

## ***Inside Exxon Mobil: Last Quarter's Progress***

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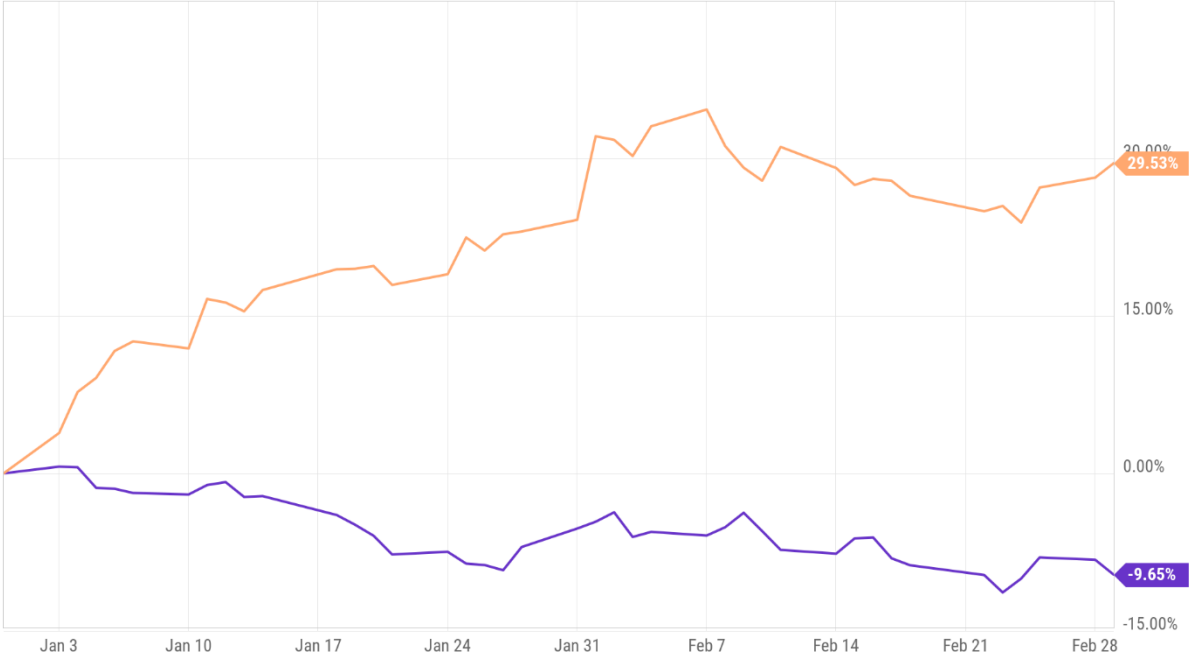
Exxon experienced a remarkable turnaround from 2020 to 2021. Coming off the worst oil price decline in recent history, it went from a \$5 per share loss in 2020 to a \$5 per share gain in 2021 and generated the highest free cash flow since 2012. That cash generation is especially impressive because it happened on a smaller amount of revenue than most of the years in the past decade. Exxon's aggressive restructuring plan since 2019 has paid off. It has created \$5 billion in annual savings since 2019 and is on track to exceed its goal of \$6 billion by 2023. CEO Darren Woods explains the restructuring as: "We took the best thinking in each of our businesses and rolled it out across the whole organization. That ended up eliminating a lot of duplicate programs, saving us a lot of money."

Operationally, its Permian (shale) production and its Chemicals business continue to be highlights. In the Permian, production increased 25% from 2020 and an additional 25% growth is expected in 2022. The technological improvements in drilling and managing its oil reservoirs spearheads this growth. In Chemicals, Exxon focuses on its "high performance products" and has plans on doubling that revenue by 2025. It acquired Materia, a company that owns Nobel prize-winning technology for manufacturing materials that are stronger, lighter, and more durable than current materials. These hydrocarbon-based materials can be used in wind turbine blades, in electric vehicles, and in more sustainable construction. As more companies are trying to hit lower emissions goals, these products will be more and more important over the years.

Exxon's management has not had the easiest job the last few years. They have been criticized for not cutting the dividend during the height of the pandemic and raising the debt level instead; they've had to restructure the business to become more cost effective and appeal to more shareholders; and they've been campaigned against by activist investors for "insufficient" action in the green energy movement. This past year has shown major milestones hit in each of these "problem" areas. Exxon raised its dividend and has already paid off 95% of the debt it raised in 2020. Its restructuring has resulted in better than expected cash flows. It created a low carbon business segment and has hit its emissions reduction targets earlier than planned, showing its commitment to be a part of the future change in energy sources. The energy sector has been among the lowest performing sectors in the S&P 500 for many years. Last year it became the best performing sector. As the chart below shows, Exxon looks set to continue that trend.

### 2022 Stock Growth: Exxon Mobil vs. S&P 500

- S&P 500 Level % Change
- Exxon Mobil Corp Price % Change



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