



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

XOM - NYSE - as of	7/28/17	\$79.60
Price Target		\$90.00
52-Week Range	\$78.27 -	\$93.21
Shares Outstanding (mm)		4,271
Market Cap. (\$mm)		\$339,971.6
1-Mo. Average Daily Volume (mm)		4,038
Institutional Ownership		51.8%
Net Debt/Total Capital	Q1'17	17.0%
ROE	FY'16	4.5%
Book Value / Share	Q1'17	\$43.37
Price / Book Value		1.8x
Dividend & Yield	\$3.08	3.9%
LTM EBITDA Margin		14.8%

Earnings / Share FY 12/31

		Prior	Current	Prior	Current
	2016A	2017E	2017E*	2018E	2018E
1Q	\$0.44		\$0.95	A	--
2Q	\$0.41		\$0.78	A	--
3Q	\$0.63	\$1.00	\$0.85	--	--
4Q	\$0.40	\$0.95	\$0.90	--	--
Year	\$1.88	\$3.79	\$3.48	\$4.45	\$4.25
P/E	42.3x		22.9x		18.7x

Revenue (\$Bil)

		Prior	Current	Prior	Current
	2016A	2017E	2017E	2018E	2018E
1Q	\$48.7		\$63.3	A	--
2Q	\$57.7		\$62.9	A	--
3Q	\$58.7	\$68.0	\$69.8	--	--
4Q	\$61.0	\$70.5	\$72.0	--	--
Year	\$226.1	\$267.0	\$268.0	\$297.9	\$303.7

Company Description: Irving, TX – based ExxonMobil Corp. is a major international integrated oil, gas and chemical company with reserves and operations in ~100 countries. In 2016 the company produced approximately 1,475 Mmboe (million barrels oil equivalent), 59% liquids, from proved reserves of approximately 20,000 Mmboe, and processed more than 2,100 Mmboe of fuels and petrochemicals.

Energy

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Exxon Mobil Corp

XOM – NYSE — Long-term Buy-2

Q2'17 Misses Outlook; Reduce Estimates, Maintain Target, Rating

Investment Highlights

- XOM reported Q2'17 EPS of \$0.78 vs. (\$0.41) a year ago, but missed consensus expectations of \$0.84.
- Q2 upstream production of 3,922 Mboepd was down 0.9% yr/yr and 32 Mboepd below our forecast. Upstream net income on a Boe basis was \$3.32 vs. \$0.82 a year ago, but the intra-quarter slide in pricing roughly halved results vs. our forecast.
- Downstream output for the period of 5,558 Mbpd was up 1.1% yr/yr and 179 Mbpd above our forecast. Downstream net income per Boe was \$2.74 vs. \$1.67 for Q2'16, beating our \$2.06 forecast.
- Chemical production was 6.12M tons in Q2, down 3.0% yr/yr and 0.16M tons below our forecast. Net income per ton of \$160.95 was down 16.6% yr/yr, but in line with our forecast as better than anticipated US performance partially offset softer international results.
- Our 2017 forecast presumes continued sequential volume declines for upstream, with essentially flat output for downstream and a modest uptick in chemical. We see prices firming through year-end, but from the step backwards in Q2, resulting in a reduction to our 2017 EPS estimate from \$3.79 to \$3.48. We are also trimming our 2018 estimate from \$4.45 to \$4.25.
- We maintain our Long-term Buy-2 rating and 24-month target price of \$90, at which the shares would trade at a modest premium to historical medians which we believe is reasonable at this stage of the commodity cycle.

Note Important Disclosures on Pages 5-6
Note Analyst Certification on Page 5

ADDITIONAL DISCUSSION

Segment net income results for Q2'17 at XOM were marked by the yr/yr improvement in upstream contribution from \$294M to \$1,184M. However, while pricing remained stronger yr/yr, the intra-quarter weakening of commodity markets pushed results below our original forecast. Production was up at a mid-single-digit pace yr/yr in the USA and Canada/South America regions, which was offset by declines averaging ~7% in each of the company's other international markets.

Downstream net income was \$1,385M in Q2'17, up 68% yr/yr from \$825M. International volume growth of 3.0% yr/yr offset a 1.8% yr/yr decline in US volumes, while product margins and reduced maintenance expense broadly contributed to the yr/yr improvement in segment results.

Chemical segment net income of \$985M for the period was down \$232M yr/yr on 4.6% weaker US volume trends while international volume contracted 2.0% yr/yr from the fractional gain posted in Q1.

The company reduced debt by ~\$375M in Q2 but undertook no share repurchase activity and stated plans to refrain from repurchases in Q3 as well.

We will update and expand on XOM's preliminary report after the company files its full results for the period.

SUITABILITY RATING

Our Suitability rating is 2 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive). This reflects our favorable view of the company's long operating history, global diversification, and competitive cost structure. This is balanced, however, against the pronounced cyclicity of the energy industry and still-challenging industry conditions.

CONSIDERATIONS AND RISKS

The energy production industry is highly capital intensive, highly competitive, and is subject to a range of economic and operational risks. Foremost among these risks may be volatility in the underlying commodity pricing, which is subject to supply and demand fundamentals related to factors such as economic conditions, geopolitical events, weather patterns, and logistical constraints. The industry is also subject to a range of regulatory risks, including changes in environmental and pollution policies, permitting requirements, and employee benefits obligations. The company also has potential exposure to ongoing legal challenges, the ultimate resolution of which cannot be quantified. Operating financial risks include success rates and costs related to expansion of production and the reserve base.

Additional information is available upon request.

Exxon Mobil Corp (XOM)

Financial Model (\$s in MM\$) FYE Dec.

Income Statement Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17p	Q3'17E	Q4'17E	FY'17E	FY'18E
Sales & Other Operating Revenue	394,105	259,488	47,105	56,360	56,767	58,376	218,608	61,090	60,976	67,860	70,030	259,956	292,390
Income from Equity Affiliates	13,323	7,644	1,251	1,124	1,103	1,328	4,806	1,710	1,500	1,500	1,500	6,210	8,770
Other Income	4,511	1,750	351	210	807	1312	2,680	487	400	450	450	1,787	2,500
Total Revenues	411,939	268,882	48,707	57,694	58,677	61,016	226,094	63,287	62,876	69,810	71,980	267,953	303,660
Expenses:													
Crude & Product Purchases	225,972	130,003	20,707	27,130	28,035	28,299	104,171	30,359	29,791	35,700	36,599	132,449	158,597
Production & Manufacturing	40,859	35,587	7,561	8,076	7,709	8,581	31,927	7,845	8,100	8,243	9,025	33,214	33,972
S, G & A	12,598	11,501	2,593	2,646	2,736	2,824	10,799	2,599	2,700	2,774	2,871	10,944	11,078
Depreciation & Depletion	17,297	18,048	4,765	4,821	4,605	8,117	22,308	4,519	4,700	4,690	4,770	18,678	19,386
Exploration	1,669	1,523	355	445	327	340	1,467	289	525	337	349	1,500	1,477
Interest Expense	286	311	77	75	106	195	453	146	145	143	140	574	500
Sales-based Taxes	29,342	22,678	4,815	5,435	5,437	5,403	21,090	5,342	5,589	5,675	5,548	22,154	22,525
Other Taxes & Duties	32,286	27,265	6,104	6,670	6,496	6,640	25,910	6,270	7,170	6,781	6,818	27,038	27,694
Pre-Tax Inc.	51,630	21,966	1,730	2,396	3,226	617	7,969	5,918	4,156	5,468	5,860	21,402	28,431
Income Taxes	18,015	5,415	(51)	715	337	(1,407)	(406)	1,828	892	1,750	1,934	6,403	9,951
%	34.9%	24.7%	-2.9%	29.8%	10.4%	-228.0%	-5.1%	30.9%	21.5%	32.0%	33.0%	29.9%	35.0%
Net Income including Noncontrolling Interests	33,615	16,551	1,781	1,681	2,889	2,024	8,375	4,090	3,264	3,718	3,926	14,998	18,480
Net Inc. attributable to Noncontrolling Interests	1,095	401	(29)	(19)	239	344	535	80	(86)	74	79	147	462
Net Income	32,520	16,150	1,810	1,700	2,650	1,680	7,840	4,010	3,350	3,644	3,848	14,851	18,018
Shares Outstanding	4,278.9	4,194.8	4,146.6	4,139.1	4,178.0	4,215.7	4,170.2	4,237.3	4,271.0	4,280.0	4,280.0	4,267.1	4,237.2
EPS - fully diluted	\$ 7.60	\$ 3.85	\$ 0.44	\$ 0.41	\$ 0.63	\$ 0.40	\$ 1.88	\$ 0.95	\$ 0.78	\$ 0.85	\$ 0.90	\$ 3.48	\$ 4.25
Dividends to Common	\$ 2.70	\$ 2.88	\$ 0.73	\$ 0.75	\$ 0.75	\$ 0.75	\$ 2.98	\$ 0.75	\$ 0.77	\$ 0.77	\$ 0.77	\$ 3.06	\$ 3.14
Margin Analysis													
Production gross margin	35.2%	38.4%	42.0%	39.0%	39.1%	39.6%	39.8%	39.6%	39.7%	37.1%	36.6%	38.2%	36.6%
Operating margin	12.5%	8.2%	3.6%	4.2%	5.5%	1.0%	3.5%	9.4%	6.6%	7.8%	8.1%	8.0%	9.4%
S, G & A as % of revenues	3.1%	4.3%	5.3%	4.6%	4.7%	4.6%	4.8%	4.1%	4.3%	4.0%	4.0%	4.1%	3.6%
Depr. & Depl. as % of revenues	4.2%	6.7%	9.8%	8.4%	7.8%	13.3%	9.9%	7.1%	7.5%	6.7%	6.6%	7.0%	6.4%
Rate of Change Analysis													
Revenues	-6.0%	-34.7%	-28.0%	-22.2%	-12.9%	2.0%	-15.9%	29.9%	9.0%	19.0%	18.0%	18.5%	13.3%
Pre-tax Inc.	-10.5%	-57.5%	-73.9%	-65.5%	-43.9%	-76.5%	-63.7%	242.1%	73.5%	69.5%	849.8%	168.6%	32.8%
EPS - operating	3.1%	-49.3%	-62.7%	-58.9%	-37.2%	-40.5%	-51.2%	116.8%	91.0%	34.2%	125.6%	85.1%	22.2%
Dividends	9.8%	6.7%	5.8%	2.7%	2.7%	2.7%	3.5%	2.7%	2.7%	2.7%	2.7%	2.7%	2.6%
EBITDDA / Share	-4.5%	-40.6%					-23.3%					29.3%	19.7%
Shares Out.	-3.2%	-2.0%					-0.6%					2.3%	-0.7%
Working Cap.	-4.2%	-7.8%					-34.4%					16.6%	-19.8%
notes:	Reserves: 25,321 M mboc	Reserves: 24,835 M mboc		7/1 - sell CA refinery			Reserves: 19,974 M mboc	2/22- close InterOil acq \$2.5B; 2/28- close Permian / Bass acq \$6.2B	6/16- Liza (Guyana) project affirmed			Hebron (Can) on-line	

Source: Company reports and Hilliard Lyons estimates

Exxon Mobil Corp (XOM)

Cash Flow Analysis (\$s in MM\$)	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17p	Q3'17E	Q4'17E	FY'17E	FY'18E
Net Income	33,615	16,551	1,781	1,681	2,889	2,024	8,375	4,090	3,264	3,718	3,926	14,998	18,480
Depreciation & Depletion	17,297	18,048	4,765	4,821	4,605	8,117	22,308	4,519	4,700	4,690	4,770	18,678	19,386
(Increase) / Decrease in Working Capital	721	1,281	5,737	(713)	(2,135)	2,290	5,179	(5,261)	2,565	9	1,049	(1,638)	(630)
Operating Cash Flow	51,633	35,880	12,283	5,789	5,359	12,431	35,862	3,348	10,529	8,417	9,745	32,039	37,237
(Capex / Acquisitions)	(32,952)	(26,490)	(4,601)	(4,271)	(3,404)	(3,887)	(16,163)	(2,890)	(3,400)	(6,250)	(6,250)	(18,790)	(19,730)
Asset Sales / (Adjustments)	4,035	2,389	177	1,029	976	2,093	4,275	687	200	150	150	1,187	1,500
Other Item(s)	1,715	235	(234)	(77)	(1,087)	(19)	(1,417)	(1,558)	-	-	-	(1,558)	(750)
(Dividends)	(11,568)	(12,090)	(3,054)	(3,133)	(3,133)	(3,133)	(12,453)	(3,134)	(3,289)	(3,296)	(3,296)	(13,014)	(13,305)
Free Cash Flow	12,863	(76)	4,571	(663)	(1,289)	7,485	10,104	(3,547)	4,040	(979)	350	(136)	4,952
Additions to long-term debt	5,731	8,028	11,963	1	1,289	(1,187)	12,066	60	-	-	-	60	-
(Reductions in long-term debt)	(69)	(26)	-	-	-	-	-	-	-	-	-	-	(3,850)
Additions to short-term debt	-	-	-	-	-	-	-	1,734	-	-	-	1,734	-
(Reductions in short-term debt)	(745)	(506)	(28)	(229)	(29)	(28)	(314)	(2,669)	(375)	-	-	(3,044)	-
Net change in Comm. Paper & >3mo debt - net	2,049	1,759	(7,594)	1,628	1,904	(3,397)	(7,459)	1,308	-	980	-	2,288	1,000
(Common stock acquired)	(13,183)	(4,039)	(726)	(1)	-	(250)	(977)	(501)	-	-	(800)	(1,301)	(3,500)
Common stock sold	30	5	5	2	-	-	6	-	2	2	4	8	25
Net Cash Flow	6,676	5,145	8,191	738	1,875	2,623	13,426	(3,615)	3,667	3	(446)	(391)	(1,373)
Estimated EBITDA	\$ 69,213	\$ 40,325	\$ 6,572	\$ 7,292	\$ 7,937	\$ 8,929	\$ 30,730	\$ 10,583	\$ 9,001	\$ 10,300	\$ 10,770	\$ 40,654	\$ 48,317
margin	16.8%	15.0%	13.5%	12.6%	13.5%	14.6%	13.6%	16.7%	14.3%	14.8%	15.0%	15.2%	15.9%
Est. EBITDA / Share	\$ 16.18	\$ 9.61	\$ 1.58	\$ 1.76	\$ 1.90	\$ 2.12	\$ 7.37	\$ 2.50	\$ 2.11	\$ 2.41	\$ 2.52	\$ 9.53	\$ 11.40
yr/yr change	-4.5%	-40.6%	-39.3%	-35.8%	-23.1%	18.1%	-23.3%	57.6%	19.6%	26.7%	18.8%	29.3%	19.7%
CF Multiple	5.7x	8.1x					12.2x						
Balance Sheet Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17p	Q3'17E	Q4'17E	FY'17E	FY'18E
Cash & Equivalents	4,616	3,705	4,846	4,358	5,093	3,657	3,657	4,897	8,560	8,560	8,110	8,110	5,000
Notes & A/R	28,009	19,875	19,814	21,827	20,388	21,394	21,394	21,842	21,730	21,620	21,510	21,510	21,400
Crude oil, products and merchandise	12,384	12,037	11,837	11,543	10,981	10,877	10,877	10,686	10,630	10,580	10,530	10,530	10,480
Materials and supplies	4,294	4,208	4,386	4,332	4,361	4,203	4,203	4,187	4,190	4,190	4,190	4,190	4,190
Other current assets	3,565	2,798	3,368	3,768	2,122	1,285	1,285	1,519	1,520	1,520	1,520	1,520	1,520
Total current assets	52,910	42,623	44,251	45,828	42,945	41,416	41,416	43,131	46,630	46,470	45,860	45,860	42,590
Investments	35,239	34,245	34,915	34,182	35,553	35,102	35,102	38,268	38,460	38,650	38,840	38,840	39,030
PP&E, net	252,668	251,605	255,257	254,062	251,923	244,224	244,224	253,147	253,260	256,700	260,090	260,090	268,190
Other assets, including intangibles, net	8,676	8,285	8,366	8,401	8,965	8,572	8,572	9,663	9,710	9,760	9,810	9,810	9,860
Total assets	349,493	336,758	342,789	342,473	339,386	329,314	329,314	344,209	348,060	351,580	354,600	354,600	359,670
Notes and loans payable	17,468	18,762	13,540	14,972	17,239	13,830	13,830	18,483	18,110	19,090	19,090	19,090	20,090
A/P & Accrued Liabilities	42,227	32,412	32,294	33,801	30,027	31,193	31,193	32,069	31,910	31,750	31,590	31,590	31,430
Income taxes payable	4,938	2,802	2,892	2,731	2,755	2,615	2,615	2,822	2,820	2,820	2,820	2,820	2,820
Total current liabilities	64,633	53,976	48,726	51,504	50,021	47,638	47,638	53,374	52,840	53,660	53,500	53,500	54,340
Long-term debt	11,653	19,925	29,568	29,499	28,916	28,932	28,932	25,124	24,750	24,750	24,750	24,750	20,900
Postretirement benefits reserves	25,802	22,647	22,401	21,583	21,019	20,680	20,680	20,584	20,480	20,380	20,280	20,280	20,180
Deferred income tax liabilities	39,230	36,818	36,293	36,012	34,857	34,041	34,041	34,772	34,600	34,430	34,260	34,260	34,090
Long-term obligations to equity companies	5,325	5,417	5,457	5,320	5,340	5,124	5,124	5,175	5,200	5,230	5,260	5,260	5,290
Other long-term obligations	21,786	21,165	21,846	21,680	22,223	20,069	20,069	21,409	21,520	21,630	21,740	21,740	21,850
Total liabilities	168,429	159,948	164,291	165,598	162,376	156,484	156,484	160,438	159,390	160,080	159,790	159,790	156,650
Shareholder's Equity	181,064	176,810	178,498	176,875	177,010	173,830	172,830	183,771	188,670	191,500	194,810	194,810	203,020
Book Value per share	\$ 42.32	\$ 42.15	\$ 43.05	\$ 42.73	\$ 42.37	\$ 41.23	\$ 41.44	\$ 43.37	\$ 44.17	\$ 44.74	\$ 45.52	\$ 45.65	\$ 47.91
Current Ratio	0.8x	0.8x	0.9x	0.9x	0.9x	0.9x	0.9x	0.8x	0.9x	0.9x	0.9x	0.9x	0.8x
Total Debt/Cap. - Net of Cash	11.7%	16.2%	17.3%	18.1%	18.4%	18.1%	18.1%	17.0%	14.8%	15.0%	15.0%	15.0%	14.7%
ROE: DuPont	18.0%	9.1%	4.1%	3.8%	6.0%	3.9%	4.5%	2.2%	1.8%	1.9%	2.0%	7.6%	8.9%

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, Joel K. Havard, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures**Definitions of Ratings:**

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Definitions of Suitability:

1 - A large cap, core holding with a solid history.

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017

Other Disclosures

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