



Independent Stock Idea

October 30, 2008

rating: hold
s&p 500: 954

Exxon Mobil Corporation (XOM) Building Value with Stock Repurchase

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 9/30/09 (US\$m)</i>	65,400
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (\$/sh)</i>	75.05	<i>Natural Gas and Oil Production/Ebitda (%)</i>	66
<i>Pricing Date</i>	10/30/08	<i>Adjusted Reserves/Production NTM</i>	12.9
<i>Shares (mm)</i>	5160	<i>EV/Ebitda</i>	6.4
<i>Market Capitalization (\$mm)</i>	387,000	<i>PV/Ebitda</i>	7.6
<i>Debt (\$mm)</i>	34,000	<i>Undeveloped Reserves (%)</i>	38
<i>Enterprise Value (EV) (\$mm)</i>	421,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	30.90
<i>Present Value (PV) (\$mm)</i>	498,000	<i>Present Value Proven Reserves(\$/boe)</i>	14.80
<i>Net Present Value (\$/share)</i>	90	<i>Present Value Proven Reserves(\$/mcf)</i>	2.50
<i>Debt/Present Value</i>	0.07	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.42
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	2.1	<i>Indicated Annual Dividend (US\$/sh)</i>	1.60
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of XOM since 2001 see www.mcdep.com/1xom.htm			

Summary and Recommendation

Hold-rated **ExxonMobil (XOM)** offers unlevered appreciation potential of 18% to estimated net present value (NPV) of \$90 a share. On October 28, we reset NPV from \$118 a share on the basis of a long-term oil price assumption of \$75 a barrel, down from \$100. Patience may be necessary as XOM stock price remains below the 200-day average of \$84. Released today, third quarter results displayed strength in unlevered cash flow (Ebitda) driven by crude oil and natural gas prices. Futures prices now look lower for the next four quarters (see table [Next Twelve Months Operating and Financial Estimates](#)). Downstream operations, 25% of NPV, are beating the industry trend (see chart [Oil and Gas Downstream Cash Flow](#)). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table [Functional Cash Flow and Present Value](#)). Stock repurchase is continuing at the rate of about 2% a quarter (see chart [Common Shares Outstanding](#)). Rather than risk spending on marginal projects where governments, including Alaska and Alberta, jack up the tax rate after the company invests, recycling the funds into the economy is more efficient and thereby better for the general welfare and for investors.

Kurt H. Wulff, CFA



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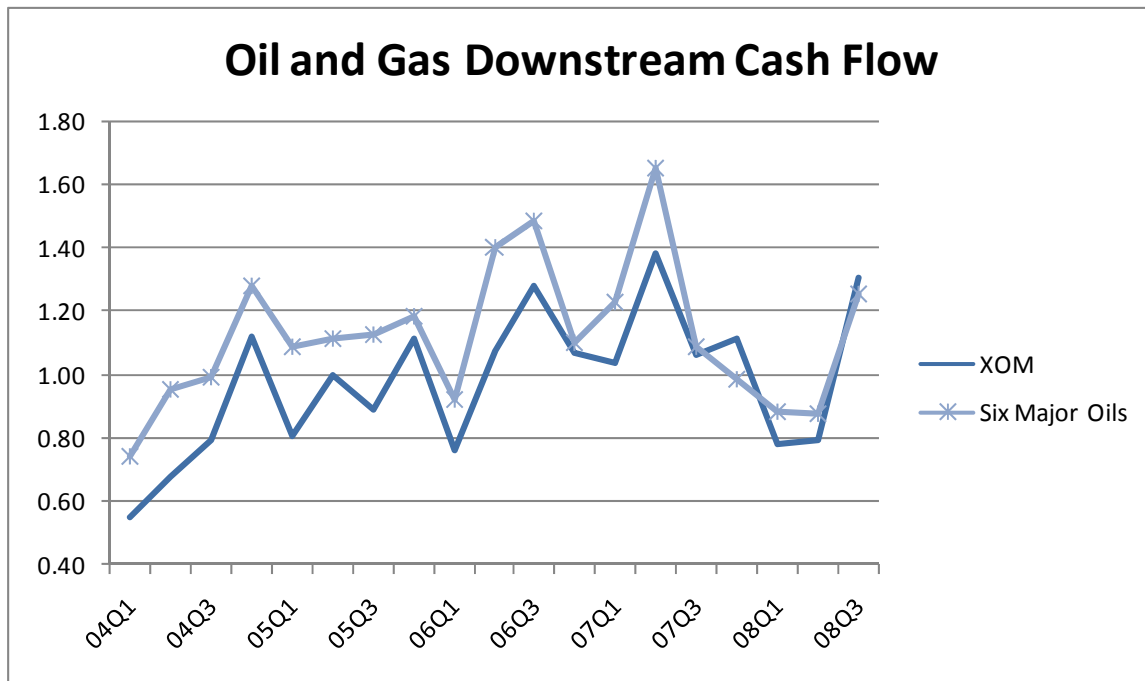
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Exxon Mobil Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/07	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	9/30/09	9/30/09
Volume									
Natural Gas (mmcf)									
North America	2,171	1,926	1,800	1,800	1,886	1,800	1,800	1,800	1,800
Overseas	6,131	6,522	6,023	8,292	7,290	8,246	6,522	6,023	7,267
Total	8,302	8,448	7,823	10,092	9,176	10,046	8,322	7,823	9,067
Days	92	91	92	92	366	90	91	92	365
Oil (mbd)	2,536	2,393	2,291	2,291	2,362	2,291	2,291	2,291	2,291
Total gas & oil (mmb)	361	346	331	366	1,423	357	335	331	1,388
Total gas & oil (mbd)	3,920	3,801	3,595	3,973	3,887	3,965	3,678	3,595	3,802
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.16	10.93	10.25	6.65	8.96	6.65	6.67	6.97	6.73
U.S.	5.79	10.42	9.33	6.05	8.45	6.06	6.07	6.35	6.13
International	6.16	9.90	10.14	8.19	9.28	9.28	9.90	10.14	9.28
Total	6.06	10.02	9.95	7.81	9.11	8.70	9.07	9.27	8.66
Oil (\$/bbl)									
WTI Cushing	75.48	123.97	117.99	67.52	101.86	64.23	65.80	67.22	66.19
Worldwide	71.45	119.28	111.48	63.79	97.04	60.69	62.17	63.51	62.55
Total gas & oil (\$/bbl)	59.07	97.37	92.71	56.62	80.42	57.11	59.25	60.64	58.34
NY Harbor 3-2-1 (\$/bbl)	12.64	14.94	11.84	5.71	10.02	5.31	10.44	8.40	7.47
Revenue (\$mm)									
Natural Gas									
U.S.	1,156	1,826	1,545	1,002	5,820	981	995	1,051	4,029
International	3,475	5,876	5,619	6,248	24,706	6,887	5,876	5,619	24,629
Total	4,631	7,702	7,164	7,250	30,526	7,868	6,870	6,670	28,659
Oil	16,670	25,976	23,496	13,446	83,886	12,513	12,962	13,387	52,307
Other	81,036	104,394	107,077	107,077	406,023	107,077	107,077	107,077	428,307
Total	102,337	138,072	137,737	127,773	520,436	127,458	126,909	127,133	509,273
Expense									
Production	9,220	16,253	13,836	9,727	53,287	9,579	9,321	9,427	38,054
Other	75,056	99,910	99,739	100,827	383,541	102,667	102,593	99,739	405,825
Ebitda (\$mm)									
Exploration and Production	12,081	17,425	16,824	10,969	61,126	10,802	10,511	10,630	42,912
Other	5,981	4,484	7,338	6,250	22,482	4,410	4,484	7,338	22,482
Total Ebitda	18,062	21,909	24,162	17,219	83,607	15,212	14,995	17,968	65,394
Exploration	351	339	404	404	1,485	404	404	404	1,616
Deprec., Deplet., & Amort.	3,159	3,090	3,090	3,090	12,374	3,090	3,090	3,090	12,360
Other non cash				-	-	-	-	-	-
Ebit	14,552	18,480	20,668	13,725	69,748	11,718	11,501	14,474	51,418
Interest	73	107	107	107	451	107	107	107	428
Ebt	14,479	18,373	20,561	13,618	69,297	11,611	11,394	14,367	50,990
Income Tax	5,068	6,431	7,196	4,766	24,254	4,064	3,988	5,028	17,846
Net Income (\$mm)									
Exploration and Production	6,299	10,012	9,351						
Other	3,203	2,245	4,100						
Unallocated	(91)	(315)	(87)						
Total	9,411	11,942	13,364	8,852	45,043	7,547	7,406	9,338	33,143
Shares (millions)	5,536	5,261	5,160	5,160	5,234	5,160	5,160	5,160	5,160
Per share (\$)	1.70	2.27	2.59	1.72	8.61	1.46	1.44	1.81	6.42
Ebitda Margin (E&P)	57%	52%	55%	53%	53%	53%	53%	53%	53%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

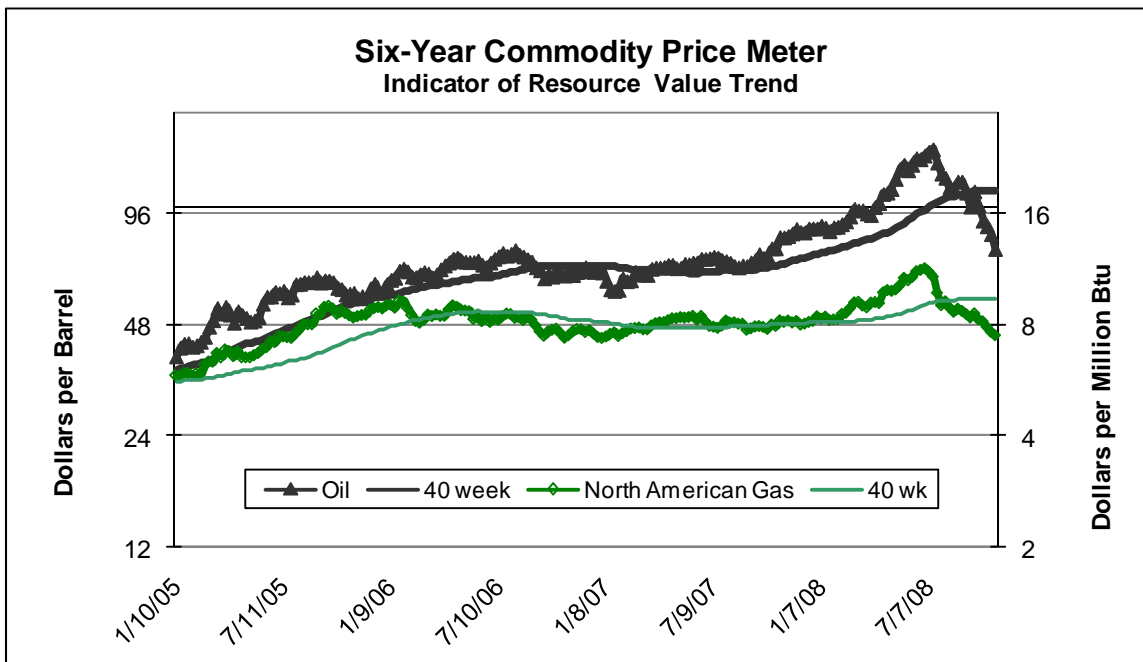
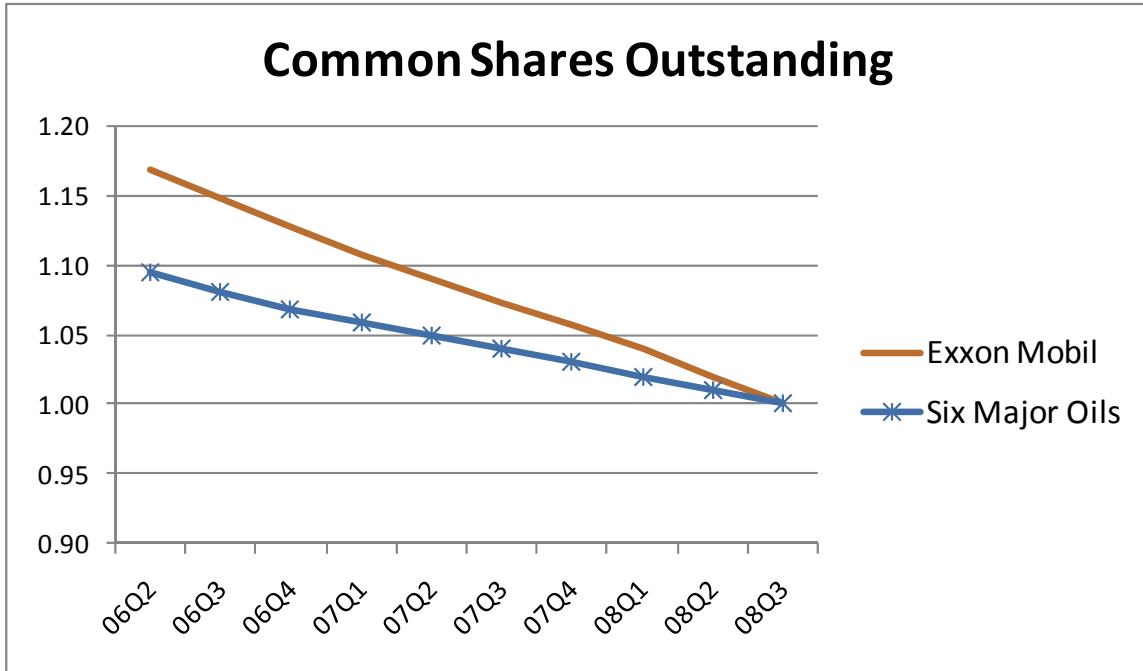


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Exxon Mobil Corporation					
Functional Cash Flow and Present Value					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	2,140	15.7	13.6	29,000	6%
Rest of World Natural Gas	13,050	15.9	8.8	115,000	23%
Oil	27,720	10.9	8.3	230,000	46%
Downstream	22,480		5.5	124,000	25%
	65,390	12.9	7.6	498,000	100%
Debt					34,000
Net Present Value (\$mm)					464,000
Shares					5,160
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					91





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