

Exxon Mobil Corporation

Q2'22 First Look

XOM reported a strong quarter on the numbers, although we recognize there was a higher-than-consensus EPS buy-side bar. Cost control is on track for both structural savings and FY'22 capex. The market is never satisfied on cash returns, and focus now is on an expected dividend bump in Q3 and the 2022 buyback pace vs. \$15bn.

Our Takeaway

Our sense is that expectations were running high into the print given XOM's strong YTD performance (+51% vs. CVX +28% and the broader market -15%) and consensus views on strong fundamental commodity price + refining tailwinds. In addition, last quarter XOM slightly missed the implied midpoint of the 'earnings factor' EPS range. Numbers were good this quarter, with Q2'22 EPS of \$4.14/sh being 4% above Barclays/consensus. While we are uncertain whether it cleared the much higher buy-side bar, we think the quarter and execution were clearly positive. In addition, XOM posted a double-digit CFO (before working capital) beat vs. consensus and a capex beat while still maintaining FY'22 capex guidance.

Cash returns continue to be very much in focus, especially since this week Shell (covered by Lydia Rainforth) [announced \\$6bn of buybacks for Q3, exceeding expectations](#).¹ We don't think the market expected an increase in XOM's buyback guidance this quarter after having tripled the target last quarter to \$30bn by YE'23. Since XOM maintained the quarterly dividend at \$0.88/sh, the market broadly expects a dividend increase next quarter. However, the question is how much could the increase be, given the view that the current dividend is still somewhat elevated on an absolute basis, which is why getting after the ~\$15bn of buybacks this year is so important. YTD, XOM has executed only \$6bn of buybacks and we look forward to commentary on the earnings call regarding the pace given the current \$18.9bn cash position and continued strong FCF. On current strip pricing, we forecast XOM's net debt to cap ratio will be a only 6% at YE'22.

Q2'22 Recap:

- **EPS beats.** Q2'22 Adj. EPS of \$4.14 was 4% above Barclays/consensus, and above the "earnings factor" implied mid-point of \$4.04/sh (implied mid-point was \$3.82/sh excluding MTM derivative impacts). Compared to our model, a large beat in international upstream more than offset lower-than-expected Chemical Products earnings.
 - Margins at the low end of the 8-K range, lower volumes and unfavorable foreign

¹ [Shell plc: Buybacks over dividend increase, 7/28/22](#)

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CORE First Look

XOM	OVERWEIGHT
U.S. Integrated Oil & E&P	POSITIVE
Price Target	USD 111.00
Price (28-Jul-22)	USD 92.64
Potential Upside/Downside	+19.8%

U.S. Integrated Oil & E&P

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exchange drove the miss in Chemical Products earnings.

- **Cash flow beats:** CFO excluding working capital and asset sales of \$22.7bn was 9%/11% above Barclays/consensus estimates. On a per-share basis, CFO excluding working capital of \$5.36 was 8 %/5% above Barclays/consensus of \$4.98/\$5.12.
- **Capex beats:** Total and cash flow statement capex of \$4.6bn and \$4.0bn were 16%/8% below our estimates of \$5.5/\$4.3bn.
- **Production ~in-line:** Total reported production of 3,732 MBOE/d was 1% above/in-line with Barclays/consensus with liquids volumes in-line/1% lower than Barclays/consensus but natural gas volumes 3%/4% above Barclays/consensus.
- **Buyback guidance and dividend maintained.** Last quarter XOM tripled its share repurchase program to \$30bn through 2023 from \$10bn previously. Also, earlier this week, XOM maintained the quarterly dividend at \$0.88/sh and our sense is that the market is anticipating a dividend increase next quarter.
- **Quarterly buyback slightly higher than our estimate.** XOM reported \$3.9bn of buybacks during Q2'22, or slightly above our \$3.5bn estimate. YTD XOM has executed \$6bn of buybacks and management indicates it is on track to achieve its previously announced target of \$30bn through 2023.
- **Permian misses:** Permian production of 550 MBOE/d during the quarter was a 4% below our 576 MBOE/d estimate. XOM still plans to grow Permian production by 25% yoy.
- **Debt reduction less than expected:** XOM's quarter-end net debt of \$28.0bn is above our \$24.9bn estimate. Net debt to capital stands at 13%, which is slightly above our 12% forecast.
- **2022 capex reiterated:** XOM is on track to achieve its \$21-24bn capex guidance for the year.

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Primary Stocks (Ticker, Date, Price)

Exxon Mobil Corporation (XOM, 28-Jul-2022, USD 92.64), Overweight/Positive, CD/CE/E/J/K/L/M/N

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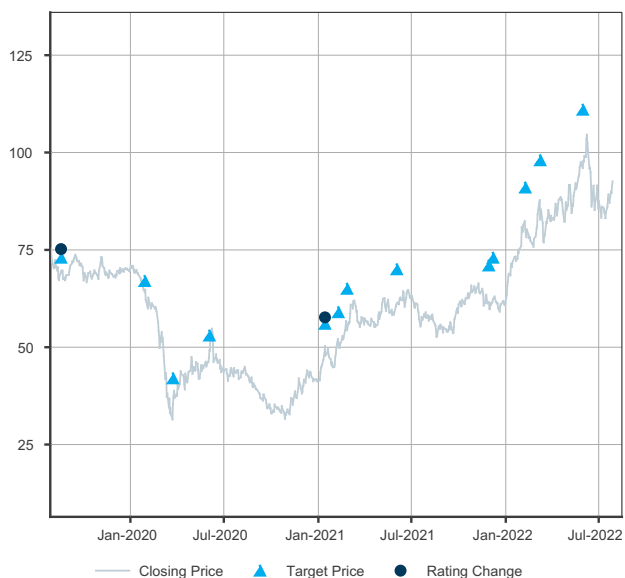
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Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
31-May-2022	97.59		111.00
09-Mar-2022	87.78		98.00
08-Feb-2022	82.39		91.00
07-Dec-2021	62.27		73.00
29-Nov-2021	61.25		71.00
03-Jun-2021	61.18		70.00
26-Feb-2021	54.37		65.00
09-Feb-2021	50.63		59.00
14-Jan-2021	50.31	Overweight	56.00
03-Jun-2020	49.24		53.00
24-Mar-2020	35.44		42.00
29-Jan-2020	64.11		67.00
19-Aug-2019	69.45	Equal Weight	73.00

Source: Bloomberg, Barclays Research

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