



Independent Stock Idea

July 30, 2009

rating: buy
s&p 500: 995

Exxon Mobil Corporation (XOM) Upstream Volume Growing

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 6/30/10 (US\$mm)</i>	56,200
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (\$/sh)</i>	70.10	<i>Natural Gas and Oil Production/Ebitda (%)</i>	77
<i>Pricing Date</i>	7/30/09	<i>Adjusted Reserves/Production NTM</i>	12.4
<i>Shares (mm)</i>	4871	<i>EV/Ebitda</i>	6.8
<i>Market Capitalization (\$mm)</i>	341,000	<i>PV/Ebitda</i>	8.5
<i>Debt (\$mm)</i>	42,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	383,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	30.80
<i>Present Value (PV) (\$mm)</i>	476,000	<i>Present Value Proven Reserves(\$/boe)</i>	17.40
<i>Net Present Value (\$/share)</i>	89	<i>Present Value Proven Reserves(\$/mcf)</i>	2.90
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.70
<i>McDep Ratio - EV/PV</i>	0.81	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	2.4	<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

Buy-recommended **ExxonMobil (XOM)** offers unlevered appreciation potential of 22% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of \$89 a share. On July 14 we reduced NPV from \$90 when we reduced estimated Present Value of North American Natural Gas by 20%. Released today, second quarter results were less than our estimate for unlevered cash flow (Ebitda) from three months ago in the downstream segment. Higher oil price was offset by lower natural gas price outside North America in the upstream (see table [Next Twelve Months Operating and Financial Estimates](#)). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table [Functional Cash Flow and Present Value](#)). Downstream operations are depressed currently along with global economic activity (see chart [Downstream Cash Flow](#)). Upstream volume is growing despite seasonality in natural gas (see chart [Volume per Share, Debt-Adjusted](#)). The trend in production cash flow per barrel tells the same story as oil price and global equity prices, which declined last year and appear to be recovering now (see chart [Cash Flow per Barrel](#)). Pointing to possible further gains, futures prices for the next six years for oil crossed the 40-week average into an uptrend at the end of May (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										
	Q2	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Next	
	6/30/08	3/31/09	6/30/09	9/30/09	12/31/09	2009E	3/31/10	6/30/10	Twelve	
									Months	
									6/30/10	
Volume										
Natural Gas (mmcf)										
North America	1,926	1,882	1,892	1,892	1,892	1,890	1,892	1,892	1,892	
Overseas	6,522	8,313	6,121	6,023	8,017	7,115	8,313	6,121	7,115	
Total	8,448	10,195	8,013	7,915	9,909	9,004	10,205	8,013	9,007	
Days	91	90	91	92	92	365	90	91	365	
Oil (mbd)	2,393	2,475	2,347	2,347	2,347	2,379	2,347	2,347	2,347	
Total gas & oil (mmb)	346	376	335	337	368	1,416	364	335	1,405	
Total gas & oil (mbd)	3,801	4,174	3,683	3,666	3,999	3,879	4,048	3,683	3,848	
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	10.93	4.90	3.50	3.78	4.69	4.22	5.65	5.61	4.93	
U.S.	10.42	4.38	3.14	3.39	4.21	3.78	5.07	5.03	4.42	
International	9.90	8.29	5.36	9.58	10.19	8.48	10.55	10.80	10.29	
Total	10.02	7.57	4.84	8.10	9.05	7.49	9.54	9.44	9.06	
Oil (\$/bbl)										
WTI Cushing	123.97	42.96	59.52	67.06	71.33	60.22	73.86	75.58	71.96	
Worldwide	119.28	41.01	56.63	63.80	67.87	57.20	70.28	71.92	68.45	
Total gas & oil (\$/bbl)	97.37	42.80	46.62	58.33	62.27	52.46	64.79	66.37	62.95	
NY Harbor 3-2-1 (\$/bbl)	14.94	9.18	9.49	9.14	5.49	8.32	5.38	8.52	7.13	
Revenue (\$mm)										
Natural Gas										
U.S.	1,826	742	541	590	733	2,606	863	867	3,054	
International	5,876	6,202	2,986	5,308	7,516	22,012	7,894	6,014	26,733	
Total	7,702	6,944	3,526	5,899	8,250	24,619	8,758	6,881	29,787	
Oil	25,976	9,136	12,095	13,777	14,655	49,663	14,845	15,360	58,637	
Other	104,394	47,948	122,450	122,450	122,450	415,299	122,450	122,450	489,801	
Total	138,072	64,028	138,072	142,126	145,355	489,581	146,053	144,691	578,225	
Expense (\$mm)										
Production	16,253	8,791	7,986	10,034	11,682	38,493	12,037	11,343	45,096	
Other	99,910	44,968	120,400	119,097	118,973	403,438	119,471	119,345	476,886	
Ebitda (\$mm)										
Exploration and Production	17,425	7,289	7,635	9,641	11,223	35,789	11,565	10,898	43,328	
Other	4,484	2,980	2,051	3,353	3,478	11,861	2,980	3,105	12,916	
Total Ebitda	21,909	10,269	9,686	12,994	14,701	47,650	14,545	14,003	56,243	
Exploration	339	350	491	491	491	1,823	491	491	1,964	
Deprec., Deplet., & Amort.	3,090	2,793	2,793	2,793	2,793	11,172	2,793	2,793	11,172	
Other non cash						-	-	-	-	
Ebit	18,480	7,126	6,402	9,710	11,417	34,655	11,261	10,719	43,107	
Interest	107	107	107	107	107	428	107	107	428	
Ebt	18,373	7,019	6,295	9,603	11,310	34,227	11,154	10,612	42,679	
Income Tax	6,431	2,457	2,203	3,361	3,959	11,979	3,904	3,714	14,938	
Net Income (\$mm)										
Exploration and Production	10,012	3,503	3,812							
Other	2,245	1,483	879							
Unallocated	(315)	(424)	(599)							
Total	11,942	4,562	4,092	6,242	7,352	22,248	7,250	6,898	27,742	
Shares (millions)										
Per share (\$)	2.27	0.92	0.84	1.28	1.51	4.55	1.49	1.42	5.70	
Ebitda Margin (E&P)	52%	45%	49%	49%	49%	48%	49%	49%	49%	
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	

Please see disclosures on the final page.

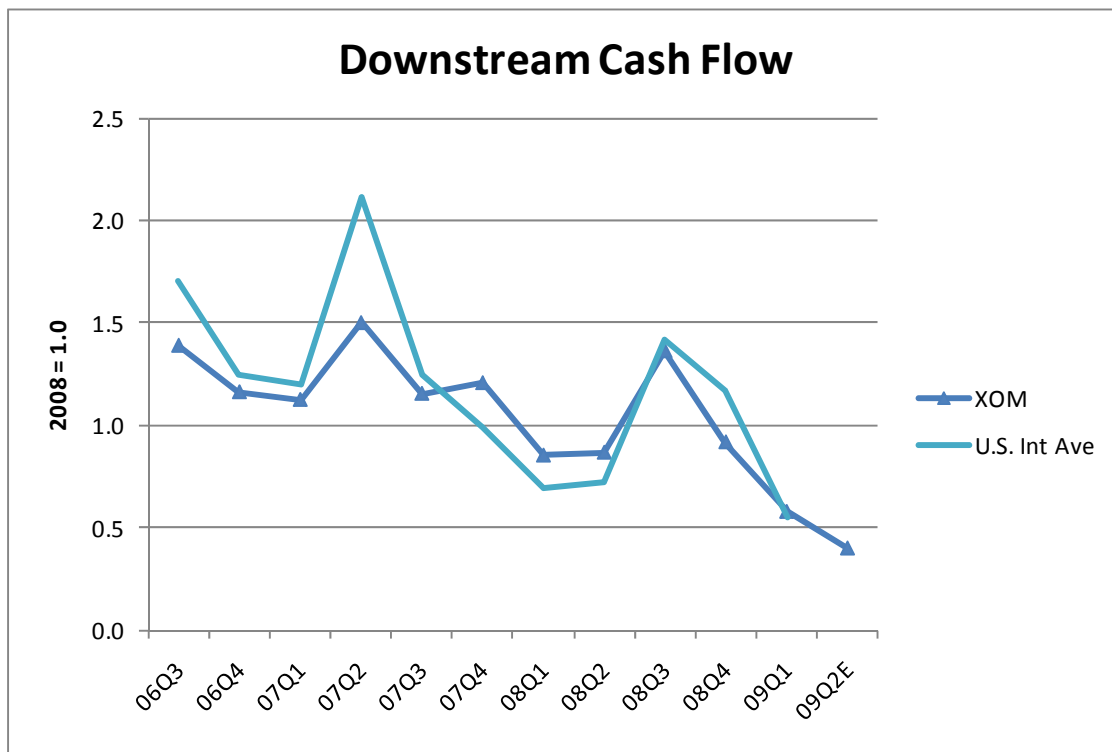
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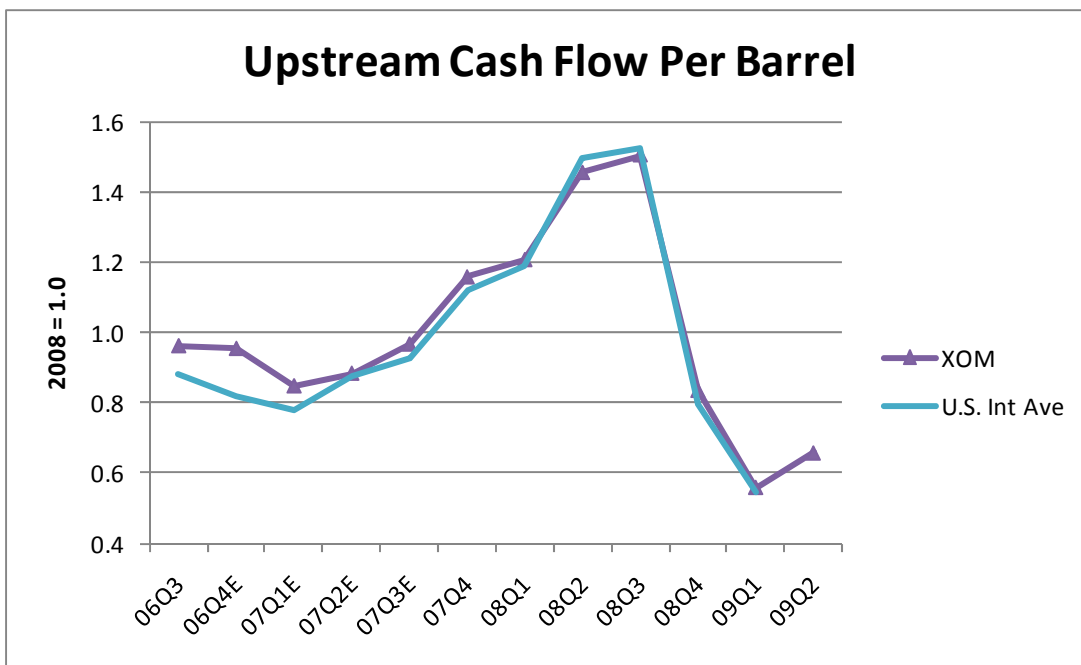
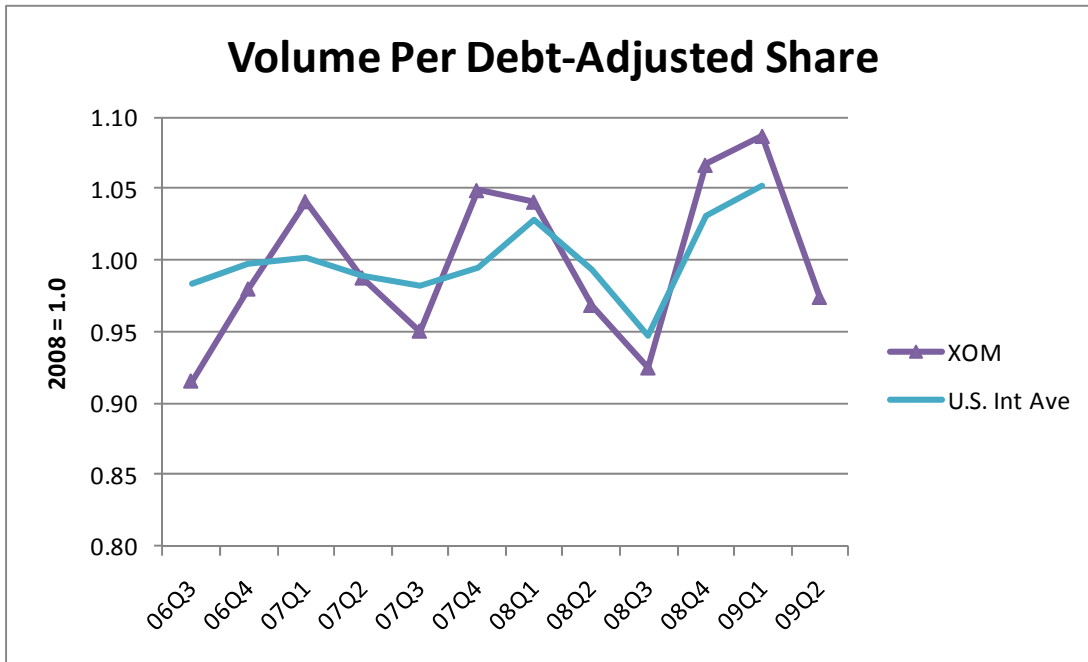
Exxon Mobil Corporation					
Functional Cash Flow and Present Value					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	1,500	16.2	15.3	23,000	5%
Rest of World Natural Gas	13,100	16.6	9.2	120,000	25%
Oil	28,730	9.7	7.8	225,000	47%
Downstream	12,920		8.4	108,000	23%
	56,250	12.4	8.5	476,000	100%
Debt					42,000
Net Present Value (\$mm)					434,000
Shares					4,871
Net Present Value - Standard Estimate (US\$/sh)					89
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					90





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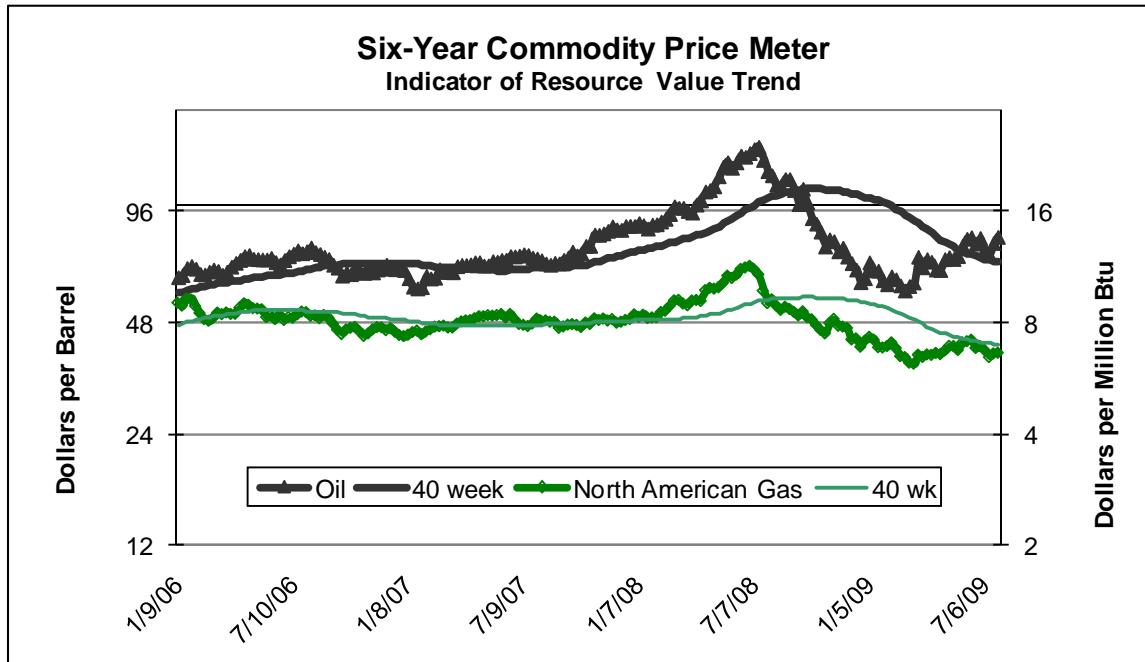
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