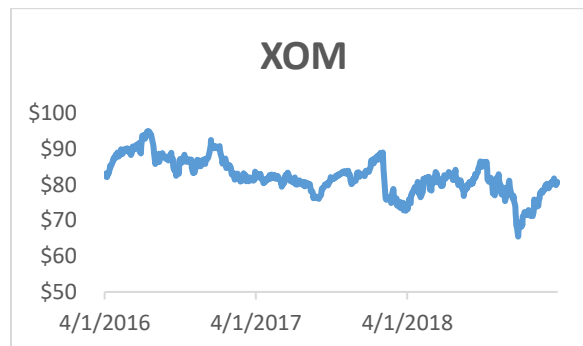


Rating **OUTPERFORM**  
Price (3/29/2019, \$80.79)  
Target Price (\$93.06)  
52-week price range (\$64.65 – 87.36)  
Market cap (\$342.172B)  
Beta (1.03)

Fiscal year	2018A	2019E	2020E	2021E	2022E
Revenue	\$ 279,332	\$ 290,505	\$ 302,125	\$ 314,211	\$ 326,779
EBITDA	\$ 39,584	\$ 42,515	\$ 44,215	\$ 45,984	\$ 47,823



**Portfolio Managers:**  
**Urtaj Singh**  
usingh@uh.edu

**Mauro Molina**  
mfmolina@uh.edu

**Research Analysts:**  
**Carlos Bulnes**  
cabulnes@uh.edu

**Horus Hernandez**  
hhernandez9@uh.edu

## ExxonMobil (XOM)

### Investment Overview

## Aggressive Growth Plan at Stable Oil Prices

ExxonMobil is an all-encompassing oil and gas company that consists of high-quality assets and opportunities to drive and maximize long-term shareholder value.

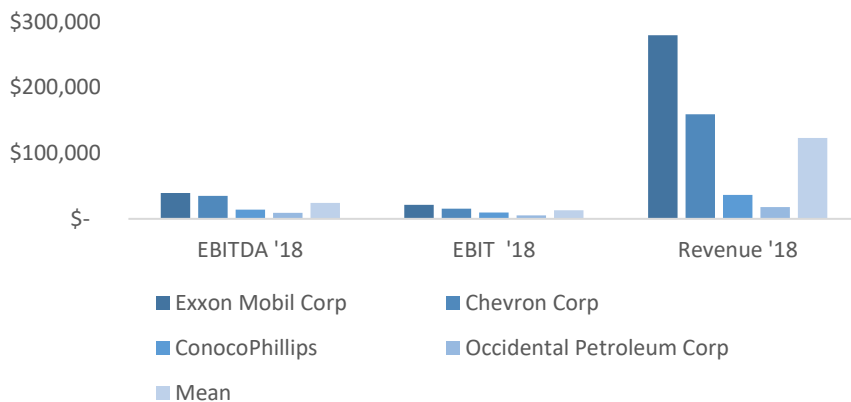
- **Q4'18 Results:** ExxonMobil reported strong Q4 results for FY of 2018, in February 2019, with revenue of \$68,253 million vs \$65,312 million in Q4 of FY 2017, a 4.5% increase. The GAAP Net Income was \$6000 million vs GAAP Net Income of \$8380 million in Q4 of FY 17. Adjusted Net Income was \$16,268 million vs \$14,126 million in Q4 of FY 17.
- **Industry Growth:** Historical success of Exxon has come linked to the price of the oil markets. Hence, there has and will be a strong correlation for Exxon's future success in the changing oil prices.
- **Catalysts: 1) New Capital Projects:** Several major projects that will add to its steady growth including Guyana, Mozambique LNG, PNG LNG expansion, Tengiz expansion, Aspen and Brazil till 2025. **2) Upstream Portfolio Evolving:** XOM seeing upstream production growing to 4.9mmboe/d in 2025, up from 3.8mmboe/d in 2018, with Guyana growth being key in outer years. Unconventional to increase to 27% of total production by 2025, LNG at 27% with PNG LNG expansion, and Deepwater growth driven by Guyana and Brazil, accounting for 12%.

## Valuation Methodology

Our **\$93.06** target price is based on a 4% growth rate with a 7.9% WACC with our horizons set for 2025. Our conservative valuation was derived from a DCF while our NAV model implied share price also came out to **\$96.80** with an industry standard 10% WACC.

The following graph shows EBITDA, EBIT, and Revenue against near competitors.

## 2018 Comparisons

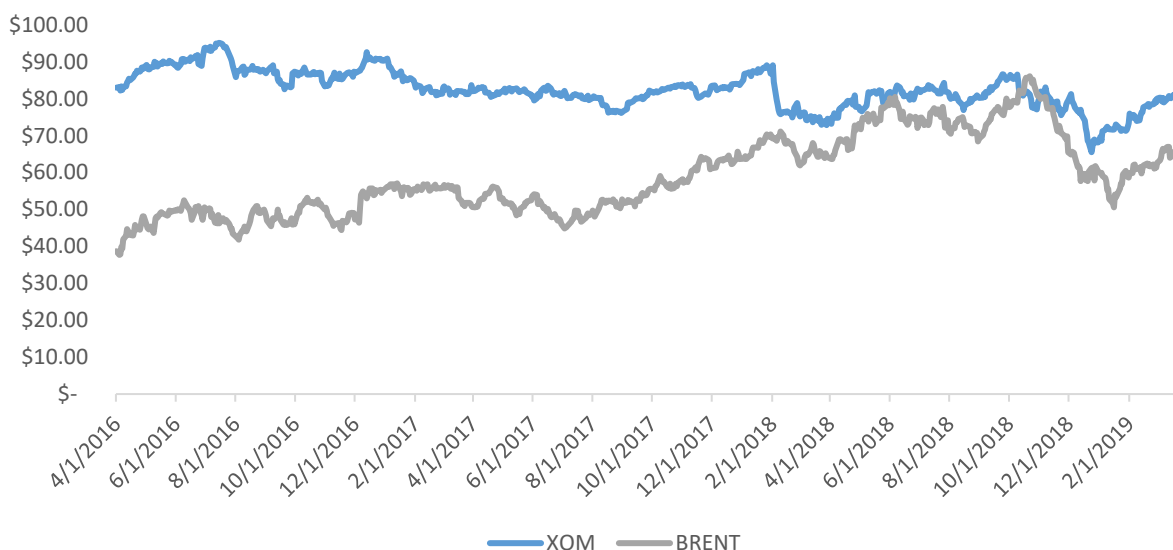


\*All data from Bloomberg

## Oil Pricing

Prices of oil are in tangent of the success of oil and gas supermajors. While oil prices are high, companies like ExxonMobil are able to convert higher margins into their respective research and development spaces to find innovate, cost-cutting technologies. The following graphic shows XOM in lineage with Brent prices from 4/2016 to 3/2019.

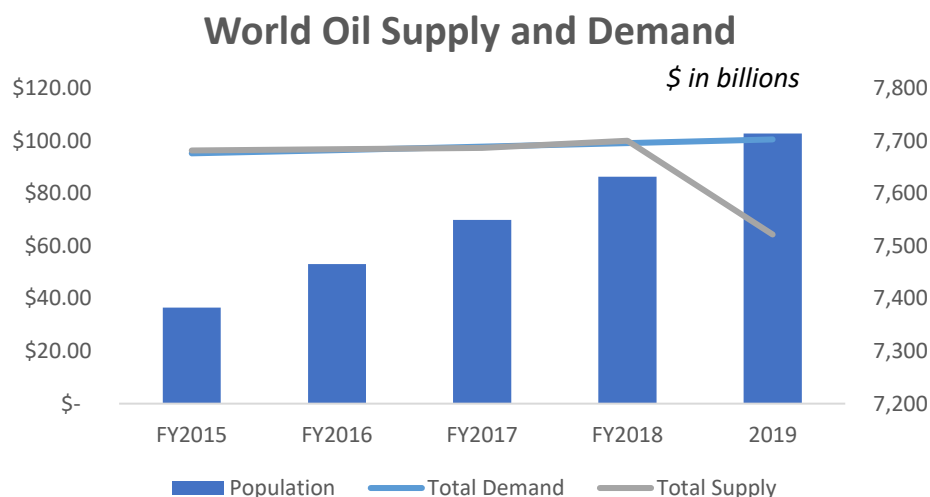
## XOM vs. Brent



\*All data from Macrotrends.net

## Macroeconomics of Oil

As debate rises over the future outlook of oil, one thing is for certain, demand is rising as global population increases year over year. Since 2015, supply has increased to match the growing supply of the world. At the forefront of these suppliers, OPEC and specifically, Saudi Arabia was the largest producer of oil until recently. With growths in technology to cut back costs and effectively retrieving higher volumes of oil from the ground, the United States has started to produce about 12 million barrels a day with a large part coming from the Permian Basin. It has become the premier producer of total energy coming from oil and natural gas.



\*All data from Energy Information Administration

Exxon Mobil's "Outlook for Energy: A View to 2040" outlines how they predicate the energy demand of the world. Coincidental with population increase, Exxon Mobil expects worldwide economic growth to average close to 3 percent a year, one of their targets to meet. The incremental population annually as well as under-developed countries will contribute over 80% to their revenues in the future and show an opportunity for shareholder maximization.

World Oil Supply and Demand					
	FY2015	FY2016	FY2017	FY2018	2019
<i>million barrels per day</i>					
OECD Demand	46.5	47.0	47.4	47.7	48.1
Non-OECD Demand	48.8	49.5	50.5	51.5	52.5
<b>Total Demand</b>	<b>\$ 95.30</b>	<b>\$ 96.50</b>	<b>\$ 97.90</b>	<b>\$ 99.20</b>	<b>\$ 100.60</b>
Non-OECD Supply	59.8	59.1	59.9	62.7	64.4
Total OPEC	36.6	37.8	37.5	37.4	-
<b>Total Supply</b>	<b>\$ 96.40</b>	<b>\$ 96.90</b>	<b>\$ 97.40</b>	<b>\$ 100.10</b>	<b>\$ 64.40</b>
<b>Population</b>	<b>7,383.0</b>	<b>7,466.0</b>	<b>7,550.0</b>	<b>7,632.0</b>	<b>7,714.0</b>
<b>YoY</b>		<b>1.12%</b>	<b>1.13%</b>	<b>1.09%</b>	<b>1.07%</b>

\*All data from Energy Information Administration

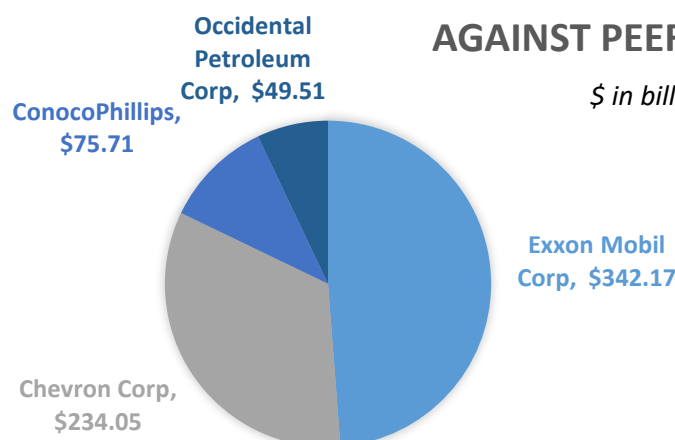
## Strong Leadership equates to Upside Opportunities

As CEO Darren W. Woods was appointed in early 2017, there was a clear change to aggressively increase cash flows. The following year, he outlined how he would lead Exxon to double operating income by 2025 from \$15 billion to roughly \$31 billion.

ExxonMobil currently stands above its respective peers in having a portfolio of high-quality, high-return investment opportunities.

## MARKET CAPATILIZATION AGAINST PEERS

\$ in billions



## Product Groups: Revenue Projections

The following model breaks up ExxonMobil into its three primary segments: Upstream, Downstream and Chemical. Growth assumption of 4% is derived from our sensitivity table in later slides as Exxon's goal to hit \$31 Billion by 2025 requires a 6% growth rate.

	Growth Assumption:									4.0%		
	WACC:									7.9%		
\$ in millions	Historicals					Forecasted Period						
Revenue Projections	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Total Upstream	\$ 83,731	\$ 48,870	\$ 41,756	\$ 52,521	\$ 63,859	\$ 66,413	\$ 69,070	\$ 71,833	\$ 74,706	\$ 77,694	\$ 80,802	\$ 84,034
YoY		-42%	-15%	26%	22%	4%	4%	4%	4%	4%	4%	4%
% of Revenue	16%	16%	16%	17%	17%	17%	17%	17%	17%	17%	17%	17%
Upstream US	22,549	12,585	11,379	15,078	19,042	19,804	20,596	21,420	22,276	23,168	24,094	25,058
Upstream NON-US	61,182	36,285	30,377	37,443	44,817	46,610	48,474	50,413	52,430	54,527	56,708	58,976
Total Downstream	\$380,259	\$223,362	\$185,957	\$221,696	\$273,176	\$284,103	\$295,467	\$307,286	\$319,577	\$332,360	\$345,655	\$359,481
YoY		-41%	-17%	19%	23%	4%	4%	4%	4%	4%	4%	4%
% of Revenue	73%	72%	71%	70%	71%	71%	71%	71%	71%	71%	71%	71%
Downstream	136,052	82,146	64,426	76,552	96,281	100,132	104,138	108,303	112,635	117,141	121,826	126,699
Downstream NON-US	244,207	141,216	121,531	145,144	176,895	183,971	191,330	198,983	206,942	215,220	223,829	232,782
Total Chemical	\$ 56,393	\$ 40,013	\$ 36,006	\$ 41,514	\$ 48,704	\$ 50,652	\$ 52,678	\$ 54,785	\$ 56,977	\$ 59,256	\$ 61,626	\$ 64,091
YoY		-29%	-10%	15%	17%	4%	4%	4%	4%	4%	4%	4%
% of Revenue	11%	13%	14%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Chemical US	25,232	18,321	16,348	18,305	21,283	22,134	23,020	23,940	24,898	25,894	26,930	28,007
Chemical NON-US	31,161	21,692	19,658	23,209	27,421	28,518	29,659	30,845	32,079	33,362	34,696	36,084
Corporate and Financing	292	282	257	243	243	253	263	273	284	296	307	320
Other Revenue	-	1,552	-	-	-	-	-	-	-	-	-	-
Intersegment Revenue	(126,570)	(72,673)	(63,348)	(78,812)	(106,650)	(110,916)	(115,353)	(119,967)	(124,765)	(129,756)	(134,946)	(140,344)
Total Revenue	\$830,758	\$504,781	\$422,592	\$500,373	\$601,213	\$625,261	\$650,272	\$676,283	\$703,334	\$731,467	\$760,726	\$791,155
YoY		-39%	-16%	18%	20%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

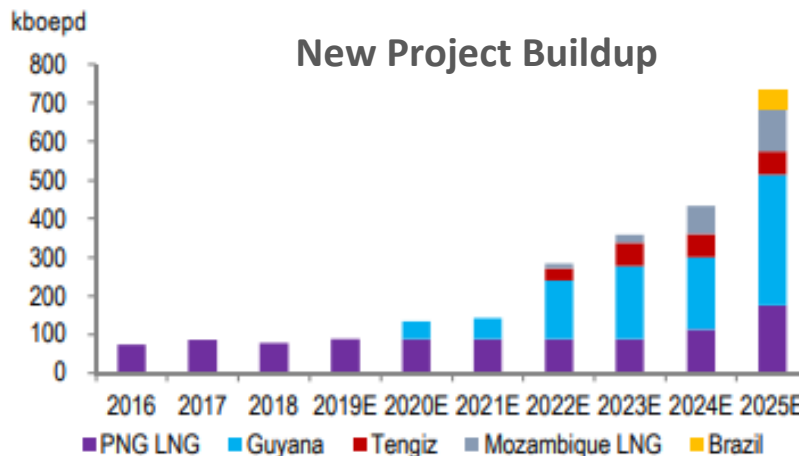
\* All data from SEC Filings

This communication is prepared by students at the University of Houston for the sole and educational purpose of the Finance Association. The Finance Association is not authorized, supervised, nor regulated by any financial authority in the world to provide financial services or advisory.

## Growth Plan

### Upstream Portfolio Getting New Mix

- Future Permian growth driving portfolio.** Total oil equivalent production is expected to grow from ~3.8mm boepd'2018 to ~4.9 mm boepd by 2025. The future of this growth sees greater contributions from Shale (Permian Basin) by +918 kboepd to overall production. To help achieve this Exxon has acquired a crude terminal in Wink, TX to handle production increase aided by horizontal rig count expansions of +65% by 2025. Although base production to decline ~800 kboepd, the growth in shale will offset this by ~4% per year and will also allow major capital projects to be additive to portfolio growth.
- New capital projects adding value to mix.** Multiple new projects to increase overall production by ~954 kboepd. These projects are driven by Guyana (deep water) and West Africa (LNG) contributing +267 kboepd and an additional +85 kboepd respectively. The overall production mix will see growth with unconventional at ~27% (+22% from 2013), deep water ~ 12%, and LNG remaining at ~27%.
- Shale and New projects key to Upstream CFO growth.** Cash flows from operations expected to grow from \$36,014 mms in 2018 to ~\$52,350 mms by 2025, averaging ~5.63% growth year-to-year.



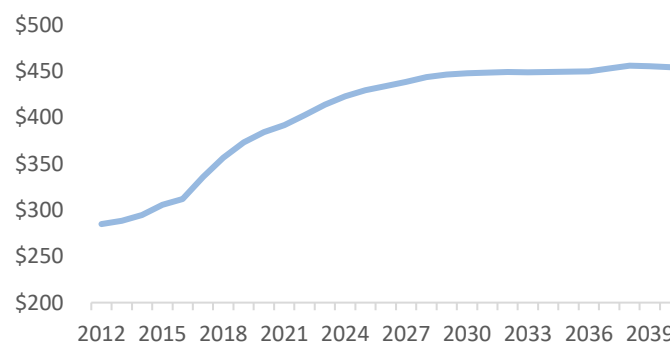
\*Graph comes from J.P.  
 Morgan Deep-Dive Equity

**Currently, ExxonMobil's total net production is 4 million oil-equivalent barrels per day. Cumulatively, these projects would add 20% by 2025.**

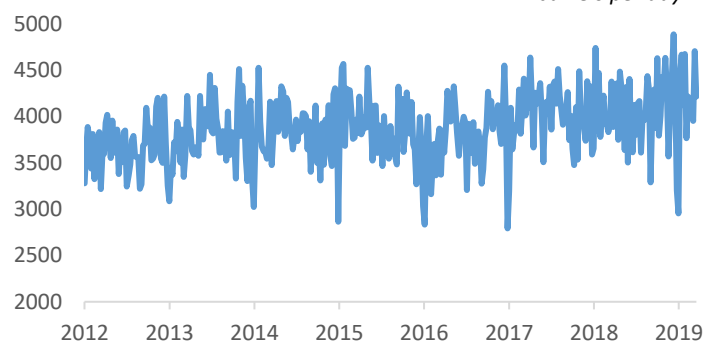
## Downstream + Chemical Future Growth

- **Counterparts to a well-oiled machine.** One of the reasons why Exxon can be considered a versatile investment is due to the nature of its subsegments. As one improves, so do the other two. As operational efficiencies and technologies continue to be at the forefront of Exxon's future in cutting costs, shareholder profit will continue to grow.
- **Downstream generated 71% of Exxon's Revenue in 2018.** President Bryan Milton, Exxon's Fuels and Lubricants Downstream services, outlines liquids demand growth increasing through chemical feedstock demand, distillates, lubes and gasoline to hit 2025 goal.
  - Chemical feedstock and Distillates are the focus of Exxon's Downstream & Chemical, expecting to increase 40% and 20% respectively through 2025 according to Exxon. The Energy Information Administration's projections are below.

### Bulk Chemical: Value of Shipments *\$ in billions*



### U.S. Product Supplied of Distillate Fuel Oil *in thousand barrels per day*



## DCF with Assumptions

XOM

Exxon Mobil

3/29/2019

\$ in millions

Revenue Projections

	2014A	2015A	Historicals			2018A	2019E	Forecasted Period		2022E	2023E	2024E	2025E
			2016A	2017A				2020E	2021E				
Revenue	394,105	241,406	200,628	237,162	279,332	290,505	302,125	314,211	326,779	339,850	353,444	367,582	
COGS + Operating Expenses	330,681	226,971	196,092	223,088	257,793	268,945	279,702	290,890	302,526	314,627	327,212	340,301	
EBIT	\$ 63,424	\$ 14,435	\$ 4,536	\$ 14,074	\$ 21,539	\$ 21,561	\$ 22,423	\$ 23,320	\$ 24,253	\$ 25,223	\$ 26,232	\$ 27,281	
Tax	18,015	5,415	(406)	(1,174)	9,532	6,640	6,905	7,181	7,469	7,767	8,078	8,401	
	28%	38%	-9%	-8%	44%	31%	31%	31%	31%	31%	31%	31%	
Capital Expenditures	32,952	26,490	16,163	15,402	19,574	23,759	24,709	25,698	26,726	27,795	28,906	30,063	
% of Revenue	8%	11%	8%	6%	7%	8%	8%	8%	8%	8%	8%	8%	
Change in NWC	2,381	2,575	247	165	935	1,277	1,328	1,381	1,437	1,494	1,554	1,616	
% of Revenue	0.6%	1.1%	0.1%	0.1%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	
FCF	\$ 27,373	\$ (1,997)	\$ 7,240	\$ 17,574	\$ 9,543	\$ 10,839	\$ 11,272	\$ 11,723	\$ 12,192	\$ 12,680	\$ 13,187	\$ 13,715	

### Implied Price Per Share

Terminal Value													\$ 365,721
PV of FCF							\$ 10,045	\$ 9,682	\$ 9,332	\$ 8,995	\$ 8,670	\$ 8,356	\$ 8,054
Enterprise Value					\$ 428,856								
Net Debt					(34,754)								
Equity Value					\$ 394,102								
Price Per Share					\$ 93.06								

\*All data from SEC Filings

- **Growth Rate:** Our 4% growth rate is based on our sensitivity table below to match our conservative view on supply and demand of oil steadily increasing year of year. Exxon's goal to double EBIT by 2025 requires a 6% growth rate which would an inflated implied share price. While we do think Exxon will increase their upstream mix, we are more focused on steady returns on Downstream & Chemical numbers year over year as they make up most of earnings.
- **WACC:** Currently Exxon's WACC from 'Gurufocus' was 7.9%, industry standard for DCF revolves around this cost of equity price. As the economy does well, it costs less to borrow money.

	\$ 93.06	3.5%	4.0%	4.5%	5.0%	5.5%
7.0%	\$ 99.50	\$ 119.46	\$ 147.48	\$ 189.58	\$ 259.87	
7.5%	\$ 87.66	\$ 103.15	\$ 123.86	\$ 152.93	\$ 196.63	
8.0%	\$ 78.39	\$ 90.85	\$ 106.92	\$ 128.41	\$ 158.57	
8.5%	\$ 70.94	\$ 81.23	\$ 94.15	\$ 110.82	\$ 133.11	
9.0%	\$ 64.79	\$ 73.49	\$ 84.17	\$ 97.57	\$ 114.86	

\*All data from SEC Filings



## NAV with Assumptions

NAV Analysis - Exxon Mobil

(\$ in Millions Except Per Share, Acreage, Production Unit, and Other Per-Unit Data)

### Exxon Mobil - Net Asset Valuation (NAV)

Proved Reserves as of 12/31/2018:

Natural Gas (Bcf):	51,816
Bitumen (bbls)	4,185
Oil (Bbls):	9,260
Natural Gas Equivalents (Bcfe):	132,486.00

Long-Term Production Decline:

Natural Gas:	(30.0%)
Bitumen	(30.0%)
Oil:	(30.0%)

Resource Prices for NAV:

Natural Gas	\$ 2.60
Bitumen	\$3,300.00
Oil	\$ 60.00

Future Estimated Development Costs % of Revenue

30%

Discount Rate:

10%

Future Estimated Production Costs % of Revenue

30%

Cash Tax Rate

31%

Present Value of Cash Flows from Proved Reserves:

\$202,783.28

Other Business Segments:

Upstream	
12/31/2018 EBITDA:	\$ 29,468
EV/EBITDA Multiple:	6.0 x
Estimated EV:	\$ 176,808

Downstream	
12/31/2018 EBITDA:	\$ 7,598
EV/EBITDA Multiple:	6.0 x
Estimated EV:	\$ 45,588

Chemicals	
12/31/2018 EBITDA:	\$ 4,363
EV/EBITDA Multiple:	6.0 x
Estimated EV:	\$ 26,178

Enterprise Value:

\$451,357.28

(+) Cash

3,042

(-) Debt

37,796

(-) Minority Interest

6,734

Implied Equity Value:

\$ 409,869

Diluted Shares Outstanding:

4,234.0

Current Share Price:

80.8

Implied Share Price:

\$ 96.80

Implied Upside

20%

- Long-Term Production Decline:** In Exxon's recent investor relations deck, they estimated their proved reserves out for 27 years, we followed a similar timeline. The decline curves were calculated as 30% over time. Though it is a high depletion, it is not considering future capital projects as well as unproved reserves.
- WACC:** Industry standard for a NAV is 10%.

### Exxon Mobil - Price Sensitivity - Natural Gas Prices

		Discount Rate						
		7%	8%	9%	10%	11%	12%	13%
Natural Gas Prices	\$ 3.50	\$ 102.08	\$ 100.28	\$ 98.59	\$ 97.00	\$ 95.51	\$ 94.10	\$ 92.76
	\$ 3.00	101.95	100.16	98.48	96.89	95.40	93.99	92.66
	\$ 2.50	101.83	100.04	98.36	96.78	95.29	93.89	92.57
	\$ 2.00	101.70	99.92	98.25	96.67	95.19	93.79	92.47
	\$ 1.50	101.58	99.80	98.13	96.56	95.08	93.69	92.37
	\$ 1.00	101.45	99.68	98.02	96.45	94.98	93.58	92.27

### Exxon Mobil - Price Sensitivity - Bitumen Prices

		Discount Rate						
		7%	8%	9%	10%	11%	12%	13%
Bitumen Prices	\$3,460.00	104.13	102.27	100.52	98.87	97.32	95.85	94.47
	\$3,450.00	103.99	102.13	100.38	98.74	97.19	95.73	94.35
	\$3,400.00	103.28	101.44	99.72	98.09	96.57	95.12	93.76
	\$3,350.00	102.56	100.75	99.05	97.45	95.94	94.52	93.17
	\$3,300.00	101.85	100.06	98.38	96.80	95.32	93.91	92.59
	\$3,250.00	101.14	99.38	97.72	96.16	94.69	93.31	92.00

### Exxon Mobil - Price Sensitivity - Oil Prices

		Discount Rate						
		7%	8%	9%	10%	11%	12%	13%
Oil Prices	\$ 70.00	102.73	100.91	99.20	97.60	96.08	94.66	93.31
	\$ 60.00	101.85	100.06	98.38	96.80	95.32	93.91	92.59
	\$ 50.00	100.97	99.22	97.56	96.01	94.55	93.17	91.86
	\$ 40.00	100.10	98.37	96.74	95.22	93.78	92.42	91.14
	\$ 30.00	99.22	97.52	95.92	94.42	93.01	91.67	90.41

\*All data from SEC Filings