

Exxon Mobil Corporation

US Satellite*

Recommended since 30.04.2024

18.11.2024



Country	US	Market capitalization (bn)	USD	528.9	Perf. since reco. (%)	
Sector	Energy	Free float	99.9%		Exxon Mobil Corporation	0.9
Factset	XOM-US	Closing price	USD	119.31	Sector	1.0
ISIN	US30231G1022	ESG Risk score*	43.7	Severe risk		

Profile

Exxon is the world's leading energy company, founded in 1882 by John D. Rockefeller. The group produces more than 4 million barrels of oil equivalent per day. It is composed of three divisions: Upstream, which accounts for around 65% of cash flow and profits, Downstream, which accounts for around 10%, and Chemicals, which accounts for around 25%. The group employs 62,000 people and operates mainly, excluding in the United States, in Brazil and Guyana in South America.

Strengths/opportunities

- Strong positions and visible growth to 2027
- Nearly debt-free balance sheet and financial flexibility
- Shareholder return (dividend and share buybacks)

Weaknesses/threats

- Effective synergies from Pioneer Resources acquisition
- ESG controversies

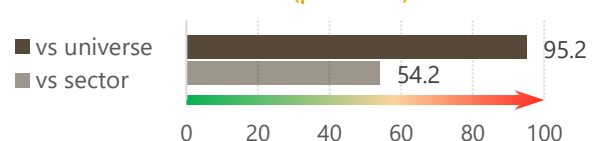
Investment case

- Like all the energy majors, Exxon has generated a high level of free cash flow in recent years. For example, on the US market, the Energy sector has a free cash flow to capitalisation ratio that is twice that of the market as a whole. This is reflected in a virtually debt-free balance sheet (net debt represents around one quarter of free cash flow) and significant financial flexibility.
- As a result, the Group is committed to 1- an attractive shareholder policy (dividend and share buybacks), 2- sustained organic growth by 2027, through major projects in Guyana in particular, and 3- the integration of one of the biggest acquisitions of the decade : Pioneer Resources, a major player in shale oil in the Permian Basin, the most prolific basin in the United States, where the Group was already present. This should translate into double-digit compound annual growth in profits over the coming years, which in our view is not fully reflected in the share price.
- In terms of ESG, the Group has changed its stance and its message. Its specific methane emissions have been reduced by 60% since 2016; \$20bn of 2022-27 investment has been earmarked for reducing emissions from the resources it produces; and Exxon is working on CO2 capture technologies and, with the acquisition of Denbury Resources, has become the owner of CO2 transport pipelines in the southern United States, with a transport capacity of 100 MtCO2/year.

Valuation

The stock is trading at a PEfwd of 14.8x compared with an average of 15x pre-Covid 2010-2019 vs average EPS growth expected to be higher than 10%. On this basis, we are targeting \$140.

ESG risk vs. universe & sector (percentile)*



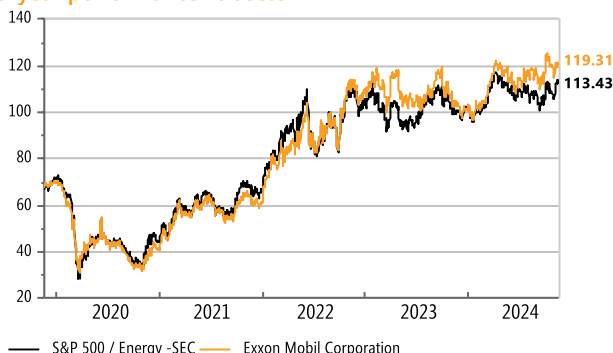
USD	12/2023	2024e	2025e
Sales revenue (mio)	333 711	354 717	349 405
Sales growth	-16.7%	6.3%	-1.5%
EBIT adjusted (mio)	43 396	47 723	46 925
% of sales	13.0%	13.5%	13.4%
Net income (mio)	36 010	34 101	34 655
Net income growth	-35.4%	-5.3%	1.6%
FCF/Sales	10.0%	8.8%	9.8%
Net debt/Ebitda	0.3x	0.2x	0.2x
Dividend yield	3.3%	3.2%	3.3%
PE	11.3x	15.0x	14.7x
P/BV	2.3x	1.9x	1.9x

Factset estimates

ESG - risks and key points

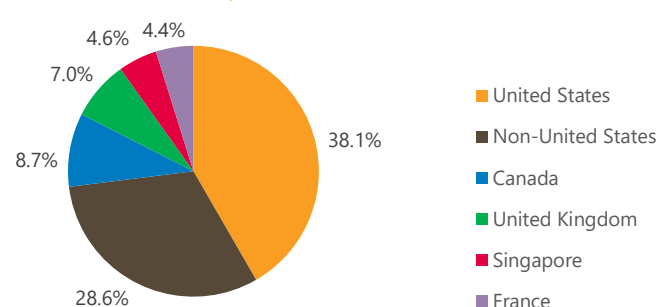
- Exxon is materially exposed to ESG risks, due to its oil activities (offshore drilling in particular), its petrochemical activities and its operations in certain countries prone to instability.
- Although the company and its management have a solid rating in terms of their ability to manage these risks, the residual and/or non-manageable risks lead to a risk score of 41, i.e. the 'severe' category.

5-year performance vs sector



Source: Factset

Sales breakdown - 12/2023



*: see overleaf

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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