



# Independent Stock Idea

July 31, 2008

rating: buy  
s&p 500: 1280 intraday

## Exxon Mobil Corporation (XOM) Income Model

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$m)</i>	95,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (\$/sh)</i>	82.00	<i>Natural Gas and Oil Production/Ebitda (%)</i>	78
<i>Pricing Date</i>	7/31/08	<i>Adjusted Reserves/Production NTM</i>	12.2
<i>Shares (mm)</i>	5261	<i>EV/Ebitda</i>	4.9
<i>Market Capitalization (\$mm)</i>	431,000	<i>PV/Ebitda</i>	6.8
<i>Debt (\$mm)</i>	32,000	<i>Undeveloped Reserves (%)</i>	38
<i>Enterprise Value (EV) (\$mm)</i>	464,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	50.70
<i>Present Value (PV) (\$mm)</i>	653,000	<i>Present Value Proven Reserves(\$/boe)</i>	23.10
<i>Net Present Value (\$/share)</i>	118	<i>Present Value Proven Reserves(\$/mcf)</i>	3.80
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.90
<i>McDep Ratio - EV/PV</i>	0.71	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	2.0	<i>Indicated Annual Dividend (US\$/sh)</i>	1.60
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\$100 a barrel and natural gas, \$14 a million btu.			
For historical analysis of XOM since 2001 see <a href="http://www.mcdep.com/1xom.htm">www.mcdep.com/1xom.htm</a>			

### Summary and Recommendation

Buy-recommended **ExxonMobil (XOM)** offers unlevered appreciation potential of 41% to estimated net present value (NPV) of \$118 a share. On May 13 we raised NPV from \$102 a share on the basis of a long-term oil price assumption of \$100 a barrel, up from \$80. However, patience may be necessary as stock price has entered a downtrend defined by current quote below the 200-day average of \$88. Released today, second quarter results displayed strength in production driven by higher crude oil and natural gas price along with dampened downstream refining and marketing where higher price was not fully passed through to consumers. Projected volumes along with current futures prices promise a high level of unlevered cash flow (Ebitda) (see table [Next Twelve Months Operating and Financial Estimates](#)). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table [Functional Cash Flow and Present Value](#)). Meanwhile long-term crude oil price continues in an uptrend where the latest quote of \$124 a barrel for delivery over the next six years is above the 40-week average of \$104 (see chart [Six-Year Commodity Price Meter](#)). As well as reinvesting \$25 billion a year, XOM has reduced shares outstanding by 6% in the past year, which when added to a dividend yield of 2% gives shareholders an “income return” of 8% a year. The reduced share count also turns an adjusted 2% decline in oil and gas production during the past year into 4% real growth per share.

Kurt H. Wulff, CFA



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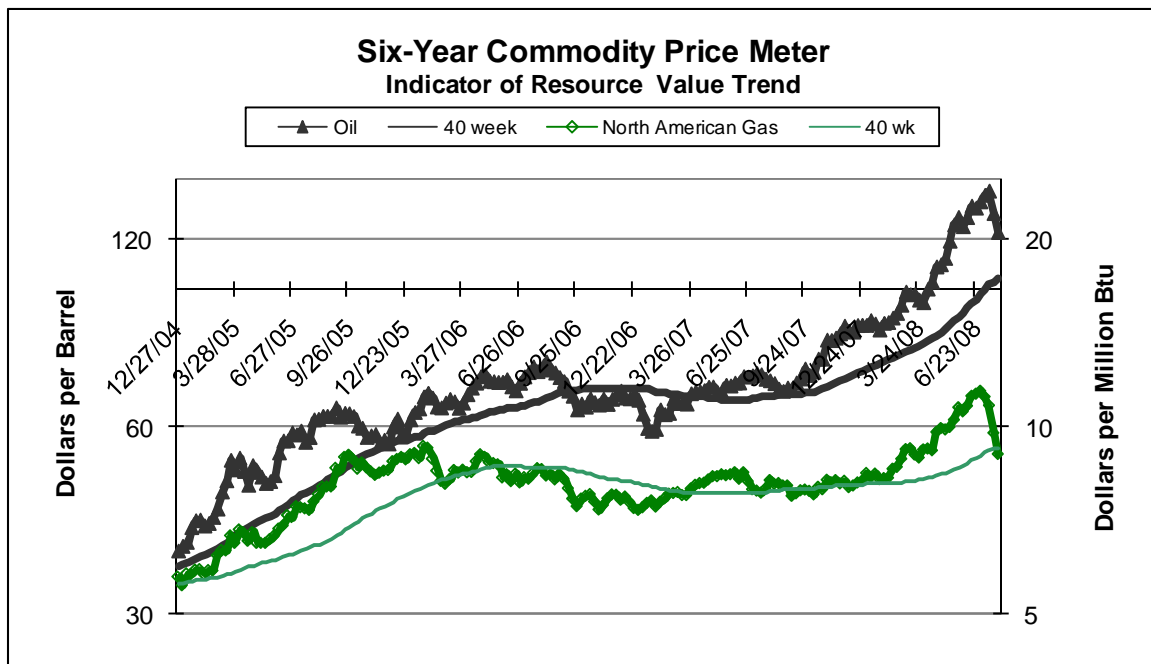
Exxon Mobil Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q2	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/07	3/31/08	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	6/30/09
<b>Volume</b>									
Natural Gas (mmcf)									
North America	2,311	2,000	1,926	1,926	1,926	<b>1,950</b>	1,926	1,926	<b>1,926</b>
Overseas	6,400	8,246	6,522	6,131	8,292	<b>7,317</b>	8,246	6,522	<b>7,295</b>
Total	8,711	10,246	8,448	8,057	10,218	<b>9,267</b>	10,172	8,448	<b>9,221</b>
Days	91	91	91	92	92	<b>366</b>	90	91	<b>365</b>
Oil (mbd)	2,668	2,474	2,474	2,474	2,474	<b>2,474</b>	2,474	2,474	<b>2,474</b>
Total gas & oil (mmb)	375	381	353	351	384	<b>1,469</b>	375	353	<b>1,464</b>
Total gas & oil (mbd)	4,120	4,182	3,882	3,817	4,177	<b>4,014</b>	4,169	3,882	<b>4,011</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	7.56	8.02	10.93	10.49	9.66	<b>9.78</b>	10.19	9.38	<b>9.93</b>
U.S.	6.94	7.95	10.42	10.00	9.21	<b>9.38</b>	9.71	8.94	<b>9.46</b>
International	6.00	9.28	9.90	6.16	8.19	<b>8.45</b>	9.28	9.90	<b>8.44</b>
Total	6.25	9.02	10.02	7.08	8.38	<b>8.64</b>	9.36	9.68	<b>8.66</b>
Oil (\$/bbl)									
WTI Cushing	64.91	97.94	123.97	127.56	125.71	<b>118.80</b>	126.45	125.26	<b>126.25</b>
Worldwide	65.09	93.14	119.28	122.74	120.96	<b>114.07</b>	121.67	120.52	<b>121.47</b>
Total gas & oil (\$/bbl)	55.36	77.20	97.82	94.49	92.15	<b>90.20</b>	95.04	97.88	<b>94.83</b>
NY Harbor 3-2-1 (\$/bbl)	24.96	7.57	14.94	12.32	9.19	<b>11.00</b>	11.65	15.15	<b>12.08</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S.	1,459	1,447	1,826	1,771	1,632	<b>6,676</b>	1,683	1,567	<b>6,653</b>
International	3,494	6,964	5,876	3,475	6,248	<b>22,562</b>	6,887	5,876	<b>22,485</b>
Total	4,954	8,410	7,702	5,246	7,879	<b>29,238</b>	8,570	7,443	<b>29,138</b>
Oil	15,802	20,968	26,855	27,936	27,530	<b>103,290</b>	27,091	27,133	<b>109,690</b>
Other	77,594	87,475	103,515	103,515	103,515	<b>398,020</b>	103,515	103,515	<b>414,060</b>
Total	98,350	116,854	138,072	136,697	138,925	<b>530,547</b>	139,176	138,091	<b>552,888</b>
<b>Expense</b>									
Production	9,273	13,471	17,099	15,595	16,643	<b>62,808</b>	16,047	16,251	<b>64,536</b>
Other	69,817	83,065	99,027	97,534	97,265	<b>376,891</b>	99,105	99,027	<b>392,931</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	11,483	15,908	17,458	17,586	18,767	<b>69,719</b>	19,614	18,325	<b>74,292</b>
Other	7,776	4,410	4,489	5,981	6,250	<b>21,129</b>	4,410	4,489	<b>21,129</b>
Total Ebitda	19,259	20,318	21,946	23,567	25,017	<b>90,848</b>	24,024	22,814	<b>95,422</b>
Exploration	347	338	339	339	339	<b>1,355</b>	339	339	<b>1,356</b>
Deprec., Deplet., & Amort.	2,994	3,104	3,104	3,104	3,104	<b>12,416</b>	3,104	3,104	<b>12,416</b>
Other non cash					-	-	-	1,000	<b>1,000</b>
<b>Ebit</b>	15,918	16,876	18,503	20,124	21,574	<b>77,077</b>	20,581	18,371	<b>80,650</b>
Interest	96	130	130	130	130	<b>520</b>	130	130	<b>520</b>
<b>Ebt</b>	15,822	16,746	18,373	19,994	21,444	<b>76,557</b>	20,451	18,241	<b>80,130</b>
Income Tax	5,538	5,861	6,431	6,998	7,506	<b>26,795</b>	7,158	6,384	<b>28,045</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	5,953	8,758	10,012						
Other	4,406	2,194	2,245						
Unallocated	(74)	(67)	(315)						
Total	10,285	10,885	11,942	12,996	13,939	<b>49,762</b>	13,293	11,856	<b>52,084</b>
<b>Shares (millions)</b>									
Per share (\$)	1.83	2.03	2.27	2.47	2.65	<b>9.42</b>	2.53	2.25	<b>9.90</b>
Ebitda Margin (E&P)	55%	54%	51%	53%	53%	<b>53%</b>	55%	53%	<b>54%</b>
Tax Rate	35%	35%	35%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>



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Exxon Mobil Corporation					
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	3,560	14.6	12.4	44,000	7%
Rest of World Natural Gas	12,030	15.8	9.1	110,000	17%
Oil	58,700	10.1	6.3	369,000	57%
Downstream	21,130		6.2	130,000	20%
	95,420	12.2	6.8	653,000	100%
Debt					32,000
Net Present Value (\$mm)					621,000
Shares					5,261
Net Present Value - Standard Estimate (US\$/sh)					118
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					116





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