OIL AND GAS COMPANY PROFILE

ExxonMobil

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Oil and Gas Industry Operation and Markets

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Goal 1: What the Company Does

- **What company/business unit are you evaluating?**

Exxon Mobil

- **What is the focus of the company/business unit?**

The corporation's primary businesses - Upstream, Product Solutions and Low Carbon Solutions - provide products that enable modern life, including energy, chemicals, lubricants, and lower-emissions technologies. ExxonMobil holds an industry-leading portfolio of resources, and is one of the largest integrated fuels, lubricants and chemical companies in the world.

- **What sector of the oil and gas industry does the company's/business unit's focus fall under?**

Exxon Mobil Corporation operates petroleum and petro chemicals businesses. The Company provides exploration and production of oil and gas, electric power generation, coal, and minerals operations. Exxon Mobil also manufactures and markets fuels, lubricants, and chemicals. Exxon Mobil serves customers worldwide.

- **Is the company or parent company of the business unit public, private, or government controlled? Explain your basis for categorizing the company as such.**

Its a private, non-government-owned company.Institutional investors hold a majority ownership of XOM through the 59.73% of the outstanding shares that they control. This interest is also higher than at almost any other company in the Integrated Oil industry.

- **Which of the following is the company more dependent on demand for, if any: crude oil, raw natural gas, processed natural gas, and/or refined petroleum products?**

They are more dependent on demand for oil and natural gas.

- **Where does the company/business unit operate geographically?**

Exxon mobil has presence worldwide

- ExxonMobil in North America: Canada, Mexico and United States Of America: California, Texas, Wyoming, Louisiana and Alabama as well as in federal waters in the Gulf of Mexico and offshore Santa Barbara County.
- ExxonMobil in Asia Pacific: Australia, China, India, Japan, Singapore, Thailand.
- ExxonMobil in Europe: Belgium, France, Germany, Italy, Netherlands, United Kingdom

- ExxonMobil in Middle East: Saudi Arabia
- ExxonMobil in South America: Brazil

- **How does the total size of these operations compare to those of other companies that compete in this sector (e.g., is your company among the top five biggest in the sector, worldwide if international or in the country they operate if domestic)?**

Exxon mobil has presence in the top 5 biggest worldwide companies being number 4 in this category.

1. Saudi Arabian Oil Co. (Saudi Aramco)
   - Revenue (TTM): $590.3 billion
   - Net Income (TTM): $156.5 billion
   - Market Cap: $1.8 trillion
   - 1-Year Trailing Total Return: -3.7%
   - Exchange: Saudi Arabian Stock Exchange

Saudi Aramco is one of the largest companies in the world across all industries and the largest global oil company by revenue. It is the only company on this list not traded in the U.S. Saudi Aramco is the world's largest integrated oil and gas company and has facilities in targeted innovation hubs in the United States, Europe, and Asia.

2. China Petroleum & Chemical Corp. (SNPMF)
   - Revenue (TTM): $486.8 billion
   - Net Income (TTM): $10.5 billion
   - Market Cap: $55.7 billion
   - 1-Year Trailing Total Return: 18.6%
   - OTC Markets

China Petroleum & Chemical is a producer and distributor of a variety of petrochemical and petroleum products. The company's products include gasoline, diesel, kerosene, synthetic rubbers and resins, jet fuel, and chemical fertilizers, among other related offerings. Also known as Sinopec, China Petroleum & Chemical is among the very largest oil refining, gas, and petrochemical companies in the world.

3. PetroChina Co. Ltd. (PCCYF)
   - Revenue (TTM): $486.4 billion
   - Net Income (TTM): $20.9 billion
   - Market Cap: $78.7 billion
   - 1-Year Trailing Total Return: 12.5%
   - OTC Markets

PetroChina is the publicly listed unit of the state-owned China National Petroleum Corporation. PetroChina is the largest oil and gas producer and distributor in China, contributing approximately 50% and 60% of China's domestic oil and gas production volume respectively.

4. Exxon Mobil Corp. (XOM)

- Revenue (TTM): $386.8 billion
- Net Income (TTM): $51.9 billion
- Market Cap: $445 billion
- 1-Year Trailing Total Return: 85.6%
- Exchange: New York Stock Exchange

Exxon Mobil explores, produces, trades, transports, and sells oil and natural gas. An industry leader in the energy and chemical manufacturing sector, it operates facilities or markets products globally and explores oil and natural gas on six continents. ExxonMobil markets fuels, lubricants, and chemicals under four brands: Esso, Exxon, Mobil, and ExxonMobil.

5. Shell PLC (SHEL)

- Revenue (TTM): $365.3 billion
- Net Income (TTM): $43.4 billion
- Market Cap: $201.8 billion
- 1-Year Trailing Total Return: 37.47%
- Exchange: New York Stock Exchange

Shell is an international energy company with locations in 70 countries involved in the exploration, production, refining, and marketing of oil and natural gas, and the manufacturing and marketing of chemicals.

Goal 2: How the Company/Business Unit Has Performed.

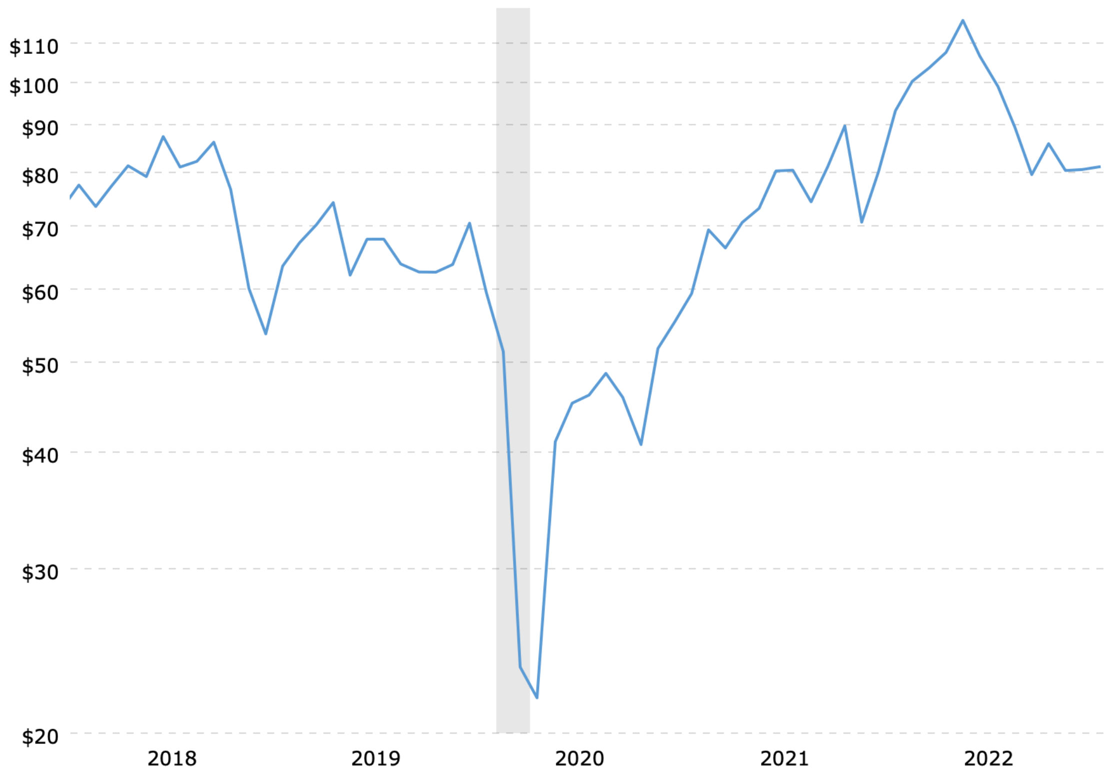
- **What has been the overall state of the sector that the company/business unit operates in over the past 3–5 years in terms of product supply, demand, and prices?**

The global economy and oil markets are recovering from the historic collapse in demand caused by the coronavirus (Covid-19) pandemic in 2020.The staggering inventory surplus that built up last year is being worked off and global oil stocks, excluding strategic reserves, will return to pre-pandemic levels in 2021.Global oil demand, still reeling from the effects of the pandemic, is unlikely to catch up with its pre-Covid trajectory. In 2020, the start of our forecast period, oil demand was nearly 9 mb/d below the level seen in 2019, and it is not expected to return to that level before 2023. In the absence of more rapid policy intervention and behavioural changes, longer-term drivers of growth will continue to push up oil demand.

CRUDE OIL PRODUCTION 2018-2022

CRUDE OIL PRODUCTION HAS FALLEN IN RECENT YEARS DUE TO COVID-19. IN 2022 IT IS STILL RECOVERING AND IS INCREASING.

CRUDE OIL PRICES 2018-2022



DURING THE START OF THE COVID-19 PANDEMIC IN NOVEMBER 2019, THE PRICE OF CRUDE OIL HAD THE LARGEST PRICE DROP. IN 2020 IT BEGAN TO RISE DRASTICALLY UNTIL 2022, WHEN PRICES HAVE FALLEN AND IT REMAINS AT $81 PER BARREL OF CRUDE.

- **How has the company/business unit done relative to other companies/ business units engaged in the same activities?**

Exxon Corporation, also known as (until 1972) Standard Oil Company (New Jersey), former oil and natural resources company that merged with Mobil Corporation as Exxon Mobil in 1999. The former Exxon company was founded in 1882 as part of the Standard Oil trust (see Standard Oil Company and Trust), which in 1899 became the holding company for all companies previously grouped in the trust. In 1911 the U.S. Supreme Court ordered it to divest itself of 33 of its American subsidiaries. Meanwhile, the New Jersey company had become, in essence, a “multinational” corporation. In 1888 it organized Anglo-American Oil Company (predecessor of Esso Petroleum Company) to market oil in the British Isles and, two years later, acquired a major interest in the German firm that would become Esso AG. In 1898 it gained control of Imperial Oil Limited, Canada’s leading oil company. A few of the many later acquisitions (complete or partial) included Humble Oil & Refining Company (1919), Tropical Oil Company of Colombia (1920), Standard Oil Company of Venezuela (1921), Creole Petroleum

Company of Venezuela (1928), Turkish Petroleum Company (1928), and Arabian-American Oil Company (later ARAMCO; 1948).
In 1926 the New Jersey company introduced the trade name Esso (representing the abbreviation for Standard Oil, "S.O.") and applied it to many of its products and companies. Other Standard Oil companies, however, later contested the name in the courts and succeeded in barring its use in several states. Thus, in 1972, Standard Oil Company (New Jersey) became Exxon Corporation, and many subsidiaries and affiliates, such as Humble, also switched to the Exxon name. Many foreign affiliates, however, retained the Esso name.
Prior to its merger with Mobil, Exxon had developed businesses in every phase of the petroleum industry, from oil fields to service stations. It also handled oil transport through pipelines and operated one of the world's largest fleets of tankers.

- **Has the company/business unit grown/shrunk/stayed largely unchanged?Why?**

Exxon Mobil is struggling to find its footing as demand for oil and gas falls and world leaders and businesses pledge to fight climate change.
Over the last 135 years, Exxon Mobil has survived hostile governments, ill-fated investments and the catastrophic Exxon Valdez oil spill. Through it all, the oil company made bundles of money.But suddenly Exxon is slipping badly, its long latent vulnerabilities exposed by the coronavirus pandemic and technological shifts that promise to transform the energy world because of growing concerns about climate change.The company, for decades one of the most profitable and valuable American businesses, lost $2.4 billion in the first nine months of the year, and its share price is down about 35 percent this year. In August, Exxon was tossed out of the Dow Jones industrial average, replaced by Salesforce, a software company. The change symbolized the passing of the baton from Big Oil to an increasingly dominant technology industry. ' The Oil Giant Is at a Crossroads.

Goal 3: What the Challenges/Successes Have Been for the Company

- **What have been the most significant challenges and/or successes for the company over the past 3–5 years?**

1. Oil prices:
Low oil prices have an impact throughout Exxon's business. On the one hand, cheap oil actually helps the company's refining and chemicals operations because it means a key feedstock is, well, cheap. That, in turn, helps these businesses widen margins and make more money. This highlights a key advantage of Exxon's integrated business model. But if prices go up, margins will get squeezed.
And then there's oil drilling, which is the largest part of the business. In the second quarter of 2014, before oil prices started a precipitous plunge from over $100 a barrel to

a low around $30, Exxon's upstream segment had earnings of nearly $7.9 billion. In the fourth quarter of 2016, after prices had recovered from their lows to the $50 range, upstream earned roughly $1.4 billion. That figure is after taking out the impact of an asset impairment charge that pushed it nearly $650 million into the re

2. Reserves
Oil prices have a direct impact on the second big issue facing Exxon: maintaining reserves. From a big-picture point of view, oil companies have a set amount of oil and natural gas in the ground. Every barrel they pull up is one less barrel available for the future. Which is why oil companies are always on the lookout for new sources of oil. In 2016 Exxon replaced only about two-thirds of the oil it produced. That was the first time in more than two decades that it didn't replenish its reserves with at least the amount it drilled.
3. Shifting gears
The Permian acquisition is notable because it indicates a shift in the company's thinking. Historically, Exxon has focused on large and expensive projects that took years to complete. That's pretty much the specialty of big integrated oil companies. Although Exxon is hardly abandoning such projects, low oil prices make it harder to justify those investments.
What the Permian purchase suggests is that the oil giant is looking to increase its flexibility by increasing its exposure to onshore U.S. drilling, which is easier to ramp up and down as oil prices change. That surely adds flexibility, but it's a different approach than Exxon has taken in the past and it could limit the company's ability to provide investors with industry leading investment returns. The U.S. onshore space simply doesn't offer the same returns as large projects.
The increased focus on so-called "short cycle" projects (U.S. onshore) is coupled with continued investment in Exxon's downstream chemicals and refining businesses. The downstream business tends to have thinner margins than the upstream segment. In the end, more than half of Exxon's capital spending between now and 2020 is projected to support investments that don't provide the same return as big projects. That's potential headwind to Exxon living up to its past successes.

- **What challenges/successes does the company/business unit (and/or expert followers of it) say it will be positioning itself for in the next 3–5 years?**

Analysts at JPMorgan, Goldman Sachs, Wells Fargo and Morgan Stanley have all issued positive recommendations for the oil titan in recent weeks. They say now is the time for investors to buy shares of Exxon, with stronger oil and gas prices likely to boost the chances of it being able to keep its highly prized dividend intact over the coming months.However, looking further ahead, some energy experts have expressed deep concern about the company's future profitability.
Analysts at Bank of America and Raymond James don't see the company cutting its rather hefty dividend anytime soon. The Exxon payout to shareholders currently yields 7.3%, the sixth largest in the S&P 500.Clark Williams-Derry, energy finance analyst at

the Institute for Energy Economics and Financial Analysis: Exxon's underperformance in recent years means that simply getting back to the middle of the pack will be a step up. Williams-Derry said: "Moving forward, the global oil and gas industry faces a welter of new challenges technological, social, and political that it hasn't faced in the past."

- **What does the company/business unit (and/or expert followers of it) say are its plans or strategy for the upcoming several years?**

ExxonMobil today announced its corporate plan for the next five years, with a sizeable increase in investments aimed at emission reductions and accretive lower-emission initiatives, including its Low Carbon Solutions business.The corporate plan through 2027 maintains annual capital expenditures at $20-$25 billion, while growing lower-emissions investments to approximately $17 billion. This disciplined approach prioritizes high-return, low-cost-of-supply assets in the Upstream and Product Solutions businesses and supports efforts to reduce greenhouse gas emissions intensity from operated assets, as well as those emitted from other companies.
The plan is expected to double earnings and cash flow potential by 2027 versus 2019 and supports the company's strategic priorities, which include leading the industry in safety, shareholder returns, earnings and cash flow growth; cost and capital efficiency; and reductions in greenhouse gas emissions intensity.

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