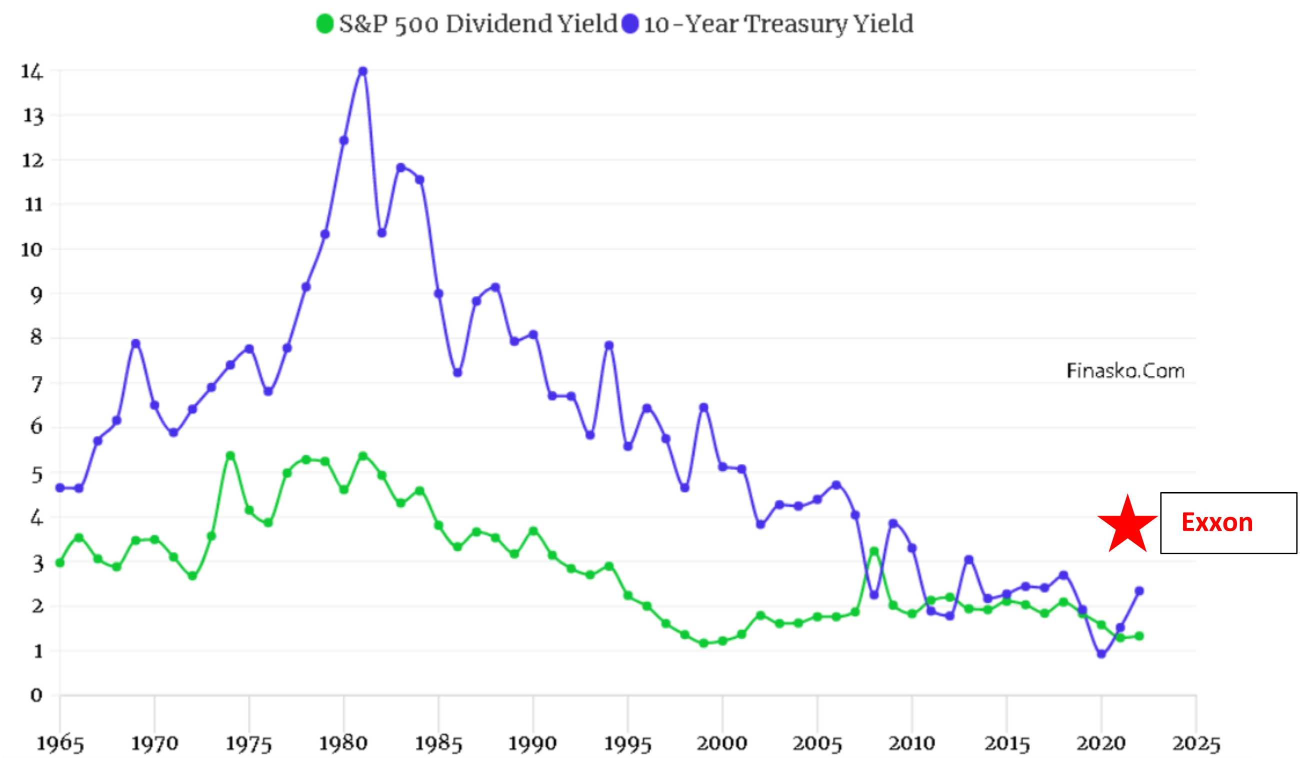
Inside Exxon Mobil: Last Quarter's Progress

May 18, 2022

Exxon continued its good work from 2021 into the first quarter of this year, generating revenue a whopping 53% above last year. The market has strong supply and demand scenarios in almost every business that Exxon is in. Brent oil increased 27% over the quarter. Natural gas prices are above 10-year historical ranges. Refining margins are near the top of historical ranges due to the closing of old refineries and delay in construction of new refineries during the pandemic. The only business segment that struggled this past quarter was Chemicals in Asia, a localized geographic problem due to steep increases in fees and the cost of energy. However, Exxon has other aspects of its Chemicals business that helped offset this weakness.

During the pandemic, Exxon tried to maintain as high a level of investment as possible in anticipation of demand returning faster than expected. This strategy has paid off, as it remains on track to increase its Permian production by 25% this year versus 2021 and is ramping production up of its second phase of its Guyana project ahead of schedule. Also during the pandemic, management anticipated that inflation might be in the cards for the economy as it returns to normal, so locked in long term contracts with suppliers. When asked how inflation was affecting the company, CEO Woods' kept repeating, "right now, we are able to manage this pressure extremely well, thanks to our actions a couple years ago. Of course we are not immune to inflation, but the impact has so far been fairly tame". At the end of the quarter, Exxon announced a combination of its Downstream and Chemicals businesses into one business called Product Solutions. It will focus on creating high-value lubricants and other products. This action should further help reduce operational inefficiencies and costs and help offset inflation.

Exxon announced a threefold increase in its share repurchase program from $10 to $30 billion by the end of 2023. This would buy back almost 9% of the company in less than 2 years. Combined with its healthy dividend (near 4% is above the average dividend for the S&P 500), one of the best reasons to hold Exxon as a stock is for its commitment to shareholder returns. This past quarter showed Exxon continuing to transform its business into the best business it can be, both for providing energy to the world at the right time and place, and for rewarding its investors along the way.


S&P 500 Dividend Yield
10-Year Treasury Yield
14
13
12
11
10
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1965
1970
1975
1980
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