



Independent Stock Idea

February 1, 2010

rating: contrarian buy
s&p 500: 1083, intraday

Exxon Mobil Corporation (XOM) **Modify Recommendation to Contrarian Buy from Buy**

| | | | |
|---|----------------|---|--------|
| <i>Symbol</i> | XOM | <i>Ebitda Next Twelve Months ending 12/31/10 (US\$mm)</i> | 60,700 |
| <i>Rating</i> | Contrarian Buy | <i>North American Natural Gas/Ebitda (%)</i> | 8 |
| <i>Price (\$/sh)</i> | 66.20 | <i>Natural Gas and Oil Production/Ebitda (%)</i> | 85 |
| <i>Pricing Date</i> | 2/1/10 | <i>Adjusted Reserves/Production NTM</i> | 12.1 |
| <i>Shares (mm) - Pro-Forma</i> | 5215 | <i>EV/Ebitda</i> | 6.7 |
| <i>Market Capitalization (\$mm)</i> | 345,000 | <i>PV/Ebitda</i> | 8.7 |
| <i>Debt (\$mm)</i> | 62,000 | <i>Undeveloped Reserves (%)</i> | 35 |
| <i>Enterprise Value (EV) (\$mm)</i> | 407,000 | <i>Natural Gas and Oil Ebitda (\$/boe)</i> | 32.30 |
| <i>Present Value (PV) (\$mm)</i> | 526,000 | <i>Present Value Proven Reserves(\$/boe)</i> | 19.10 |
| <i>Net Present Value (\$/share)</i> | 89 | <i>Present Value Proven Reserves(\$/mcf)</i> | 3.20 |
| <i>Debt/Present Value</i> | 0.12 | <i>Earnings Next Twelve Months (US\$/sh)</i> | 5.33 |
| <i>McDep Ratio - EV/PV</i> | 0.77 | <i>Price/Earnings Next Twelve Months</i> | 12 |
| <i>Dividend Yield (%/year)</i> | 2.5 | <i>Indicated Annual Dividend (US\$/sh)</i> | 1.68 |
| Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas. | | | |
| Reported results may vary widely from estimates. Estimated present value per share revised only infrequently. | | | |
| Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu. | | | |
| For historical analysis of XOM since 2001 see www.mcdep.com/1xom.htm | | | |

Summary and Recommendation

We recommend the common stock of **ExxonMobil (XOM)** as a Contrarian Buy with unlevered appreciation potential of 29% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of \$89 a share. Because stock price is in a medium-term downtrend compared to its 200-day average of \$70, we add the descriptor “contrarian” to our buy recommendation. Fourth quarter results released today disclosed unlevered cash flow (Ebitda) exceeding our expectations of three months ago in the upstream business while falling short in the downstream (see table Next Twelve Months Operating and Financial Estimates). Looking ahead, we present the valuation measures on a pro-forma basis that includes the pending acquisition of **XTO Energy (XTO)** as though it were effective as of January 1, 2010. The addition of XTO boosts natural gas to a third of NPV, the highest among the six largest international oil companies (see table Functional Cash Flow and Present Value). Meanwhile the trend for oil, 50% of the value in XOM, continues up with futures prices for the next six years at \$83 a barrel compared to the 40-week average of \$82 (see chart Six-Year Commodity Price Meter).

Kurt H. Wulff, CFA



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| Exxon Mobil Corporation | | | | | | | | | |
|--|----------|---------|----------|----------------|---------|---------|---------|----------|----------------|
| Next Twelve Months Operating and Financial Estimates, Pro-Forma Including XTO Energy as of January 1, 2010 | | | | | | | | | |
| | Q4 | Q3 | Q4 | Year | Q1E | Q2E | Q3E | Q4E | Next |
| | 12/31/08 | 9/30/09 | 12/31/09 | 2009 | 3/31/10 | 6/30/10 | 9/30/10 | 12/31/10 | Twelve Months |
| | | | | | | | | | 12/31/10 |
| Volume | | | | | | | | | |
| Natural Gas (mmcf) | | | | | | | | | |
| North America | 1,832 | 1,906 | 1,939 | 1,905 | 4,327 | 4,327 | 4,327 | 4,327 | 4,327 |
| Overseas | 8,017 | 6,223 | 8,778 | 7,357 | 8,313 | 6,121 | 6,223 | 8,778 | 7,357 |
| Total | 9,849 | 8,129 | 10,717 | 9,262 | 12,640 | 10,448 | 10,550 | 13,105 | 11,684 |
| Days | 92 | 92 | 92 | 365 | 90 | 91 | 92 | 92 | 365 |
| Oil (mbd) | 2,472 | 2,335 | 2,393 | 2,387 | 2,423 | 2,423 | 2,423 | 2,423 | 2,423 |
| Total gas & oil (mmb) | 378 | 339 | 384 | 1,435 | 408 | 379 | 385 | 424 | 1,595 |
| Total gas & oil (mbd) | 4,114 | 3,690 | 4,179 | 3,931 | 4,530 | 4,164 | 4,181 | 4,607 | 4,370 |
| Price | | | | | | | | | |
| Natural gas (\$/mcf) | | | | | | | | | |
| Henry Hub (\$/mmbtu) | 6.95 | 3.39 | 4.16 | 3.99 | 5.61 | 5.66 | 5.84 | 6.29 | 5.85 |
| U.S. | 5.57 | 3.19 | 4.23 | 3.73 | 5.61 | 5.66 | 5.84 | 6.29 | 5.85 |
| International | 9.90 | 5.14 | 6.18 | 6.38 | 7.49 | 7.56 | 7.80 | 8.40 | 7.84 |
| Total | 9.09 | 4.68 | 5.83 | 5.83 | 6.84 | 6.77 | 6.99 | 7.70 | 7.10 |
| Oil (\$/bbl) | | | | | | | | | |
| WTI Cushing | 58.45 | 68.22 | 76.09 | 61.70 | 76.39 | 76.28 | 77.97 | 79.52 | 77.54 |
| Worldwide | 50.98 | 65.52 | 72.23 | 58.77 | 72.52 | 72.42 | 74.02 | 75.49 | 73.62 |
| Total gas & oil (\$/bbl) | 52.41 | 51.78 | 56.30 | 49.44 | 57.89 | 59.13 | 60.54 | 61.61 | 59.81 |
| NY Harbor 3-2-1 (\$/bbl) | 5.10 | 9.45 | 5.22 | 8.34 | 7.71 | 10.33 | 8.96 | 5.81 | 8.20 |
| Revenue (\$mm) | | | | | | | | | |
| Natural Gas | | | | | | | | | |
| U.S. | 939 | 559 | 755 | 2,596 | 2,183 | 2,228 | 2,323 | 2,503 | 9,237 |
| International | 7,302 | 2,943 | 4,991 | 17,121 | 5,602 | 4,211 | 4,464 | 6,783 | 21,060 |
| Total | 8,241 | 3,502 | 5,745 | 19,718 | 7,785 | 6,439 | 6,788 | 9,285 | 30,296 |
| Oil | 11,593 | 14,076 | 15,902 | 51,209 | 15,814 | 15,968 | 16,500 | 16,828 | 65,110 |
| Other | 64,862 | 64,682 | 68,193 | 303,274 | 68,193 | 68,193 | 68,193 | 68,193 | 272,773 |
| Total | 84,696 | 82,260 | 89,841 | 374,201 | 91,792 | 90,600 | 91,481 | 94,306 | 368,179 |
| Expense (\$mm) | | | | | | | | | |
| Production | 8,879 | 9,426 | 10,216 | 36,025 | 10,855 | 10,307 | 10,712 | 12,012 | 43,887 |
| Other | 60,116 | 62,102 | 66,651 | 294,069 | 65,213 | 66,090 | 65,614 | 66,651 | 263,568 |
| Ebitda (\$mm) | | | | | | | | | |
| Exploration and Production | 10,955 | 8,152 | 11,432 | 34,902 | 12,743 | 12,099 | 12,575 | 14,101 | 51,519 |
| Other | 4,747 | 2,579 | 1,543 | 9,205 | 2,980 | 2,103 | 2,579 | 1,543 | 9,205 |
| Total Ebitda | 15,701 | 10,731 | 12,974 | 44,107 | 15,723 | 14,203 | 15,155 | 15,643 | 60,724 |
| Exploration | 376 | 501 | 685 | 2,027 | 685 | 685 | 685 | 685 | 2,740 |
| Deprec., Deplet., & Amort. | 3,177 | 2,927 | 2,927 | 11,651 | 3,748 | 3,748 | 3,748 | 3,748 | 14,992 |
| Other non cash | | | | - | - | | | - | - |
| Ebit | 12,148 | 7,303 | 9,362 | 30,429 | 11,290 | 9,770 | 10,722 | 11,210 | 42,992 |
| Interest | 118 | 62 | 62 | 574 | 62 | 62 | 62 | 62 | 248 |
| Ebt | 12,030 | 7,241 | 9,300 | 29,855 | 11,228 | 9,708 | 10,660 | 11,148 | 42,744 |
| Income Tax | 4,211 | 2,535 | 3,255 | 10,449 | 3,930 | 3,398 | 3,731 | 3,902 | 14,961 |
| Net Income (\$mm) | | | | | | | | | |
| Exploration and Production | 5,634 | 4,012 | 5,780 | 17,107 | | | | | |
| Other | 2,569 | 1,201 | 527 | 4,090 | | | | | |
| Unallocated | (383) | (506) | (262) | (1,791) | | | | | |
| Total | 7,820 | 4,707 | 6,045 | 19,406 | 7,298 | 6,310 | 6,929 | 7,246 | 27,784 |
| Shares (millions) | | | | | | | | | |
| Per share (\$) | 1.55 | 0.98 | 1.27 | 4.01 | 1.40 | 1.21 | 1.33 | 1.39 | 5.33 |
| Ebitda Margin (E&P) | 55% | 46% | 53% | 49% | 54% | 54% | 54% | 54% | 54% |
| Tax Rate | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |

Please see disclosures on the final page.

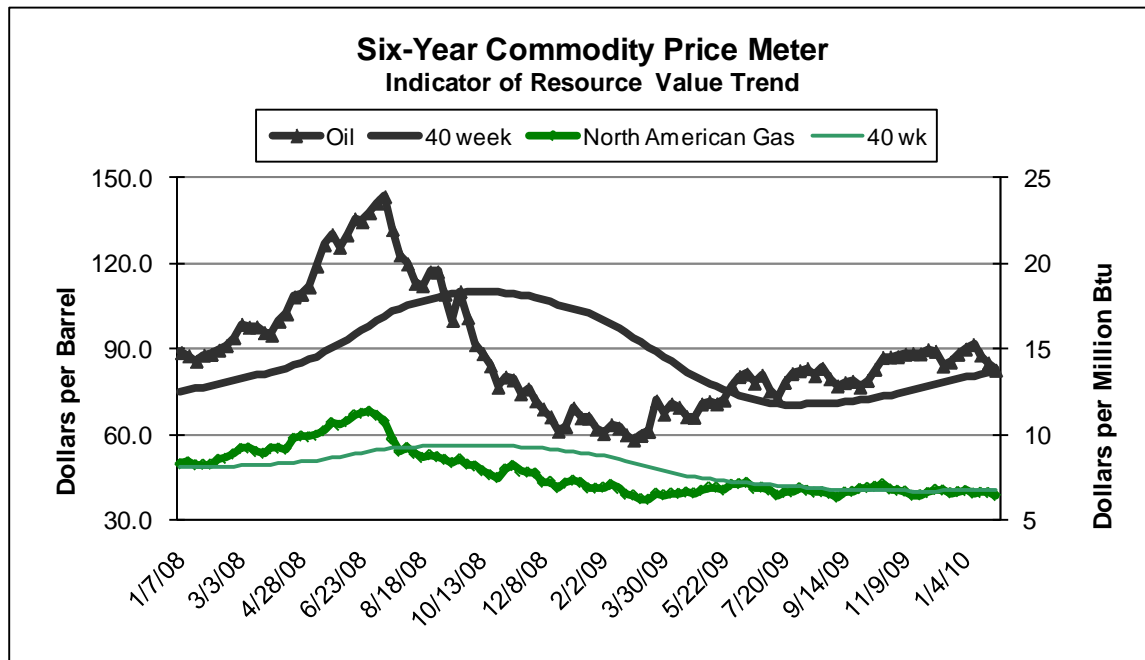
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| Exxon Mobil Corporation Pro-Forma Including XTO Energy | | | | | |
|---|---------------|-----------------|---------------|----------------|---------|
| Functional Cash Flow and Present Value | | | | | |
| | <i>NTM</i> | <i>Adjusted</i> | <i>PV/</i> | <i>Present</i> | |
| | <i>Ebitda</i> | <i>R/P</i> | <i>Ebitda</i> | <i>Value</i> | |
| North American Natural Gas | 4,990 | 13.1 | 10.4 | 52,000 | 10% |
| Rest of World Natural Gas | 11,370 | 16.1 | 10.6 | 120,000 | 23% |
| Oil | 35,160 | 9.8 | 7.5 | 264,000 | 50% |
| Downstream | 9,210 | | 9.8 | 90,000 | 17% |
| | 60,730 | 12.1 | 8.7 | 526,000 | 100% |
| Debt | | | | | 62,000 |
| Net Present Value (\$mm) | | | | | 464,000 |
| Shares | | | | | 5,215 |
| Net Present Value - Standard Estimate (US\$/sh) | | | | | 89 |
| NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh) | | | | | 86 |





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