doug Leggate
	Southwestern Energy Corp.	SWN	SWN US	Doug Leggate
	Suncor	YSU	SU CN	Doug Leggate
	Suncor	SU	SU US	Doug Leggate
<b>NEUTRAL</b>				
	Coterra Energy Inc	CTRA	CTRA US	Doug Leggate
	Delek US Holdings, Inc.	DK	DK US	Doug Leggate
	Devon Energy Corp.	DVN	DVN US	Doug Leggate



## US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	HF Sinclair Corporation	DINO	DINO US	Doug Leggate
	Marathon Petroleum Company	MPC	MPC US	Doug Leggate
	PBF Energy	PBF	PBF US	Doug Leggate
	Phillips 66	PSX	PSX US	Doug Leggate
	Valero Energy Corp.	VLO	VLO US	Doug Leggate
<b>UNDERPERFORM</b>				
	CNX Resources	CNX	CNX US	John H. Abbott
	Crescent Energy Company	CRGY	CRGY US	John H. Abbott
	Diamondback Energy Inc.	FANG	FANG US	Doug Leggate
	Marathon Oil Corp.	MRO	MRO US	Doug Leggate
	National Fuel Gas Company	NFG	NFG US	John H. Abbott
	Vital Energy Inc	VTLE	VTLE US	John H. Abbott
<b>RSTR</b>				
	Pioneer Natural Resources	PXD	PXD US	Doug Leggate

**IQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

**IQmethod<sup>SM</sup>** is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of **IQmethod** are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

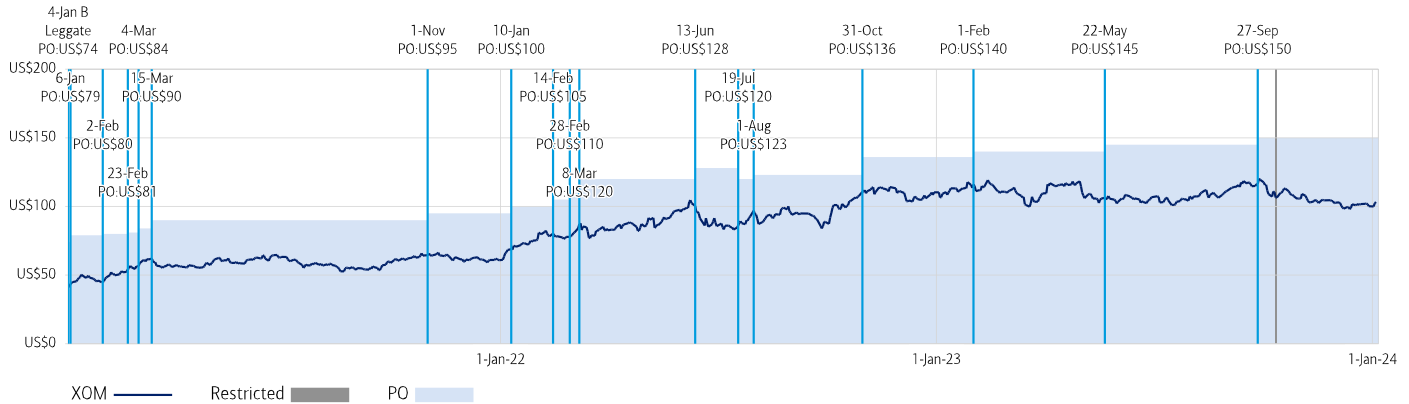
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# Disclosures

## Important Disclosures

### ExxonMobil (XOM) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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