

Inside Exxon Mobil: Last Quarter's Progress

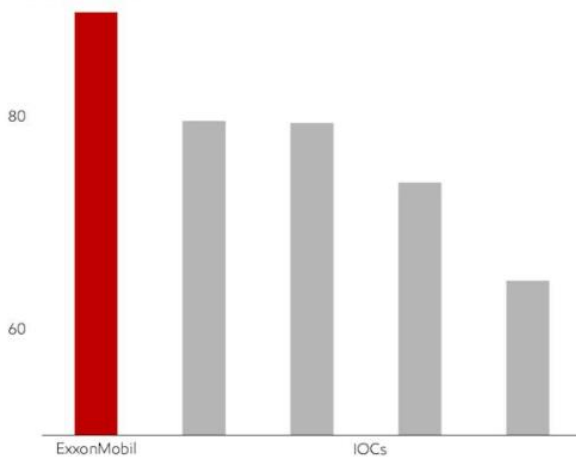
Aug. 4, 2022

Exxon had a homerun quarter. It achieved a record in earnings, with revenue hitting levels not seen in a decade. The combination of higher oil prices, higher gas prices, higher refining margins and continued discipline in cost controls supported a 70% revenue growth.

Besides “good timing” of high oil and gas prices helping Exxon make money this year, the actions management has taken in the past 5 or 6 years have really set them up for these great results. From 2017 through 2019, when oil companies were the black sheep of the stock market, Exxon was constantly criticized for its high level of spending on exploration and development. Even through these past couple COVID years, while Exxon did cut back on spending, it raised debt in order to keep up a certain level of spending. CEO Darren Woods and his team could see the fundamentals clear as day: a global lack of investment which will lead to tight supply and a growing demand scenario that, despite well intentioned efforts at a green revolution, will not subside anytime soon.

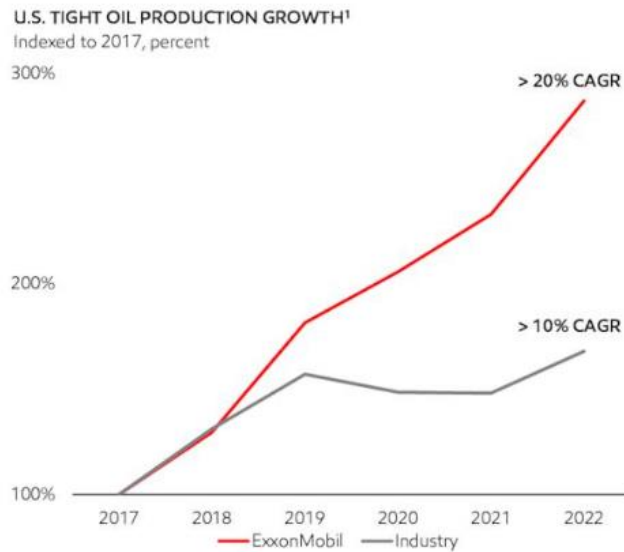
EXXONMOBIL LEADS ALL PEERS IN OIL AND GAS INVESTMENT

INVESTMENT IN EXPLORATION AND DEVELOPMENT¹
2017-2021, Billions USD



- ExxonMobil invested more than twice its Upstream earnings to develop oil and gas resources
 - \$90 billion invested versus \$38 billion earned between 2017 and 2021
- In 2020, we invested ~\$13 billion, despite losing \$20 billion in our Upstream business
- Continued investment through the pandemic enabled us to ramp up supply when demand returned in 2021

These investments are paying off now. Overall production for the quarter increased 4%, and Permian production increased 130,000 barrels of oil per day, on track for a 25% increase for the year and far outpacing its peers. Its other major investment, Guyana, performed better than expected too, with its Phase 1 producing above design capacity.



Given the rise of the price of gas this year, there are many calls on large oil companies to help the situation. As Woods points out, it takes many months to years for an investment action taken today to produce oil. Exxon is doing all it can to help in the meantime. Along with rising production from actions taken over the past 5 years, Exxon is expanding its refining capacity by 250,000 barrels a day in its Beaumont, TX refinery. During the pandemic, 3 million barrels a day of refining capacity was shuttered. This lack of capacity led to sky high prices today. In the next 2 years, only 1 million barrels a day of refining capacity is expected to come back online, including Exxon's 250,000.

Exxon's 2022 has been a tale of a company which, when it wasn't the popular choice, made difficult decisions that went against the grain, and is reaping those benefits now.