

Exxon Mobil Corp. (NYSE: XOM)

Sector: Energy (NAICS: 324110)

Intrinsic Value	Current Price	52 Week High	52 Week Low	Beta	P/E	Market Cap	Dividend Yield
\$103.00	\$89.62	\$95.49	\$84.70	0.95	11.8	\$394.5B (Large Cap)	2.81%

Industry Trends

The industry as a whole is in a period of high capital investment to meet the world's growing need for energy. Oil, gas, and coal are the most widely used fuels today around the world, providing about 80% of supplies. Liquid fuels provide the largest share of energy supply today due to their broad availability, affordability, and ease of transport, and their demand is expected to increase more than 25% by 2040.

Investment Thesis

With Exxon's vast resource base, financial strength, disciplined investment approach, and large technology portfolio, it is well positioned to outperform its competitors in the energy market. It has a dividend yield of 2.8% which has increased consecutively for the past 30 years, a 2012 FCF of \$43.7B, and a market cap of \$395.4B, giving it a free cash flow yield of 10.1%.

Business Summary

Exxon is in the business of energy – it explores, produces, transports, and sells crude oil, natural gas, petroleum products, and a wide variety of specialty products. It invests heavily in its growth to meet the world's growing demand for energy, while at the same time improving its operating efficiency. It grows through acquisitions as well as contracting new projects in geographically diverse areas, as well as in a wide variety of different types of exploration projects – including conventional and unconventional oil and gas sources. Exxon also has a strong focus on developing propriety technology. It holds approximately 10,000 active patents and licenses many of them to third parties. Through the constant improvement of its operating technology, Exxon is able to produce its goods more efficiently

XOM 10-year stock performance vs. S&P 500:



(Google Finance)

Corporate Social Responsibility:

ESG Disclosure Rating	59.75 (Ind. Avg.: 50.93)
Environmental Disclosure Score	54.55 (Ind. Avg.: 44.99)
Carbon Disclosure Score	75 (Ind. Avg.: 82)
Social Disclosure Score	62.50 (Ind. Avg.: 52.05)
Governance Disclosure Score	67.86 (Ind. Avg.: 62.50)
Equal Opportunity Policy	1 (Ind. Avg.: 1)
Community Spending	255.60M (Ind. Avg.: 112.17M)
Total Energy Consumption	416.67 (Ind. Avg.: 147.39)

Source: Bloomberg Terminal, Value Line Investment Survey, Google Finance

Competition:

- Three of Exxon's major competitors are Chevron (\$228B), Royal Dutch Shell (\$217B) and British Petroleum (\$145B).

Pros:

- Technology superior to its competitors', with operated uptime on deep-water assets of 93% vs. competitors' uptime of 86%.
- Most profitable downstream and chemical businesses in the industry.
- Continuous dividend increases over the past 30 years along with a trend of share buybacks.
- Long-term outperformance vs. competitors
- Highest free cash flow yield out of all competitors

Cons:

- Large exposure to volatility in commodity prices stemming from fluctuations in supply and demand.
- Exposure to civil unrest in certain parts of the world, government austerity programs, and currency exchange rate fluctuations.
- Not as much focus on renewable energy sources as some competitors.
- Regulation and lack of developed legal systems in certain areas of the world expose Exxon to additional risks.

Value Estimate:

\$110 - \$135

(2016-2018)

Estimated Real Annual Return:

9%-14%

Overall Rating:	Four Stars
Expected inflation	2%
Current EPS	7.50
Forecasted EPS Growth	9.3%
Credit Quality	AAA
ROE	21.85%
ROA	11.0%
Price/Book	2.39
Debt/Equity	0.10
Debt/Capital	0.09
Current Ratio	1.01
Price/Cash Flow	7.37
10 yr. Risk Free Rate	2.8%
WACC	10.2%

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