

ExxonMobil Third Quarter 2024 Earnings Call Transcript

This transcript presents ExxonMobil's third quarter 2024 earnings call held on November 1, 2024

Jim Chapman: Good morning, everyone. Welcome to ExxonMobil's third-quarter 2024 earnings call. Today's call is being recorded. We appreciate your joining us today. I'm Jim Chapman, Vice President, Treasurer and Investor Relations. I'm joined by Darren Woods, Chairman and CEO, and Kathy Mikells, Senior Vice President and CFO.

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

During today's presentation, we'll make forward-looking comments, including discussions of our long-term plans and integration efforts, which are still being developed and which are subject to risks and uncertainties. Please read our cautionary statement on slide 2. You can find more information on the risks and uncertainties that apply to any forward-looking statements in our SEC filings on our website. Note that we also provided supplemental information at the end of our earnings slides, which are also posted on the website.

And now, I'll turn it over to Darren for some opening remarks.

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

ExxonMobil announced earnings of 8.6 billion dollars this morning, one of our best third quarters in the past decade.

Even more importantly, this quarter's results continue to demonstrate how our enterprise-wide transformation is improving the earnings power of the company.

Our Energy Products business provides a compelling proof point. In 2024, year-to-date earnings are roughly double what they were in the same period of 2019 on a constant-margin basis.

For all our businesses, we've been focused on reduced costs, high-return investments, and selective divestments to improve profitability – particularly in bottom-of-cycle conditions. This work has fundamentally transformed our refining business.

For instance, we've high-graded our portfolio by divesting less-advantaged sites. At the time of the Exxon and Mobil merger, we had 45 refineries. In 2017, when I stepped into this job, we had 22. I expect to end this year with 15 – bringing us very close to an entire portfolio advantaged by location and configuration.

We've also significantly improved our product yield. By investing in assets such as the Rotterdam Advanced Hydrocracker and the Beaumont expansion, we've increased the yield of higher-value products from lower-value feeds.

Finally, we've achieved dramatic structural cost savings. In our overall Product Solutions business, we've reduced costs by \$5 billion versus 2019. In Energy Products specifically, to take one example, we completed our first-half 2024 turnarounds for \$200 million less than the previous turnarounds on these assets – a 24% reduction.

Our results from the quarter also demonstrate the value of diversification – by geography, resource, and product mix – providing natural hedges that increase the stability of earnings. In the third quarter, while liquids prices and refining margins were down, gas realizations, chemical margins, and specialty margins were all up.

Underpinning our results is a relentless focus on execution excellence. We saw a good example of this in the quarter at our Joliet refinery in Illinois.

In July, a tornado ripped through the site, cutting power, steam, instrument air, and potable water. We've never had a harder shutdown. With the extensive damage to the transmission system that provides power to the site, we were cold for almost two weeks. This was an unprecedented event that severely impacted fuel supplies for the entire region. Our community, the city of Chicago, local, state, and federal governments were all counting on a quick recovery.

I'm proud to say that the men and women of Joliet, with a lot of support from across the corporation, delivered. Thanks to their remarkable efforts, we beat an aggressive recovery schedule and were supplying much-needed fuel to the market far faster than we thought possible – reducing the time to recover by a third.

I want to take this opportunity, on behalf of all their colleagues at ExxonMobil and the communities that depend on them, to thank everyone involved in the recovery for their hard work, commitment, and personal sacrifice. Thank you – you did us proud.

As always, our success is our shareholders' success.

This morning, we announced a 4% increase to the quarterly dividend, to 99 cents per share.

We've now increased our annual dividend for 42 years in a row, putting us in an elite tier of the companies known as "dividend aristocrats." Less than 4% of S&P 500 companies have paid higher dividends every year for more than 40 years. We've also sustained our position in the top 5 of all S&P 500 companies with the largest dividends paid.

We know how important the dividend is to our investors – particularly our millions of retail shareholders. We remain committed to a sustainable, competitive and growing dividend, which is a key component of the attractive total shareholder return we are delivering. In the first nine months of 2024, we've generated a TSR of 20%, leading all IOCs, just as we've done over the last three, five, and 10 years.

Turning to our Upstream business, the portfolio of advantaged assets we've built is the envy of the industry.

In the third quarter, we grew production to 4.6 million oil equivalent barrels per day – a 24% increase versus the prior-year quarter.

To drive higher value, we continue to improve the profitability of the barrels we produce.

Our progress has been exceptional. On a constant-price basis our 2019 unit earnings were about \$5 per oil-equivalent barrel. Year to date in 2024, excluding Pioneer, we've doubled that to \$10 per barrel.

The third quarter was our first full quarter with Pioneer, which added 770,000 oil equivalent barrels per day of highly advantaged production. As we said when we announced the deal, combining our technology, Pioneer's contiguous acreage, and the capabilities of our two organizations is allowing us to recover more resource, more efficiently, with a lower environmental footprint.

In the third quarter, we drilled the longest-ever laterals on Pioneer's acreage at 18,350 feet, or nearly three and a half miles. We're scheduled to spud the first-ever 20,000-foot laterals on Pioneer's acreage this quarter. The benefits of longer laterals are significant: fewer wells, a smaller surface footprint, and greater capital efficiency.

In Guyana, we completed the tie-ins for the country's gas-to-energy project – on budget and schedule – and we are back to full production.

Once the government completes the associated power plant, the gas-to-energy project is expected to provide the people of Guyana with electricity that is significantly cheaper, cleaner, and more reliable. This will further spur the Guyanese economy, which was the fastest growing in the world in the first half of 2024 with GDP up 50%.

Our Payara project, which remained online during the tie-ins, continues to perform above investment basis – as has been the case with all the projects we've brought online in the world's premier deepwater development.

We'll have much more to say about the Upstream business during our spotlight next month. I promised Neil I wouldn't steal his thunder. So let me just say, on the Pioneer synergies alone – which are considerably higher than expected – we think you'll find the story compelling.

As I've said many times, we're a technology company, managing and transforming molecules to provide products that meet society's greatest needs and deliver attractive returns.

In our Low Carbon Solutions business, we continue to lay the groundwork for the world's largest low-carbon hydrogen production facility at our integrated site in Baytown. The facility represents a new energy value chain and will produce 1 billion cubic feet per day of virtually carbon-free hydrogen, with 98% of the CO₂ emissions captured and stored.

In the third quarter, two new partners joined the project to accelerate market development for this new energy value chain.

ADNOC has taken a 35% equity stake in the facility. We're pleased to add their proven experience and global market insights to this world-scale project.

In addition, Mitsubishi signed an agreement for the potential offtake of low-carbon ammonia and equity participation in the project. The ammonia will be used to generate power and heat for industrial applications in Japan, helping to establish a new supply chain for low-carbon energy.

The agreement with Mitsubishi follows a similar agreement earlier this year with JERA, Japan's largest power generator. While we still have some hurdles to clear, we're encouraged by the growing market recognition of the significant value and advantages of this first-in-the world low-carbon project.

Of course, the highest hurdle, as we've said, is the translation of the IRA's technology-agnostic legislation into enabling regulations that maintain focus on the "what" – carbon intensity – and not the "how." We are ready to move forward once the Biden administration publishes regulations consistent with legislative intent. Assuming this happens, we plan to reach FID in 2025 with start-up in 2029.

We've also made noteworthy progress on the CCS front. In October, we announced an agreement with our first natural-gas-processing customer to transport and store 1.2 million metric tons of CO₂ per year. This is our fifth agreement overall and brings our total CO₂ contracted for storage to 6.7 million metric tons per year, more than any other company.

In addition, we secured the largest offshore CO₂ storage site in the United States through an agreement with the Texas General Land Office. The 271,000-acre site further solidifies the U.S. Gulf Coast as a leading market for carbon capture, transport, and storage.

In addition to LCS, we're advancing other technology-driven businesses that have huge potential.

We've spoken before about our Proxima™ thermoset resin, which is a revolutionary new material that is stronger, lighter and more corrosion-resistant than conventional alternatives. We see a total addressable market in this space of 5 million tons per year and \$30 billion by 2030.

One major application of Proxima™ is rebar that is only one fourth the weight but twice as strong as steel. In the third quarter, we signed a licensing agreement with Neuvokas Corporation, a North American manufacturer of rebar from Proxima™, that allows the rebar to be produced anywhere in the world.

Rebar is just one example of Proxima's value in use. Others include high-performance coatings and a range of lightweighting applications for automobiles.

In our Carbon Materials Venture, we see a massive opportunity in the market for battery anode materials, which could grow at 25% per year and, like Proxima™, reach \$30 billion by 2030.

The primary material in battery anodes is graphite, and we've developed proprietary technology that allows us to produce feedstock for next-generation graphite at scale. This innovative material has the potential to improve EV battery range by 30% and enable faster charging.

ExxonMobil's history with transportation dates to the very beginning of the automotive age – when we provided fuel for Henry Ford's first automobiles. Some might find it ironic, but with the work we're doing in lithium for cathodes, graphite for anodes, Proxima™ as a light-weight battery case, and the plastics, lubricants, and cooling fluids we already provide, we may become one of the most important players in a new automotive age of EVs.

At our Corporate Plan Update next month we'll highlight how we're investing in technology-based, high-return growth opportunities across all of our businesses – from the Upstream to Product Solutions to LCS to new growth areas.

What I would leave you with today is this.

All our success – our continuously improving profitability ... our execution excellence ... our technological innovation ... and our tremendous portfolio of growth opportunities – flows from our strategy and focus on fully leveraging our core capabilities and competitive advantages, the most important being our people.

We have the best team in this industry and, in my view, any industry. I look forward to sharing more of their work during the Corporate Plan Update.

Thank you.

Jim Chapman: Thank you, Darren. Now, let's move to our Q&A session. And, as a reminder, we ask each participant to keep it to just one question.

And with that, operator, we'll ask you to please open the line for the first question

Operator: Thank you. 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 telephone. The first question comes from Devin McDermott of Morgan Stanley.

Devin McDermott: Hey, good morning, thanks for taking my question.

So, Darren, you had some helpful prepared remarks on the downstream business. I actually wanted to start there. If we look at results in the quarter, they were strong. It actually looks like they came in a bit ahead of what was implied by the 8-K earnings considerations, even with that Joliet impact you discussed and softening crack spreads in the quarter. It looks like margin capture, volume, costs were all factors here. So, I was wondering if you could just talk through some of the latest market trends you're seeing across your refining footprint, the drivers of that beat versus the earnings considerations,

and then specifically how some of the strategic projects are impacting results relative to your expectations.

Darren Woods: Yes, sure, Devin, I'll start with that and then see if Kathy wants to add anything. I think you've got to kind of step back to the broader approach that we've established with the downstream business and its integration into the new company of Product Solutions, which is really looking at how you optimize the full value chain. That, I think, is a fundamentally different approach to how we were historically running the refining business and looking at all the value levers to pull, from bringing crude into the refineries all the way out to marketing the products – and I think the results that we see in that business are reflective of a collection of those efforts across the whole. In addition to a lot of the cost cutting that we've been doing to reduce structural cost, and the effectiveness and improvements that we're seeing by centralizing a lot of activities and bringing the best thinking of the corporation to bear on each part of the business that we're operating. A great example in the refining of business has been the centralization of the maintenance approach that we're doing, not just in turnarounds, but in our routine day-to-day maintenance. That has brought a huge amount of value and lower cost to our refineries operating around the globe by taking the best thinking across both our upstream and downstream and chemical businesses, consolidating that into a single approach, and then effectively executing that at each of the sites is driving huge, huge value. I think, too, eliminating what was somewhat of an artificial barrier between our chemical businesses in the facility and our refining business in the facility and making sure that the organization thinks about the whole and optimizes the whole and the disposition of each stream as it flows through those facilities, is having a big impact. It's just, I would say, the optimization of the facility and the molecules that flow through those facilities, irrespective of whether it's a product that goes into the petroleum product space or whether it goes into the chemical product space, I think has been a significant uplift. And then on top of that, I would say the thinking about the channels to market and the value uplift we can get through those channels and bringing a trading organization along and thinking about them as a value channel to optimize across the value chain that our refineries participate in is also bringing additional value and making

sure that we're maximizing the value and the placement value of all the barrels that come out of the refinery and all the products that come out of the refinery. There's a collection of things that have been changed over the years that are fundamentally different than how we've historically been running the business. And obviously, some of those and the benefits of those will move with the market environment and the available spreads in the market, but generally speaking, it's a combination of a lot of things that we've been working on to drive value in that business along with the others. Kathy, anything to add?

Kathy Mikells: No. The only thing that I'd add is we try pretty hard to demonstrate in the materials we provide you with earnings the underlying big movers that are improving the earnings power of the company. In this case, I'd say we put forward the year-to-date results more so than just the quarter because that's a bit easier then to see that coming through our results. If you look at our energy product business on a year-to-date basis, you'll see that we got about a \$0.5 billion uplift from advantaged project growth as well as cost savings. That's coming from both the Beaumont expansion as well as Permian Crude Ventures and all the structural cost savings that we're driving, not just through the energy products business, but obviously more broadly for the company. And then early on in the question, you referenced we came in a bit better than what the street was expecting in this area. One of the reasons we came in better was the much faster startup at Joliet. We had given some guidance on what we thought that impact was going to be, and the team just did a wonderful job in restarting that facility safely and more quickly than we had expected. That also really accrued to our bottom line.

Devin McDermott: Great. I appreciate the detailed response. Thanks.

Darren Woods: Thank you, Devin.

Operator: The next question is from Neil Mehta of Goldman Sachs.

Neil Mehta: Yes. Good morning, Darren, Kathy, and team. I just wanted to spend some time talking about the startups of the key LNG projects. Maybe you could talk about where we stand in terms of de-risking Golden Pass and bringing that into service. We get less visibility on what's happening in Qatar, but it's going to be a big important project, Northfield expansion, so to the extent you're able to, can you just share your perspective of how that's going on the ground?

Darren Woods: Yes. Good morning, Neal. Thanks for the question. I'll just say, obviously, the Golden Pass Venture is managing the project, and we're contributing as best we can, and obviously, worked with the venture in response to the bankruptcy. That team, I think, is making really good progress at re-optimizing the work and the schedule. We anticipate today that venture will basically be delayed by about six months, so we expect to see first LNG out of that train back end of 2025, potentially slipping over into the new year, but it'll be in that time frame that we see. And then, of course, each train after that, we anticipate about six months separation between the trains coming on. So, I think that venture has done a lot of really good work to overcome what was a pretty challenging set of circumstances, and we feel pretty good about the path that they're on.

There's still more work to do, but I think a really good vector, and the fact that the existing contractors that were involved in that venture have stepped in to fill the void and pick up the baton and keep running the race, I think, is a huge testament to those and their commitment to the success of this project, along with all the folks at the venture who are working this real hard. So, we stay close to it, but the venture organization there really owns that and deserves the credit for the recovery there. I think on Qatar, same thing. We're a participant in there, and QatarEnergy, obviously, is managing those projects. It's a better place for them to give the status of where the projects are. We feel pretty good about the collaboration and our ability to work hand-in-glove with QatarEnergy and, frankly, feel really good about the competitiveness of those projects, and so are fairly engaged with those and, I think, feel good about the work that's happening in that space.

And then, obviously, we're doing work in Papua and looking to make sure we can come up with an attractive project there and looking at opportunities to advance the Mozambique project as well. So, we've got a pretty good portfolio of LNG projects that we see going into the future, and the market response that we're seeing on the potential for those projects is very positive. So, we see strong demand signals and, frankly, a lot of customer interest, so I feel good about the LNG business as a whole, and then, I think, working really constructively through the projects that are in development or in construction, and then making good progress on the concepts and the engineering for the LNG projects to come.

Neil Mehta: Thanks, Darren.

Darren Woods: Thank you, Neil.

Operator: The next question is from Doug Leggate of Wolfe Research.

Doug Leggate: Hey, good morning, everyone. Thanks for having me on. Gosh, Darren, I'm trying hard not to get in front of December, but I would love to ask you a question on Guyana production capacity, or rather production versus production capacity. And I guess my question goes like this. Alistair, I guess, has been quoted recently about the next wave of de-bottlenecking at Payara. A recent field trip that we hosted with you guys down there led us to understand that you haven't even drilled all the development wells on the early phases, like Liza-1. And then lastly, you've now got Hammerhead coming in on a converted FPSO, which typically seems to be a little quicker than the greenfield. So, I guess my question is, how do you reconcile production versus production capacity, which I guess is how you've always kind of tried to manage expectations on the outlook for Guyana?

Darren Woods: Yes, I think there's a lot of, as you know having spent some time down there, Doug, a lot of variables at play. And oftentimes, those investments that we make are coming in or coming on stream at the back end of the year. And so, part of the capacity versus production is just the timing of when

we bring those projects on. Then obviously, there's the timing of, as we know, all these resources over time deplete, and the organization's working really hard at infill drilling and doing the other things they need to keep capacity utilization high. And so that work and the timing of that, scheduling of that work, features into it. And so, I think a lot of those things go into it. We do our best to give all of you a good view of what we expect to be producing versus the capacity. And obviously, the organization is working really hard to do an even better job. And everyone, I think, that's working that project, and as we've demonstrated over the years, is very focused on continuing to operate those facilities in a very environmentally responsible way.

We've been very pleased with the low level of flaring that they've managed to achieve, the ability to bring those facilities on really in an outstanding fashion with very low levels of flaring as they start these things up and then continue to run with no routine flaring. And then at the same time, really push production to make sure that we're fully utilizing the capital that we put in the ground and doing that very safely. And we continue to surprise ourselves with the ability of those organizations to find ways to fill up that capital. And my expectation is they'll continue to do that.

Really hard to forecast exactly how successful they are going forward, but we focus on the capacity and then the targets that we're providing you. And we'll give you updates, obviously, in our best interest as we sharpen our plans and get a better look at things that we'll bring that forward and share it with the rest of you. And I do when we get into December with the corporate plan reveal, I know that Neil is anxious to talk about his entire portfolio and the progress that we're making across not only Guyana, but the Permian. So, we'll give you some more color commentary then as well.

Doug Leggate: Great. Thanks so much.

Darren Woods: You bet. Thank you, Doug.

Operator: The next question is from John Royall of JP Morgan.

John Royall: Hi. Good morning. Thanks for taking my question.

So, my question is on your balance sheet. The 5% net debt to capital is very impressive, and you're continuing to live within your means on the cash flow side, even when the cycle is turning down off of peaks. So, my question is, do you consider yourselves under-levered at the higher point in the cycle and expecting to get your leverage back to higher levels as you continue a steady capital return program at the low point in the cycle? Or does the fact that you've remained in the 5% or less type of range for almost two years now maybe mean that you could get a little more aggressive on returning capital and go a little higher on the leverage side?

Kathy Mikells: Sure. I'm happy to take that.

So, look, what we're doing with our capital structure is pretty purposeful, and I think we've been straightforward about that. We obviously operate in an industry that has commodity cycles, and it's really important for us and a clear competitive advantage to have an incredibly strong balance sheet to manage through those cycles and to have flexibility, right? So, you see us continuing to focus on a very strong approach in terms of capital allocation. And first and foremost, when we think about capital allocation, we think about making sure we have the firepower to invest in what are great projects with great returns, growing things like the Permian and Guyana, investing in strategic projects in our EMPS business like China One, which will start up next year, as well as continuing to invest in more capacity for things like advanced recycling and building our low-carbon solutions business. We then really want to make sure that we keep that balance sheet strong because we want flexibility when inevitably the market gets softer. And then, clearly, we're looking to reward our shareholders with our success, and you would have seen that this quarter with the \$0.04 quarterly dividend raise. And in Darren's comments, he mentioned it's the 42nd year in a row that our annual dividends have increased. That puts us in a quite small group of companies in the S&P 500. Only 4% of companies have that kind of longevity in terms of annual dividend growth on an ongoing basis. So, it's important to us that we're

conservative now with that balance sheet to give us all the flexibility that we need through the cycles that we have to manage through.

Darren Woods: Yes, and I would add to that, John. I think, as we've talked about, it feels like every year like every year I've been in the job, for us, the definition of disciplined capital spending is only investing in the things where you have an advantage, where your projects are robust to down cycles and where they deliver highly advantaged returns. And so that portfolio of investment opportunities, we're very keen on prosecuting kind of across the cycles. And I think that's what we're always mindful of is ultimately we know there's going to be business cycles, commodity cycles, price cycles, but ultimately the demand for the products that we're trying to produce and the advantage of the projects that we're investing in to produce those products are going to be needed. And so having the constancy of purpose there and being able to continue to invest through the down cycles are really, really critical. And so that's, I think, fundamental to how we're thinking about this –we've got good projects, we need to execute on those projects, and if we find additional opportunities as we move forward, we need to invest in those as well. That's going to drive kind of the approach that we take to the rest of the balance sheet in our capital allocation priorities.

John Royall: Thank you.

Darren Woods: Thank you.

Operator: The next question is from Betty Jiang of Barclays.

Betty Jiang: Good morning, thank you for taking my question. I want to ask about the Permian efficiencies and trends in general. I know we'll get a lot more in December, but if we could get some early flavor on what you're seeing in the fields, specifically these three and a half to four-mile laterals seems really interesting. And then is that part of the synergies that you have identified with Pioneer initially.

Darren Woods: Sure, I'll start Betty, and I'll let Kathy add some perspective as well. I would say just at a very high level, we could not be more thrilled by what we're finding with respect to bringing the two organizations together and the opportunity that's in front of us. I think we certainly saw a big opportunity for Exxon Mobil to bring some of its strengths to the Pioneer acreage and the work that they were doing. We anticipated the reverse happening where the organization Pioneer could bring a lot to what Exxon Mobil was doing, but frankly, very hard for us to estimate that prior to closing the acquisition and getting together and working together. And I think what we're finding through that process is there's a real big opportunity to bring a lot of what Pioneer is doing into our operations. Just a couple of examples, they've got a world-class water infrastructure network that we're now leveraging to serve the combined assets at a much lower cost. They've got a remote logistic operations center to help on their supply chain, and we're taking full advantage of that. We just achieved an all-time Pioneer record for drilling performance in terms of lateral feed drilled per day. We're leveraging the cube design that we had and applying it to good effect in the Pioneer acreage. We're harmonizing a lot of the specifications that we have on materials and services to try to take advantage of the scale and to simplify the procurement supply chain and drive cost efficiencies. And I would just say, as everyone talks about, there's a lot of art to this drilling and completions improvements and getting the best thinking of both organizations. And actually, in combination, developing thoughts and approaches that neither organization came up with independently, I think, is all manifesting itself in additional synergies. And we're bringing those synergies to the bottom line faster than we had anticipated. And they're larger than we had anticipated.

So, it's a really, I think, good news story and one that we're going to spend quite a bit of time talking to you about on December 11th. And I know Neil and his team are real keen to share some more of the specifics to help kind of take what has been some high-level indication of value and translate that down into a lot more detail so that all of you can get a much better feel in terms of what's happening there. Anything else to add, Kathy?

Kathy Mikells: No, I mean, we initially talked about an average of \$2 billion in synergies over the next decade.

Obviously, that would start smaller and build. And we're clearly seeing more synergies than we initially anticipated. And as Darren said, Neil will definitely enjoy the opportunity in December to give an update on that and quantify it more specifically.

Darren Woods: Yes, I would just say that the focus of that team is NPV and maximizing NPV. I think the drive, like we've always said, it's not a volumes game here. It's a value game here. And the great news is we're seeing a lot of value.

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

Bob Brackett: Good morning. I'd like to talk a little bit about Proxima rebar and your comments around the addressable market. If I think about steel, steel's almost 2 billion tons a year. Half is construction and infrastructure-ish. Rebar's \$400 or \$500 a ton. And so, the rebar market is something like, say, a \$400 billion market. You're talking about \$30 billion. How do you think, and it's almost a harken back to value versus volume, when you think about putting this product, which, again, as you said, is lighter and stronger into the market, do you go for value and pricing, or do you go for market share? And is the \$30 billion reflecting that, or is that just a preliminary sort of estimate?

Darren Woods: Thanks, Bob. Thanks for the question.

So I would say we're going to have targeted areas of rebar applications that we'll look at for Proxima. So, it's not, we're not trying to address the entire market for rebar, but for the rebar markets where we think the value in use for what we're doing is strongest and therefore generates the most opportunity for earnings growth. And so it's a segment of the rebar market that we're starting with, recognizing that we're pretty early into it. I think what we're finding, though, through that infrastructure market is, as we said at the beginning, when we're looking for opportunities, is they've got to be big markets with big value in use in order for it to be a material effort at some point in the future. It's got to be material

with respect to ExxonMobil. And so, they've got to be big markets, and so we're focused on that. Rebar actually, in the infrastructure market, is not the biggest one where we see an opportunity. There's also a lot of advantages just using this thermoset resin as an epoxy. And there are many, many applications into a number of different industrial uses where there's great, huge value in use from the epoxy and good margins and good growth opportunities. Also, a lot of applications in the automotive sector, particularly as you think about EVs and lightweighting. This is an incredibly strong, incredibly versatile product that lends itself to a lot of applications in the automotive industry. And so longer term, we see opportunities there. And so, what we've really been focused on in Proxima is making sure that we've got a good understanding of the value in use, that we're working with customers so that they can see the demonstrated value in use, and make sure that we're testing out the value proposition.

We've challenged the organization to put together a very aggressive plan in terms of growing Proxima, and then have established what I would say are milestones in our development of that to continue to assess, "Are we seeing this potential being realized and therefore earning our way to the continued emphasis on the growth and investment?" And in these early days, things look really, really positive. But this is a new to the world technology, new to the world processes that we're building into the plan process. And as you can tell from the way we're talking about this; we see huge opportunity here. It's very, very consistent with kind of the history we have in our historical chemical business in terms of taking molecules, developing unique applications with unique performance parameters and then selling those into large market applications. And this fits right into our wheelhouse with respect to that.

So, it's early days, rebar is one of the first out the gate, but I would say there's a lot more to come in this space and I'm feeling really, really excited about this opportunity.

Bob Brackett: Interesting. Thank you.

Darren Woods: You bet. Thank you.

Operator: The next question is from Jean Ann Salisbury of Bank of America.

Jean Ann Salisbury: Good morning. With China One startup drawing closer, what is your view on the medium-term Asia chemicals market? China One does mostly high-performance chemicals. Do we need to see a return all the way to mid-cycle Chem margins for that project to meet your projections?

Darren Woods: Yes, I'll start with that and then hand it over to Kathy to comment on it. But I would say when we went into the China One project, we recognized, I'd say, the macro challenges with the chemical industry, particularly in China. And so, one of the things that underpinned that investment and the thinking behind it was making sure that, as you point out, that it's going to be high-performance but also low-cost and therefore competitive in bottom-of-cycle conditions and generating returns and making money in tough environments. And so, we kind of went into that with our eyes wide open. And actually, as we've progressed the project, feel really good about where we've ended up with the project. So, my expectation is it will be a valuable part of the portfolio, even as the market remains challenged. And that challenge will exist for some time. We continue to see good demand growth, but there's just a lot of supply that the industry has to work through, and it will take time for the rationalizations to occur. But we'll be in a good position, as we've demonstrated to date, that our portfolio is built for these tough conditions. And therefore, our view is once the market clears, we'll see a lot more upside than we've experienced here over the last couple of years. Anything to add, Kathy?

Kathy Mikells: Yes, the only thing I'd add is, for us, China is going to be one of the biggest drivers of Chem growth longer term, as they continue to have their population kind of moving up to the middle class.

And longer term, Chem growth is usually a bit above GDP. And so, the fact that we were able to strategically place this big project in China moves us from what was a 100% importation model to now

having our own production there on the ground that's very low cost. So, we would expect, even though Asia continues to be in bottom of cycle conditions, because of the low cost of this facility, we should get to positive cash results reasonably quickly. And it will be a very resilient asset for us long-term.

Jean Ann Salisbury: Great, thank you.

Darren Woods: Thank you, Jean.

Operator: The next question comes from Biraj Borkhataria of RBC.

Biraj Borkhataria: Hi there, it's Biraj from RBC. Just wanted to ask around some recent reports in September that you were withdrawing from a farm down process in Namibia. Is there anything you can say about what you saw that was not of interest? Obviously, there seems to be a lot of resources discovered there, but varying views on commerciality of the reservoirs. Any thoughts there would be appreciated, as well as how you're thinking more broadly about bringing inorganic opportunities into what already feels like quite a full upstream hopper. Thank you.

Darren Woods: Yes, sure. Thanks for the question, Biraj. I would just say maybe a little more generally than the specific question on what we're seeing. We tend -- one of the changes that we've made in the organization is, through this value chain concept, is making sure that as we're evaluating resources and potential resources and discoveries, that we are thinking about the whole end-to-end process and making sure there's a commercial and economic opportunity set there that justifies the investment.

So we know it is an integrated approach to make sure that as we are doing the work to understand the resources and what would be required to develop resources, that at the same time, we're looking at it in the context of the cost of developing those resources and then the economics of that cost and returns that we could generate and even the quality of the resource to make sure that it would be

competitive on the market. So, all that now today is built into the early decision-making. At the same time, the size of the opportunity has to be large enough to give us the scale advantages. So, a big difference to how we think about opportunities today versus maybe 10 years ago is, if it doesn't work across that entire value chain, we don't see the full value proposition, then we're not going to be interested in it. So, I would say that's just generally the macro approach without addressing specifically any one particular area, which I want to refrain from doing. I think then to the second part of your question with respect to inorganic opportunities, I would say we all know this is a depletion business. And so, I don't think we can set any point in time and get comfortable that you don't need to be doing anything at some point for the future because of the recognition that every barrel you produce is a barrel that's gone. You've got to keep thinking and have in your mind that you're on this treadmill and finding new opportunities as you go.

I would say the organization is very active across what are the three key levers for making sure that we keep a very full portfolio of production opportunities, which is continuing to focus on technology and making sure for the things that we have today, we're maximizing the recovery of those things, continuing to look for new resources through the exploration lens and finding opportunities in that space, organic opportunities. And then the inorganic opportunities, looking for opportunities where we can bring a value proposition to enhance what somebody else is already doing in the space.

And I'd come back to the formula that we've always talked about, which is anything that is inorganic that we're going to acquire, we have to bring, and we have to see an ability to offer, some unique value. So, the $1+1=3$ has to be part of the equation. And if we can't convince ourselves that that proposition is there, it's very difficult to justify making the investments.

And so that's a high hurdle to clear, and it's one where we've got to work real hard and continue to look for the opportunities where that opportunity is available. I would say the emphasis that we're putting on the technology side of the equation helps with that, which is what we saw with the Pioneer

acquisition. As we drive the technology to improve what we're getting out of our base business, that lends itself to opening up deal space on acquisition opportunities. That's how we think about it.

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

Ryan Todd: Thanks. Maybe if I could ask one as we think about, maybe this is front-running, but as we think about Capex in 2025, is the post-Pioneer kind of normalized run rate on quarterly or annualized Capex the right way to think about a starting point for next year? Or are there any material moving pieces, whether it's incremental project timing or maybe even more specifically, potential for cost deflation and efficiency gains in the lower 48 part of the upstream that could push Capex in one direction or the other?

Darren Woods: Yes, I'll start and then I'll let Kathy fill in a lot of the details. I think the one thing which you'll hear on December 11th is what Neil and the team did is, this is not a bolt-on where we're kind of adding what the two organizations were doing and then going forward with that. This was, kind of going back to the fundamentals, clean sheets of paper, and developing up what we view as the optimum development plan across that portfolio. So, the optimization of our efforts across the broad portfolio means that the plan going forward is different than what the individual plans of both Pioneer and ExxonMobil were prior to the acquisition. And so, it's a new mix, it's a new development plan that we'll share a level of detail on, on December 11th. And again, what I would tell you is it's really looking at, "What do we see as the capability of the organization, the value opportunity, and our ability to deliver on that?" that's going to set the Capex plans. But I'll let Kathy provide some additional comments.

Kathy Mikells: Yes. Otherwise, I would have said, look, the starting point was look at Pioneer's S-4 as the starting point. They would have been projecting their own Capex before we put ExxonMobil and Pioneer together at, I'll call it, beginning at \$4.5 billion and sort of building to the \$5 billion level over

time. So, that's a starting point, but we are going to be looking at the Permian holistically. And we're going to be putting our collective dollars kind of into an overall production plan and program that we think is going to drive the highest levels of efficiencies and the highest returns, as Darren already mentioned. So, the one other thing I just want to take the opportunity to mention is we have been guiding to Capex and exploration expense. We had said for this year that's going to be \$28 billion. That's what we still think it's going to be. That's \$25 billion for ExxonMobil and about \$3 billion for Pioneer. We're going to move to cash Capex for our guidance going forward, and we'll talk about that more during the corporate plan. That's a metric that is consistent with what other IOCs kind of guide to, and it will make it easier for you to translate that information kind of into the cash flow that we provide when we report our results.

Ryann Todd: Great. Thank you.

Darren Woods: Thank you, Ryan.

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

Paul Cheng: Thank you. Good morning.

Darren Woods: Good morning.

Paul Cheng: Thank you. I'm intrigued by your comment about the synthetic graphite. Is this a long-term over the next 10 years, or that this is like over the next 5 years become potentially a very sizable business for the company? And when I say sizable, I mean what is your capability to ramp up the production volume within the next 5 years if the market is there to accept it? I mean, trying to understand that, how big are we talking about this one, and what kind of timeline are we really talking about?

Darren Woods: So, yes, thanks, Paul. I think I would talk about Proxima and our carbon materials venture, maybe collectively there, because they're two examples of basically looking at our portfolio today, looking for where we saw some advantaged feedstock, where we've got access to low-cost feedstock and then looking at our technology and capability to take that feedstock and build a product that meets an existing need out there with additional advantage and value to customers, and that's kind of the approach we've taken across both of those. I think Proxima, as I said earlier, we challenged the organization for both of those new opportunities to put together an aggressive schedule, what it could look like and how quickly we could ramp it, and those businesses have the potential to get fairly large moving forward in the next, call it 5 to 10 years, and multiple billions of dollars.

That's the potential that we see in terms of our ability to ramp up production and sell into that marketplace, assuming that the technology scales up and commercializes successfully and that we get the kind of customer acceptance that we're looking for. So that's, I think, aggressively, we could make that happen and we've set ourselves kind of a plan that allows us to achieve that, but recognizing these are new products, new technologies, just beginning to scale these things. We've got a number of steps as we move towards that broader ambition to demonstrate to ourselves that it will be successful, because we're not going to rush in and spend a lot of money until we convince ourselves that what we're seeing today at a much smaller scale, we're seeing as we ramp this up and implement these technologies. So the plan today has investments that grow both of those businesses in the early stage to demonstrate the value proposition that we believe is there. And assuming as we go through the next few years that we see what we expect to see there, then we will ramp up the spending and build those into the plans to build on the early successes that we're seeing.

So, you kind of think of it as milestones along what could be a very rapid growth plan, but we're not locking in the rapid growth or locking in the capital investments until we've demonstrated the success that we believe is going to be there.

Kathy Mikells: Yes, the only other thing that I'd add to that and something our EMPS business is really good at, we have to qualify all these new products for their end-use into any company. And that takes a lot of time and effort on our part. Again, it's something that our EMPS business is quite skilled at doing. We do that today as we bring new products to market. But that also creates, as you do that, a bit higher kind of barriers to entry, right? And again, that's something we bring a lot of skill to. So, while it will take us time to build these different ventures up and the product qualifications for different applications, as we do that, we'll build growth and momentum and it'll be hard for others to come in.

Paul Cheng: Very good. Thank you.

Darren Woods: Thank you, Paul.

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

Jason Gabelman: Good morning.

Thanks for taking my question. I wanted to ask about the advantaged asset earnings in the quarter, which were lower quarter over quarter. And I'm just trying to understand the underlying drivers of that decline. If I think about it, Guyana production was down 30,000 barrels a day. Oil production from Pioneer maybe added 100,000 barrels of oil. So, it kind of implies that the Guyana earnings per unit are about three times what you're getting from the Pioneer assets. And I wonder if that math is reasonable or if there were other factors that were contributing to that advantaged asset volume earnings impact on the quarter.

Kathy Mikells: Thanks. So, the biggest thing that impacted that, as you already mentioned, was the tie-ins for Liza 1 and 2 to the gas-to-energy project and that impacted our Guyana overall volumes. And so that impact was only partially offset by getting the additional month of Pioneer kind of volumes on the other side of that. So those were the two biggest movers. If you take a step back from that, though,

and look at where we're at on a year-to-date basis, I mean, you really see the power of the Pioneer acquisition and Guyana volumes increasing year over year. So, on a year-to-date basis, our advantaged volume growth in upstream gave us almost \$3 billion of incremental earnings. And that's the engine that we're counting on long term.

Jason Gabelman: Okay, was there anything that was unique to Pioneer contribution in the quarter that would have depressed it versus where it was last quarter?

Kathy Mikells: Nothing unique. I mean, Pioneer's overall contribution in the quarter, just in terms of the volumes they produced, were, I would have said, pretty steady. I mean, down marginally quarter over quarter. But again, we only took two months of the quarter from last quarter relative to three months this quarter. And in any quarter in the Permian, we're seeing growth obviously year on year, but on quarter to quarter, those results might look a little bit different, but we're really pleased overall with what we're seeing in production.

I mean, we had a third quarter production record in the Permian of over 1.4 million oil equivalent barrels. So, both the ExxonMobil operation and the Pioneer operation in the Permian is going really well, and obviously Darren talked a lot about the efficiencies that we're seeing as we move to the, I'd say, deeper technology that ExxonMobil is bringing in its cube development and getting the best of both, both in terms of drilling and in terms of completion experience from both companies and applying that, across all the acreage in the Permian.

Darren Woods: I'd just add on the earnings basis with the step-up, you've seen increased depreciation with bringing Pioneer into the portfolio.

Kathy Mikells: Yes, the last thing is I'd say if you looked at Pioneer on a cash flow basis, I mean, we're already cash flow accretive, which is what we expected to see, and obviously that neutralizes for the incremental depreciation that we took on through the purchase accounting last quarter.

Jason Gabelman: Okay, great. Thanks for the answers.

Darren Woods: You bet.

Operator: We have time for one more question. Our final question will be from Roger Reed from Wells Fargo.

Roger Read: Yes, good morning. Thanks for fitting me in here. To stay away from the December questions, let me throw one at you here on the overall op cost savings, the \$15 billion total by '27, obviously about three quarters of that's in. I was just curious, you mentioned earlier, Darren, a technology company, is any part of that cost savings up to the \$15 billion related to any sort of an AI effort internally or is it strictly the logistics as you've talked before? And if so, is there something beyond the \$15 billion as you think about, kind of a technology change over time?

Darren Woods: Yes, thanks Roger. I'll start with the end of your question, which is, my expectation is there's more to come in this space, and I'll talk to AI more specifically, but I would just context it more broadly in that if you look at the transformational change that we've been making across the entire enterprise, we're very early into that process. We just, this year's the plan that we're developing that we'll talk to you about on December 11th, the new organizations that we've put in place, the GBS, the supply chain, even the trading organization, those are just, they were kind of first that had some time to run and develop a full-blown plan this year, and so with a lot so with a lot more experience under the belt, and we continue to see a lot of opportunity out there that will take us time to capture. And so, I would see that there's going to be a continuum there and continued progress that we're going to make based on the centralized approach and the organization getting more and more efficient, but more importantly, more effective at executing on the core task of driving value in the company.

So, my view is that we're going to deliver on the 15, and then as we look going forward, there'll be more to come as that organization continues to become more effective and more efficient. The

technology side of the equation, I think is another area that will take longer to manifest itself, but I have a lot of optimism that the work that they're doing will ultimately drive, not only I'd say the revenue side of the equation and basically higher value on that side, but also drive costs down. And so, we'll get kind of that double effect of higher revenues and lower costs to improve profitability. There's a good portfolio of things that that organization's working on. And because we've now centralized that and organized ourselves around our own capabilities, we can now take the best capabilities and put them to the hardest problems, the most valuable problems, which I think are going to end up delivering a lot of good value. And AI is part of the equation. So, there is a concerted effort to make sure that we're really working hard to apply that new technology to the opportunity set within the company to drive effectiveness and efficiency. So that's certainly part of it.

But like everything that we're doing, it's a thoughtful approach. It's one where we're going to make sure that we can get the value that we anticipate. We don't like jumping on bandwagons and kind of talking in aspirational terms. But I would tell you, we do see a good potential there, particularly in a lot of the data-rich areas of the business, and the team's working on how best to take advantage of AI as a tool to help drive value there.

Kathy Mikells: And I'd certainly say if I take one step up from AI and just talk about technology more broadly, and especially information technology, that's a space where we continue to have a lot of opportunity. We grew up with very siloed businesses, which resulted in our processes not being very standardized or conforming across the company. That made it more difficult, I'd say, to apply single-type technology applications across the company. But that's something that we're getting at today.

And so, we'll be continuing to automate much of what we do today manually, and that's going to drive, importantly, improved effectiveness as well as improved efficiency and a way better experience for our people and our customers and our vendors, because we're not always the easiest company to do business with when it comes to information technology and self-service and those types of things. So

that has a big role to play as we look forward. We have a pretty complicated kind of IT environment as we sit today, and we're in the process of simplifying that, which is going to drive a much higher degree of automation into the business and give us, importantly, way better and more timely information that will be used to make faster, better business decisions to drive better results kind of in the business more generally.

Jim Chapman: All right, thanks, Roger.

And thanks, everybody, for joining the call and for the questions. We will, as usual, we're going to post the transcript of this call to the investor section of our website early next week. But before we wrap up, I want to again remind everyone, we've mentioned it a few times this morning, of our corporate plan update and upstream spotlight, which will be held next month, December 11th, and we will look forward to connecting with everyone again then. So, with that, have a good weekend, and I'll turn it back to the operator to conclude.

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