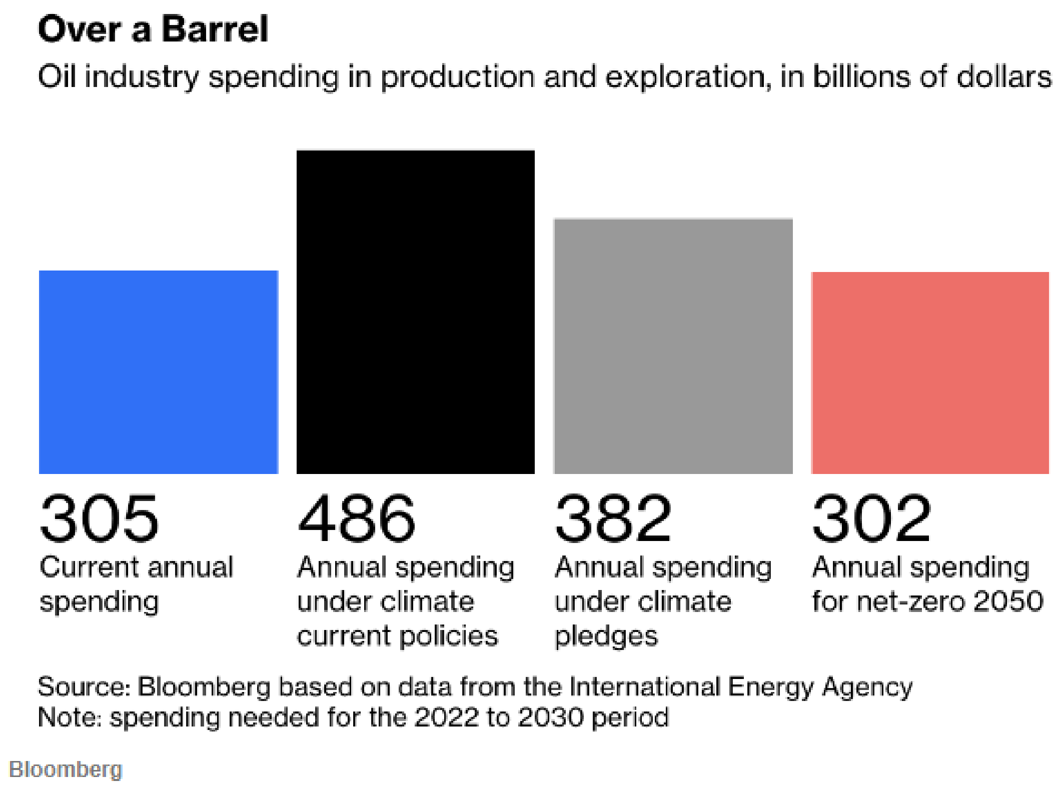
Inside Exxon Mobil: Last Quarter's Progress

Feb. 9, 2023

Exxon finished out its outstanding 2022 with strong results yet again, posting revenue of $95 billion, up 12% and surpassing expectations. For the full year, it earned almost $56 billion in net income, becoming the most profitable year since Exxon merged with Mobil back in 1999. The company brought in more revenue during the shale oil boom from 2011-2013, but never passed $50 billion in net income during those years. Profit margin was 10% in 2012 and 14% in 2022, thanks to Darren Woods' program of cost cutting moves and portfolio transformation during the past decade. Exxon recorded $6.9B in structural cost savings versus 2019, well on its way to its goal of $9 billion in savings by the end of this year.

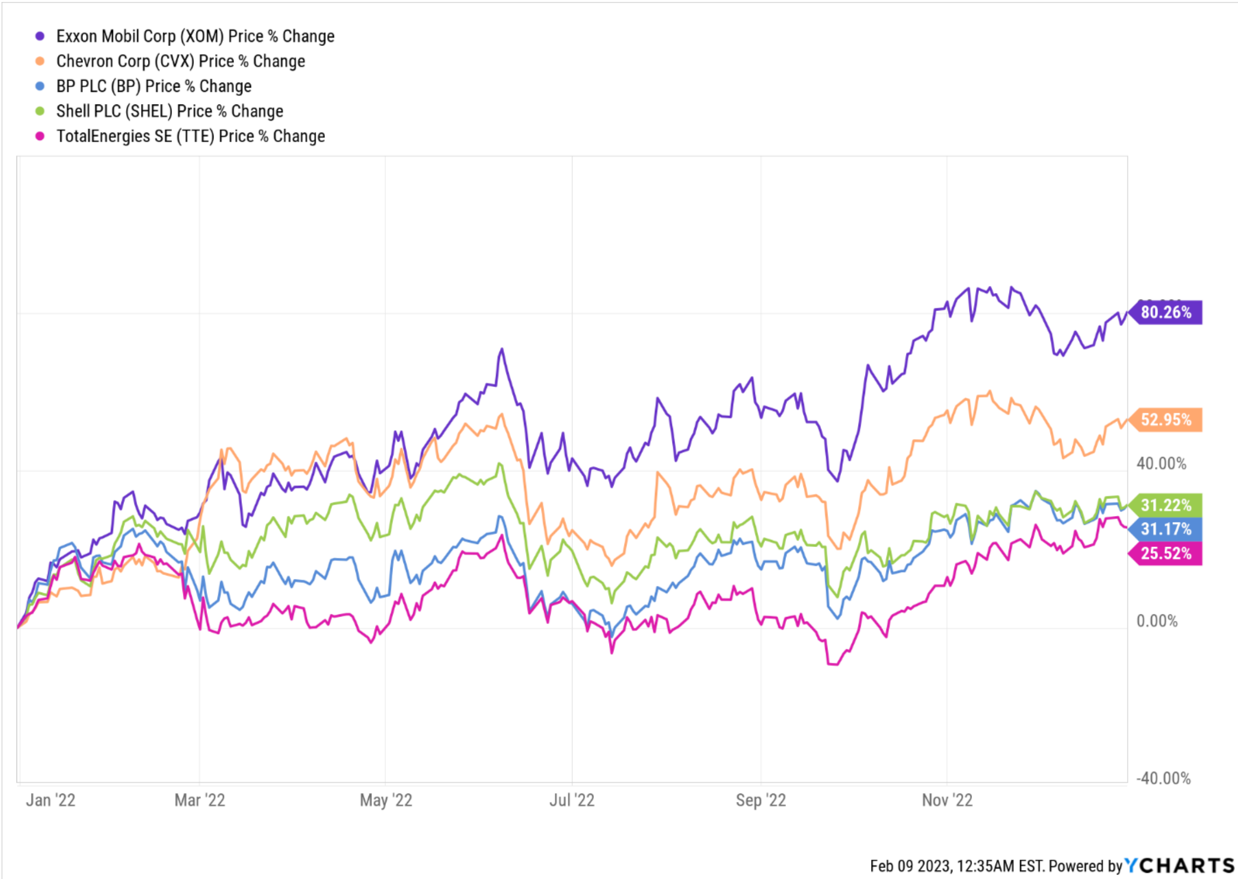
It also continues to "high-grade" its assets. It sold over $5 billion of assets it deemed too expensive to stay in its portfolio this past year. The philosophy is one of "we can't predict the cycles or the timeframe of where the market will go, but we can control the cost of the barrels we're bringing on and make sure they are lower cost than our competitors." This means getting rid of non-core, higher cost oil assets and focusing its growth on its lowest cost projects, specifically in the Permian and Guyana. Production in both of these areas grew 30% from last year. In Guyana, it started its Phase 2 project ahead of schedule, and both Phase 1 and 2 are producing more than initially expected. The Permian expansion is going according to plan, on track to hit 1 million barrels per day by 2027, up from around 600,000 barrels per day today.

Exxon increased its 2023 spending budget back to pre-pandemic levels, which was always on the higher end compared to competitors. Global spending on exploration and production still hits below what is needed to meet the world's future energy needs. According to the IEA, we need $486 billion in annual spending to meet demand under current energy policies. In 2022, that number was $305 billion, a massive shortfall.



Events that happened in the oil and natural gas markets in 2022 brought to light the fact that the world cannot immediately transition to zero carbon solutions. It's becoming evident to more and more people and politicians that oil and gas will remain a large part of our energy picture for decades. Exxon has known this for awhile, and its actions today are making it clear that it wants to be a part of both solutions. It's not an "either/or" for Exxon, it's an "and". It can meet the world's needs with oil and gas *and* reduce emissions *and* invest in low carbon solutions.

For a while now, the European oil majors have pivoted more towards renewables and away from oil and gas, while the American majors have stayed committed to both. Here's the 2022 stock performance of each company, showing the 2 American firms greatly outperforming the 3 European companies. We're happy we're with Exxon and expect more outperformance in the years to come.


Exxon Mobil Corp (XOM) Price % Change
Chevron Corp (CVX) Price % Change
BP PLC (BP) Price % Change
Shell PLC (SHEL) Price % Change
TotalEnergies SE (TTE) Price % Change
80.26%
52.95%
40.00%
31.22%
31.17%
25.52%
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Jan '22
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