Exxon Mobil Corp - Financial and Strategic Analysis Review

Publication Date: Apr-2023

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Company Snapshot

Key Information

Exxon Mobil Corp, Key Information	
Web Address	corporate.exxonmobil.com
Financial year-end	December
Number of Employees	62,000
NYSE	XOM
Source : GlobalData	

Key Ratios

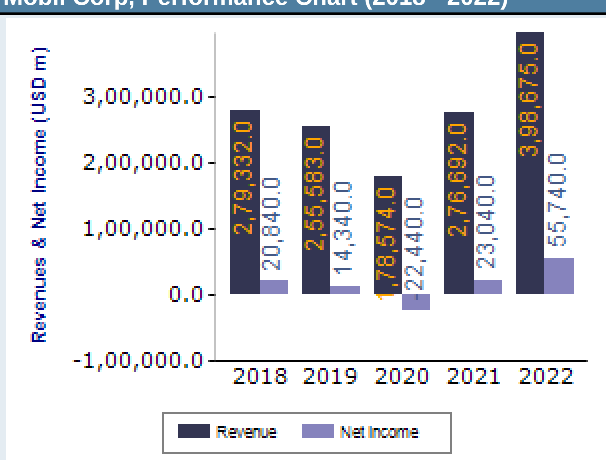
Exxon Mobil Corp, Key Ratios	
P/E	8.48
EV/EBITDA	5.06
Return on Equity (%)	28.58
Debt/Equity	0.21
Operating profit margin (%)	15.94
Dividend Yield	3.16
Note: Above ratios are based on share price as of 20-Apr-2023	
Source : GlobalData	

Share Data

Exxon Mobil Corp, Share Data	
Price (USD) as on 20-Apr-2023	115.64
EPS (USD)	14.22
Book value per share (USD)	47.78
Shares Outstanding (in million)	4,205
Source : GlobalData	

Performance Chart

Exxon Mobil Corp, Performance Chart (2018 - 2022)



Source : GlobalData

Company Overview

Exxon Mobil Corp (ExxonMobil) is an integrated oil and gas company that discovers, explores for, develops and produces crude oil, natural gas and natural gas liquids. It carries out the refining of crude oil; produces, transports, trades and sells petroleum products; and manufactures lube base stocks and finished lubricants. ExxonMobil also manufactures and markets commodity petrochemicals including olefins, aromatics, polyethylene and polypropylene plastics and a wide variety of specialty products.

SWOT Analysis

Exxon Mobil Corp, SWOT Analysis	
Strengths	**Weaknesses**
Vertically Integrated Operations Business Performance: Energy Products Established Reserve Base	Business Performance: Chemical Products Hydrocarbon Production from Permian Region
Opportunities	**Threats**
Consumption of Liquid Fuels: Global Growth Initiatives Partnerships and Agreements	Regulations Exploration Production & Development Risks Fluctuations in Oil and Gas Prices
Source : GlobalData	

Financial Performance

The company reported revenues of (US Dollars) US$398,675 million for the fiscal year ended December 2022 (FY2022), an increase of 44.1% over FY2021. In FY2022, the company's operating margin was 15.9%, compared to an operating margin of 8.4% in FY2021. In FY2022, the company recorded a net margin of 14%, compared to a net margin of 8.3% in FY2021.

Key Information

Exxon Mobil Corp, Key Information			
Corporate Address	5959 Las Colinas Blvd, Irving, TX, 75039-2298, United States	**Ticker Symbol, Stock Exchange**	XOM [New York Stock Exchange]
Telephone	+1 972 4441000	**No. of Employees**	62,000 (*Estimated*)
Fax	+1 972 4441505	**Fiscal Year End**	December
URL	corporate.exxonmobil.com	**Revenue (in USD Million)**	₹ 3,98,675.0
Industry	Chemicals, Energy and Utilities, Metals and Mining, Retail, Wholesale & Foodservice		
Locations	Angola, Argentina, Australia, Austria, Azerbaijan, Bahamas, Belgium, Brazil, Canada, Chad, Chile, China, Colombia, Cyprus, Czech Republic, Democratic Republic of the Congo, Denmark, Egypt, Equatorial Guinea, Finland, France, Germany, Ghana, Guyana, Hong Kong, Hungary, India, Indonesia, Iraq, Ireland, Italy, Japan, Kenya, Kuwait, Liberia, Luxembourg, Malaysia, Mali, Mauritania, Mexico, Mozambique, Namibia, Netherlands, New Zealand, Norway, Pakistan, Papua New Guinea, Philippines, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovakia, Somalia, South Africa, South Korea, Spain, Sudan, Sweden, Switzerland, Tanzania, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, Vietnam, Yemen		
Source : GlobalData			

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Exxon Mobil Corp - SWOT Analysis

SWOT Analysis - Overview

Exxon Mobil Corp (ExxonMobil) is an integrated oil and gas company. The company's vertically integrated operations, strong reserve base and business performance of the Energy Products segment have strengthened its business, but a decline in the business performance of the Chemical Products segment and slow growth of hydrocarbon production from the Permian region are causes of concern. Whereas an increase in the consumption of liquid fuel, contracts and agreements and growth initiatives could present ample growth opportunities to the company. However, exploration and development risks, fluctuations in oil and gas prices and regulations could affect its operations.

Exxon Mobil Corp - Strengths

Strength - Vertically Integrated Operations

Integrated operations provide greater flexibility and significant control over operations thus creating enhanced value for its customers. ExxonMobil is an integrated oil and gas company. It explores oil and gas reserves across six continents and has refining and chemical infrastructure in the US, Canada, the UK, France, Belgium, Germany, Italy, Netherlands, Saudi Arabia, China, Singapore and Thailand. The company's operations include exploration and production of crude oil and natural gas; trade, manufacture and transport of crude oil, natural gas, petroleum and petrochemical products. It also explores for low emission fuel solutions, explores for carbon capture and storage solutions and develops hydrogen projects.

Strength - Business Performance: Energy Products

ExxonMobil's Energy Products business is the largest contributor to its revenue stream. It operates across the entire processing phase of the fuel value chain which includes refining, trading, logistics and marketing fuel. Its product portfolio includes gasoline, naphtha, aviation fuel, heating oil, kerosene, diesel, heavy fuel and other energy products. In FY2022, the business accounted for 76.7% of the total revenue and grew 46.5% year-on-year. During FY2022, the business reported revenue of US$305,977.0 million, as compared to US$208,906.0 million in FY2021. The segment's revenue grew due to improved conditions in the refining industry which led to improved demand for the products. The segment revenue also increased due to a favorable product mix.

Strength - Established Reserve Base

ExxonMobil strives to strengthen its business operations through reserve additions and discoveries of new fields. It has reserves in Europe, Asia, Australia and Oceania, Africa and the Americas. As of December 2022, the company's proved reserves stood at 17,742.0 million barrels of oil equivalent (MMboe), which comprised 62.8% proved developed and the remaining being proved undeveloped reserves. Its proved reserve base includes 7,167 MMbbls of crude oil; 1,531 MMbbls of NGL; 37,626 bcf of natural gas; 353 MMbbls of synthetic oil; and 2,420 MMbbls of bitumen.

Exxon Mobil Corp - Weaknesses

Weakness - Business Performance: Chemical Products

Exxon Mobil's Chemical Products business is the third largest contributor to its revenue stream. In FY2022, the business accounted for 6.9% of the total revenue and declined 3.5% year-on-year. During FY2022, the business reported revenue of US$27,619.0 million, as compared to US$28,628.0 million in FY2021. The decline in revenue was primarily due to the normalization of regional prices and unfavorable conditions in Asia Pacific. The segment's revenue also declined due to an unfavorable product mix.

Weakness - Hydrocarbon Production from Permian Region

Slow growth in the production of hydrocarbon could impact the company's operation. In FY2022, the company reported production of 550 kboe per day of hydrocarbons from its Permian assets which is very less than the targeted production from the region. The company initially planned to achieve one million barrel per day of production from the region by 2025. But in FY2022, its production from the region grew only by 90 kboe per day as compared to the previous year. With this slow growth rate, it would be difficult for the company to achieve its targeted hydrocarbon production and which could ultimately impact the overall company's performance.

Exxon Mobil Corp - Opportunities

Opportunity - Consumption of Liquid Fuels: Global

The company could enhance its business operations with a growth forecast in the consumption of liquid fuels across the world. According to the US Energy Information Administration's (EIA) Short-Term Energy Outlook January 2023, the global consumption of liquid fuels is expected to increase from an average of 99.4 million barrels per day (b/d) in 2022 to 102.3 million b/d in 2024. This growth is the result of growth in China and other non-OECD countries. However, uncertainty prevails with regard to the forecast demand as it depends on the possible outcomes for the evolving economic conditions globally and China's shift from a zero-COVID strategy. EIA estimates that the lifting of restrictions will contribute to an increase in demand of 0.7 million b/d of oil in China in 2023 and 0.4 million b/d in 2024. It anticipates demand for oil in OECD countries to remain largely unchanged over the forecast period, as inflationary economic pressure continues to limit GDP and growth in demand for oil, as the oil intensity of OECD economies declines.

Opportunity - Growth Initiatives

The company undertakes various expansion initiatives for growing its businesses. In January 2023, the company's subsidiary Imperial Oil announced the construction of the largest renewable diesel facility in Canada. The company will invest around US$560 million in the Strathcona refinery facility which is expected to produce 20,000 barrels of renewable diesel per day. The project is expected to reduce around three million from the Canadian transportation sector. In December 2022, the company announced the beginning of the operation of an advanced recycling facility. The facility is located at the integrated manufacturing complex in Baytown, Texas, the US. The facility has a processing capacity of more than 80 million pounds per year. The project will help in creating demand for sustainable products, divert plastic from landfills and save the environment.

Opportunity - Partnerships and Agreements

ExxonMobil's operations could benefit from new contracts and agreements. In November 2022, the company formed an alliance with Mitsubishi Heavy Industries (MHI), for deploying MHI's CO2 capture technology. The agreement provides ExxonMobil with the ability to provide end-to-end carbon capture and storage (CCS) solutions for industrial customers. In October 2022, the company partnered with CF Industries and EnLink Midstream for an emission reduction project in Louisiana, the US. According to the agreement, CF Industries (CF) will invest around US$200 million for a CO2 dehydration and compression unit for storing and transporting CO2. EnLink Midstream will provide its pipeline infrastructure for the transportation of CO2 from the CF facility to ExxonMobil's 125,000-acre geological reservoir in Vermilion Parish, Louisiana, the US for permanent CO2 storage. With this project, the partnership will be capturing around two million metric tons of Co2 emissions, annually.

Exxon Mobil Corp - Threats

Threat - Regulations

ExxonMobil's operations are subject to various laws and regulations related to the protection of the environment. Stringent environmental regulations could increase the company's expenses. In the US, the Federal Energy Regulatory Commission (FERC) regulates the transportation and resale of natural gas in interstate commerce, pursuant to the Natural Gas Act (NGA). ExxonMobil should also comply with the Clean Water Act (CWA) with respect to water discharge; the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) with respect to the release and remediation of hazardous substances; Clean Air Act (CAA) with respect to air emissions; and the Resource Conservation and Recovery Act (RCRA) with respect to solid and hazardous waste treatment, storage and disposal. These environmental laws and regulations are subject to frequent changes, and often become more stringent in the course of time. Failure to comply with them could result in heavy fines and penalties, which is detrimental to the company's interests.

Threat - Exploration Production & Development Risks

Future oil and gas exploration and production may involve unprofitable efforts, not only from dry wells but also from producing wells, when they are not commercially viable. The combination of technology and recovery costs may be higher than the revenue earned from production. Drilling hazards and environmental damage could lead to well shut down. Operational risks such as unexpected formations or pressure, bow-outs and fire, which could result in loss of life and damage to properties, would cause production delay and permanent well shut downs. The company faces challenges related to future exploration, development and production uncertainties, which could affect its revenue.

Threat - Fluctuations in Oil and Gas Prices

The fluctuations in the oil and gas prices could affect the operations of the company. According to World Bank, the oil prices are forecast to average US$92/bbl in 2023 and US$80/bbl in 2024, down from a projected US$100/bbl in 2022. The forecast is uncertain, with a variety of factors that could materially alter global supply or demand. In the case of supply, it depends on the G7 oil price cap, European Union (EU) sanctions on Russia and the OPEC+ production capacity, the outlook for US shale oil, and the use and refilling of strategic oil inventories. For demand side, it includes easing of COVID-19 restrictions in China and a potential global recession. Russia's total oil production has seen a decline of about 0.3 mb/d since its invasion of Ukraine, much less than the 2.5-3.0 mb/d decline forecasted in the International Energy Agency's (IEA) April 2022 Oil Market Report. The production has been supported by the rerouting of exports from G7 economies to other countries, including India, China, and Turkey. The exports from Russia are likely to decline in 2023. The EU has banned most of its imports of Russian crude oil, since December 2022 and is expected to ban imports of oil products from February 2023. Rerouting the exports may prove difficult for Russia, especially for pipeline exports which have few alternative transport options. In addition to this ban, the UK and EU banned the provision of maritime services, particularly insurance, to ships carrying Russian crude oil, unless they abide by the G7 oil price cap.

NOTE: The above strategic analysis is based on in-house research and reflects the publishers opinion only