ExxonMobil 2023 Investor Update Transcript: Merger of ExxonMobil and Pioneer

This transcript presents ExxonMobil's investor update call held on October 11, 2023.

Operator: Please stand by. We're about to begin. Good day, everyone and welcome to this webcast to discuss the announced merger between Exxon Mobil Corporation and Pioneer Natural Resources. Today's call is being recorded. At this time, I'd like to turn the call over to ExxonMobil's Vice President of Investor Relations, Jennifer Driscoll. Please go ahead, ma'am.

Jennifer Driscoll: Good morning. Welcome to our call to discuss ExxonMobil's merger with Pioneer.

I'm Jennifer Driscoll, Vice President of Investor Relations for ExxonMobil. With me here are Darren Woods, Chairman and CEO of ExxonMobil; Kathy Mikells, Senior Vice President and CFO of ExxonMobil; and Scott Sheffield, CEO of Pioneer. Please note that the slides we'll reference with the script and a press release are available on the Investor sections of both companies' websites.

Let me begin with two reminders. First, this communication is informational. It's not intended to be an offer to buy or sell any security or to solicit your vote. Details are shown on slide 2; please read this information carefully.

Second, during the presentation, we may make forward-looking comments which are subject to risks and uncertainties. Please read our cautionary statement on slide 3. You may find further information on the risks and uncertainties that apply to any forward-looking statements in ExxonMobil's and Pioneer's SEC filings on our respective investor websites.

Note that we've provided certain definitions and supplemental information in the back of today's presentation.

In a moment, we'll have a Q&A session. First let me turn it over to Darren to talk about the strategic logic of the transaction and what it means for our Upstream business.

Darren Woods: Good morning. Thanks for joining us today on such short notice.

We're pleased to announce this morning our agreement to merge ExxonMobil and Pioneer, arguably the best Permian pure-play company with the largest undeveloped, tier-one inventory in the Midland basin. Their acreage is also highly contiguous – which is critical to realizing the full benefits of our development approach and technologies. As importantly, Pioneer is a company known for its innovative, hard-working people who've demonstrated time and again their deep knowledge of unconventional operations in the Permian, where they have approximately 7,000 producing wells.

When combined with our technology and industry-leading operational capabilities, we know that, together, we can unlock far more value than either of us could alone. The combined company will produce approximately 2 million low-cost oil equivalent barrels per day from the Permian by 2027. Our combined capabilities will enable us to get more resource out of the ground, more efficiently and with a lower environmental impact, thereby enhancing our ability to serve consumers and strengthen U.S. energy security.

Now I'll turn it over to Kathy to talk more about the value of this transaction for our shareholders.

Kathy Mikells: Thanks, Darren. This combination is very attractive because it unlocks significant value for both ExxonMobil and Pioneer shareholders, leading to double-digit returns.

Each Pioneer shareholder will receive 2.3234 ExxonMobil shares as total consideration, which represents an 18% premium on the undisturbed closing price on October 5th and a 9% premium from Pioneer's 30-day, volume-weighted average price on the same day. This is a market premium for this unique asset, which complements ExxonMobil's existing business and is consistent with our long-term strategy and capital allocation priorities. Pioneer shareholders will have continued ownership in the business through shares of a much larger, more diversified company with longstanding financial priorities of investing in advantaged businesses, maintaining a strong balance sheet, and rewarding shareholders.

We're leveraging the strong value of our equity currency while maintaining our balance sheet strength and future flexibility to further enhance shareholder returns. Shareholders of ExxonMobil and of Pioneer will benefit from the resulting synergies of the combination… as well as further upside potential from emerging technology investments which Darren discussed earlier. Synergies are approximately $1 billion beginning the second year post-closing, growing substantially over the next 5 years and averaging about $2 billion per year over the next decade. At a high level, this can be broken down to about two-thirds from improved resource recovery and one-third from capex and opex efficiencies.

We expect the transaction to be immediately accretive to our earnings per share, cash flow, and free cash flow. Pioneer offers peer-leading asset margins, and immediately adds $5 billion in annual free cash flow. The transaction is more accretive in the mid- to long-term as synergies build, and it offers a long cash flow runway. With synergies, we expect incremental free cash flow of $6 billion in the second full year post-closing, growing to more than $10 billion by the end of the decade.

The strong balance sheet and incremental cash flows generated post-closing will provide even more opportunity to enhance shareholder distributions.

So, you can see that it's a powerful combination that drives value for all shareholders.

With that, I'll turn it back to Jennifer.

Jennifer Driscoll: Thank you, Kathy, we will now begin our Q&A session. Please note that we continue to request that analysts ask a single question as a courtesy to the other analysts on the line. However, please remain on the line in case we need to ask any clarifying questions. With that, operator, please open up the line for our first question.

Operator: Thank you, Mrs. Driscoll, the question-and-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 1 on your touch tone telephone.

We'll go first to Devin McDermott with Morgan Stanley.

Devin McDermott: Hey, thanks for taking my question and congratulations.

Darren Woods: Thank you.

Devin McDermott: So, Darren, I wanted to ask a higher level one to you and if you think about or how we think about your tenure as CEO at Exxon, you really emphasize the strategy of countercyclical investment and that's created a tremendous amount of value for Exxon relative to peers. And this transaction, it's the largest acquisition for Exxon since the merger with Mobil in the late 90s and I think you did a very good job laying out clear strategic rationale, but it's also coming at a time of fairly healthy commodity prices. So, I was hoping you could talk in a bit more detail about why now… it seems like a piece of the answer is the technology you bring to play here, but how'd this come together and what's your view on why now is the right time for a transaction of this scale?

Darren Woods: Yeah. Sure. Great question, Devin, and I think very appropriate one and you touched on certainly one of the key variables on the timing was all the work that we've been doing in our unconventional business to develop new technologies, new approaches and techniques to improve recovery continues to grow advantage and therefore grow an opportunity to take that advantage to other assets to realize higher value with the advances that the organization has been making. And as we've gone through that evolution, and frankly, we've still got a lot more in the pipeline to bring to bear, but we are seeing the results of that begin to manifest themselves which we think creates a deal space in the opportunity to transact. And with Pioneer's acreage, and they're a very capable workforce, we saw big, big opportunity to come together and do something that neither one of us could do independently.

With respect to the timing, I think, you know, that's one of the challenges. If you want to buy in the bottom of cycle in terms of a merger or a combination or an acquisition, you know, you've got to have two willing parties. And typically if you've got a good business, you don't want to sell in the low of the market. I think the opportunities then start to come in the high-end. We certainly don't want to lock in a high commodity price cycle. We think a stock transaction actually helps insulate us from the particular part of the commodity cycle that you're in. Both Pioneer stock and our stock moves with commodity cycles. We all know that. And therefore, as the commodity cycle rises, so does our stock. And therefore, we kind of thought about it from the standpoint of the transaction currency grows with the commodity cycle and declines as commodity cycle comes off and therefore we've got some insulation from that exposure and why we were comfortable doing an all-stock transaction.

I think too, we felt like the value of our stock given the plans that we have in place, the projects that we're bringing online, the strategy that we have in place, the markets beginning to recognize the value proposition we bring and that also contributes. So if you look at where our stock is, we think we trade on the day of October 5th, about I don't know 9% off of our high. So we felt like the market was reflecting one, the commodity environment we were in, but two, some of the strategic things we've been working on. And it felt like it was a good time to transact with that currency.

Devin McDermott: Makes a lot of sense. Thank you.

Darren Woods: You bet.

Operator: We'll go next to Doug Leggate with Bank of America.

Doug Leggate: Thank you. Let me add my congratulations, Scott, a fitting exit. Congratulations to you in particular.

Scott Sheffield: Thank you, Doug.

Doug Leggate: Darren. I think this is a follow up to the last question. I mean, clearly, your stock has significantly outperformed in the last couple of years. But I'm curious about the synergy numbers that Kathy laid out. So I'm not sure who wants to take this, but, if I can recap what you said, $6 billion post close on the second full year. So maybe our numbers are off, but we had about $5 billion of free cash flow coming from Pioneer on a standalone basis, but that was at a flat $80 Brent / $75 WTI price. So I'm curious, can you share what commodity assumptions are behind that $6 billion and what the breakdown is of the uplift you see – both capital and G&A or operating cost? However you see that.

Kathy Mikells: Yeah, sure. I'm happy to take that Doug. And Darren could add anything else that he has. You know, we would have looked at this in terms of obviously where the market is currently. So, you know, looking at the strip currently and then reverting that strip over time to, I'll call it, a historical type price environment. You know, overall, when we look at the synergies, we talk about $1 billion in synergies, I'll call it in the full second year following consummation of the transaction. We've basically said over the next decade we'd expect those synergies to average $2 billion and obviously they'll kind of ramp up from there. If you dissect where the synergies come from, roughly two-thirds of the synergies come from increased recovery of the resource as we look to apply both our technology and I'd say the best practices from both companies. And then the remainder is really coming from mainly capex efficiencies, right, especially as we look to drill longer laterals. Ultimately, that means fewer wells and we drive capex efficiencies for that. And then we get a little bit of operating efficiencies as well. And again, that's driven by, largely, bringing incremental technology to how we're operating and frac operations as well. So that's how you should think about the overall synergies. You know, it's obviously, for us, we've said from day one because we immediately get the benefit of Pioneer earnings and Pioneer cash flows, we expect it to be modestly accretive on day one as those synergies build and production volumes build over time, that would make the overall accretion even stronger over time.

Doug Leggate: May I have a clarification on this, Kathy, real quick? So, I guess I'm looking for the capital piece of this. So Exxon's standalone spending guidance, albeit high end was $20 to $25. What is it, post deal in that second year that you're talking about?

Kathy Mikells: Yeah. And so I think you should start with where Pioneer is at currently. So Pioneer would have guided their capex for this year of call it roughly $4.5 billion, $4.4 to $4.6, right. And so when we go to integrate two companies, that is the starting point. Over time, we will then drive capital efficiencies, right, as we apply technology, longer lateral, fewer wells, et cetera. So that's the starting point that you should consider.

Doug Leggate: Okay. Thank you.

Kathy Mikells: Thank you.

Operator: We'll go next to Neil Mehta with Goldman Sachs.

Neil Mehta: Thank you. Thanks so much. And congratulations. And Scott, you definitely will be missed. So thanks for all the guidance over the years.

Scott Sheffield: Thanks, Neil.

Neil Mehta: I want to dig in on this improved recovery rate bar chart and maybe you can provide some perspective to the market of how we can understand the upside that's associated with it - recognizing there could be some competitive limitations. You see that ultimately through longer lateral lengths or technological innovation that really can enhance that recovery perception?

Darren Woods: Yeah, sure, Neal. I'll talk you through at a high level what we're doing in that space. And you may recall, and I've been fairly adamant about this with the organization for quite some time, is, you know, we've got to take the work and the investments that we're doing in the technology space and translate that into improvements in performance across our businesses and certainly in the unconventional business, one of the big challenges in value levers available to us is improved recovery. You're drilling the wells; you're fracking them. I mean, so the resource is there and available to us. It's our ability to reach, reach that resource and get it out of the ground. And so that's – that's the challenge the organization has been working on and that starts with really, you know, the completions and the fracking. And what I would tell you is, when we first got started on this – you go back in time, the technical and scientific understanding of how fracs work, how they propagate, how do you improve propagation, how do you keep those fractures open, all that – the science behind all that, I would say, was fairly immature and not well understood. And what our organization has been very focused on is understanding that at a very scientific level, so that we can then trial different approaches and technologies to improve the fracturing and then keeping those fractures open.

Big part of that comes with how we do completions all the way down to how we cement. There's a lot of work that we do around the geometry of the frac. We do a lot of measurement down hole to make sure that we understand where the fracs, you know, where they're propagating to and that helps us with well spacing and think about, you know, where we put the next wells.

There's a number of things that we're doing that is unique to the industry and actually delivering much better results than what we've seen historically and compared to many others in the industry.

I'd also say that, you know, that understanding of the subsurface and how the fractures are working leads to a different approach to well spacing. And you've heard us talk about the cube design and what we've been working on since 2018. That has gone through several evolutions as we learn and improve. And so that design, that cube design, continues to become more and more productive as we get better and better at understanding exactly what's happening and fine tuning that. So there's just a couple of examples of better resource recovery, but if you think about it, you get better at recovering the resources. If you look at the cost saving side and we get better at, you know, longer laterals, faster means you can drill less wells and spend less time in the well. It means lower cost. That then improves the economics and allows you to reach out to other benches that may not be as economic with existing technologies, but then become accessible as you get more efficient and more productive and therefore the economics begin to work in your favor. So you can tap into actual additional resources that, without those improvements, wouldn't be economically available.

So those are the things that kind of go in to improved resource recovery and, like I said, we've got a lot of those deployed now and we're seeing the benefits of it and we've got other things that are in the pipeline that we would expect to kind of hopefully build on that. It’s a little early to make that call, but we're certainly optimistic.

Neil Mehta: Thanks, Darren.

Darren Woods: You bet.

Operator: We'll go next to Bob Brackett with Bernstein Research.

Bob Brackett: Good morning. Digging into the improved recovery resource a bit more. If I think about a $1 billion of synergy there on a standalone Pioneer that might have been say $15 billion of revenue next year. That sounds like single digit levels of improvement in terms of productivity or EUR. Is that the right way to think of it? Is what you've baked in? And then if you do more, you get more?

Kathy Mikells: No, I would say we've baked in an assumption on improved recovery that is above what you were suggesting in terms of single digit. I mean, you know, much longer term, I'd say our ambition is to try and double recoveries kind of over a longer term period of time. And so I said $1 billion in synergies early on, growing to $2 billion on average over the next decade and clearly ramping up, right. So ramping up to over obviously by $2 billion in synergies and about two-thirds of that coming from improved recovery.

Bob Brackett: Right. That's very clear. Thank you.

Darren Woods: You bet.

Operator: We'll go next to Jason Gableman with TD Cowen.

Jason Gableman: Yeah. Hey, congrats on the deal. I guess I wanted to ask about…it seems like the combined production growth is actually guided higher than where Pioneer and Exxon were individually guiding their growth. I think it's 150,000 barrels a day higher. And this is counter to, I think, what we've seen where companies acquire other companies in a basin and then they actually reduce rigs, reduce capex and that's kind of where they see a lot of the synergies. So it seems like you're taking a different strategy with this acquisition and then I was wondering if you can elaborate on why you're deciding to do that versus what others have done in recent upstream M&A. Thanks.

Darren Woods: Yeah. I can't speak to anybody else's strategy. But what I would say is the Pioneer organization is delivering a lot of value with the work that they're doing. We believe that we're delivering a lot of value with the work that we're doing. The investments have excellent returns. We're bringing on low cost-of-supply barrels into a market that desperately needs them. And so when we bring these two together, it's not about cutting back, it's about building up and, frankly, taking the advantages that each organization has and bringing that to bear. And so, I would say that's what, you know, we're not looking at cutting either rig operations or people or head count. We're looking at how do we take the best of both operations and grow advantaged volume, profitable volumes that generate good returns. And our starting point is we've got a lot of, I guess, confidence and respect for what the Pioneer organization is currently doing. We feel good about what we're doing so, as a starting point, our assumption is we keep doing that. Obviously, as the teams get together and start looking at, you know, what both know and how we can optimize between the two teams, you know, we may adjust that because we see opportunities. It makes more sense, but we haven't done the work yet that would suggest that that's going to lead to any different outcome than where we're currently at. So I would just say as a starting point, given that we haven't done the work in that space, we've got two solid organizations delivering value and that's our starting point and then we'll go from there as we bring the two organizations together.

Jason Gableman: Great. And then just a quick follow up. You mentioned in the presentation 4 mile laterals, which is not that common for the industry. So I was wondering if you could discuss the success that you've had on drilling 4 mile laterals within Exxon and kind of the uplift that provides within the total synergy target. Thanks.

Darren Woods: Sure. I'll tell you one of the big changes as we're reorganizing the company and we brought, you know, XTO, had for a long time been held somewhat separate up in Fort Worth. And so my observation was we were not actually getting the benefits of the whole organization, of all of Exxon Mobil Corporation. And so what we wanted to do is integrate that work and stop thinking about the businesses based on their heritage and start thinking about what are the capabilities that we can bring to bear to improve results. And so we brought in our wells organization that's got experience all around the world – think about Sakhalin and think about Abu Dhabi, think about all the places where we set records for drilling – and brought that group into our unconventional business and let them loose to go figure out how they take what they've learned all around the world and apply it to this unique resource. And they've made astounding progress. And so if you think about the long laterals, one of the challenges is any one bench is not on a consistent horizontal plane. The things, you know, move around with the forces of nature at the time. And so there is a trick as you drill longer and longer, making sure that you stay in the right place within that bench. We have capabilities to do that.

One of the challenges of very long laterals is how do you make sure you're getting the same productivity at the toe as you got at the heel and how do you manage that fracturing and completion to make sure that you have good productivity all along that. We've come up with a number of techniques and technologies to make sure that that's happening and we measure it to make sure that we're getting the right productivity. And so a number of things that we're doing that is very difficult to do. Long laterals, if you can do them, is one thing… making sure those laterals are in the right place and producing at the right rate, that's a whole other game and that's kind of what we brought through this broader experience base into the organization. And then, of course, that wells organization, drilling organization, continues to improve the rate at which they're doing. So doing it much faster today than we were in the past. And so, not only are you drilling longer, but you're drilling faster. And so that means less cost. So all these pieces come together to result in a much lower cost from a capital and opex standpoint. And then, of course, when you layer on the recovery stuff, it's kind of a double win there. And if you then couple that with Pioneer's acreage and the fact that they have, you know, the best acreage in the Midland Basin and you bring some of these techniques that we picked up from around our broader experience set, you know, that is a powerful combination.

Jason Gableman: Got it. That's really helpful. If I could just maybe sneak in one more quick one. Just a clarification.

Jennifer Driscoll: I think we need to let someone else ask a question.

Darren Woods: Thanks, Jason.

Jason Gableman: Thanks.

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

Biraj Borkhataria: Hi there. Thanks for taking my question. I wanted to ask a broader question on portfolio concentration and how you're thinking about that going forward. In your prepared remarks, you talked about the U.S. accounts for 45% of your production. And you know, historically, you know, one of the hallmarks of a supermajor has been diversification. I appreciate this is the home country, so you should be overweight. But, I'm just wondering how you're thinking about the risks and the benefits of diversification on a go forward basis post this deal. Thank you.

Darren Woods: Yeah. Sure. A great question, because I think that diversification strategy is a primary element of our risk management given the geopolitical forces that we face around the world and so, yes, that is – it has always been a consideration. But layered into that is the opportunity and the advantages of the opportunity. If you go back, fundamentally what we're trying to do in our company and our strategy is to make sure that we are pursuing projects that are on the far left hand side of the cost-of-supply curve so that they are resilient to, robust to, and develop returns across the commodity cycles, even in the lows of the commodity cycle. Which means you've got to be have very, very advantaged investments in projects. So, we're focused keenly on that.

We're also focused on the opportunity to realize the revenue that comes with those investments. And so, as we look at all those things together, U.S. production provides the opportunity to get on the left hand of the cost-of-supply curve. You've got very good fiscals and you can realize the full value of price increases and a fairly, I think, a clear understanding of the role that energy plays and the importance of energy security for the U.S. economy. And so, I think that's just weighing off diversification with value of the opportunity set and we feel pretty comfortable with where we struck the balance right now.

Kathy Mikells: And just the one thing I'd add to that is we end up moving much more towards short cycle in our portfolio, right. And that again, helps us from a resiliency perspective in terms of how we manage through the cycles and short cycle, being able to have much more capital flexibility associated with it versus the rest of our portfolio. So, we view that as a real advantage.

Biraj Borkhataria: Very clear. Thank you very much.

Darren Woods: You're welcome.

Operator: We'll go next to Nitin Kumar with Mizuho.

Nitin Kumar: Hi. Good morning and congratulations to both Darren and Scott on the deal. I guess my question is really just to understand this recovery improvement that you're talking about, but Kathy, you know, within this growth, the incremental 150,000 barrels a day or so, how much of that do you expect to come from incremental activity versus just improved resource recovery? Or maybe said differently... you know, your outlook for capital is around $23 billion. Pioneer was about $4.5 billion. How should we think about the longer term capital trajectory to deliver the 2 million barrel number for the Permian?

Kathy Mikells: Sure. And so one of the benefits that we get is capital efficiency overtime, right. That will start to come as we apply our approach with regard to the development of what is currently undeveloped resource. Right, which I would have said, if you look at what it is that we're bringing together, I mean, it is clearly the largest undeveloped Tier 1 inventory in the Midland Basin by far. Right, and so we will get incremental resource recovery as we start to apply all the technologies that Darren just talked about with regard to longer laterals, fracking technology, and using much more and more real-time data and information, you know, as we're drilling the wells and fracking the wells to make sure that we're optimizing resource recovery. And so most of that is going to come from what's currently undeveloped resource over time. And so that will, I'll call it, blend into the production portfolio over time. But clearly getting more resource out of the ground, doing that more efficiently, and doing that with the lower environmental footprint is really what drives the benefits of this transaction in bringing the best of both of these companies together.

Nitin Kumar: Okay. Thank you.

Operator: We'll go next to Harry Mateer with Barclays.

Harry Mateer: Hi. Thanks for taking my question. I wonder if you can talk through how we should think about Exxon's balance sheet framework after closing Pioneer. I mean, the all stock nature of this deal de-leverages the balance sheet, but you're already starting from a position of strength. So, you know how do you think about managing that going forward? And then related, do you plan to guarantee the Pioneer debt as part of the merger process in order to make all the debt pari-passu? Thanks.

Kathy Mikells: Sure. And so, overall, if you look at our balance sheet, you know we've clearly been very focused on making sure that we're maintaining a strong balance sheet in order to give us the flexibility that we need to manage through the cycles. You know, one of the big benefits of this is Pioneer also has an incredibly strong balance sheet. So when we put these two companies together, you know we land on a very strong balance sheet. In fact, when we look at this technically, I would say Pioneer's balance sheet actually is improved, even relative to Exxon Mobil. We get kind of a credit accretion from this. And so our perspective is we maintain a lot of flexibility. That flexibility helps us to ride through the cycles and obviously helps us to enhance shareholder returns over time. I say the Pioneer debt holders will get the benefit of coming over to ExxonMobil overall and I think that also leaves them in a very strong position.

Harry Mateer: Okay. Thanks, but no specifics in terms of how that debt will be treated at this point in terms of a formal guarantee or not?

Kathy Mikells: I mean, we're a double AA-rated, strongly rated company. I think the Pioneer debt holders will be very happy.

Harry Mateer: Got it. Thank you.

Operator: We'll go next to Doug Leggate with Bank of America.

Doug Leggate: Sorry I was on mute. I wasn’t expecting to get called again…

Darren Woods: Neither were we, Doug.

Doug Leggate: Thanks so much. My follow up question. I wanted to be respectful of the process, so I lined up again. My follow up question is on the dividend and buyback situation. Again, it might be for Kathy. So when you see situations like this, sometimes buybacks are restricted, Kathy. So I wonder if you could just walk us through what you anticipate your buyback restrictions to be? And, of course, Pioneer did have a variable dividend policy. Will that be suspended during the process because obviously that would imply a different level of cash at the close? Any color around that and maybe even your future dividend policy in light of the $6 billion of incremental cash flow?

Kathy Mikells: Okay. You know, there were multiple different questions in there that I'm going to unpack, Doug.

Doug Leggate: All dividend related.

Kathy Mikells: I appreciate the umbrella of overall questions that this hangs underneath us. So if we just talk about the first part of your question, hey, how do you think about dividend restrictions, you know, kind of on both sides of this transaction, either ExxonMobil or Pioneer. With regard to Pioneer, they obviously have an existing shareholder distribution framework in place, you know, where they're looking to pay out 75% of their prior quarter, I'll call it, free cash flow. First, doing that through their base dividend and then doing the remainder of that through variable dividend and or some level of buybacks. So their results that occur as a result of the transaction, or as you think about, I'll call it the free cash flow that comes from their third quarter, that ultimately would be triggering a payout for the fourth quarter. That variable part of the dividend and only the variable part of the dividend would be restricted to 75%. So their base dividend will continue to be 75%. Their base dividend would continue. And then if you think about the free cash flow that would be generated in the fourth quarter, which would get paid out in the first quarter of 2024, that would be restricted by 50%. And so those are the restrictions on the Pioneer side. And again, their base dividend would continue if it takes us longer than the end of the first quarter to close.

On the ExxonMobil side, our only restriction would be to some kind of extraordinary dividend, which we would not anticipate. On the ExxonMobil side, we have over the last couple of years revisited our dividend in the fourth quarter. I am never going to get out in front of ExxonMobil's board of directors, but I'd say from a timing perspective, that's what we've done for the last couple of years. And so that gives you, I think, a good idea of the framework. We're not anticipating on the ExxonMobil side to change our overall approach in terms of capital allocation. I think actually this transaction is very consistent with that. You know, first and foremost, we're going to invest in advantaged projects. We consider this to be a very advantaged acquisition, right. Maintaining a strong balance sheet and then making sure that we're sharing rewards with our shareholders first and foremost through a dividend that is sustainable, competitive, and growing, and secondarily through share repurchases. And then you didn't ask this, but I'll just address this because we get a lot of questions about this, our overall program with regard to share repurchases, you know, I would describe as it's on autopilot underneath a 10b5-1 plan, right. And it anticipates that ExxonMobil could have entered into public type M&A transactions that would cause us to have to be out of the market during the period of the solicitation of those transactions. But it automatically contemplates that so that we're able to still execute, you know, what we have guided to. So we continue to expect to repurchase $17.5 billion worth of our shares this year as an example and, similarly, as we would go into next year, you know, we have guided up to an additional $17.5 billion of share repurchases next year. That is all already contemplated in the 10b5-1 plan that we have filed.

Doug Leggate: Fantastic, Kathy. That's what I needed and I'm pretty sure my buyback question was embedded in there somewhere so. Thanks so much, that’s terrific.

Kathy Mikells: Appreciate that. Thanks so much, Doug.

Operator: We’ll go next to Roger Read with Wells Fargo.

Jennifer Driscoll: Good morning, Roger.

Roger Read: Good morning. Hopefully you can hear me all right. I'm traveling here, so on a cell phone. But the question I wanted to ask and this is embedded in the outlook to ’27 maybe getting over 5 million barrels a day equivalent of production. Darren, do you see like, and it gets also back to the sort of balance of the company question, do you see an overall structural change potentially coming after this closure of assets that you would, you know, high-grade and re-adjust with, you know, potentially increase the targeted disposals or something along those lines. Also, I'm thinking about sort of the free cash flow generation potential of a transaction like this.

Darren Woods: Yeah. Thank you, Roger. I would just tell you, put aside the transaction and what we're doing here. As a part of our strategy, we've critically evaluated all of our assets and their competitiveness and where they sit on the cost of supply curve. Again, coming back to the strategy. We've got to make sure that the things that we're focusing on and investing in are competitively advantaged and will be resilient through the commodity cycle. That effort then has led us to - and for assets where we don't see them as competitive as we want them or where others have a higher value to them, we will then, you know, move to a divestment strategy. And that's what we've been doing fairly aggressively. And the competitiveness of those things and therefore the trigger that drives them to a divestment process doesn't really change with this transaction. And so that fundamental kind of analysis that goes into it, you know, is it strategic for us, is it competitive for our business… that doesn't change. And therefore, I wouldn't expect that pipeline to change.

I would say, if you look at what we've done over the last several years, we've been much, much more aggressive in the divestment space. And I would tell you that we've got we continue to have a pretty healthy pipeline in that space. And so that's going to continue, I'd say, on track for what we have been doing. And again, it comes back to very aligned with our fundamental strategy.

Then with respect to the rest of the portfolio, again, it comes back to the strategy of, you know, every project has got to fight its way onto the investment list by demonstrating that it's advantaged versus the rest of industry and that it will be resilient to a whole range of commodity price cycles. And if you can demonstrate that you've got a very competitive asset that's going to generate strong returns, you make it onto the list. And that really is what drives, you know, our investment portfolio and our capex level. When we set the ranges for capex going forward some time ago, it was really a range reflective of our portfolio and the opportunities that we had in it and the time horizon that we'd be executing that portfolio. That's what set the range. We don't necessarily artificially cap what we're doing in this space. We let the value of the projects cap the capital spend that we're going to put in place and obviously our ability to effectively execute those projects. So that tends to be what manages that. And with bringing in Pioneer, they bring their own set of capabilities to the space. So that expands the capabilities set and then it comes back to the attractiveness of the opportunities. And as I've said, our starting position is they've got a pretty attractive set of opportunities in front of them. And so I would just see that making it on to the list… not trading it for anything else.

Roger Read: Yeah, I appreciate that. I was just thinking the lower cost-of-supply there that it put pressure on something else. But I get it on the portfolio side and thanks for the answer and congratulations on the transaction.

Darren Woods: Yeah. Just to be clear, Roger, too. I mean, we are obviously very focused on cost-of-supply. And so this kind of falls within that bucket, but it doesn't make anything else that we've got any higher on the list. And so it's just additive to what I would say is competitive approach.

Thanks. Thanks for the call.

Operator: We'll go next to Josh Silverstein with UBS.

Josh Silverstein: Thanks, hey everybody. On the step up in the return of capital profile, I think, with the added shares, the dividend goes up by about $2.5 billion and you mentioned about a $5 billion free cash flow uplift, which then grows to $6 billion and grows to $10 billion over time. Just thinking about how you guys may allocate that additional amount either in the buyback or just growing on the balance sheet. I think, Kathy, you mentioned that you're still targeting the $17.5 billion, but why not step up the buyback level with the additional free cash flow? Thanks.

Kathy Mikells: Yes. I appreciate the question. And so, I'm going to start with, I have a whole lot of sensitivity that right now Denbury is in its solicitation period. And, as a result, all I can tell you is what I have said. We'll obviously get incremental free cash flow as we add Pioneer beyond the incremental dividend and that gives us more flexibility. Decisions will be made in the future in terms of what we do with that flexibility, but clearly we have more flexibility to further enhance shareholder returns.

Josh Silverstein: Got it. And then most of the synergies or it looks like almost all of the synergies that you've targeted, the $2 billion, are on the upstream side. Can you just talk about the ability to enhance margins or synergies that may come across either the midstream or downstream portfolio? Because obviously the integration should be able to enhance some of the opportunities there as well. Thanks.

Darren Woods: Yeah, you're right. I would tell you from that standpoint, we do think there's opportunities to build on the synergies that we've already estimated, taking advantage of the integrated nature, both from the logistics standpoint and then the businesses that we have in the Gulf Coast that's connected by the logistics. And that's true in our chemical business where we're using the feedstocks coming out of the Permian and obviously our refining business, but also, maybe somewhat surprisingly, our Low Carbon Solutions business as we look to grow our investments in low carbon, hydrogen, and ammonia.

With the work that we're doing in the Permian and driving the operations to net zero and taking that approach to Pioneer's assets and advancing their net zero to 2035, at that lower carbon intensity, gas feeds into lower carbon products and our lower carbon, hydrogen, and ammonia. So we see that having a lot of synergies with all of our operations. That will be upside to some of the synergies we've already talked to.

Josh Silverstein: Great. Thank you.

Operator: We'll go next to Jason Gabelman with T.D. Cowen.

Jason Gabelman: Hey, thanks for coming back to me. I appreciate it. I just wanted to ask a quick follow up on the production guidance of 2 million barrels a day. Is the expectation that you then maintain that at a plateau rate into the 2030s? Or would you expect to continue to grow that over time? Thanks.

Darren Woods: Yeah. I would say, you know, we don't have a plan that goes out past 2030, but, you know, what we're going to basically do is take the progress that we're making in technology, continue to apply that resource and then develop the barrels that generate the returns and grow the value in the company. So we'll prosecute that in a way that's consistent with the capabilities of the organization.

2 million barrels a day is what, if you look at our existing plans that we have and you combine the two through 2027 as a logical fallout of that combination. Well, we've got some time, I think, as we get in, as we merge the two organizations and start working that to build better plans or longer term plans and see where that eventually gets to. But the good news about this opportunity, it is very long life. We've got 15 to 20 years of inventory and so it will be a function of how we think we most effectively develop that inventory and then where, how that manifests itself in any one annual production.

We don't have anything to give you past 2030 or 2027 right now.

Jason Gabelman: Got it. Thanks.

Darren Woods: You bet.

Operator: We'll go next to Nitin Kumar with Mizuho.

Nitin Kumar: Hi, great and thanks for taking my follow-on question. I wanted to just maybe follow up on Biraj's question, but tilted on the axis. This transaction concentrates your portfolio further into

Upstream. You know, just given what would you disclose to the third quarter, kind of curious, how do you see the balance of the company's earnings between Upstream, Downstream, and Low Carbon Solutions in the future? Should we expect it to be more tilted towards Upstream?

Darren Woods: I would tell you, we don't have specific targets for where each of our businesses, you know, sit within that portfolio. We obviously make sure that we're looking aggressively at any opportunities in any one of our businesses to bring on these advantaged projects and to grow earnings and cash flow with those businesses. But obviously, that'll be dictated by the opportunity set that we have. We actually, you know, have been pretty aggressive at our chemical expansions and the investments we've been making there and we've got a pretty robust pipeline going forward of chemical plant investments as you go forward just because of the demand for chemicals continues to grow. So I would expect to see that continue to grow with time as we meet the growing demand in society.

On the refining side and the downstream side, I would say, generally speaking, what you've seen us doing is rationalizing our refinery footprint, concentrating on the facilities that have integrated businesses and a variety of high-value products. Think chemical products, the fuels products and lubricant products. As the demand shifts with time, we have the flexibility to shift production coming out of those facilities and, because they're integrated and large, they're low cost and therefore advantaged in the portfolio. And we've got a pretty good portfolio of opportunities to begin to convert those refineries and some of our units on those refineries to recycling plastic and growing biofuels. And so, my sense will be, what you'll see out of that business is investments, so rather than growing, you'll see the product profile shift to products which are in high demand and therefore have good margins.

Low Carbon Solutions, obviously, is at a very small stage right now. And so from that standpoint, not really meaningful in the mix of ExxonMobil, but if the world's going to achieve its stated ambitions for emissions reductions, there is a significant amount of investment that needs to go in that space and a significant incentive that will have to come to facilitate that investment. And so, with the work that we've been doing in that business and laying out the groundwork for a long-term cost advantaged business, we see real opportunity for that to grow in line with policy evolving and further incentivizing additional investment and or markets evolving and paying for emissions reductions. We think as those incentives form and grow, whether it's through market forces or policy, that we'll be well positioned to meet that growth and will be advantaged in that which will then generate higher than industry returns. And just one final point on that Low Carbon Solutions business, we're very focused on working with governments around the world to move that business from, you know, away from government subsidies and policies into market forces. We think, longer term, if the world is going to achieve its ambitions for reduced emissions there needs to be a competitive market for emissions reductions and, I think, you know, the sooner that countries and societies around the world transition to that, the faster you see those investments come on.

So that's the other piece of the portfolio. My expectation is you'll see all those businesses focused on value. Low Carbon Solutions will become a bigger proportion and then we'll continue to look for opportunities in the Upstream.

Nitin Kumar: Great. Thanks for the answer.

Darren Woods: You're welcome.

Operator: It looks like we have time for one more question. Our last question will be from Biraj Borkhataria with RBC.

Biraj Borkhataria: Hi. Thanks for taking my follow up. I just have one more question on the synergy number, particularly related to the G&A side. So my understanding of, you know, when you put these numbers in, they effectively become the audited synergies, so the really obvious ones. So can you just help me understand, you know, what is not included in that number that, you know, you would look at over time? I'm assuming refinancing of debt is not in there and various other things, so could you just help me understand what's not included in the synergy number? Thank you.

Kathy Mikells: Sure. I'm happy to take that. I think your question originally was kind of getting at what is everything that's included. And so I think you should think about that, as I mentioned previously, you know, two-thirds of that synergy number is really driven by increased resource recovery. And then the remaining one-third is a combination of basically all operating expense efficiency and capital efficiencies. And I'd say the capital efficiency is the bigger driver in that remaining one-third.

So that's how you should think about it all. Overall, we would say Pioneer is a very lean company today. It's one of the benefits that they bring to the table. So they are a very lean operator and we'll benefit from that naturally.

Darren Woods: I mean, there'll be, given two independent organizations that are bringing together some synergies in G&A but, frankly, not materially enough to move the needle on what we're talking about here.

Biraj Borkhataria: Okay. Thank you.

Jennifer Driscoll: Thanks, Biraj, and thanks for everybody who joined us on short notice for the call today. We really appreciate that and we appreciate the questions that you asked on this call. We will post the transcript on our respective investor relations websites as soon as it's available.

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.