Inside Exxon Mobil: Last Quarter's Progress

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Exxon reported its strongest quarter since mid-2018, helped by strong oil and gas prices and improving demand. For the past couple of years, Exxon has been laser focused on restructuring its business to be more profitable at lower oil prices. That focus appears to be paying off now. Although revenue increased a healthy 60% from a year ago, hitting numbers not seen since 2018, its profitability surpassed that of 2018's prior peak. Since 2019, Exxon has lowered its costs by $4.5 billion, on track to hit its goal of $6 billion in savings by the end of 2022. CEO Darren Woods emphasized that its focus on efficiency and lowering costs is a main reason it's raking in cash this quarter (besides the obvious help from oil prices). It generated enough cash to pay off an extra $4 billion in debt, helping return its debt levels to pre-pandemic levels, where it issued debt rather than cut its dividend. It also announced a $10 billion share repurchase program over the next 1 – 2 years.

Other operational highlights from the quarter include:

- Permian oil production averaged 500,000 barrels per day, over 50,000 barrels per day over its estimate for the quarter due to efficient production.
- Improved refining conditions in its Downstream segment. Demand increasing, refining utilization up 5% from 3 months ago.
- 2 new discoveries in Guyana increase its estimated resource base to 10 billion barrels. In total, 3 Guyana projects are supposed to add an additional 500,000 barrels per day to Exxon's production.
- It announced plans to spend $15 billion on emission reduction projects over the next 5 years.

This quarter's results showed that Exxon is well on its way towards its 2025 goal of more than doubling its 2019 earnings by 2025, as shown below. That doubling in profits will happen at an oil price of only $60—well below today's $85. This quarter really showed how effective Exxon has been at handling the oil industry crises of the last few years, and setting itself up for remarkable returns in the next few years.