



# Independent Stock Idea

December 17, 2008

rating: buy  
s&p 500: 913

## Exxon Mobil Corporation (XOM) Upgrade to Buy on Stock Price Trend Change

|  |          |  |        |
|--|----------|--|--------|
| <i>Symbol</i>  | XOM      | <i>Ebitda Next Twelve Months ending 12/31/09 (US\$m)</i> | 55,200 |
| <i>Rating</i>  | Buy      | <i>North American Natural Gas/Ebitda (%)</i>             | 3      |
| <i>Price (\$/sh)</i>   | 83.14    | <i>Natural Gas and Oil Production/Ebitda (%)</i>         | 67     |
| <i>Pricing Date</i>  | 12/16/08 | <i>Adjusted Reserves/Production NTM</i>                  | 12.9   |
| <i>Shares (mm)</i>   | 5160     | <i>EV/Ebitda</i>   | 8.3    |
| <i>Market Capitalization (\$mm)</i>  | 429,000  | <i>PV/Ebitda</i>   | 9.0    |
| <i>Debt (\$mm)</i>   | 30,000   | <i>Undeveloped Reserves (%)</i>                          | 38     |
| <i>Enterprise Value (EV) (\$mm)</i>  | 459,000  | <i>Natural Gas and Oil Ebitda (\$/boe)</i>               | 26.90  |
| <i>Present Value (PV) (\$mm)</i>   | 495,000  | <i>Present Value Proven Reserves(\$/boe)</i>             | 15.20  |
| <i>Net Present Value (\$/share)</i>  | 90       | <i>Present Value Proven Reserves(\$/mcf)</i>             | 2.50   |
| <i>Debt/Present Value</i>  | 0.06     | <i>Earnings Next Twelve Months (US\$/sh)</i>             | 5.08   |
| <i>McDep Ratio - EV/PV</i>   | 0.93     | <i>Price/Earnings Next Twelve Months</i>                 | 16     |
| <i>Dividend Yield (%/year)</i>   | 1.9      | <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\$75 a barrel and natural gas, \$10 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

We upgrade our recommendation to Buy from Hold for the common shares of **ExxonMobil (XOM)** as the stock becomes the first in our coverage to move back above the 200-day average signaling a return to investor favor by a popular measure. Estimated net present value (NPV) of \$90 a share presents target unlevered appreciation of 8% that would correspond to an increase in McDep Ratio to 1.0. Oil and gas operations are geographically diversified with a strong concentration on natural gas at 29% of NPV. Despite depressed global economic conditions, the company is likely to generate more than \$50 billion in unlevered cash flow in 2009 (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). ExxonMobil stock may trade above and below the 200-day average, currently \$82 a share, before staying above for an extended period. In any event, we take the initial indication of a positive change in trend as the first tangible sign that the financially driven forced selling of stocks may be abating.

Kurt H. Wulff, CFA



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| Exxon Mobil Corporation                              |          |         |          |                |         |         |         |          |                          |
|--|----------|---------|----------|----------------|---------|---------|---------|----------|--------------------------|
| Next Twelve Months Operating and Financial Estimates |          |         |          |                |         |         |         |          |                          |
|  | Q4       | Q3      | Q4E      | Year           | Q1E     | Q2E     | Q3E     | Q4E      | Next<br>Twelve<br>Months |
|  | 12/31/07 | 9/30/08 | 12/31/08 | 2008E          | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 12/31/09                 |
| <b>Volume</b>  |          |         |          |                |         |         |         |          |                          |
| Natural Gas (mmcf)                                   |          |         |          |                |         |         |         |          |                          |
| North America  | 2,122    | 1,800   | 1,800    | <b>1,886</b>   | 1,800   | 1,800   | 1,800   | 1,800    | <b>1,800</b>             |
| Overseas   | 8,292    | 6,023   | 8,292    | <b>7,290</b>   | 8,246   | 6,522   | 6,023   | 8,292    | <b>7,267</b>             |
| Total  | 10,414   | 7,823   | 10,092   | <b>9,176</b>   | 10,046  | 8,322   | 7,823   | 10,092   | <b>9,067</b>             |
| Days   | 92       | 92      | 92       | <b>366</b>     | 90      | 91      | 92      | 92       | <b>365</b>               |
| Oil (mbd)  | 2,517    | 2,291   | 2,291    | <b>2,362</b>   | 2,291   | 2,291   | 2,291   | 2,291    | <b>2,291</b>             |
| Total gas & oil (mmb)                                | 391      | 331     | 366      | <b>1,423</b>   | 357     | 335     | 331     | 366      | <b>1,388</b>             |
| Total gas & oil (mbd)                                | 4,253    | 3,595   | 3,973    | <b>3,887</b>   | 3,965   | 3,678   | 3,595   | 3,973    | <b>3,802</b>             |
| <b>Price</b>   |          |         |          |                |         |         |         |          |                          |
| Natural gas (\$/mcf)                                 |          |         |          |                |         |         |         |          |                          |
| Henry Hub (\$/mmbtu)                                 | 6.97     | 10.25   | 6.95     | <b>9.04</b>    | 5.67    | 5.81    | 6.11    | 6.75     | <b>6.09</b>              |
| U.S.   | 6.38     | 9.33    | 6.33     | <b>8.52</b>    | 5.16    | 5.29    | 5.57    | 6.15     | <b>5.54</b>              |
| International  | 8.19     | 10.14   | 8.19     | <b>9.28</b>    | 9.28    | 9.90    | 10.14   | 8.19     | <b>9.28</b>              |
| Total  | 7.82     | 9.95    | 7.86     | <b>9.13</b>    | 8.54    | 8.90    | 9.09    | 7.83     | <b>8.54</b>              |
| Oil (\$/bbl)   |          |         |          |                |         |         |         |          |                          |
| WTI Cushing  | 90.67    | 117.99  | 59.56    | <b>99.87</b>   | 47.33   | 52.84   | 55.31   | 57.42    | <b>53.22</b>             |
| Worldwide  | 85.04    | 111.48  | 56.27    | <b>95.21</b>   | 44.72   | 49.92   | 52.26   | 54.25    | <b>50.32</b>             |
| Total gas & oil (\$/bbl)                             | 69.49    | 92.71   | 52.41    | <b>79.34</b>   | 47.48   | 51.24   | 53.08   | 51.16    | <b>50.69</b>             |
| NY Harbor 3-2-1 (\$/bbl)                             | 8.19     | 11.84   | 4.64     | <b>9.75</b>    | 3.85    | 5.39    | 4.80    | 1.96     | <b>4.00</b>              |
| <b>Revenue (\$mm)</b>                                |          |         |          |                |         |         |         |          |                          |
| Natural Gas  |          |         |          |                |         |         |         |          |                          |
| U.S.   | 1,246    | 1,545   | 1,048    | <b>5,867</b>   | 836     | 866     | 922     | 1,018    | <b>3,642</b>             |
| International  | 6,248    | 5,619   | 6,248    | <b>24,706</b>  | 6,887   | 5,876   | 5,619   | 6,248    | <b>24,629</b>            |
| Total  | 7,493    | 7,164   | 7,296    | <b>30,573</b>  | 7,723   | 6,742   | 6,541   | 7,266    | <b>28,272</b>            |
| Oil  | 19,693   | 23,496  | 11,861   | <b>82,302</b>  | 9,220   | 10,408  | 11,015  | 11,435   | <b>42,077</b>            |
| Other  | 89,456   | 107,077 | 107,077  | <b>406,023</b> | 107,077 | 107,077 | 107,077 | 107,077  | <b>428,307</b>           |
| Total  | 116,642  | 137,737 | 126,234  | <b>518,897</b> | 124,020 | 124,227 | 124,632 | 125,778  | <b>498,656</b>           |
| <b>Expense (\$mm)</b>                                |          |         |          |                |         |         |         |          |                          |
| Production   | 11,761   | 13,680  | 9,004    | <b>52,407</b>  | 7,963   | 8,060   | 8,251   | 8,789    | <b>33,064</b>            |
| Other  | 83,205   | 99,766  | 100,827  | <b>383,569</b> | 103,484 | 102,586 | 102,227 | 102,047  | <b>410,344</b>           |
| <b>Ebitda (\$mm)</b>                                 |          |         |          |                |         |         |         |          |                          |
| Exploration and Production                           | 15,425   | 16,980  | 10,153   | <b>60,467</b>  | 8,980   | 9,089   | 9,304   | 9,911    | <b>37,285</b>            |
| Other  | 6,250    | 7,310   | 6,250    | <b>22,454</b>  | 3,593   | 4,491   | 4,850   | 5,030    | <b>17,964</b>            |
| Total Ebitda   | 21,675   | 24,291  | 16,404   | <b>82,921</b>  | 12,572  | 13,580  | 14,155  | 14,941   | <b>55,249</b>            |
| Exploration  | 520      | 404     | 404      | <b>1,485</b>   | 404     | 404     | 404     | 404      | <b>1,616</b>             |
| Deprec., Deplet., & Amort.                           | 3,155    | 3,008   | 3,008    | <b>12,210</b>  | 3,008   | 3,008   | 3,008   | 3,008    | <b>12,032</b>            |
| Other non cash                                       | -        | -       | -        | <b>-</b>       | -       | -       | -       | -        | <b>-</b>                 |
| <b>Ebit</b>  | 18,000   | 20,879  | 12,992   | <b>69,226</b>  | 9,160   | 10,168  | 10,743  | 11,529   | <b>41,601</b>            |
| Interest   | 128      | 318     | 318      | <b>873</b>     | 318     | 318     | 318     | 318      | <b>1,272</b>             |
| <b>Ebt</b>   | 17,872   | 20,561  | 12,674   | <b>68,353</b>  | 8,842   | 9,850   | 10,425  | 11,211   | <b>40,329</b>            |
| Income Tax   | 6,255    | 7,196   | 4,436    | <b>23,924</b>  | 3,095   | 3,448   | 3,649   | 3,924    | <b>14,115</b>            |
| <b>Net Income (\$mm)</b>                             |          |         |          |                |         |         |         |          |                          |
| Exploration and Production                           | 8,204    | 9,351   |          |                |         |         |         |          |                          |
| Other  | 3,379    | 4,100   |          |                |         |         |         |          |                          |
| Unallocated  | 34       | (87)    |          |                |         |         |         |          |                          |
| Total  | 11,617   | 13,364  | 8,238    | <b>44,430</b>  | 5,748   | 6,403   | 6,776   | 7,287    | <b>26,214</b>            |
| <b>Shares (millions)</b>                             | 5,454    | 5,160   | 5,160    | <b>5,235</b>   | 5,160   | 5,160   | 5,160   | 5,160    | <b>5,160</b>             |
| Per share (\$)                                       | 2.13     | 2.59    | 1.60     | <b>8.49</b>    | 1.11    | 1.24    | 1.31    | 1.41     | <b>5.08</b>              |
| Ebitda Margin (E&P)                                  | 57%      | 55%     | 53%      | <b>54%</b>     | 53%     | 53%     | 53%     | 53%      | <b>53%</b>               |
| Tax Rate   | 35%      | 35%     | 35%      | <b>35%</b>     | 35%     | 35%     | 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  | 1,930         | 15.7            | 15.0          | 29,000         | 6%      |
| Rest of World Natural Gas   | 13,050        | 15.9            | 8.8           | 115,000        | 23%     |
| Oil   | 22,300        | 10.9            | 10.1          | 226,000        | 46%     |
| Downstream  | 17,960        |                 | 6.9           | 124,000        | 25%     |
|   | 55,240        | 12.9            | 8.9           | 494,000        | 100%    |
| Debt  |               |                 |               |                | 30,000  |
| Net Present Value (\$mm)  |               |                 |               |                | 464,000 |
| Shares  |               |                 |               |                | 5,160   |
| Net Present Value - Standard Estimate (US\$/sh)                             |               |                 |               |                | 90      |
| NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh) |               |                 |               |                | 89      |

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