ExxonMobil Fourth Quarter 2023 Earnings Call Transcript

This transcript presents ExxonMobil’s fourth quarter 2023 earnings call held on February 2, 2024

Operator: Good morning, everyone, and welcome to ExxonMobil Corporation’s Fourth Quarter 2023 Earnings Webcast. Today’s call is being recorded. I would now like to turn the call over to Mrs. Jennifer Driscoll. Please go ahead, ma’am.

Jennifer Driscoll: Good morning, everyone. Welcome to ExxonMobil’s fourth-quarter 2023 earnings call. We appreciate you joining the call today. I’m Jennifer Driscoll, Vice President of Investor Relations. I’m joined today by Darren Woods, Chairman and CEO, and Kathy Mikells, Senior Vice President and CFO.

This presentation and prerecorded remarks are available on the Investors section of our website. They are meant to accompany the fourth-quarter earnings news release, which is posted in the same location. Shortly, Darren will give you an overview of our 2023 performance. Then we’ll take your questions.

In conjunction with our recent announcement about acquiring Pioneer Natural Resources, we’ve included additional information about the transaction on slide 2. Please be aware that this presentation is not intended to be a solicitation of any vote or approval.

During today’s call, we’ll make forward-looking statements, which are subject to risks and uncertainties. Please refer to our cautionary statement on slide 3. You can find more information on the risks and uncertainties that apply to any forward-looking statements in our SEC filings on our website. Note that we also provided supplemental information at the end of our earnings slides, including an overview of full-year results, which are posted on the website.
And now, I’ll turn it over to Darren.

Darren Woods: Good morning, and thanks for joining us.

I want to start with the theme of the quarter, which frankly, has been a theme of the year – excellence in execution. Whether it’s operating our facilities, building projects, deploying technologies, trading, marketing, sales, supply chain, or any of our other activities, the men and women of ExxonMobil are setting and holding themselves to very high standards as they execute their responsibilities. Their hard work and commitment drove the strong results we reported today and are the foundation of our success. At the end of the day, it’s all about our people. They make the difference and are delivering industry-leading results.

And nothing is more important than the safety of our people. Keeping them safe requires intense focus and relentless discipline, 24 hours a day, every single day. For many years we’ve outperformed industry benchmarks for workplace safety. Over the last several years we’ve been implementing improved systems for managing both personnel and process safety, leveraging best practices from across our company and industry – our own and others’. These efforts are paying off with continued improvements in the number and severity of incidents.

The discipline needed to consistently deliver industry-leading safety performance manifests itself in all our work. We see it in our project teams, who are delivering large capital projects at top-quintile performance on cost and schedule. We see it in the reliability of our operations, where we achieved record performance in both the upstream and refining. We see it in our environmental performance, where we set several new records. And we see it in the successful management of the transformational re-organizations we’ve made over the last several years.
The results are clear. By any measure, 2023 was an outstanding year. We delivered $36 billion of earnings, strong cash flows, and a 15% return on capital employed. Our strategy, introduced in 2018, coupled with consistently strong execution, is delivering results that lead industry across a range of metrics, including earnings and cash flow growth, total shareholder distributions, and total shareholder returns since 2019, the baseline year of our plans.

On a constant-price basis, we more than doubled earnings in 2023 versus 2019, demonstrating the improved earnings power of the company. The growth in profitability reflects significant progress in high-grading our portfolio of assets through advantaged projects, divestment of less strategic operations, and significant cost reductions.

During the year, our divestments generated more than $4 billion of cash proceeds. And we also announced two value-accrative acquisitions. Denbury, which closed in November, provides opportunities to profitably accelerate our Low Carbon Solutions business with a compelling, end-to-end, customer decarbonization offer. Pioneer, which is expected to close in the second quarter, will further differentiate our advantaged Upstream portfolio. The synergies will create significant shareholder value and accelerate Pioneer’s net zero ambitions by 15 years, to 2035.

In 2023, we made significant advances in a number of innovative solutions. We entered the lithium business, where we see an opportunity to supply approximately 1 million electric vehicles per year by 2030 with economically advantaged production that has a much smaller environmental impact than today’s supply. In the carbon capture and storage space, we recently completed the construction of a pilot plant to further develop a unique, proprietary technology, which has the potential to significantly lower the cost of direct air capture. We also launched Proxxima™, a thermoset resin with a high-value-in-use for coatings, infrastructure, automotive parts, and wind power – made from low value components used in gasoline.
We also took a further step in reducing cost, leveraging scale, and improving effectiveness with the formation of three new centralized organizations: Global Supply, Trading, and Global Business Solutions. This change provides additional opportunities to grow deep expertise across a broad portfolio of critical business capabilities. Today, we’re convinced that no other company can match the depth and breadth of development opportunities that ExxonMobil offers. It’s no surprise that for the 11th year in a row, we were recognized as the most attractive U.S. employer in the industry for engineering students. This is another key competitive advantage.

Our plan for 2024 remains anchored in our existing strategy, building on world-class execution and the performance we delivered last year. We set a high bar for ourselves across all aspects of the business – from safety to operational excellence to financial performance – and have confidence in our team’s ability to consistently deliver.

For 2024, we expect to invest $23-$25 billion to grow our portfolio of advantaged, low-cost-of supply assets, further shift our product mix toward higher-value, higher-margin performance products, and reduce emissions – both our own and others’.

Our plan also continues to structurally reduce cost to achieve $15 billion in structural cost savings through 2027. We have opportunities to enhance supply chain efficiency, further improve maintenance and turnarounds, modernize data management, and simplify business processes.

In Low Carbon Solutions, we’ll continue the integration of Denbury and look to add additional customers to our U.S. Gulf Coast network. As we noted during the Corporate Plan update in December, we’re now pursuing more than $20 billion of lower emissions opportunities, evenly split between reducing our own emissions and reducing third-party emissions.
Overall, our portfolio of low carbon investments is expected to generate returns of approximately 15%.

Our Upstream portfolio will be further transformed when we close on the transaction with Pioneer. By combining the capabilities of our two companies and leveraging the advances we’ve made in technology, we expect to recover more resource, more efficiently, with lower emissions. We’ll provide more detail about this compelling combination at our Spotlight event following the close.

Our results in 2023 once again demonstrated the strength of our strategy. As I reflect on the past year, I have tremendous pride in what our people accomplished and a strong level of confidence in our continued ability to lead in the years ahead.

Finally, I want to thank our shareholders for their continued confidence and support.

Now, I’ll turn it back to Jennifer.

Jennifer Driscoll: Thank you, Darren. Now let’s move to our Q&A session. As a courtesy to the others in the queue, we ask all of our analysts to limit themselves to one question. However, please remain on the line in case we need any clarifications.

With that, operator, let’s open the line for our first question.

Operator: Thank you, Mrs. Driscoll. The question & answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key, followed by the digit one on your touch tone telephone. The first question comes from Neil Mehta of Goldman Sachs.
Neil Mehta: Congrats on the strong results. My question was around the structural cost savings. So we're at $9.7 billion versus 2019 and targeting $15 billion by 2027. Can you talk about the progression over the next couple of years? What are the key buckets and milestones we should be watching out for as it relates to those cost savings?

Darren Woods: Sure. Thanks, Neil. Good to hear from you again. Maybe just start with a little bit of perspective. If you think about where we have been driving efficiencies and what lies behind the improvements in structural costs. We've made tremendous changes in the organization, and we've been doing that each successive year sequenced with respect to what needs to come first, second, and third to make sure that we can effectively manage that.

We're still in the early stages of taking advantage of all the changes that we've made going back in time with our global technology organization, with our product solutions organization that, frankly, brought refining together with our marketing and then together with chemical. And so a lot of restructuring, a lot of opportunities in all the organizations to see a path to significantly improved effectiveness in executing the business. And, to your point, a significant path to efficiencies.

On top of that, we just launched our Global Supply Chain organization. We just launched our Global Business Solutions organization and our Trading organization. So they're early in their process and all of them have seen significant opportunities for efficiency. So I would say the $9.7 is a reflection of the hard work coming from the reorganizations that we've done, and we're early in that, and then we've got additional reorganizations to take advantage of.

That $15 billion that you referred to is not a target. It is within our plans. And the plans reflect what the organizations are working on. So what are some of the areas? We've seen a lot of benefit today by a centralized approach to enhancing our maintenance and our turnaround processes. We've taken a lot of cost out with respect to that. We see an opportunity to bring further cost reductions there. The
supply chain organization brings a huge opportunity. In the past, we had very fragmented supply chain organizations across all of our businesses. We've now consolidated all that. We see a lot of opportunities to bring together our data and our processes and harmonize those and do those consistently across all of the organization. And then a lot of continuing optimization within the base business, taking advantage of the new construct and learning from one another. That's a huge part of the go-forward reduction.

So I would just tie all that to the ongoing change and the fact that we now have a good line of sight across all of our organizations around the best way to do things in the most efficient ways to do things.

I'll hand it over to Kathy, if there's anything to add to that.

Kathy Mikells: The only other thing I would add is how we're looking to leverage technology to both drive incremental efficiencies, but as importantly, to drive effectiveness. So things like how we use artificial intelligence and chat bots in our customer care centers, right, which gives our customers better service. And obviously, that drives efficiency for the company. How we use predictive analytics and things like driving maintenance turnarounds to top quintile type performance. Or similarly how we use those predictive analytics in our drilling and fracking centralized operation here in Houston.

So bringing together our information technology organization with our engineering and research organization will just further enhance, I think, how, overall, we, as a technology company, fundamentally try to use technology to both drive efficiency but obviously, to drive value in the business.

Operator: The next question is from Doug Leggate of Bank of America.

Doug Leggate: Darren, 2018 was a long time ago, obviously, and a lot has changed since you pushed the doubling of cash flow from '25 to '27, including much greater and perhaps faster progress in Guyana. So I guess my question is where do you -- where would you suggest we are in 2024 in moving towards
a doubling of cash flow target? And specifically, what should we read about your CapEx comments in terms of the timing of Guyana as part of that target?

Darren Woods: Yes, good morning Doug. Thanks for the question. Maybe I'll start with the back end of your question around the CapEx. And I mean it should be clear – hopefully it’s clear - we've provided guidance in a range in CapEx to give you a perspective of when we start the year, based on the plans that we put together the previous year, where we think we're going to end up in our spend across the year. Obviously, as we're going through the business, each of the businesses are clear on their objective to find value-accretive opportunities and to capture those as quickly as possible. So we've got an ongoing process.

If we see an opportunity that we weren't aware of at the time of putting together the plan, we're not constraining our activities based on some artificial number or the guidance that we've put out. We're very focused on making sure that it's going to be an effective use of capital, that we can efficiently execute what's required for that capital, and then that there's value behind it and there's an advantage in it.

So that's how we're managing. What we talked about in the release with respect to our CapEx in 2023 reflects just that: incremental optimizations as we're going through the year. And my view is we'll continue to do that as we go forward into the plan years. Obviously, we've given you some guidance that we believe reflects where we'll end up, but as we work the opportunities we're very focused on it.

I think in the short term, what we've done with Guyana, you're seeing today in Payara – when we brought that online in January well ahead of our plans to reach nameplate capacity. And part of that was around the optimization of the drilling and making sure that we had what we needed to bring that up quickly.

In terms of the broader objective to get to 2027, I mean, we're on that plan and we're actually delivering the value that we laid out in 2018. So I feel really good about the progress we've made. We noted in
the release that if you look at just from 2019, the year before the pandemic, the advances that we've made in the business – on a flat price, take margin, take price out of it – we've doubled the earnings capacity of the corporation from 2019 to 2023.

We've grown earnings at a compounded annual basis by 40%, greater than 40%. We've grown cash flow from operations, almost 20%, greater than 15%. So I think significant progress. We've demonstrated that the work that we're doing, the projects that we've put in place, the reorganizations that we've executed, the cost that we're cutting out of the business, are all driving us towards this improved valuation. And frankly, the plans we have going forward are going to continue to do that. So the targets that we've laid out – what we communicated in our December company plan release basically – those are plans, and we feel that we're right on track, if not slightly ahead of, delivering on those.

Kathy, anything to add to that?

Kathy Mikells: Yes. I mean, Doug, I'll just try to grind kind of back to those numbers a little bit more, just so you understand it. On an earnings basis, we actually more than doubled earnings on, again, that constant price basis that we used in our corporate plan, which Darren is referring to in the numbers that he just mentioned. So I would absolutely say we are ahead of our plan in terms of what it is that we're achieving. And it's that earnings improvement that is flowing through to cash flow.

And so as you think about cash flow, our earnings expectation in the corporate plan in terms of doubling it out to 2027, it's well ahead of doubling it. And then those earnings just flow through to the cash flow growth. So I would describe us as being ahead of plan in terms of where we stand today and feeling very good about the future.

Operator: The next question is from Devin McDermott of Morgan Stanley.
Devin McDermott: So I've gotten some inbounds this morning just on the 2023 spending. And Darren you kind of alluded to it in your response to the prior question. You're able to pull forward some CapEx for Guyana and Permian in 4Q. I was wondering if you could talk a little bit more about the drivers of that type of efficiency that you're seeing and what specifically you're able to accelerate? And then how that influences your outlook for spending and production for both assets in 2024?

Darren Woods: Well, if you think about the complexity of what the organizations are dealing with and in particular, the upstream that as we -- as you go through the course of the year, and they're drilling and they're collecting data, and we're seeing the production. We've got a real-time optimization loop that takes the experience that we've had and builds it back into our go-forward plan. So it is a very dynamic process. And we've got, to Kathy's point, we're using a lot of technology to make sure that we're learning from all the data that we're collecting as we go and that we're adjusting our plans to optimize value.

I would tell you, the organization understands it has an obligation to drive value and define the value opportunities and to make sure that when we decide to spend money that we know that spend is going to be productive spend and that we're going to be efficient in executing that spend. And beyond that, they're not constrained. If they find that we're going to hit a constraint or we're going to hit something that's not incorporated in the plans, we have a conversation about that. So I would tell you, it is a very well-controlled process.

Your point about capital coming forward in the fourth quarter: I would tell you the decisions that we made that led to going a little above the guidance weren't made in the fourth quarter. Those were made as we were going through the year with a recognition that – if we took some of the steps as we were going through the year – as we got to the end of the year, those numbers would grow potentially slightly above the guidance. And we made the decisions as we were going. And it's a very dynamic process. So I think that's how I would think about it, and we're going to continue doing that going forward.
Obviously, the Permian, we continue to learn with the technologies that we're bringing in there, the techniques that we keep evolving. So my expectation is we'll continue to adjust as we go to maximize the value of the production and what we're learning through the technologies that we're deploying. And then with Guyana, don't underestimate the complexity of these reservoirs and the challenges the organization has. So as they're drilling and gaining information, we're optimizing that as we go as well. And if we see an opportunity to advance the development and bring it forward and bring NPV with that, we'll take that.

And so I would just tell you, it's hard to predict because what are you going to learn? I mean, if we knew that now, it wouldn't be learning, we'd know it. It would be able to be built into the plan. So it's hard to really predict the learning piece of it. Anything to add, Kathy?

Kathy Mikells: I'd just say, if you look at the specifics of what we delivered as a result of actually spending a little bit more on CapEx, I think you see that just goes hand in hand to how we drive value for shareholders. So in the Permian, we had guided to 600,000 oil equivalent barrels. We came in at 620,000. In Guyana, we had said 380,000, we came in at 390,000, right? And you think about where we're at in Guyana today, and we've got Prosperity, the third boat, which is in the Payara development already up to nameplate capacity as we stand here today. And that's because we made the decision to drill more wells to ensure that we could get that boat up to capacity as quickly as possible. And our organization absolutely delivered on that. So those were the right economic decisions that drove value for our shareholders.

Devin McDermott: Great. Yes. I agree the strategy is certainly yielding great results. Thanks so much.

Kathy Mikells: Yes.

Operator: The next question is from John Royall of JPMorgan.
John Royall: So my question is on Payara. You've expressed some confidence that you can ultimately get above the nameplate as you have on the first two platforms. Should we expect kind of a continuous ramp towards a higher number? Or does it run closer to nameplate for a period of time? And then further unlock happens kind of more in a step change?

Darren Woods: Thanks for the question. I think just to maybe step back and talk a little bit about the process. Our organization does its best to design the projects for the capacities that we want to deliver. And then as the projects group hands that off to the operating group, they’re obviously, as we begin operation, testing to see where we are with respect to constraints. And the advantage that we have here is that we've tried to stick to some consistent design, this design one, build many concept, we've tried to, to the extent possible, maintain consistency from boat to boat.

Obviously, as the subsurface and the complexity of the developments change, we have to make adjustments. So it's not quite a cookie-cutter approach, but we try to maintain a level of consistency. One because that keeps your capital cost down. But two, it allows us to take the learnings from the previous boats and apply it to the one we just start up, advance things faster to do things quicker. And a great example for Prosperity is how quickly we managed to bring that unit up and get flaring down and get to nameplate capacity. We did that essentially at record times, which is a reflection of the fact that the organization, as they've been bringing these production units online, that they're learning and then taking those learnings and forwarding it to the next boat.

So my expectation is you'll see us move faster and faster as we go. Difficult to predict exactly what that ramp-up looks like or the step changes, if you will, because it will be a function of the next constraint that they overcome to make sure that we can continue to run those facilities safely within all the operating limits, but at the same time maximize their value. And so I would say, take the previous ramp-ups as a basis and then our expectation is the organization will find ways to do it even better.
Kathy Mikells: And then if you don't mind, I'm just going to add because I know everybody is now going to be modelling what Guyana is going to look like for the year. So this is just a reminder that, at some point in the second half, we're working on the gas to energy project, right, and laying the pipeline down to bring that gas from Liza 1 and Liza 2 onshore to basically plug it into the power plant that ultimately will drive down cost for consumers in Guyana, and we will be taking Liza 1 and Liza 2 off-line for a period of time as we hook them up to that pipeline. So that's just a reminder that we'll have a little bit of downtime at some point in the second half.

Operator: The next question is from Bob Brackett of Bernstein Research.

Bob Brackett: At the risk of oversimplifying, if I think about 2023, it was a very strategy-focused year: Denbury, Pioneer, Lithium. If I look at 2025, it's a major project delivery year. 2024, is this a year of execution? Or could there be some level of strategic, interesting moves that we should think about?

Darren Woods: Yes. Bob, I would just say you have oversimplified it. I would start with every year is a year of execution. And I think the fact that we have managed, maybe in comparison to some of our peers, to make it look easy and have executed, I think, at a higher level, make no mistake, that continues to be a real challenge across all of our operations, and I think the men and women of ExxonMobil have done an outstanding job of consistently executing to a very high standard, as I said in my prepared remarks. So I don't want to take anything away from that. And I also don't want to suggest that we, for a minute, take that for granted or take our eye off of that ball. And so that's job number one. And even in bringing these projects online, that takes a tremendous amount of focus and discipline from an execution standpoint. So that is job one.

And then obviously, the strategy, that is also an emphasis every year. It's just as we've always talked about, it's really a function of can we find the right opportunities, the right equation that brings value to our shareholders. And if it's M&A, it's got to be 1 plus 1 has to equal 3 or more. If it's a project, it's
got to be advantaged, it's got to position ourselves in the very far left-hand side of the cost of supply curve.

And so we've laid out what we know of and what we see ahead of us, certainly from the capital standpoint. But as the organization continues to execute and continues to look for ways to translate the strategy into bottom line value, we find new opportunities and then we don't hesitate to go after those if they meet our criteria with respect to the advantages and they're within our ability to effectively execute.

So I wouldn't say in 2024 there's any different emphasis than there was in 2023. The project piece of it, frankly, that's the way the projects have been developed and kind of the work that's required to deliver those has led to that 2024 year of execution. But I wouldn't read more into that than just the scheduling of the projects.

Operator: The next question is from Ryan Todd of Piper Sandler.

Ryan Todd: Maybe if I could ask one with the Denbury deal now closed. Can you talk about what we might see over the course of the next year or two, particularly on the carbon capture business? Should we start to see announcements or notable signs of acceleration or efforts on that side?

Darren Woods: Yes, sure. I think the Denbury acquisition, just maybe a slight update on that first is we closed it. We've been going through the integration process, and frankly, continue to be very pleased with what we see as the opportunities to integrate that with the work we're doing around our low carbon solutions business and carbon capture. So we see huge potential in terms of linking together all the opportunities to reduce high concentration emissions along the U.S. Gulf Coast and along that pipeline system. So the team is doing a lot of work around developing the business there, a lot of work with potential customers around how we can help capture their emissions, and a lot of work around the operations and improving and growing the capacity of that pipeline.
So all that's ongoing. My expectation is with time, as we negotiate the opportunities with customers, we'll see more and more deals that bring emissions into that pipeline. That's certainly the plan. But I would tell you, we're very focused on building this business for the long term. If you think about what we're trying to do there with respect to addressing the risk of climate change and significantly reducing emissions for third parties. That's a business that doesn't exist today anywhere in the world.

We're trying to make sure that, as the first mover here, that we established a very strong foundation for a business that we expect to be around for decades to come. And so my guidance to the team is, while we want to move quickly to reduce emissions and to get customers in to grow the volume of emissions we're reducing, we don't want to do that and sacrifice the value opportunity here. And so we're striking that balance. And I think what you'll see happen is we'll bring on customers and grow that business in a way that is value accretive and generates the returns that we need for the capital in that business.

Operator: We'll go next to Biraj Borkhataria with RBC.

Biraj Borkhataria: I had a question on gas realizations because they were just well ahead of at least what we had modeled using the kind of rules of thumb and the portfolio mix you put out before. So is it just a case of the trading contribution coming into that number? Or is there something else driving that? And then just one quick clarification on the underlying cash flow from operations. Again, that was ahead of where the earnings beat would have suggested it would have been. So is there anything one-off in nature in the CFFO number that we should be aware of for 4Q? Thank you.

Darren Woods: Yes, I'll let Kathy address the cash flow. And I'll just say from a gas realization standpoint, I don't think there's anything unique in terms of what was realized as we went through the quarter. Obviously, we've been growing our trading business, and that is going to manifest itself in our results. We're going to see that in our energy business. We're going to see that in our gas businesses. So that
will continue to kind of – and as volatility changes and opportunities in the market change – we'll see
that kind of ebb and flow.

But we expect to see with time, a continued growth, structural improvement in the earnings with the
work that we're doing in the trading space. And then I think quarter-on-quarter, we're going to see
changes in mix as we move across the quarters. And so we'll see some variation there. But I wouldn't
put anything structurally other than the trading work that we've been doing into our realizations. And
I'll hand it to Kathy for any other comments on that and the cash flow.

Kathy Mikells: Yes. And so I'll just speak specifically to cash flow from operations, and I think you're
referencing the quarter, but I'm happy to talk about the quarter and the year. Our cash flow from
operations, if you look at the quarter was $13.7 billion. If you exclude working capital, we would have
been at $15.9 billion. You're mentioning a beat relative to the street. And so was there anything
unusual going on?

As I look at people's models, I think sometimes they struggle to get depreciation and amortization,
right? So that's the only thing I'm going to speak to. And when we enter the quarter where we're taking
impairments, then we get an increase, in terms of the noncash add back that flows through to cash
flow from operations. And we obviously took an impairment in the quarter. So that's my best guess as
to anything that might be nuanced. Otherwise, no, nothing particularly unusual going on.

Operator: The next question is from Sam Margolin with Wolfe Research.

Sam Margolin: I'd like to come back to CapEx, if possible, just because when the organization is performing
so well, as it is, there's always going to be opportunities to pull something forward or for people
throughout the organization to kind of pursue their incentives and spend a bit more. And obviously,
this is something that's been a topic in the industry for a long time.
And so particularly as we look at your Permian results, it looks like your ’23 wells are still improving and everything is getting better. So I guess the question is, how do we think about this with respect to your planning when it feels like there’s always going to constantly be opportunities for you to add kind of nickels and dimes to CapEx to do some quick hit high-return opportunities.

Darren Woods: Sam, I would -- I guess I’d take exception to the characterization that you’ve laid out there. It’s not a function of the organization throwing additional nickels and dimes. We have pretty focused work programs to drive value here. And frankly, any discussion about spending additional money or making additional investments above and beyond what we plan for has to come to the management committee. And so we’ve got pretty tight controls around making sure we understand what’s the value proposition, how unique is the value proposition.

This is not something we just turn loose to the organization, and they start throwing on money as and when they see the opportunities to do that. So that’s -- I think the characterization that it’s hard to hang on to this, I would point to the success that we’ve had to date where we’ve delivered what is a very accretive, advantaged set of capital projects.

I think our track record demonstrates that we are not about going after volume or going after marginal investment opportunities. These things have to be unique. The hurdle to get into the capital plan is pretty high. If you look across the industry, we have a clear understanding of cost of supply. We know where we sit on the cost of supply curve. As new projects or opportunities come forward, we look at those in terms of where they sit from a competitive standpoint. They have to have a structural advantage. They have to be robust and resilient to bottom cycle conditions. If you lay all those conditions on it’s a fairly tight funnel that people have to get their spend through. And that doesn’t change. That has not changed.

And so I would just say, if we spend additional money, that money is going to deliver more than what was in the base plan, frankly, because it’s on the margin. And I’ll come back to, at the end of the day,
we’re not judging ourselves by hitting some number or guidance that we’ve given from a year ago. We’re judging ourselves on the ability to generate advantaged projects.

And again, I’d just point you to the results that we’re delivering. To grow earnings on a compounded basis of twice what the nearest competitor has done or to grow cash flow from operations at twice what the next nearest competitor has done, doesn’t come from investing in things that don’t have the advantage that I just talked about. So I think our track record and the results that we’re delivering demonstrate that the approach that we’ve taken here is working. And we’re not going to vary off of that approach.

Kathy Mikells: I’d just add one more comment, and that is we almost take for granted how many projects we’ve actually been able to pull forward and deliver either on time or ahead of time. And Payara is a great example of that. It was originally targeted to actually start up in 2024 and we were able to pull it forward. We were then able to pull forward incremental well drilling in order to get that FPSO up to operating nameplate capacity in an extraordinarily short amount of time.

I’d say this is one of the areas that really differentiates ExxonMobil from other companies: our top, really top, performance and execution. And pulling projects forward is always a positive economic decision, right, because we’re going to end up getting the benefit of the profits from those projects sooner or later. So very much a decision that’s aligned with driving value, which is what sits behind all of our decision-making.

Operator: The next question is from Jason Gabelman of TD Cowen.

Jason Gabelman: I first wanted to get your take on the outlook for the chemicals market going forward. 2023 was a bit of a trough year. Some of the industry participants are saying maybe we’re getting close to turning the corner and that would be meaningful given all the underlying investments that Exxon has made in the Chemicals business. So just wondering your view on market improvement and seeing the full force of some of those investments come through?
Darren Woods: Sure, Jason. Yes, I think I would concur with your characterization of 2023 as being kind of at the bottom of the trough. It was definitely a challenging year. Well below, I think, the bottoms of previous cycles. But I would say that, and we're quite proud of the fact that, investments that we brought on were earnings and cash positive in the bottom of the cycle, which, frankly, is exactly in line with -- I was just talking about the strategy that we have and the criteria that we require for projects that they have to be robust to bottom-of-cycle conditions.

And in the Chemical business, we definitely demonstrated that the new projects that we've bought on that had some run time in them, are earnings and cash positive even in these very challenging conditions. So think like many others in the chemical industry, we'd like to see us come out of the trough. And when we do, our expectation is the capital that we've brought on will obviously be performing even better with better margins.

I would say as well, with respect to turning points, we certainly saw in the fourth quarter some slight improvements. There's still a lot of capacity that's come on out there. We're still seeing a reasonably good growth, particularly for ExxonMobil in our performance product category. We have set some pretty aggressive targets to grow our high-performance, high-value chemical products, and we're seeing that happen.

So we feel really good about the pipeline and the development of our sales. And then the question is when does the broader industry turn and you start to see margins improve? My expectation is 2024 might be marginally better than 2023, but we're not expecting significant change in the vector, but more of a gradual one as we work our way through all the supply that's come on in the recent years and some of the supply that will come on in 2024 and 2025.

So I think it will be a gradual recovery, but frankly, one that we feel very comfortable with based on the advantages that we have with our capacity, the advantages that we have with our footprint and the
flexibility we have to optimize on feed and products. So we're positioned for this kind of market. I think the results demonstrate that, and we're going to ride it and see where the market goes.

Operator: The next question is from Paul Cheng of Scotiabank.

Paul Cheng: Darren and Kathy, I want to ask about the trading operation. I think it seems like it's a very good trading year for you and a lot of your peers in Europe. Can you help us to maybe quantify what is the trading benefit for the year, whether in terms of millions of dollars or in terms of improvement in the return? And do you think that is repeatable? And after more than the last two or three years, what have you learned? Is there anything that you would do differently going forward in your trading operation and whether you see the first quarter optimization opportunity set similar to what you're seeing in the fourth quarter? Or is it getting worse or getting better? Thank you.

Darren Woods: Yes. Thank you, Paul. I'll give you a perspective and then let Kathy build on that. And maybe just to go back in time a little bit, we talked about the trading opportunity within ExxonMobil for quite some time. I think there is some skepticism out there as to whether we could actually build that business. But the foundation of our trading operations is a function of the global footprint that we have, the span of the businesses that we have, the integrated nature of the businesses that we have, that we felt like gave us a physical footprint and presence in markets all around the world to effectively trade on and to build a business from that footprint and, obviously, the perspectives and insights that come with operating that footprint in those mix of businesses.

And that, I would say, as we've grown our trading capability on that premise, optimizing our assets, building on our assets, that it has proven to be very effective at that strategy. And that we see continued opportunity to grow that. And I think as we've talked about here, we were going to take a very measured approach. And we weren't in a hurry. We weren't going to rush through this. We're going to make sure that what we do is structurally sound and that we're managing the risk as well as capturing the rewards. And we've been doing that.
So 2023, I think, was off of the highs we saw in 2022 because of where the market's at, but still reflected, I think, very solid contributions based on the capabilities of the organization that we've been building. And we've got more to do there. My expectation is that you will see improved trading results embedded in our businesses because frankly, that trading organization's objective is to enhance the value of the business. We don't want a trading organization that's competing against the base business. We want a trading organization that's working with the base business to optimize value for the corporation. And they're doing that, and those earnings accrue to the businesses that they're trading on behalf of.

But I'm very pleased with what we saw in 2023. Obviously, the market and volatility will function heavily on year-on-year in terms of what we actually deliver. But structurally, we've got a really sound base that we're growing, and I think we're going to continue to see improvement in that space. Kathy, anything to add?

Kathy Mikells: Yes. The only other thing that I'd add to that is if you looked at our trading results on a year-on-year basis, now in upstream we were lapping kind of a big mark-to-market gain in 2022, right? So that impacted our results. And I've mentioned time and time again that quarterly results, especially as a result of that movement in mark-to-market, will kind of ebb and flow and sometimes we get price timing nuances in the quarter. As we came to the end of this year, those price timing nuances that we saw in the third quarter had fully unwound by the fourth quarter. So I think we start the year overall in a pretty good place.

Paul Cheng: Kathy is there a number you can share in terms of what's the contribution for trading for the year?

Kathy Mikells: No, we don't disclose that. And I think actually, all our peers have a pretty high competitive sensitivity in terms of disclosing that number. But I think Darren put overall things into a good context. Which is last year was record earnings for the company, and it was record trading earnings. And so we
had a strong result this year in trading, but it was down a bit on a year-over-year basis. And then I mentioned specifically in upstream that we were lapping favorability in terms of mark-to-market favorable gain in 2022.

Operator: The next question is from Neal Dingmann of Truist.

Neal Dingmann: Good morning, Darren and team. My question is on the Permian. Specifically, your continued record production. The play, it appears, at least from what I am seeing going forward, your proforma Permian activity is likely to continue trending higher and I’m just wondering maybe, Darren, how you’d respond to maybe any of the critics who suggest all U.S. companies should instead maintain flat production in order to, you know, I guess, appease Saudi and the others, maybe more so.

Darren Woods: Yeah. Thanks for the question. No, I would just tell you, we're not going to run the business to appease an external member out there. I think the way we look at it is, it comes back to every dollar that we choose to invest and spend. Do we see a return, are we convinced that we're effectively spending that money, and if we're spending it efficiently. That's the criteria that we're using. That's the plans that we've built. We expect to grow our volumes in 2024 to about 650 Kbd and then we're going to continue that growth through to the targets that we've laid out in 2027 of, you know, about a million barrels a day, close to a million barrels a day. So, that's the plan that we have. We're executing to that plan and, as we've said before, year on year, it's not straight ratable growth, it'll be lumpy growth. But, you know, over time, it will average about 13% and we haven't seen anything to date that would say that's going to change. Obviously, as we bring Pioneer in, into the fold, we'll bring their production in and look to kind of optimize across that portfolio that both companies have and, as we've said before, that once we close on that, we'll come back out and have a spotlight where we'll, you know, share what the implications of bringing these two companies together and the impact on our Permian production.

Operator: The next question is from Lucas Herrmann of BNP Paribas.
Lucas Herrmann: Following on from the Permian question, actually, Darren, when you were asked about the pace of growth in 2024 in the Permian, I think at the time of the capital budget release, one of the comments you made was a desire to build, drilled uncompleted wells. And I just wondered whether you could talk a little bit around the concept of building inventory. Why the need? Why put more wells into inventory? Is it very simply adding flexibility to the business in order to maintain the production profile going forward? Or what's the thinking? Thank you.

Darren Woods: Sure. I'm happy to do that. And you remember correctly, we did say we were going to build some more DUCs. And I would think about that, and you use the right word inventory, like any inventory that we have in the business, which is if you're optimizing what is a pretty complex system of drilling and fracking and managing simultaneous ops and how you schedule all that and how it interfaces with each other and the planning piece of it. You want to have a little bit of inventory that allows you to continue at a pace and manage around some of the complexities and potential conflicts that you have in developing the acreage.

And you'll recall that what we are doing in the Permian and the Delaware, in particular, is this manufacturing approach where we're laying out the spines and then executing like a manufacturing organization down that. And so it is a very paced and continuum of work and production. And so there are constraints that you hit as you're doing that consistently across all that acreage. And having some DUCs available to us allows us to, when we run into an issue with what we're doing in the immediate vicinity, we have some other opportunities to continue the production. So we use it like any other inventory.

Obviously, the trick is to get that inventory level right. You don't want a bunch of capital sitting there that isn't earning its return. This we think we've got to an optimized level that allows us to keep a very efficient, I'd say, manufacturing process running versus a focus on production and production process.
Operator: We have time for one more question. Our final question will be from Jeoffrey Lambujon from Tudor, Pickering & Company.

Jeoffrey Lambujon: Going back to carbon capture. I was interested in the comment earlier about the pilot plant and the potential to lower the cost of direct air capture. I imagine there are limitations on what you can share, just given as you mentioned the proprietary nature of the tech here. But with other key players in the energy space, particularly on the service side, exploring new technologies for this, I just thought it would be great to get any commentary you can speak to on key learnings so far from this pilot plant and the magnitude of potential savings, where you see the most opportunity to improve the cost structure, and what kind of capital investment that I guess the Low Carbon Solutions business overall might involve over the near term?

Darren Woods: Yes, sure. You rightly so pointed out to proprietary nature. So I will limit some of the details of what we're talking about there. But maybe just from a broader context standpoint, we're convinced that carbon capture is going to play a really important role in helping society meet its ambitions to get to net zero or to make certainly significant reductions in carbon emissions. We think it makes a lot of sense, rather than tear up and throw away the existing infrastructure and the industries that we have in place that are intensive energy users, that we find a way to deal with the problem, which is the emissions. And so I think carbon capture plays a role there.

The technology that we have to date, frankly, wasn't developed for this application. It has a use and can be deployed today for high concentration streams. But as you move down the emissions profile and get to lower and lower concentrations of CO₂ streams, the existing technology is challenged. And so it becomes very expensive for every ton of carbon that you reduce. And so the challenge is use the existing technology today for these high concentrations streams where you can make the economics
work, but then find a lower cost method to deploy for these less concentrated streams that still make it economic.

So that's been the challenge that we're working on, recognizing that the existing technology was designed for a different purpose. We need a new technology here. And we're trying to take advantage of material science development, things that have happened with materials, with nanostructures. There's a lot of advances in technology since the existing technology was developed. And so there's a question of how can we better capture CO$_2$ by using advances in the existing technology. We think we've come up with an opportunity to potentially do that, but it's early days like all these technology developments.

And so we built a pilot plant and we'll see and test out some of these new capabilities and test the cost effectiveness of capture. I would say our first step: we're looking to get about a cost reduction of about half, but I would tell you that's still not enough. But if we can see a significant step change in that cost, or path to that cost reduction, that gives us hope that we can then continue to advance that and get it down to something that is more competitive and then economic to deploy across the world. And if we can crack that, as I've said many times before, the holy grail in addressing emissions is direct air capture.

And the challenge for the industry is to find ways to do that more cost effectively. And frankly, we're at the very early stages of the technology and the technology development. So whether we're successful or somebody else is successful, I feel like this is an area worth exploring. And I think our technology companies have got some great ideas. We know how to scale things, know how to optimize, not only materials, but processes and bringing all that together to see if we can make a step change here is the objective. And it's too early to judge how successful we'll be, but I certainly feel like we've got the capabilities and should be working hard to try to make advances this year.
Jennifer Driscoll: Thanks everybody, for joining the call and for the questions you asked. We will post the transcript of our Q&A session on our Investor website early next week. Have a nice weekend, everyone....and, with that, let me turn it back to the operator to conclude our call.

Operator: This concludes today's call. We thank everyone again for their participation.