COMPANY PROFILE

Exxon Mobil Corporation

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COMPANY OVERVIEW

Exxon Mobil Corporation (Exxon Mobil or “the company”) is an integrated oil and gas company that is involved in the exploration and production of crude oil and natural gas, manufacture of petroleum products, and transportation and sale of crude oil, natural gas, and petroleum products. The company also manufactures and markets commodity petrochemicals, including olefins, aromatics, polyethylene and polypropylene plastics and a wide range of specialty products. Exxon Mobil markets its products under Exxon, Mobil, Esso and Mobil 1 brands. The company operates in the Americas, Europe, Africa, the Middle East, and Asia Pacific. Exxon Mobil is headquartered in Irving, Texas, the US.

The company reported revenues of (US Dollars) US$237,162 million for the fiscal year ended December 2017 (FY2017), an increase of 18.2% over FY2016. In FY2017, the company’s operating margin was 5.1%, compared to an operating margin of 0.5% in FY2016. In FY2017, the company recorded a net margin of 8.3%, compared to a net margin of 3.9% in FY2016.

The company reported revenues of US$65,436.0 million for the first quarter ended March 2018, an increase of 28.7% over the previous quarter.

KEY FACTS

Head Office	Exxon Mobil Corporation 5959 Las Colinas Boulevard Irving Texas Irving Texas USA
Phone	1 972 9406000
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Web Address	corporate.exxonmobil.com
Revenue / turnover (USD Mn)	237,162.0
Financial Year End	December
Employees	69,600
New York Stock Exchange Ticker	XOM

SWOT ANALYSIS

Exxon Mobil Corporation (Exxon Mobil or “the company”) is an integrated oil and gas company involved in the exploration and production of crude oil and natural gas; manufacture of petroleum products; and transportation and sale of crude oil, natural gas, and petroleum products. Diversified geographic revenue stream, extensive upstream and downstream operations and robust R&D capabilities provide competitive strengths to the company, whereas increasing financial leverage and litigation and contingencies remain the areas of concern. In the future, economic conditions, supply-related risks and environmental regulations could affect the performance of Exxon Mobil. However, rising global energy demand, strategic acquisitions and growth initiatives provide growth opportunities to the company.

Strength	**Weakness**
Diversified geographic revenue stream Extensive upstream and downstream operations Robust R&D capabilities	Litigation and contingencies Increasing financial leverage
Opportunity	**Threat**
Strategic acquisitions Rising global energy demand Growth initiatives	Supply-related risks Economic conditions Environmental regulations

Strength

Diversified geographic revenue stream

Exxon Mobil has wide presence across various regions. The company's revenue stream is diversified in terms of geographies. Exxon Mobil divides its geographic divisions as US and non-US. The non-US region covers Canada, the UK, Belgium, Italy, France, Singapore, Germany, and other countries. In FY2017, the company generated 34.6% of its total sales and operating revenues from the US, its core market. Revenues from the UK accounted for 7%, Canada 8.5%, Italy 4.8% and Belgium 5.8%, of the total sales and operating revenues. Moreover, France, Singapore, Germany, and other countries accounted for 4.7%, 4.9%, 3.6% and 26.1% of the total sales and operating revenues respectively. The company's global operations and regional brand identity gives it competitive advantage and also indicates that the company has a wider scope in increasing its revenues by utilizing its global presence. Furthermore, its worldwide presence reduces exposure to economic conditions or political stability in any one country or region.

Extensive upstream and downstream operations

Exxon Mobil has extensive upstream and downstream operations. The company's upstream segment explores for and produces crude oil and natural gas. The company's upstream business includes exploration, development, production, natural gas marketing activities. In the US, the exploration and development are carried out primarily in the Permian Basin of West Texas and New Mexico, the Bakken oil play in North Dakota. In addition, gas development activities were carried out in the Marcellus Shale of Pennsylvania and West Virginia, the Utica Shale of Ohio, the Haynesville Shale of Texas and Louisiana A total of 0.8 million net acres were held at year-end 2017 and 2.3 net exploration wells were completed during FY2017. The company's downstream segment is involved in manufacturing and selling petroleum products. Exxon Mobil's downstream operations refine and distribute products derived from crude oil and other products. The company's global network of manufacturing plants, transportation systems, and distribution centers provides fuels, lubricants, and other products and feed stocks to customers. Exxon Mobil delivered petroleum product sales of 5.5 million barrels per day in FY2017. Exxon Mobil had refinery throughput of 4.3 million barrels per day in FY2017. Exxon Mobil's fuels and lubes marketing businesses have a portfolio of renowned brands, which includes Mobil 1, Exxon, Mobil and Esso. Extensive upstream and downstream operations provide the company with significant competitive advantage over its peers. Moreover, it also helps the company to serve its customer better. This in turn helps Exxon Mobil in increasing customer satisfaction and loyalty.

Robust R&D capabilities

Exxon Mobil has strong research and development (R&D) capabilities. The company conducts research to develop new products and improve existing products, as well as to enhance manufacturing and production methods and to improve service. It spent US$1,063 million on R&D in FY2017. As a result of its strong R&D capabilities, the company continues to build on the seismic and reservoir modeling technologies, which enable it to identify new resource opportunities, drill more accurately, and improve recovery. The company has also designed a wide array of research programs to meet the needs identified in each of our business segments. In January 2017, Exxon Mobil developed cMIST technology, which dehydrates natural gas using a patented absorption system inside pipes and replaces the need for conventional dehydration tower technology. The new technology, developed and extensively field-tested by Exxon Mobil, more efficiently removes water vapor present during the production of natural gas. Removing water vapor through the use of dehydration technology, typically accomplished using large and expensive dehydration towers, reduces corrosion and equipment interference helping to ensure the safe and efficient transport of natural gas through the supply infrastructure and ultimately to consumers. This “in-line” technology could be deployed at both land-based and offshore natural gas production operations. In October 2017, the company started expansion of its research facility in Clinton, New Jersey. This innovation is expected to support the company’s broad research and development programs. The strong R&D capabilities enable Exxon Mobil to attain competitive advantage over its peers, maintain technological edge over its competitors, and to stay ahead of industry trends.

Weakness

Litigation and contingencies

The company is involved in various lawsuits, claims, and legal proceedings arising out of the conduct of its business. Some of these legal proceedings and claims seek damages, fines, or penalties in substantial amounts or remediation of environmental contamination. In June 2017, the US Department of Justice (DOJ) and the US Environmental Protection Agency (EPA) notified XTO Energy Inc. (XTO), a subsidiary of the company, concerning alleged violations of the Clean Air Act and the Fort Berthold Indian Reservation Federal Implementation Plan regarding the alleged failure of vapor control systems to properly route tank vapors to control devices at well pads and tank farms on the Fort Berthold Indian Reservation. As a result of this claim, in January 2018, XTO agreed to pay a penalty of US$320,000, install automatic tank gauging on 30 well sites, and monitor and report emissions for three years. In April 2017, the State of North Dakota Department of Health (NDDOH) and the North Dakota State Office of the Attorney General notified XTO of their interest in settling alleged violations of the North Dakota Century Code and implementing regulations regarding the alleged failure of vapor control systems to properly route tank vapors to control devices at well pads and tank farms outside the Fort Berthold Indian Reservation. As a result of this lawsuit, XTO anticipates that it will pay a penalty of approximately US$440,000 in the fourth quarter of 2018. In July 2017, the US Department of Treasury, Office of Foreign Assets Control (OFAC) assessed a civil penalty of US$2,000,000 against Exxon Mobil Corporation, ExxonMobil Development Company and ExxonMobil Oil Corporation for violating the Ukraine-Related Sanctions Regulations, 31 C.F.R. part 589. Thus, such litigation and legal proceedings will adversely impact the image of the company besides resulting in huge financial penalties which in turn could reduce the profitability of Exxon Mobil.

Increasing financial leverage

The company has been witnessing an increase in its debt since past few years. Exxon Mobil's total debt has increased from US$22,699 million in FY2013 to US$42,336 million in FY2017. As a result, the company's net debt to capital (as a percentage) has increased from 9.1% in FY2013 to 16.8% in FY2017. Therefore, increasing debt obligations make it more difficult for Exxon Mobil to pay principal and interest with respect to its debt obligations. It requires the company to dedicate a substantial portion of its cash flow from operations for interest, principal, and lease payments. In addition, high financial obligations also limit Exxon Mobil's flexibility in planning, and in reacting to changes in business and industry.

Opportunity

Strategic acquisitions

Exxon Mobil has made several strategic acquisitions to strengthen its reserve base. For instance, in April 2018, Exxon Mobil agreed to purchase PT Federal Karyatama (FKT), one of the largest manufacturers and marketers of motorcycle lubricants in Indonesia. The acquisition is expected to help the company to better serve customers in Indonesia and expand its presence in Asia Pacific. In January 2018, the company signed a petroleum agreement with the government of Ghana to acquire exploration and production rights for the Deepwater Cape Three Points block. In the same month, the company’s subsidiary ExxonMobil Upstream Research Company signed a three-year joint development agreement with MagnaBond, LLC to develop new technologies that could enhance cost-effective evaluation of well cementing, casing and tubing. In December 2017, the company acquired a 25% indirect interest in Mozambique’s gas-rich Area 4 block from Eni and assume responsibility for midstream operations. The deepwater Area 4 block contains an estimated 85 trillion cubic feet of natural gas in place. This strategic acquisition is expected to support the company in serving LNG customers around the world. In October 2017, the company acquired a crude oil terminal in Wink, Texas from Genesis Energy LP. The terminal is well positioned to handle Permian Basin crude oil and condensate for transport to Gulf Coast refineries and marine export terminals.

Rising global energy demand

The demand for energy is expected to grow in the future. According to company reports, the global energy demand will increase 25% between 2016 and 2040, driven by population growth and economic expansion. At the same time, energy efficiency gains and increased use of renewable energy sources and lower carbon fuels, such as natural gas, are expected to help reduce by half the carbon intensity of the global economy. During the period, the world's population will increase by about two billion people and emerging economies will continue to expand significantly. Most growth in energy demand will occur in developing nations that are not part of the Organization for Economic Co-operation and Development (OECD). Additionally, natural gas is expected to be the fastest-growing major fuel source from 2016 to 2040, meeting more than 35% of global energy demand growth. Global natural gas demand is expected to rise about 40% from 2016 to 2040, with about 45% of that increase in the Asia Pacific region. In total, about 55% of the growth in natural gas supplies is expected to be from unconventional sources. At the same time, conventionally-produced natural gas is likely to remain the cornerstone of supply, meeting about two-thirds of global demand in 2040. Worldwide liquefied natural gas (LNG) trade will expand significantly, meeting about one-third of the increase in demand growth, with much of this supply expected to meet rising demand in Asia Pacific. Similarly, nuclear power is projected to grow significantly, as many nations are likely to expand nuclear capacity to address rising electricity needs as well as energy security and environmental issues. Total renewable energy is likely to reach about 15% of total energy by 2040, with biomass, hydro and geothermal contributing a combined share of more than 10%. Total energy supplied from wind, solar and biofuels is expected to increase rapidly, growing over 250% from 2016 to 2040, when they will be about 5% of world energy. Therefore, growing demand for energy represents an opportunity for Exxon Mobil to capitalize on this market and to improve its profits.

Growth initiatives

The company has taken several strategic initiatives to expand its business. In march 2018, the company started working on a potential US Gulf Coast project which includes expansion of polypropylene manufacturing capacity by up to 450,000 tons a year to meet growing demand for high-performance, lightweight durable plastics. The new facility will be capable of producing advanced polypropylene products for use in high performance automotive, appliance, and packaging applications. In December 2017, the company announced a partnership with retailer Grupo Orsan to open eight Mobil-branded service stations in Queretaro as part of the company's entry in Mexico's fuels market. ExxonMobil also planned to open 50 Mobil stations in the Bajio region in 2018. Also in March 2017, Exxon Mobil planned to expand its manufacturing capacity along the US Gulf Coast through planned investments of US$20 billion over a 10-year period to take advantage of the American energy revolution. Moreover in February 2017, Exxon Mobil planned to expand Singapore refinery to support the production of the company's EHC Group II base stocks, which will strengthen the global supply of these products and enhance the Singapore facility's competitiveness. Exxon Mobil's EHC product line has been designed to maximize the performance of all major automotive engine oil grades and to enhance the performance of finished lubricants used in multiple industries. The strategic expansions enables the company to improve its presence in the global markets and drive the company's top-line growth.

Threat

Supply-related risks

The oil, gas, and petrochemical businesses are fundamentally commodity businesses. This means Exxon Mobil's operations and earnings may be significantly affected by changes in oil, gas, and petrochemical prices and by changes in margins on refined products. Oil, gas, petrochemical, and product prices and margins in turn depend on local, regional, and global events or conditions that affect supply and demand for the relevant commodity. Any material decline in oil or natural gas prices could have a material adverse effect on certain of the company's operations, especially in the Upstream segment, financial condition and proved reserves. Commodity prices and margins vary depending on a number of factors affecting supply. For example, increased supply from the development of new oil and gas supply sources and technologies to enhance recovery from existing sources tend to reduce commodity prices to the extent such supply increases are not offset by commensurate growth in demand. Similarly, increases in industry refining or petrochemical manufacturing capacity tend to reduce margins on the affected products. Moreover, world oil, gas, and petrochemical supply levels can also be affected by factors that reduce available supplies, such as adherence by member countries to the Organization of the Petroleum Exporting Countries (OPEC) production quotas and the occurrence of wars, hostile actions, natural disasters, disruptions in competitors' operations, or unexpected unavailability of distribution channels that may disrupt supplies. Technological change can also alter the relative costs for competitors to find, produce, and refine oil and gas and to manufacture petrochemicals. Such factors negatively impact the company's overall operations and thus influence its results and margins.

Economic conditions

Economic conditions like the demand for energy and petrochemicals correlates closely with general economic growth rates. The occurrence of recessions or other periods of low or negative economic growth will have a direct adverse impact on the company's results. Other factors that affect general economic conditions in the world or in a major region, such as changes in population growth rates, periods of civil unrest, government austerity programs, or currency exchange rate fluctuations, can also impact the demand for energy and petrochemicals. Sovereign debt downgrades, defaults, inability to access debt markets due to credit or legal constraints, liquidity crises, the breakup or restructuring of fiscal, monetary, or political systems such as the European Union, and other events or conditions that impair the functioning of financial markets and institutions also pose risks to Exxon Mobil, including risks to the safety of the company's financial assets and to the ability of the partners and customers to fulfill their commitments to Exxon Mobil.

Environmental regulations

Exxon Mobil's businesses are subject to numerous laws and regulations relating to the protection of the environment. With rising awareness of the damage to the environment caused by industry, especially regarding global warming, regulatory standards have been continuously tightened in recent years. As a result of various regulations, throughout Exxon Mobil's businesses, new and ongoing measures are taken to prevent and minimize the impact of its operations on air, water, and ground. These include a significant investment in refining infrastructure and technology to manufacture clean fuels as well as projects to monitor and reduce nitrogen oxide, sulfur oxide, and greenhouse gas emissions and expenditures for asset retirement obligations. In FY2017, Exxon Mobil’s worldwide environmental expenditures for all such preventative and remediation steps, including Exxon Mobil’s share of equity company expenditures, were US$4.7 billion, of which US$3.3 billion were included in expenses with the remainder in capital expenditures. The total cost for such activities is expected to remain relatively flat at approximately US$5 billion in FY2018 and FY2019. Therefore, stringent regulations may require additional expenses and may restrict Exxon Mobil's commercial flexibility and planned business strategies.