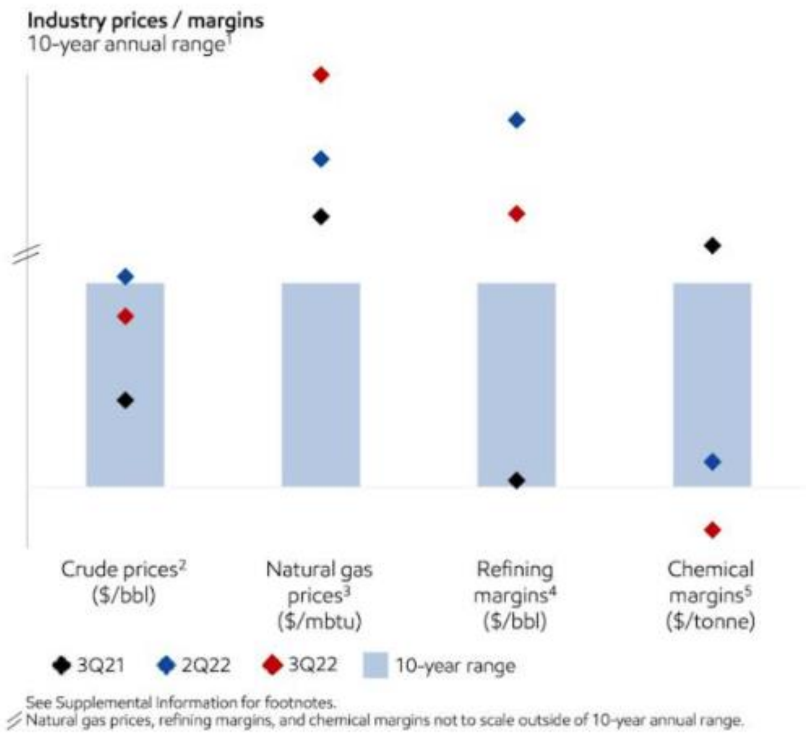
Inside Exxon Mobil: Last Quarter's Progress

Nov. 8, 2022

Yet another outstanding quarter for Exxon Mobil brought revenue growth of 52% and bottom line growth of 181%. This growth was mostly caused by higher natural gas prices and higher refining margins. The below graph shows the big picture pretty well.



The red diamond is this past quarter. Crude oil prices dipped a bit back into the shaded portion that represents 10-year historical ranges. Chemical margins were fairly weak due to continued China COVID restrictions and softer demand globally. Refining margins dropped from last quarter but remain strong, and that business hit record volumes as refinery production hit its highest quarterly level since 2008. The sky high natural gas price diamond is really what drove Exxon's overperformance. In the US, natural gas averaged $8.38 per metric cubic foot compared to $3.33 a year ago. In Europe, natural gas prices are up almost 250% from a year ago due to the fracture with Russia and its supply of natural gas to the European market. CEO Darren Woods doesn't expect the natural gas market to straighten itself out for another 3 years or so.

Exxon's crude oil production increased by 50,000 barrels of oil a day, showing 0 bringing more supply online to help out consumers. Its two most profitable oil locations, the Permian and Guyana, both succeeded this quarter. The Permian hit 560,000 barrels per day, on track for 20% production growth from 2021, which itself had 25% production growth from 2020. In Guyana, the first 2 phases of Exxon's decade long production plan are exceeding design capacity, and Exxon just announced 2 more successful discoveries. Finally, it achieved first production on its floating LNG project in Mozambique.

Exxon announced a dividend increase and remains on track with its share repurchase plan of $30 billion by 2023, buying back almost $11 billion of stock so far in 2022. It's investing back into its business to grow production to meet the world's energy needs and in low carbon solutions t0000o help through the energy transition. The restructuring that it started in 2018 continues, making its businesses more efficient and lowering costs.

Exxon set itself up for today's spectacular results by spending heavily on future energy production when times were bad: an action which cut profits from those "low" levels to "even lower." CEO Woods took plenty of criticism for that, but of course he was right. He was entitled to a little satisfaction as he said, "Where others pulled back in the face of uncertainty and a historic slowdown, retreating and retrenching, this company moved forward, continuing to invest and build to help meet the demands we see today and position the company for long-term success in each of our businesses."