

ExxonMobil

(XOM)

Investment notes

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Exxon Mobil Corporation (Exxon Mobil) is a manufacturer and marketer of commodity petrochemicals, including olefins, aromatics, polyethylene and polypropylene plastics and a range of specialty products. It also has interests in electric power generation facilities. It has many divisions and hundreds of affiliates with names that include ExxonMobil, Exxon, Esso or Mobil. Divisions and affiliated companies of ExxonMobil operate or market products in the United States and other countries of the world. Their principal business is energy, involving exploration for, and production of, crude oil and natural gas, manufacture of petroleum products and transportation and sale of crude oil, natural gas and petroleum products. On June 25, 2010, it acquired XTO Energy Inc. by merging a wholly owned subsidiary of ExxonMobil with and into XTO. In October 2010, Global Partners LP acquired retail gasoline stations from Exxon Mobil.

April 26, 2011 (87.42) Review of Thesis



Worlds largest publicly traded oil company. One of the worlds largest chemical companies. Diversifying heavily into Natural gas. Buying back shares. Share count was 6,133 in 2005, and projected to be 4,750 in 2011. Inflation hedge. Low price earnings ratio. AAA credit. Dividend yield of 2.01%. We like to see dividend yield higher, yet the shares have increased by over \$20 since October 2010. Our 5 year intrinsic value analysis as of today is \$156. This would be an annualized return of ~16% for 5 years. Our Valuation analysis Projects annualized returns of ~11% for 15 years.

Company Name	Exxon
Symbol	XOM
Date Worked On	27-Apr-11
Base Year	31-Dec-10
Price	\$86.50
Shares Outstanding	4,979
Market Capitalization	\$430,684
Cash and CE	\$8,455

Long Term Debt	\$12,227
Minority Interests	\$0
Goodwill	\$0
Intangibles	\$0
Other Intangibles	\$0
Enterprise Value	\$434,456
Short Term Debt	\$2,787
Stockholders Equity	\$146,839
Depreciation and Amortization	\$14,760
CapEx	\$26,871
Revenues	\$383,221
Total Assets	\$302,510
Net Income	\$30,460
Dividend	\$1.76
Interest Expense	\$259
Net Income Before Taxes	\$52,959
Enterprise Value Per Share	\$87.26
Price To Enterprise Value	99.13%
Total Debt	\$15,014
Total Debt / Net Income	49.29%
Total Debt Per Share	\$3.02
Tangible Book Value	\$146,839
Book Value Per Share	\$29.49
Tangible Book Value Per Share	\$29.49
Price / Book Value	293.30%

Price / Tangible Book Value	293.30%
Price / Earnings Ratio	14.14
Enterprise Value / Earnings Ratio	14.26
Earnings Yield	7.07%
Price To Sales Ratio	112.39%
Net Income / Total Assets	10.07%
Total Assets / (Revenues/365)	288.13
Enterprise Value / Revenues	113.37%
Goodwill / Total Assets	0.00%
Goodwill / Stockholders Equity	0.00%
Debt / Equity	10.22%
Average P/E Last 10 Years	13.1
Cash Flow	\$18,349
Cash Flow Per Share	3.69
Cash Flow Yield	4.26%
Price / Cash Flow	23.47
Revenues Per Share	\$76.97
Net Income Per Share	\$6.12
Return on Equity	20.74%
Bond Rating (S&P)	AAA
Growth Rate	8.00%
Dividend Yield	2.03%
Dividend / Net Income	28.77%
Dividend / Cash Flow	47.76%
Interest Coverage Ratio	205.47
Insider Activity	Mostly option shares

	sold	
Buy-Backs	Yes, but slowed.	
Dilution	No	
Management Compensation	TBD	
Price to consider to buy more		\$85.00
Price to sell or consider reducing		\$115.00
Action	Buy	
Portfolio Allocation Suggestion		5%

April 26, 2011 (87.42) Review of Value Line 3/11/11

1. Financial Strength 'A++'.
2. P/E ratio 14.05 (87.42/6.22) (excludes non recurring) for F2010. Yet, F2011, would be 12.4X (87.42/7.05)
3. Average P/E since 1995 looks to be around 20, and around 12, since 2005.
4. Dividend Yield 2.01%. (1.76/87.42). Pay-out ratio around 29% F2010E, and 26% F2011E
5. VL likes the stock purchases and inflation hedge with oil.
6. 5 year target of ~\$120 - \$150.

Various Other Notes

1. Morningstar gives credit AAA rating.

2.

Financial and valuation metrics

Year	12/10A	12/11E	12/12E	12/13E
Revenue (US\$ m)	1,081.5	1,205.5	1,253.9	1,291.9
EBIDAX (US\$ m)	51,653.0	58,224.3	60,780.5	63,034.4
EPS (CS adj.) (US\$)	6.11	7.18	8.11	8.85
Prev. EPS (US\$)	—	7.28	8.31	8.96
ROGIC (%)	22.3	20.9	20.3	19.1
P/E (x)	13.8	11.8	10.4	9.5
P/E rel. (%)	91.2	88.9	89.1	—
OCFPS (US\$)	9.71	10.58	11.73	13.05
P/OCF (x)	7.5	8.0	7.2	6.5
Qtrly ent. val./tot. EBIDAX	8.3	7.4	7.1	6.8
Net debt (US\$ m)	6,561	15,692	22,729	28,504
Dividend (current, US\$)	1.81	Dividend yield (%)		2.2
Net debt current qtr (US\$ m)	9,723.2	Net debt qtr/total mcap		2.3
BV/share (current, US\$)	63.4	GIC (12/11E, US\$)		233,996.1
EV qtr/GIC (x)	1.8	Current WACC		—
Free float (%)	—	Number of shares (m)		4,965.40

Source: Company data. Credit Suisse estimates.

3. Gas price increase would help Exxon, as they have invested heavily in NG (XTO).

4. ROE consistently over 20%. VL projects 22.5% F2011.

5. Merrill Projections 3/9/11

Estimates (Dec)

(US\$)	2009A	2010A	2011E	2012E	2013E
EPS	4.01	6.29	8.46	8.48	8.65
GAAP EPS	3.98	6.22	8.46	8.48	8.65
EPS Change (YoY)	-52.5%	56.9%	34.5%	0.2%	2.0%
Consensus EPS (Bloomberg)			7.47	8.32	8.47
DPS	1.66	1.72	1.92	2.16	2.32

Valuation (Dec)

	2009A	2010A	2011E	2012E	2013E
P/E	21.0x	13.4x	10.0x	10.0x	9.8x
GAAP P/E	21.2x	13.6x	10.0x	10.0x	9.8x
Dividend Yield	2.0%	2.0%	2.3%	2.6%	2.7%
EV / EBITDA*	10.1x	7.1x	5.0x	5.5x	5.8x
Free Cash Flow Yield*	0.3%	4.0%	7.0%	6.8%	6.7%

* For full definitions of *iQmethod*SM measures, see page 10.

6. RBCO Intrinsic Valuation

Company
Report Date

Exxon
26-Apr-11

Price	87.42
Growth Rate	6.00%
Price/Sales	1.05
Price/ Net Cash Flow	16.04
Price/ Net Book Value	2.72
P/E Ratio Current	12.40
P/E Ratio Year 2	10.93
Current Ratio	0.94
Quick Ratio	0.73
LT Debt / Shr. Equity	9.82%
LT Debt / Current Assets	25.43%
Return on Shr. Equity	22.50%
PEG Ratio (Current)	2.07
PEG Ratio Year 2	1.82
PEGY Ratio (Current)	1.55
PEGY Ratio Year 2	1.36
Graham Ratio (current)	33.72
Graham Ratio Year 2	29.71
Growth Flow Ratio (<12=nrml)	12.40
Cash King (s/b > 10 %)	6.55%
Flow Ratio (s/b < 1.25)	0.84
Intrinsic Value (current)	115.62
Intrinsic Value Year 2	131.20
Intrinsic Value Year 3	139.07
Intrinsic Value Year 4	147.42
Intrinsic Value Year 5	156.26
Intrinsic Value / Price (current)	32.26%
Intrinsic Value / Price Year 2	50.08%
Intrinsic Value / Price Year 3	59.08%
Intrinsic Value / Price Year 4	68.63%
Intrinsic Value / Price Year 5	78.75%

7. **Still projecting annualized double digit returns for 15N**

As of Date

December 31,
2010

EV Analysis

April 26, 2011

Share Outstanding	4,979.00
Share Price	\$87.42
Market Capitalization	\$435,264.18
Less: Cash and Short Term Investments	(\$8,455.00)
Add: Long Term Debt	\$12,227.00
Minority Interest	\$0.00
Enterprise Value	\$439,036.18
EV per share	\$88.18

Stockholders' Equity	\$146,839.00
Adjustments:	
Goodwill	\$0.00
Tradenames	\$0.00
Other Intangibles	\$0.00
Net Stockholders' Equity	\$146,839.00
Adjusted Book Value per Share	\$29.49

Quick Projections 2010

April 26, 2011

Revenue	\$383,221.00
Net Margin % before tax	13.48%
Net Margin before taxes	\$51,639.03
Tax Rate	41.00%
Corporate Taxes	\$21,172.00
Net Income after Taxes	\$30,467.03
Net Margin %	7.95%
Shares Outstanding	4,979.00
eps	\$6.12

FV of current equity and future earnings	26-Apr-11	26-Apr-11	26-Apr-11
Adjusted Stockholder's Equity	\$146,839.00	\$146,839.00	\$146,839.00
Net Profit	\$30,467.03	\$30,467.03	\$30,467.03
Growth Rate of Net Profit for 10N	1.00%	5.00%	6.00%
Growth Rate of Net Profit after 10N through 15N	1.00%	3.00%	4.00%
FV of Net Profit in 10N	\$33,654.55	\$49,627.58	\$54,561.81
FV of Net Profit in 15N	\$35,371.27	\$57,531.96	\$66,382.78
FV of tangible book value plus Net Profits for 10N	\$480,954.13	\$622,396.26	\$664,545.93
FV of tangible book value plus Net Profits for years 11 - 15N	\$677,159.66	\$985,007.39	\$1,104,046.07
Current Enterprise Value	\$439,036.18	\$439,036.18	\$439,036.18
FV of tangible book value plus Net Profits for 10N	(\$480,954.13)	(\$622,396.26)	(\$664,545.93)
Years	10	10	10
ROI on tangible book value plus Net Profits for 10N	0.92%	3.55%	4.23%
FV of tangible book value plus Net Profits for 10N	\$480,954.13	\$622,396.26	\$664,545.93
FV of tangible book value multiplier	2.00	2.00	2.00
FV of Tangible Book Value using BV multiplier in year 10	\$961,908.25	\$1,244,792.51	\$1,329,091.86
Current Enterprise Value	\$439,036.18	\$439,036.18	\$439,036.18
FV of tangible book value plus Net Profits for years 11 - 15N	(\$677,159.66)	(\$985,007.39)	(\$1,104,046.07)
Years	15	15	15
ROI on tangible book value plus Net Profits for 15N	2.93%	5.53%	6.34%
FV of tangible book value plus Net Profits for 15N	\$677,159.66	\$985,007.39	\$1,104,046.07
FV of tangible book value multiplier	2.00	2.00	2.00
FV of Tangible Book Value using BV multiplier in year 15	\$1,354,319.32	\$1,970,014.79	\$2,208,092.15
Potential Future EV using BV multiplier above			
Current Enterprise Value	\$439,036.18	\$439,036.18	\$439,036.18
FV of Tangible Book Value using BV multiplier in year 10	(\$961,908.25)	(\$1,244,792.51)	(\$1,329,091.86)
Years	10	10	10
ROI on FV of Tangible Book Value using BV multiplier in year 10	8.16%	10.98%	11.71%
Current Enterprise Value	\$439,036.18	\$439,036.18	\$439,036.18
FV of Tangible Book Value using BV multiplier in year 15	(\$1,354,319.32)	(\$1,970,014.79)	(\$2,208,092.15)
Years	15	15	15
ROI on FV of Tangible Book Value using BV multiplier in year 15	7.80%	10.53%	11.37%

Sanity Checks:			
P/E in future			
FV of Net Profit in 15N	\$35,371	\$57,532	\$66,383
P/E estimate	10.00	15.00	12.50
Market Cap on above	-\$353,713	-\$862,979	-\$829,785
Years	15	15	15
Current Enterprise Value	\$439,036	\$439,036	\$439,036
ROI in 15N using above	-1.43%	4.61%	4.34%
Potential Revenue Growth			
Current Revenues	\$383,221	\$383,221	\$383,221
Growth Rate of Revenues for 10N	1.00%	5.00%	6.00%
Growth Rate of Revenues after 10N through 15N	1.00%	3.00%	4.00%
FV of Revenues in 10N	(\$423,314)	(\$624,227)	(\$686,290)
FV of Revenues in 15N	\$444,908	\$723,650	\$834,977
FV of Revenues in 15N	\$444,908	\$723,650	\$834,977
Revenue Multiplier based on Al Meyer Rule of Thumb net margins	1.5	1.5	1.5
Possible Market Cap year 15	(\$667,362)	(\$1,085,475)	(\$1,252,466)
Years	15	15	15
Current Enterprise Value	\$439,036	\$439,036	\$439,036
ROI in 15N using above	3%	6%	7%

8. Share Repurchases

In 2010 Exxon distributed over \$11 billion to shareholders through share purchases, while competitor programs were curtailed for much if not all of the year.

On a cumulative basis, distributions to shareholders through share purchases were \$114 billion over the last five years, allegedly, more than twice the total distributed by their competitors. Purchases have reduced shares outstanding by almost 19% since the beginning of the year 2006 and that includes the impact of the shares issued for the XTO merger. Exxon claims this results in an average annual yield of 5.6%. Exxon claims to continue to believe the share purchase program is an effective way to distribute value to shareholders while at the same time maintain the flexibility to balance the cash needs of the corporation.

December 7, 2010 (71.46) ® Review of Value Line 12/10/10

7. Financial Strength 'A++'
8. P/E ratio 12.11 (71.46/5.90) (excludes non recurring.)
9. Dividend Yield 2.43%. (1.74/71.46)
10. Target price 2013 – 2014 ~\$100 - \$130
11. Thinks XTO purchase will pay off very nicely for years to come.

12. “Considerable total return potential to 2013 – 2015..” “Sterling finances make it appealing for conservative investors.”

October 28, 2010 (66.25) J

XOM reported 3rd qtr earnings this morning of \$1.44/share vs. \$0.98/share last year (+47%) and YTD eps are \$4.37 vs. \$2.74 last year (+61%).

Repurchased 54M shares during the quarter at a cost of \$3.3B, \$3B was to reduce shares o/s with the balance used for benefit plans and programs. XOM announced that 4th quarter purchases to reduce shares o/s would be \$5B.

No balance sheet issued with 8-k. Shares o/s at 9/30 was 5,043 vs. 4,747 at 9/30/09. (417 shares were issued in connection with XTO transaction.

Revenues were up 16% in quarter and 26% YTD.

I do not see anything that changes my opinion that this is an investment that should continue to be held. Perhaps the release of the Q will lead to a different opinion.

October 26, 2010 (66.23) J

I updated the intrinsic value and valuation analysis worksheets. The results and assumptions are below:

Intrinsic value:

30 yr bond rate	4.40%	5.25%
Growth rate	6%	10%
2010 eps est	\$5.90	\$5.59
2011 eps est	\$6.50	\$5.53
Intrinsic value	\$120.95	\$133.52

The 6% growth rate and the earnings estimates of \$5.90 and \$6.50 are the Value Line estimates. The more conservative earnings estimates for 2010 and 2011 are from Credit Suisse estimates. Although CS has lower estimates in 2010 and 2011, their growth rate in 2012 and 2013 is near 17%. I have tempered that growth rate slightly while using their earnings and the IV is still two times today's price.

Valuation analysis

2010 eps estimate	\$5.88	\$5.88	\$5.88
10yr growth rate	5%	5%	6%
11-15yr growth rate	3%	3%	4%
Tangible book multiple	2	2.5	2
10yr ROI using book multiple	13.48%	16.04%	14.22%
15yr ROI using book multiple	12.20%	13.88%	13.05%
Yr 15 estimated PE	10	15	12.5
Yr 15 ROI using PE	3.42%	6.25%	5.97%
Yr 15 ROI using Meyer rule of thumb	10%	10%	11%

XOM completed its acquisition of XTO Energy on 6/25/10. It was an all-stock transaction – XOM issued 416.5M shares in order to complete the deal. XOM reports its 3Q results on 10/28/10 and that will perhaps give a better indication of earnings going forward with the inclusion of XTO.

Shares buybacks slowed in May and June pending the XTO transaction. There were 23.7M shares repurchased at an average price of \$66.12 (about \$1.6B). The company said 3rd quarter repurchases were anticipated to be \$3B.

I read that Chanos is short XOM. His rationale is that the company is not replacing its reserves and is borrowing money to pay its dividend. XOM bulls claim that the better number to look at is reserves per share. Because of the share repurchases, the reserves/share has gone up every year except 2008 in the past decade. With the exception of 2009, the dividend argument seems weak as well since FCF has exceeded the dividend payment in every year of the past decade. (In the first half of 2010 and FCF is almost double the amount paid as dividends.)

Other analysts:

S&P (9/3/10; price \$61.23) rated a 5 star strong buy with a price target of \$79. Superior earnings and dividend growth as well as stability. Advanced technology allows timely and cost efficient project development. Estimate after-tax operating earnings will increase 17% in 2011.

Credit Suisse (10/15/10; price \$64.43) rated as neutral with a price target of \$71. Lowered 2010 eps from \$5.69 to \$5.59 due to the treatment of hedges. (I will note that CS is using the incorrect number of shares and an incorrect amount for debt on their report.) Perhaps an updated report after 3Q results will reflect updated share count and debt.

Morningstar rates as 4 stars with a FV of \$86 and consider buy price of \$60.20. Their FV is based on 5.8 times 2011 ebitda estimate (excluding any contribution from XTO). Sets itself apart from others as a superior capital allocator and operator. Its deep pockets, expertise, and integrated operations allow it to handle nearly any megaproject. Geopolitical risk is always an issue as recently seen in Venezuela.

September 8, 2010 (60.89) ® Review of Value Line 9/10/10

13. Financial Strength 'A++'
14. P/E ratio 10.32 (60.89/5.90) (excludes non recurring.) 2010 earnings were raised slightly.
15. Dividend Yield 2.86%. (1.74/60.89)
16. Target price 2013 – 2014 ~\$100 - \$130.
17. "Much improved earnings have failed to ignite XOM shares.
18. Thinks XTO purchase will be "well worth it."
19. "Corporate finances are in great shape." "Deep bench of resources waiting to be developed."

June 10, 2010 (61.58) ® Review of Value Line (6/11/10)

20. Financial Strength 'A++'
21. P/E ratio 10.7 (61.58/5.75) (excludes non recurring.)
22. Dividend Yield 2.83%. (1.74/61.58)
23. Target price 2013 – 2014 ~\$100 - \$130.
24. "Debt levels remain very low."
25. Share repurchases have slowed in light of XTO acquisition.

5/19/10 ExxonMobil (XOM) (62.65) J

Current year eps estimate of 5.92, PE of 10.6; and next year eps estimate of 7.03, PE of 8.9. The dividend is 1.74 (2.8%). In process of acquiring XTO Energy in 2010. Probably one of the best run companies in the world. Constantly buying back shares. I prefer this over COP. Shares will not be as volatile as COP. I would not reduce and would consider re-allocating some COP to XOM.

March 22, 2010 (67.01) ® Review of Value Line (3/12/10)

1. Financial Strength 'A++'
2. P/E ratio 12.3 (65.49/5.32) (excludes non recurring.)
3. Dividend Yield 2.6%.
4. Claims XTO takeover is "Vintage Exxon." - didn't chase investment when NG was soaring. Likes the shale gas play. Thinks Exxon's know how will help drilling and exploration at XTO..
5. "Conservative appeal and top notch finances."
6. Target price 2013 – 2014 \$100 - \$130.

October 22, 2008 (68.05) John

Current price of oil \$68.04 down from \$147 in July.

Revised the intrinsic schedule using 6% growth and 10% 30 yr rate and arrived at current value of \$78.93/sh.

Valuation schedule calculated return in the mid-teens using 5% and 3% growth rates and 2x tangible book.

These shares appear to be way undervalued. Global recession fears weighing heavily on minds of all and companies related to commodities are being sold. Nouriel Roubini gave a very dour forecast and said commodity prices would fall another 20%-30% from current levels.

S&P rating of AAA, Egan-Jones rates as AA+ (no company is AAA in EJ world).

2021 with 8.625% coupon are trading at 127.484, yielding 5.591%. There is no stress whatsoever.

Share price seems to fluctuate with price of oil, yet it did not go dramatically higher when the price of oil went hyperbolic. It has participated in the selloff though. The company has been consistently buying shares and the yield is just over 2%.

June 30, 2008 data

Cash \$39.7B

Debt \$7.3B

Equity \$124.8B

Shares outstanding 5.194B compared to 5.381B as of 12/31/07

Other analyst notes:

Credit Suisse – 10/16/08 lowered price target to \$77 (from \$95) due to lower forecast of oil prices.
Egan-Jones – 3/16/08 rates as AA+ with an estimated share price of \$94. "Powerhouse in credit quality"

Morningstar – 9/16/08 rates 5 stars with a fair value of \$99. This is based on oil of \$112 per barrel in 2008, \$109 in 2009 and \$110 in 2010. Value from operational excellence.

October 20, 2008 (68.04) John

Selected quick comparisons. The intrinsic value calculated below was based upon an 8% 30 yr rate and 7% earnings growth.

	xom
Price 10/17 close	68.04
Div	1.6
Div yield	2.35%
Book/share-per Reuters current	24.033
Tangible book/share-per Reuters current	24.033
S&P rating	AA+
Egan Jones rating	AA+
Egan Jones est. share price	94.78
Morningstar rating	5
Morningstar Fair value	99
Discount/(Premium) to EJ share price	39.30%
Discount/(Premium) to Morningstar FV	45.50%
Price/Book	2.831107
Price/Tangible Book	2.831107
Intrinsic Value (current)	108.2813
Intrinsic Value Year 2	111.375
Intrinsic Value Year 3	119.1713
Intrinsic Value Year 4	127.5132
Intrinsic Value Year 5	136.4392

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