

## **ExxonMobil Third Quarter 2023 Earnings Call Transcript**

This transcript presents ExxonMobil's third quarter 2023 earnings call held on October 27, 2023.

Operator: Good morning, everyone, and welcome to ExxonMobil Corporation's Third Quarter 2023 Earnings Webcast. Today's call is being recorded. I'll now turn it over to Mrs. Jennifer Driscoll. Please proceed, ma'am.

Jennifer Driscoll: Good morning, everyone. Welcome to ExxonMobil's third-quarter 2023 earnings call. We appreciate your joining the call today. I'm Jennifer Driscoll, Vice President - Investor Relations. I'm joined by Darren Woods, Chairman and CEO; Kathy Mikells, Senior Vice President and CFO; and Neil Chapman, Senior Vice President.

This presentation and prerecorded remarks are available on the Investors section of our website. They are meant to accompany the third-quarter earnings release, which is posted in the same location.

Shortly, Darren will provide brief opening comments and reference a few slides from his presentation. Then we'll take your questions.

In conjunction with our recent announcements regarding Pioneer Natural Resources and Denbury, we've included additional information on slide 2 related to comments or information included in today's presentation.

Please be aware that this presentation is not intended to be a solicitation of any vote or approval.

During today's presentation, we'll make forward-looking statements, which are subject to risks and uncertainties. Please read 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. Please note that we also provided supplemental information at the end of our earnings slides, which are posted on the website.

And now, please turn to slide 4 for Darren's opening remarks.

Darren Woods: Good morning. Thanks for joining us today.

We delivered another robust quarter of earnings, cash flow, and shareholder returns, reflecting our ongoing efforts to structurally improve our company and drive sustained industry-leading performance.

We reported \$9.1 billion of earnings – an increase of \$1.2 billion compared to the last quarter. While the market provided a bit of a tailwind, our success was enabled by the continued strength of our operational performance, which reflects the hard work of our people across the company. Whether it's continuing to drive efficiencies in maintenance and turnarounds, running at high throughputs and utilization rates, or delivering big projects at first-quintile cost and schedule, the excellent work of our people underpins our results and sustains our drive to deliver industry-leading performance in everything that we do. Their work is fundamentally strengthening the underlying earnings power of the company, establishing a strong foundation to deliver industry-leading results in any price environment.

Consistent with our capital allocation strategy, we continue to share the success of the company with our shareholders. This morning, we were pleased to announce a 4% increase to the quarterly

dividend, to \$0.95 cents per share. This year is our 41<sup>st</sup> consecutive year of annual dividend increases, a record that we're proud of and that we know our investors value highly.

We continue to strengthen our portfolio of businesses by investing in advantaged, high-return opportunities while divesting businesses that are no longer a strategic fit. During the quarter, we closed on the sale of our Thailand refinery, bringing our year-to-date cash proceeds from asset sales to more than \$3 billion. We followed this in October with the close of the refinery sale in Italy.

Recently announced acquisitions are great examples of the "and" equation: meeting the world's needs for energy and essential products AND reducing emissions.

Acquiring Denbury strengthens our position to economically reduce emissions in hard-to-decarbonize industries, which today have limited practical options. We see the potential to drive strong returns, with the capacity to reduce the nation's carbon emissions by 100 million tons per year. That's 20 times our current CO<sub>2</sub> offtake agreements with CF Industries, Linde, and Nucor – which, by themselves, could reduce CO<sub>2</sub> emissions by an amount equivalent to replacing 2 million cars with EVs, roughly the same number of electric vehicles currently on U.S. roads. We expect to close the transaction in early November, with Denbury shareholders scheduled to vote next week.

Earlier this month, we signed an agreement to acquire Pioneer Natural Resources in another all-stock transaction. This combination will further strengthen our already advantaged Upstream portfolio and create significant value for the shareholders of both companies. Together we will recover more resource, more efficiently, and with a lower environmental impact. We plan to accelerate Pioneer's Permian net zero ambition by 15 years and fully leverage their advances in water recycling. This deal is a win any way you look at it: good for our shareholders, good for the

environment, good for the economy, and good for U.S. energy security. Neil will say more about the benefits of the transaction in a few moments.

We're also continuing to drive profitable growth organically. In Energy Products, we achieved the highest third-quarter refinery throughput on record, driven by our Beaumont refinery expansion. At a time of strong demand and low inventories, this project is providing 250,000 barrels per day of much-needed new capacity to the market.

In addition, we recently started up our Baytown Chemical expansion, which grows volume and improves mix. It provides 750,000 tons per year of new performance chemical capacity – including 350,000 tons of Linear Alpha Olefins, marking our entry into this growing market.

We delivered another quarter of strong operational and financial performance, with earnings of \$9.1 billion and cash flow from operations of \$16 billion. These results reflect the structural earnings improvements we've delivered over the past several years as we've improved our mix of assets and driven significant structural cost reductions while maintaining our focus on industry-leading safety and reliability.

We've lowered our structural costs by \$9 billion since 2019, beating our plan, and expect to deliver additional savings in the fourth quarter. We continue to identify opportunities to improve our base operations, including enhancing our maintenance and turnaround processes, strengthening our digital capabilities, and optimizing our supply chain.

Our year-to-date production of 3.7 million oil-equivalent barrels per day is on track with our full-year guidance.

Capex investments of \$18.6 billion year-to-date are on plan. We expect 2023 capex to finish the year at the top end of our guidance range as we continue to invest in high-return advantaged projects, our top priority for creating long-term shareholder value.

As always, we remain focused on sharing the company's success with our shareholders. We delivered \$8.1 billion in shareholder distributions in the third quarter – \$3.7 billion in dividends and \$4.4 billion in share repurchases.

With that, I'll turn it over to Neil.

Neil Chapman: Thanks, Darren. Good morning, everyone.

As we shared with you recently, Pioneer is arguably the best Permian pure-play company with the largest undeveloped, tier-one inventory in the Midland basin.

Pioneer's premier asset base is matched by the quality of its workforce. Its employees are innovative and hard-working, and possess a deep knowledge of unconventional operations in the Permian. When you combine these attributes with our technology and industry-leading operational capabilities, we're confident we can unlock far more value together than either of us could do alone.

We expect synergies of approximately \$1 billion before tax annually beginning in the second year post-closing and an average of about \$2 billion per year over the next decade, driving double-digit returns.

This transaction not only strengthens our current position, but it also transforms our portfolio – increasing our exposure to short-cycle, low cost-of-supply liquids in the United States. Based on our

initial assessment, we expect our combined Permian production to increase to approximately 2 million oil-equivalent barrels per day by the end of 2027.

Downstream, this merger also increases the integration between high-value, light Permian crude and our premier refinery and chemical footprint on the U.S. Gulf Coast.

Finally, we've said many times that we're working to solve the "and" equation, providing the energy and products society needs AND reducing emissions, both ours and others'. This transaction reflects both parts of our commitment. We will increase our Permian production with plans to accelerate Pioneer's net zero plan to 2035 from 2050 and decrease our combined Permian emissions.

With that, I'll pass it to Jennifer.

Jennifer Driscoll: Thank you, Neil. We have two quick announcements to share with you. First, please mark your calendars for our annual corporate plan update scheduled for Wednesday, December 6<sup>th</sup>, at 9 a.m. Central Time. Darren and Kathy are going to provide formal remarks and take live questions from our sell-side analysts via Zoom.

Second, please keep an eye out for our 2024 Advancing Climate Solutions report. We expect to publish it online in mid-December.

And with that, we're going to begin our Q&A session. Please note, we continue to ask analysts to limit yourself to one question as a courtesy to others; however, please remain on the line in case we need any clarification. Operator, please bring us the first call.

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 phone. The first question comes from Neil Mehta with Goldman Sachs. Your line is open, please go ahead.

Neil Mehta: Good morning and thanks for the update. The first question for me is on the Permian here, and Slide 17 to 19 are interesting and incremental. I was wondering, Neil, if you could take a moment to walk us through it and this is in the context of some of the investor feedback we've gotten around the transaction as folks are looking for a little more clarity on the top-line synergies that are going to come from better productivity.

Neil Chapman: Good morning, Neil. What we outlined in the slides with the earnings release is really the basis of what I always describe as real, quantifiable synergies that have created the deal space for this transaction. These synergies are already demonstrated in our existing operations, either in the Delaware or the Midland. It does not include a pipeline of new technologies that are either in the early stages of deployment or close to deployment. So, by applying what we've already demonstrated, we're confident we can recover an additional 1 billion oil-equivalent barrels, more than either Pioneer or industry could have demonstrated with their existing performance.

And in the charts, we highlight two areas. One, industry has moved to cube development. They've moved to cube development to get the higher net present value. We were the pioneer in that. And that's obviously to avoid the parent-child impact.

The top chart on there shows that we've been drilling cubes since 2020 - 100% in the Midland. And you can see that, over the period, Pioneer has moved to 100% cubes as well. But in 2022, when we were both developing 100% cubes, you can see we've got equivalent recovery rates, but we're at

notably lower-quality acreage, lower-quality resource. So equivalent recovery at lower-quality resource.

And when we looked at truly comparable acreage – and that's really, really important, because generalizations can lead to misleading results – in the bottom, we talk about adjacent Martin County, where us and Pioneer and one of our other peers are drilling the same 10,000 lateral cubes, you can see we get a 20% higher recovery.

And that's why we're targeting, all targeting, the same interval. These are Middle Spraberry to Wolfcamp C in similar proportions. And what varies and what's the difference is the stacking and landing zones. And what varies is the optimal well spacing that we are delivering, which includes things like vertical orientation.

And just one final point on that, Neil, in terms of recovery. It's not just about how you deliver cubes. When you've got better recovery, when you've got better capital efficiency, it gives access to economically developing what we would describe as secondary benches – as you recall, like the Wolfcamp C and like Jo Mill extension. And in addition, obviously, we have other techniques that we attempt to keep confidential, which gives us this higher level of recovery.

Neil Mehta: Thank you, Neil.

Operator: The next question comes from Bob Brackett with Bernstein Research. Please go ahead.

Bob Brackett: Good morning. When you talk about your 2 million-barrel a day initial sort of view of where production from the combined entity can get to in 2027, how do I think about the gating factor? Is



that a fixed rig or activity or capex program and the volume is an outcome? Or is that a volume target, and you'll adjust activity down as most synergies come through?

Neil Chapman: Yes, Bob, it's Neil, again. I want to be clear. We don't have a volume target. We have a value target, we have a volume outcome, and that's really, really important.

And for our basins, we've talked about an outcome being 1 million barrels a day by the end of 2027, based on our Delaware and Midland Basin. Based on our initial assessments of Pioneer's plans, obviously, we've had access to that through the due diligence process, we see that with similar capital spending, as Pioneer has today, when you can equate that to a similar number of rigs, we would anticipate that Pioneer's production under ExxonMobil and Pioneer's combined operations would also get to 1 million barrels a day by the end of 2027. If you add current production in the Midland Basin for both Pioneer and ExxonMobil today, it's already at 1 million barrels today.

It's really important though, volume is an outcome which is driving from the value. That's why we focus on the cube development. But I would say the basis is consistent with existing capital spending that Pioneer are making today. We do anticipate, I've just outlined, improvements in recovery. We do anticipate improvements in capital efficiency basing on the synergies that we outlined in the earnings release. But that's not really built into that outlook of 1 million barrels a day from the Pioneer operations.

Bob Brackett: Very clear, thank you.

Neil Chapman: Thank you.

Operator: The next question is from Devin McDermott with Morgan Stanley. Please go ahead.

Devin McDermott: Great. Good morning. Thanks for taking my question. So, wanted to stick with Upstream and take advantage of having you on the call here, Neil, and ask about Guyana. The slides noted that production is now coming in ahead of plan for the full year, a little bit better than your full-year target. And part of that is the Payara start-up, part of that seems to be debottlenecking.

I wanted to just focus on the debottlenecking opportunity. Could you walk us through how much uplift you realized so far versus nameplate? How much is left? And then the repeatability of this outperformance as we look at the additional FPSOs that are set to start up over the next few years.

Neil Chapman: Yes. Thank you. I mean, we're really encouraged by what we're seeing in Guyana. I mean, let's just start with the two boats that are in operation today. Liza-1 or Destiny had a nameplate capacity of 120,000 barrels a day. We're consistently running that at about 150,000 barrels a day. Liza-2, Unity, was a 220,000 capacity, and we've been running that consistently above 240,000 barrels a day.

So those two combined are getting close to 400,000 barrels a day, which is quite a bit above. And this comes from, I would just say, good operational performance. You look at every aspect of the operations, you tweak them, you push them, and you can get more and more out.

Now, we're starting up Payara, which is 220,000 barrels a day nameplate capacity. We would hope, we would expect, to have a similar type of uplift. There is no reason to think that we wouldn't, but we have to start that up. The plan is to start that up in the middle of November. That would give us a combined nameplate capacity of 560,000 barrels a day. But obviously, with the first two boats running more like 400,000 barrels, we'll be -- we expect to be in excess of 600,000 barrels a day of production.

Just to add to that, we got three more boats in the pipeline, as you're aware. All three of the boats in the pipeline, that's the Yellowtail, Uaru, and then Whiptail, these are all larger boats. They're all 250,000 barrels a day. Yellowtail and Uaru in construction. Whiptail, we've submitted the development plan to the government. And we would hope and expect to reach FID in 2024 for that.

And that will give us a combined nameplate capacity of 1.2 million barrels a day at the end of 2027. But that doesn't include the uplift in performance, the production performance, that we've got out of the first two boats.

And I mean, we certainly – our message to the organization, start it up safely, start it up on time, each boat. That's what we'll do on Payara. And once we get settled, we'll try and follow the same protocols that we've done on the first two boats and then strive to get maximum production out of the boats. And that's obviously good for the shareholders, it's good for the co-venturers, and it's even better for the country.

Darren Woods: Yes. I would add to Neil's comment. If you recall, we brought all our projects organizations together to make sure that we were leveraging the best capability in terms of development and designing these projects. We've also brought together our technology organizations. And the big benefit we have there is we're now leveraging not only the capacity that was in the Upstream in terms of optimization to run these facilities, but we've got decades and decades of experience of people optimizing and running our chemical plants and our refinery facilities to squeeze out and optimize every piece of the production pipeline and make sure that we are at the design limits of the different equipment.

That optimization, which has been kind of the lifeblood of the refining business, given the very narrow margins, has big payoffs when we apply it to the Upstream facilities. And so there's an additional benefit just in terms of leveraging the broader organizational capability, which again, has been part of our strategy from the very beginning, is to make sure that we're bringing to bear the best thinking across all of the corporation on the most important facilities and projects, and this is certainly one of those.

Devin McDermott: Great. Thanks so much.

Operator: The next question is from Doug Leggate with Bank of America. Your line is open. Please go ahead.

Doug Leggate: Good morning. Thanks for taking my question. Good morning everyone. Darren, also forgive me, I'd like also to take advantage of Neil being on the call and follow on with a Guyana question, if I may. But Neil, if you don't mind, I'd like to frame this question a little bit because a couple of years ago, you talked about, if the deeper resource potential proved to be as prolific as the original targets that you had in the area, you could look to double your resource potential from 10 at that time you had announced, potentially significantly larger. You haven't updated that resource number in a while. Now you've had Lancetfish. It looks like Fangtooth in the queue, based on your EIS submissions to Guyana, but yet you still talk about production capacity and not production.

So my question to you is, with capability of obviously keeping these boats full for an extended period of time, what do you ultimately see as the production capacity -- or sorry, actual production as opposed to capacity trajectory through the end of the decade at this point?

Neil Chapman: Yes. Thanks, Doug. I mean, there's probably 2 parts to that question. One is exploration, and then one is production and capacity. Let me just handle exploration first. We've had, as you're aware, three discoveries this year, including Lancetfish-2, which is the most recent one. We continue to integrate those results, both of exploration and appraisal drilling, and we're going to update that resource base when we see it as a significant change.

Our program of exploration and appraisal continues. And the way I like to frame it is, in the southeast corner of the Stabroek block, we're continuing to appraise around our discoveries. And that will take a lot of work and a lot of activity. We have six drill ships in the basin, and they're both -- they're in development, appraisal, and exploration drilling.

In addition to all that appraisal drilling that we're doing in the southeast part of the block, we're looking for what I would describe as anchor prospects further to the north and further to the west. We continue to look, and we probably got, order of magnitude, three what I call true wildcats or exploration targets looking for anchor wells in the next 10 to 12 months, something like that. That can change based on results of either the appraisal or the exploration drilling.

So we're going to update when we see something meaningful and when we see something significant. We've been very clear that we have six FPSOs in the pipeline, they are firm. And I've just, in one of the previous questions, outlined all of those.

Indeed, they will have a capacity, and you strive to keep them full all the time. As you know, Doug, that one of the beauties about the Stabroek block is the density of the resource and the proximity of these boats, which gives that potential for tiebacks well into the future. But the water cut will increase, as everybody knows, in deepwater.

So we constantly look. We like to talk about capacity, and we optimize as we go. And we will increase the production versus the nameplate capacity as we go. And so that's why I think what we can be firm on is we will have six boats by the end of 2027. They will have a nameplate capacity of 1.2 and obviously, we will strive to keep them as full of liquids or of oil as we can over that period.

I mean, I think as we get closer to the 2027, obviously, we'll update those numbers, Doug.

Doug Leggate: Appreciate the full answer, Neil. Thanks so much.

Neil Chapman: Yeah, sure, thanks.

Operator: The next question is from Stephen Richardson with Evercore ISI. Your line is open. Please go ahead.

Stephen Richardson: Great. Thank you. We are going to keep Neil busy this morning. Another one on the Pioneer disclosure. Appreciate the incrementals. I guess it sounds like, from your previous comments, the 1 million-barrel-a-day target and output is still there for the legacy Exxon position, and you're thinking about the additive from Pioneer.

Can you talk a little bit about, as you integrate the two assets, are you assuming some high-grading around some of the higher-quality acreage? Does anything -- do you envision prioritizing more activity on one asset versus the other? Or are you still kind of thinking about them as two separates?

And then also, maybe you could just talk a little bit about assumptions around acreage bolt-ons or any positions as well. Is there a lot of work to do in terms of extending some of this lateral length that you're talking about?

Neil Chapman: Yes. I mean, first of all, I would say it's very early in the process. Of course, we've done the due diligence. We're into transition now.

I think it's very important to make the point – Pioneer are a very, very capable organization. They've demonstrated that. What we're really excited about is the combination of these two organizations. Pioneer have a deep, deep understanding of the Midland Basin. As we've talked about it, this is absolutely in the fairway of Tier 1-quality resource, and Pioneer have done an exceptional job of developing that resource.

From our side, we've got a whole range of different operating techniques, development plans and technologies. And it's the integration of those that we're most excited about. And everything we've seen in the initial transition work would suggest all of that is correct.

If you just look at the acreage position, and you look at where Exxon are and – ExxonMobil are and Pioneer are, obviously, it gives an opportunity for both high-grading the inventory, and that includes bolt-ons.

And I have to say that Scott Sheffield and his organization have done an extraordinary job bolting on and increasing their acreage in the basin, and they have a very, very capable land organization, and we look forward to working with those folks.

So I think it's a combination that's going to be most powerful in developing that resource.

Darren Woods: Yes. I'll just add to what Neil said. You look at what we've been doing over the last six years, it's really been around integrating our organizations, consolidating them and making sure that we're concentrating like capabilities into the same organization, and that is paying huge dividends.

And this is no different. The intent is to fully integrate the Pioneer organization and people into our business. My expectation is we'll bring a lot of advantages to their acreage. But at the same time, we expect their people to bring a lot of advantages to other parts of our business, including what we're doing in the Delaware.

And so our whole strategy is really around the value you create by taking experts in areas and getting the collaboration and the innovation that comes from that. So there won't be a separate approach here. It will be one. And I think what you're seeing today, to Neil's point, the fact that we're at a very early stage, but as we get together and work through the plans and the development, it will be one seamless integrated organization and plan.

Neil Chapman: And Steve, just one small addition to illustrate that. I talked before that we have a basin-wide remote operations center in Houston, where we control all our operations in Houston. That's drilling, that's fracking, that's field operations – that's methane tracking, methane emissions tracking as well, from one central control center in Houston.

Obviously, our plan would be to bring in the whole Pioneer operations in time to have one central organization. What that gives you is, it gives you all of that competency, all that expertise, applied to the whole of the Midland and Delaware basins from one central control center.

Stephen Richardson: Thanks very much.

Neil Chapman: Thanks, Stephen.



Operator: The next question is from Roger Read of Wells Fargo. Your line is open. Please go ahead.

Roger Read: Thanks. Good morning. Keeping with the Upstream theme here, I'd like to dig into the, I guess, call it, slight transition here, the high value-added or high-margin liquid barrels. So specifically, kind of coming in 100,000 barrels a day higher versus 2022 as gas has declined and/or been sold, and the liquids have grown.

But as you think about the change out to 2027, the growth in Guyana, the growth in the Permian, and we compare that to where you were, say, in 2019, how do you think about the sort of total value-added liquid barrels, the impact on margins, the impact on returns? Like what's the right way for us to think about the transition of the company over roughly that 8-year period?

Neil Chapman: Well, Roger, it's Neil again. Let's just park the Pioneer acquisition for the start, for a moment, and just talk about our existing plans as ExxonMobil. Back in 2018 and 2019, I talked about the strength of our developments that we had in the pipeline. And obviously, they were headlined by Guyana and by the Permian.

And what I said at the time is what you will see is an increase in the percent of liquids in our portfolio and a reduction in the percent of dry gas of the total. And if you look, if I outlook to 2027, we will go from something sub-65% liquids to something around 70% liquids in our portfolio in 2027 and 15% or thereabouts of liquefied natural gas.

So that takes us up to 85%, I would call liquids-indexed. Obviously, 80% of our LNG sales are indexed to Brent or to crude oil. And that's a big transition, but it's driven by the quality of those resources, primarily in the Permian and Guyana. And we're going to be adding on to that, of course, the

programs we have developed, we have an LNG in Papua New Guinea and then in Mozambique at the end of the decade.

I'd just add one other comment. If you take the liquids and the LNG, which should take us to 85% liquids-indexed in 2027, of the gas that remains, 7% of that is associated gas. So now it's gas associated with liquids production. So you can see that we'll be in the order of magnitude of 7% or 8% of dry gas in our portfolio at that time, and that's pre the Pioneer acquisition.

Darren Woods: Yes. I'd just add to that, Roger, if you just step back and think more conceptually around the strategy and what we're trying to do – every one of our businesses is focused on moving to the left-hand side of the cost-of-supply curve so that we remain robust to any period in the commodity cycle and making sure that we're positioned competitively versus everyone else in the industry.

And so, that drive over time to reshape the portfolio continues to move our collective production to the left and to lower cost, which at the same – and at the same time, adding higher-value barrels: we're lowering cost and increasing revenue. And so that's where the – kind of the value game is getting played out. And that's the work that we've been doing, and that's the high-grading that you've seen in the portfolio and the improvements in structural costs.

We mentioned in the top of the meeting that we've actually achieved the \$9 billion in structural costs this quarter, third quarter. So a quarter ahead of what our initial plans were. We expect to see more in the fourth quarter. And as we go forward with the changes that we've been making in the organization continuing, we're going to continue to deliver more structural cost savings.

So the whole strategy is around making sure that we have the best portfolio and the most resilient portfolio so that we can basically be successful irrespective of the commodity price environment that

we're in, and that we're well positioned versus others in the industry. That is the strategy, and you see that playing out certainly in the Upstream. But you also see it playing out in the Downstream, where we've been high-grading our assets there, and playing out in our Chemical business, where we continue to bring on units that produce high-performance products. So that strategy is manifesting itself in each of our businesses.

And then I'll just add on that same philosophy underpins what we're doing in Low Carbon Solutions. As we build out that business and position ourselves for the long term, it's making sure that every investment that we're making, every value chain that we're creating, Dan and his team have a clear view about where that will sit in the cost-of-supply curve, or you can think of it as the cost-of-abatement curve, and making sure that we're going to be advantaged versus the rest of the industry.

Roger Read: Great, thank you.

Darren Woods: You bet.

Operator: The next question is from John Royall of JPMorgan. Your line is open. Please go ahead.

John Royall: Hi, good morning. Thanks for taking my question. So my question is on the capex. Could you maybe help us bridge the top end that you're guiding to now for this year versus maybe the midpoint? It's a tight range, so not super material. But just any color there would be helpful.

And then I know you'll give your update in December, but is there any color you can give us directionally on what you're thinking of for next year on the legacy business prior to layering in Pioneer? Just anything on the moving pieces for capex next year would be great.

Kathy Mikells: Sure. So I would say nothing really unusual going on in capex. As you stated, it was a pretty tight range to start with, obviously, with a focus on us looking to ensure that we're investing in advantaged, high-return projects. That's exactly what we're delivering. So I would characterize this as updated guidance that's pretty consistent with our plans. And we can give you a further update when we get to that corporate plan discussion later on in December.

But we feel very good about our overall execution. As Darren mentioned earlier, we're bringing projects online at a cost and schedule that's typically within the top quintile. So we feel really good about our capabilities and our execution and our ongoing focus with our highest priority: ensuring that we're executing great projects with high returns for our shareholders.

Darren Woods: Yes, I might just add to that. As we think about the capex, we provide that range because we recognize going into the year that things move around a bit – and as we prosecute the plan, with time, we find additional opportunities. And so things move around.

If you look at where we're at through the third quarter, we are right on our plan. And so as we move forward, we're going to continue to do the things that we had planned to do last year. But I would say we're always looking for opportunities to build on the value proposition. If we see it, we're going to go after it. We're not going to constrain ourselves artificially to the guidance range if we find an opportunity set. But to date, things are moving pretty consistent with where we thought we were going to be, and frankly, as we look out going forward, continue to see a very consistent set of opportunity sets that we're going to prosecute.

I think the one change that we'll spend more time talking about in Low Carbon Solutions is, as that business matures and we establish, I'd say, an advantaged position, there are a lot of opportunities coming our way. So we're working our way through those opportunities, making sure that we focus

on the highest priority ones, the ones that generate the most value and are competitive in our portfolio. And we'll talk more about that as we get into the plan release.

John Royall: Very helpful, thank you.

Operator: Next question is from Jason Gabelman of TD Cowen. Your line is open. Please go ahead.

Jason Gabelman: Good morning. Thanks for taking my question. A lot has happened in the past few months, but about three months ago, there was a handful of news articles about Exxon's lithium endeavours, and I just wanted to get an update on that. Are you still drilling in the Smackover for lithium? Are you exploring potential processing unit there? And how have things trended the past few months? And do you kind of expect to figure into your growth plans here over the next five years?

Darren Woods: Yes, sure. I'll take that. I think just stepping back and maybe setting the context of what we're trying to do, I'll call it, in the transition space and frankly more broadly is go back to the fundamental of what are our key technology competencies and capabilities. And that's -- and then what businesses lend themselves to those capabilities where we can carve out an advantage and produce the products that society needs.

And so rather than chase what I would say is the current narrative or the current conventional wisdom as to what the world is going to need, is focus first on our -- what we can fundamentally contribute and bring an advantage to and therefore generate returns higher than the rest of the industry, and then figure out how those advantages apply themselves to what the world needs.

Obviously, lithium is an important part of the transition going forward and the electrification and the need for batteries and storage of power and energy. And so we've looked at that space and clearly, with the opportunity in Smackover and the ability to drill -- extract the lithium from the brine water and reinject that, it's got a much, much lower environmental impact than the current production process for lithium. It fits very well with our capabilities. And the cost-of-supply curve, it's very competitive. So it looks attractive.

And the challenge that we've been giving to Dan and his team is to develop a business plan where that becomes material with respect to ExxonMobil and ExxonMobil's portfolio and effectively competes for capital. That's looking -- as Dan and his team develop that concept and that potential business, that's looking more and more promising. And we see an opportunity to really leverage the things that we're pretty good at in the base case, and it's very synergistic with our traditional businesses.

So I think when we come out and talk about the plan, we'll talk more about where we see the lithium business going but it looks fairly promising at this stage. And I would just say the aperture is wide open. I think for a long time, we've been characterized as an energy company, and that almost discounts what is one of the world's largest chemical businesses, which we feel pretty good about.

And it comes back to this fundamental capability of managing and transforming hydrogen and carbon molecules to products that the world needs and leveraging our capabilities. And lithium fits into that, along with our other businesses in biofuels, hydrogen, carbon capture and storage. And so we'll continue to develop those.

And again, as I said earlier, seeing that opportunity space and the opportunity to generate high-return projects looking more and more promising. So I would expect that to be part of the portfolio going forward.

Jason Gabelman: Great, that's really helpful. Thanks.

Darren Woods: You're welcome.

Operator: The next question is from Ryan Todd of Piper Sandler. Your line is open. Please go ahead.

Ryan Todd: Thanks. Maybe one follow-up on some of the earlier Permian conversation. On the -- I mean, you were always known as developing your side of the Permian on a very long-term plan. You've built out a lot of infrastructure early on.

On the infrastructure side, as you think about this post-Pioneer transaction. On infrastructure, do you have the combined infrastructure in place that you need to arrive at the 2 million barrels a day of combined production? Will this require any additional infrastructure spend or any shift around on how you think about things versus previously anticipated? And maybe just any comments on whether you see any potential bottlenecks in the basin over the next few years.

Neil Chapman: Yes. Ryan, it's Neil. I'll take that question. I think as you're aware, there is a big difference between the Delaware and the Midland Basin. Midland Basin has got far more mature infrastructure. And I would say that Pioneer has done an exceptional job in both developing and acquiring and contracting both infrastructure to exit product and for water. It's quite a difference versus the Delaware.

Of course, in the Delaware, we had to put that infrastructure in place. We did it at scale. We've built this large central processing facility called Cowboy. We currently have a capacity there of about 250,000 barrels a day of crude and about 400 Mcfd of gas. We plan to expand that.

In Midland, most of that infrastructure already exists. So it's always going to be incremental investment, but nothing like the scale, Ryan, that we've seen in the Delaware. I feel very good about the infrastructure we put in place in the Delaware. We made that investment up front. We talked about it in 2018 and 2019. And we're clearly benefiting from that investment that we made now. Quite a contrast in the Midland.

Darren Woods: Yes. I would add to that, if you go back in time, as we were looking at the integrated value chain, we were certainly focused on the molecules that we are producing in the Permian, but we also recognized there's an opportunity for us to take advantage of the geographic locale and the proximity to our facilities in the Gulf Coast to optimize broader Permian production. And so we built logistic systems, the pipeline systems, the capability within our facility to manage that.

And so what we're now going to be bringing into the portfolio in the Midland fits very well with this broader play of an integrated value chain and making sure that we're maximizing the value of those molecules for own facilities.

And as we've said earlier on when we first introduced this deal, that piece of the equation, which we believe there is a value opportunity on in terms of better managing the molecules through the whole – from end to end, from the crude clear through to the finished products – we believe there's additional opportunity there. We got to get in and work through the details of that.



My view is that's additional upside to what we've been talking about. It's one I feel really good about and one that, frankly, we anticipated early on by making sure that we built the capacity ahead of actually needing it for our own molecules. So we're in a very good position there.

Neil Chapman: And Ryan, I didn't answer your question, do we anticipate any bottlenecks? I mean, the answer to that is, based on what we have seen so far during the transition work and the due diligence, the answer is no, we don't see any bottlenecks in getting to the production levels that we anticipate.

Ryan Todd: Great, thank you.

Darren Woods: Thank you.

Operator: The next question is from Neal Dingmann of Truist Securities. Your line is open. Please go ahead.

Neal Dingmann: Good morning. Thanks for the time. Darren, maybe for you and Kathy, just my question is on shareholder return. It looks like you paid out a bit over 100% of free cash flow, following – the prior quarter, I think you were closer to even higher than that, maybe about 118%.

I'm just wondering, when you think about shareholder return, will you continue to lean into the buybacks as you look in the out years? Or maybe just if you could give a little bit of color, I think I understand kind of your role or your thoughts on the dividend side. So maybe I'm asking a bit more on shareholder – on the share buybacks going forward. Thank you.

Kathy Mikells: Sure. I'm happy to take that. So if you look at our overall free cash flow results for the quarter, it was just under \$12 billion at \$11.7 billion. And we paid out \$8.1 billion to shareholders. And that was split between \$3.7 billion in dividends and \$4.4 billion in the share repurchase program. In fact, in the quarter, our cash balance actually went up \$3.4 billion, and we ended the quarter at \$33 billion. So I think you can see that in the quarter, we were, in fact, well under 100% in terms of what we paid out, which is what enables us to grow our cash balance and strengthen our balance sheet even further.

When you look overall at our approach to capital allocation, our priorities continue to be the same. First and foremost, let's make sure we're investing in advantaged projects, right, that are differentiated, going to drive high returns for our shareholders. We do that both organically, and as you've seen recently, inorganically as well, making sure we're maintaining a really strong balance sheet. We need that. Ultimately, at some point, the cycle will turn against us. And that balance sheet will be there for us to lean into.

And being balanced in our approach as to how we share the success of the company and those rewards with our shareholders. And I think you can continue to see that balance coming through between dividends and share repurchases. We're looking to be more consistent in our share repurchase program. Again, I think you're seeing that. We continue to say we're on track to execute \$17.5 billion of share repurchases this year. We'll complete that before the end of the year, and we already have a program in place, a similar program in place for 2024.

So we're trying to get that balance right, and it's important that we continue to maintain a strong balance sheet that can carry us through the cycles.

Neal Dingmann: Thank you, Kathy.

Operator: Our next question is from Paul Cheng with Scotiabank. Your line is open. Please go ahead.

Paul Cheng: Thank you, good morning.

Darren Woods: Good Morning.

Paul Cheng: Good morning. Neil, the industry in the Permian, whether it's for emission reason or for cost efficiency, seems to move and turn to electricity the operation as much as we could. Can you share with us, where is Exxon in that journey? How far are you in terms of electrifying your operation in the Permian?

And when you're comparing to Pioneer, I don't know whether you have the information that you can share and whether that you guys are ahead of them or that this will be part of the \$2 billion of the synergy benefit, or that if you're going to do more aggressively on that, this is going to be on top. Thank you.

Neil Chapman: Yes. Thanks, Paul. Good to hear from you. From our perspective, we have, I think, 17 rigs running right now in the Permian. All of those rigs are electrified. So we're 100% on rigs, and we're working on fracs.

Right now, I think we have one electric frac out of six frac crews running in the Permian. This is all part of our drive to get to Permian net zero that we've said we will get to by 2030. Our plans are in place for that, and we're on schedule for it.

I mean, that program goes as simple as this, is you have to reduce methane emissions. We're well on track with reducing methane emissions. We have no routine flaring in the Permian. Now we've replaced over 6,400 pneumatic devices. So you eliminate and you reduce methane emissions. Then you electrify your operations. And as I've just described, we're a long way down the road in terms of electrification. And then we have to secure renewable electricity for those rigs and frac crews. And we're – that's the program we're working on.

In terms of Pioneer, I don't have those numbers of Pioneer in terms of where they are on electrification. But what we have said is that we're going to advance Pioneer's target to go to net zero from 2050 to 2035, so 15 years sooner than anticipated. And that will follow that same protocol, that same process of reducing methane, electrification, and then securing renewable electricity.

Darren Woods: Yes. I would add to that. I think Scott and the team at Pioneer have been – this has been an area of focus for them. And I know they've worked hard to drive those down. The advantage that we bring is we've got a large organization, more resources. We've got a technical organization that has been leaning into the space and working broadly with the industry and other organizations to develop the technology to better measure, better manage methane.

Neil talked about the central organization that we've put in place to kind of monitor everything that's happening out in the unconventional space to make sure that we're responding in real time to things that we're seeing through the centralized operating center. Bringing the Pioneer portfolio into that center and then allowing us to apply a lot of the work that, frankly, our scale and size has allowed us to advance, I think it's going to make a big improvement in what we're doing with Pioneer just by bringing additional capability there. I think the culture and the mindset is already in place. We're now going to bring some additional resources and tools to apply.

And so my expectation is that we're going to see – we're going to raise the game here just because we're bringing some additional capability to support what was already, I think, a very important focus for the Pioneer organization.

Paul Cheng: Thank you. And Neil, just the saving from your – the electrification is already built in into that \$2 billion synergy benefit?

Neil Chapman: Yes. I mean, in terms of the synergy benefits, I mean, as you know and we've talked about many, many times, it's not just about the cost of the rig, it's about the quality of the rig and the performance of the rig. But electrification of those rigs doesn't really impact that. The electrification of all of those facilities is built into our plans going forward.

Darren Woods: Yes. I would say the – our drive to bring their net zero commitment forward by 15 years, we've also built that into our thinking around – and get net synergies there. So we've comprehended the additional effort required to improve the emissions profile and bring their net zero ambitions forward. So all that's netted with our synergy numbers.

Paul Cheng: Thank you.

Darren Woods: You bet.

Operator: The next question is Josh Silverstein with UBS. Your line is open. Please go ahead.

Josh Silverstein: Good morning, everyone.

Darren Woods: Good morning.

Josh Silverstein: Good morning. On the Pioneer acquisition call, you had mentioned that the inventory of the combined companies in the Permian was around 15, 20 years. I was just curious how that may be split between the Pioneer asset and your Delaware asset. And does it contemplate the accelerated growth rate you previously outlined, longer laterals or potential plateau? So I'm just curious to get some more details there because there was a view of Pioneer having over 20 years of inventory. So any more details there would be helpful.

Neil Chapman: Yes. I think, Josh, it's early stages. I mean, the numbers that we gave, and you just referenced in our initial release is based on our understanding. We'd certainly say that the combined resources of the 2 companies is order of magnitude 16 billion oil-equivalent barrels. That's 15 to 20 years life.

Most of our resources, as you're aware, is in the Delaware side. Obviously, Pioneer is exclusive in the Midland side. Yes. So I mean, that's where it is. It's based on our early assessments.

Josh Silverstein: Yes. Got it. Well, if there was just any more details just on – as far as like what your split may be of that 16 billion versus what theirs may be.

Neil Chapman: Yes. I mean, their close – I would say in total Exxon is closer to 9, Pioneer is closer to 7, is what I would say in total. But that's based on our initial understanding.

Darren Woods: For the resource.

Neil Chapman: For the resource, yes.

Josh Silverstein: Ok, thanks.

Operator: We have time for one more question. Our final question is from Sam Margolin of Wolfe Research. Your line is open. Please go ahead.

Sam Margolin: Good morning. Thanks for taking the question at the end. I wanted to follow up on the capital allocation question and the dividend increase specifically. We've talked a lot about this in the past, but this dividend increase looks like it's roughly the same as the amount of the share repurchase in terms of percentage. And I know you're issuing shares for Pioneer, but you've also got a pathway to a lot of Upstream growth. And then Downstream is growing, too, as we learned about in the Product Solutions spotlight. And you're running with sort of a significant operational cash surplus on a recurring basis even before this growth.

And so I'm just wondering about your thoughts on dividend growth going forward, and if we are sort of through this period where you were tending to the balance sheet and the portfolio and now some of this growth will translate to sort of a dividend CAGR that is in line with the operations. Thanks.

Kathy Mikells: Sure. So we have always said we're looking to ensure we have a dividend that's sustainable, competitive, and growing. I think the increase of \$0.04 to the quarterly dividend is very reflective of that, right? I think it also reflects the overall confidence that we have in the business and the underlying improvement in earnings power that we've seen over the last couple of years.

I mean, by any metric, this is a really strong quarter. Whether you look at earnings, cash, shareholder returns, it was a very strong quarter. And we have a great degree of confidence in the business. So we increased the dividend a bit more than we did about a year ago. Obviously, we have a cadence

now of looking at the dividend in the fourth quarter of the year. And that increase is very reflective of our confidence in the business and our underlying performance.

Darren Woods: Yes. I'll just add to that, Sam. Obviously, we view the dividend as a commitment. And as we saw through the pandemic, even when things get tough, we work hard to make sure that we're continuing to deliver on that commitment to our shareholders.

And, as we think about going forward and the volatility in the markets and the commodity cycle, we need to make sure that, as we think about growth in the dividend, that we also think about sustainability and the ability to deliver on that commitment, irrespective of what the market throws at us. So that goes into the equation as we think about that going forward.

And when we've got additional cash that we want to distribute, we've always got the buyback, which obviously, as Kathy said, we're looking to have a more consistent level of that as well. So that's kind of how we're thinking about it. Thanks for the question.

Sam Margolin: Thank you.

Jennifer Driscoll: You're welcome and thanks everyone for joining the call and for your questions today. We will post a transcript of our Q&A session on the Investor website next week. We look forward to connecting with you again on December 6<sup>th</sup> for our Corporate Plan Update. With that, have a nice weekend, everyone, and I'll turn it back to the operator to conclude our call.

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