Jennifer Driscoll

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

This presentation and prerecorded remarks are available on the Investors section of our website. They are meant to accompany the third-quarter earnings release, which is posted in the same location.
In conjunction with our recent announcements regarding Pioneer Natural Resources and Denbury, we’ve included additional information on slide 2 related to comments or information included in today’s presentation.

Please be aware that this presentation is not intended to be a solicitation of any vote or approval.
During today’s presentation, we’ll make forward-looking statements, which are subject to risks and uncertainties. Please read our cautionary statement on slide 3. You can find more information on the risks and uncertainties that apply to any forward-looking statements in our SEC filings on our website. Please note that we also provided supplemental information at the end of our earnings slides, which are posted on the website.

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

Good morning. Thanks for joining us today.

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

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

Consistent with our capital allocation strategy, we continue to share the success of the company with our shareholders. This morning, we were pleased to announce a 4% increase to the quarterly dividend, to $0.95 cents per share. This year is our 41st consecutive year of annual dividend increases, a record that we’re proud of and that we know our investors value highly.

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

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

Acquiring Denbury strengthens our position to economically reduce emissions in hard-to-decarbonize industries, which today have limited practical options. We see the potential to drive strong returns with the capacity to reduce the nation’s carbon emissions by 100 million tons per year. That’s 20 times our current CO₂ offtake agreements with CF Industries, Linde, and Nucor – which, by themselves, could reduce CO₂ emissions by an amount equivalent to replacing 2 million cars with EVs, roughly the same number of electric vehicles currently on U.S. roads. We expect to close the transaction in early November, with Denbury shareholders scheduled to vote next week.

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

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

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

Additional remarks on this slide will be provided during the discussion of third quarter 2023 financial and operating results.
Both of these projects demonstrate the importance of bringing large, complicated projects safely on-line — on time, and with structural advantages that drive industry-leading returns. As we’ve demonstrated over the last several years, our capabilities and scale in this area are unmatched, delivering a portfolio of projects at competitively advantaged cost and schedules.

We established Global Projects in 2019 to consolidate decades of project-management experience, technical knowledge, and commercial capabilities across different businesses into one centralized team to fully leverage the collective knowledge and capability of our people.

Global Projects’ end-to-end capability from concept selection through commissioning and startup enables us to understand and evaluate choices along the entire project life cycle. The benefits of that end-to-end capability are amplified when applied to our large portfolio of projects, spanning three businesses and 26 countries. And the team is delivering exceptional results: top-quintile cost performance versus industry for 75% of all benchmarked projects, and a 20% schedule advantage in heated markets where there is elevated competition for project resources.

The advantage Global Projects provides is clear which we’ve seen in our recent startups like the Beaumont refinery expansion, which despite being executed during the pandemic, still came in under budget and ahead of schedule; or our most recently announced startup of the Baytown chemical expansion just last month.

When you combine the capabilities of our Global Projects organization with a highly advantaged resource like Guyana, you get an industry-leading development and a significant source of investor value. Our new Payara development is expected to start up in November and will be
our third consecutive FPSO to start up under budget and ahead of schedule, while also delivering top-quintile cost competitiveness and GHG-intensity. It is a testament to our “design one, build many” project strategy, borrowing more than 80% of the FPSO design from the Liza Phase 2 project.

Even in China, renowned for aggressive schedules and low capital costs, our capabilities are delivering value. ExxonMobil’s expertise in execution planning is helping set new Chinese construction records at our grass-roots chemical plant project, which is now projected to start up ahead of plan in early 2025.
Our project advantages directly translate to cost-of-supply advantages, which is critical for successfully competing in a cyclical commodity market. In the quarter, this was particularly important for our chemical business where global chemical margins fell further below the 10-year range as feed costs increased and growing supply continued to outpace rising demand.

Prices for crude and margins for refined products increased with strong demand and relatively low inventories.

Total liquids demand was at a record level drawing inventory.

Refining margins rose above the 10-year range with strong demand for gasoline and distillate, and relatively low inventory levels, while natural gas prices moved modestly lower on continuing high inventory levels, particularly in Europe.

Overall, the impact of price and margin movements across our portfolio of diversified businesses was positive, contributing to a strong quarter...
...with earnings of $9.1 billion and cash flow from operations of $16 billion. These results reflect the structural earnings improvements we’ve delivered over the past several years as we’ve improved our mix of assets and driven significant structural cost reductions while maintaining our focus on industry-leading safety and reliability.

We’ve lowered our structural costs by $9.0 billion since 2019, beating our plan, and expect to deliver additional savings in the fourth quarter. We continue to identify opportunities to improve our base operations, including enhancing our maintenance and turnaround processes, strengthening our digital capabilities, and optimizing our supply chain.

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

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

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

With that, I’ll turn it over to Kathy.
Kathy Mikells

Thanks, Darren.

I’ll start with a high-level review of third-quarter earnings, followed by a discussion of performance at the individual business level.

Third-quarter GAAP earnings were $9.1 billion, representing an increase of $1.2 billion sequentially.

The primary drivers of our earnings improvement this quarter were price/margin, up $1.1 billion, and volume/mix, up $0.5 billion. There were no material identified items this quarter.

These quick headlines don’t tell the full story. Over the last few years we’ve made a series of structural earnings improvements that allow ExxonMobil to better perform in any price environment. Our results this quarter, while certainly helped by the market, would not have been possible without the hard work and commitment to excellence that our people demonstrate every day, in every part of the organization.

Now I’ll take you through the results of the individual businesses.
In the Upstream, earnings of $6.1 billion primarily reflected the higher price environment with liquids realizations improving 11% sequentially. Natural gas realizations were essentially flat quarter on quarter.

Earnings also benefitted from improved volume and mix, driven by lower scheduled maintenance and the continued high-grading of assets in our portfolio, which is a large contributor to improved unit earnings over time. We’ve long stated that volume growth is not the goal; it’s all about growing value, and that is exactly what we’re doing.

Expenses in the quarter were nearly flat, as higher exploration expenses were partially offset by lower maintenance activity and efficiency improvements.

Other earnings impacts were driven primarily by favorable tax items.

The unsettled derivatives impact was largely due to the absence of a favorable mark-to-market impact in the prior quarter.
Net growth in assets that are advantaged, with a lower cost-of-supply and lower emission intensity, are driving improved unit earnings and reducing our environmental impact.

Compared to the third quarter of 2022, we added about 80,000 oil-equivalent barrels per day to global supply, largely offsetting the impact from divestments, entitlements, and government-mandated curtailments. We also delivered nearly 10% production growth from high-return advantaged assets in Guyana and the Permian, helping to meet record high liquids demand at a time when global inventories remained constrained.

Last year, we expected Guyana’s average gross production to be about 360 Kbd in 2023. With the expected early start-up of the Payara development next month and continued production success from Liza Phase 1 and 2, we now expect Guyana’s full-year gross production to be 380 Kbd. As we look forward, we can see a line of sight to getting production levels from Liza 1 and Liza 2 above 400 Kbd.

The Guyana development also plays an important role in lowering our portfolio’s emission intensity. The development is expected to have a greenhouse gas intensity about 30 percent lower than our total Upstream average.

In the Permian, we remain on track to deliver 2023 production of about 600 Koebd. That’s an increase of roughly 50 Koebd versus 2022, and an increase of approximately 140 Koebd versus 2021. We’ve also made significant progress reducing greenhouse gas emissions in the Permian and remain on track with our 2030 plan to achieve net-zero Scope 1 and 2 emissions for our unconventional operations.
As we continue to high-grade our Upstream portfolio, our mix of high-value liquid volumes is increasing. In fact, year-to-date liquid volumes increased by about 100 Kbd versus 2022. This was offset by a nearly equivalent reduction in lower-value gas volumes. The additional barrels we produce from our advantaged assets in the Permian and Guyana delivered more than double the unit earnings of the assets we divested in the same period.
Energy Products continues to deliver, with GAAP earnings rising sequentially to $2.5 billion and earnings before mark-to-market and non-cash trading timing impacts rising to $3.5 billion. Strong operational performance enabled us to take advantage of the higher-margin environment driven by elevated distillate cracks.

As Darren mentioned, we achieved the highest third-quarter refinery throughput on record. As we shared in our Product Solutions spotlight last month, performance like this not only reflects benefits from strategic projects, like our expansion in Beaumont, but also from smaller projects and initiatives that structurally improve our earnings, especially debottlenecking activities which can allow us to further increase our capacity. These improvements are further amplified by record high levels of reliability.

Expenses were favorable, driven by lower turnaround activity. This benefit was more than offset by unfavorable foreign exchange and the absence of favorable Billings inventory adjustments that were booked last quarter.

The trading impacts triggered from the rising crude price environment this quarter were similar to what we experienced in the first quarter of 2022. We had a cash impact of $340 million related to the mark-to-market on open derivative positions, which will unwind when the physical sale is realized. We also experienced a $640 million non-cash loss associated with settled derivative positions where the offsetting gain on the physical product sale has not yet been realized. These price/timing impacts unwind over time. In 2022 the negative impacts we experienced in the first quarter were reversed by yearend. As you’ll see in a few slides, our cash results for the quarter were quite strong.
Chemical Products earnings and cash flows declined sequentially with margins impacted by both rising feedstock costs and industry supply outpacing rising demand, which lowered price realizations.

Despite persistent bottom-of-cycle conditions, earnings and cash flows remain positive, reflecting our advantaged U.S. Gulf Coast footprint, investments to grow higher-margin performance chemical products as well as the team’s work to control cost and optimize product mix and yields across our global circuit.

Performance chemical product sales grew 8% versus the prior quarter, driving improved volume and mix.

Expenses were in line with planned higher turnaround activity.
Specialty Products delivered another strong quarter of earnings despite softening demand. This business has differentiated products which are underpinned by technology and strong brands like Mobil 1, the world’s leading synthetic motor oil. 70% of sales are high-value products.

We are pleased with our Rotterdam investment, which was highlighted during September’s Product Solutions spotlight. This project continues to leverage proprietary technology, delivering improved quality basestocks, higher yields, and lower energy intensity. Rotterdam has already paid off after starting up in 2019.

In the quarter, we saw strong finished lubes performance with growth in the U.S. more than offsetting weaker sales in China. We continue to focus on product value being recognized in the market, supported by our differentiation and brand strength. These efforts were able to partially offset higher basestocks feed costs.

Other reflects the absence of favorable tax items in the prior quarter.
Strong earnings drove improved operating cash flow. We also benefitted from favorable working capital movements in the quarter. We generated $16 billion in cash flow from operations and $11.7 billion of free cash flow, up $6.7 billion sequentially. We deployed cash in line with our capital allocation priorities: investing in competitively advantaged, high-return projects; maintaining our strong balance sheet; and returning cash to shareholders through consistent share repurchases and a sustainable, competitive, and growing dividend.

Capital and exploration expense for the third quarter came in at $6 billion, bringing our year-to-date capex to $18.6 billion. As Darren mentioned, we expect to end the year at the top end of our full-year guidance range of $23 billion to $25 billion, as we pursue high-return investments.

Strengthening our portfolio is a continuous process. As we’ve invested in advantaged assets, we’ve also continued to divest non-core assets. In the quarter, we closed the sale of our Thailand refinery, which brought our year-to-date cash proceeds from asset sales to more than $3 billion. Earlier this month, we closed on the sale of our Italy refinery.

Our cash balance increased by $3.4 billion. Debt-to-capital and net-debt-to-capital ended the quarter at 17% and 4%, respectively.

We distributed another $8.1 billion to shareholders, including $3.7 billion in dividends. And, as Darren mentioned, today we declared a fourth-quarter dividend of $0.95 per share, which is a 4% increase compared to the third quarter. This year will be the 41st consecutive year of increased annual dividends.
We continue to expect to execute $17.5 billion in share repurchases this year, consistent with our prior guidance. As I’ve mentioned previously, our share repurchase program contemplates periods where we might need to be out of the market, essentially automatically adjusting the pace to ensure our program stays on track. That program is already in place for 2024, supporting our strategy to return excess cash more consistently to our shareholders.
Looking ahead to the fourth quarter, we expect higher Upstream volumes primarily driven by growth from our advantaged assets, including start-up of the Guyana Payara development next month. We continue to expect annual average net production in 2023 to be about 3.7 million oil-equivalent barrels per day.

In Product Solutions, we expect higher scheduled maintenance.

In Energy Products, the fourth quarter will be the first full quarter without the Thailand and Italy refineries. The two sites had combined capacity of approximately 300 Kbd. While we don’t guide forward quarter price and margins, I’d note that industry refining margins began to decline in mid-September with that trend continuing in October.

In Chemical Products, we expect further industry capacity coming online.

Corporate and financing expenses are anticipated to be between $400 million and $500 million in the fourth quarter. I’d also note that we typically see seasonally higher operating expenses across our businesses in the fourth quarter. For details on that, you can see prior-year quarterly operating expense trends in the Financial and Operating data tables posted to the Resources section of our investor relations website.

Denbury is holding its special shareholders meeting on October 31st, and we expect to close the acquisition soon after that, triggering the issuance of about 45 million shares of common stock.

And with that, I’ll turn it over to Neil.
Neil Chapman

Thank you, Kathy. Hello, everyone.

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

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

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

This transaction not only strengthens our current position, but it also transforms our portfolio – increasing our exposure to short-cycle, low cost-of-supply liquids in the United States. Based on our initial assessment, we expect our combined Permian production to increase to approximately 2 million oil-equivalent barrels per day by the end of 2027.

Downstream, this merger also increases the integration between high-value, light Permian crude and our premier refinery and chemical footprint on the U.S. Gulf Coast.
Finally, we’ve said many times that we’re working to solve the “and” equation, providing the energy and products society needs AND reducing emissions, both ours and others’.

This transaction reflects both parts of our commitment. We will increase our Permian production with plans to accelerate Pioneer’s net-zero plan to 2035 from 2050 and decrease our combined Permian emissions.

Additional remarks on this slide will be provided during the discussion of third quarter 2023 financial and operating results.
Over the next few charts, I’ll provide additional context on the expected synergies resulting from the merger.

To explain this further, it’s important to recognize that Pioneer’s highly contiguous, tier one acreage is the best in the basin, and is notably higher quality than ExxonMobil’s Midland footprint.

By combining Pioneer’s assets, experience, and knowledge with ExxonMobil’s industry-leading technology, development philosophy, and execution capabilities, we’ll create an optimized field development plan that significantly enhances value.

We expect to see an improvement in recovery from Pioneer’s undeveloped resource simply by applying the technology and techniques we’re already using in our own Permian operations. This will result in better recovery rates than either of us are achieving today, and represents the most material component of our synergies moving forward.

Breaking down the $2 billion of annual synergies - $1.3 billion per year comes from an increase in total recoverable resource of one billion oil-equivalent barrels over the field life. The remaining $700 million per year is largely achieved from a reduction of approximately 15% in total development cost.
It is now widely accepted that cube developments achieve a significantly higher net present value than a best-bench approach. ExxonMobil was an early adopter of this philosophy, drilling our first cube in 2018.

Since 2020 we’ve exclusively progressed cube developments and created a differentiated position in our cube performance. In these developments, we drill wells in multiple benches and produce all the connected, stacked resources simultaneously. This approach minimizes well interference, optimizes long-term recovery, and maximizes value, despite lower initial well production rates.

The rest of industry has now recognized this and has been following suit. The chart on the top left illustrates productivity for ExxonMobil and Pioneer across all the Midland Basin assets. It demonstrates that in 2022, ExxonMobil’s cubes delivered similar recoveries to Pioneer despite our notably lower quality resource.

The chart on the bottom reinforces this further, illustrating cube productivity on comparable acreage for three operators in adjacent positions in Martin County. To derive a true comparison of differing development approaches, the resource quality has to be the same.

Assessing performance over an extended geography, such as across a county or the whole basin, will provide misleading results. The bottom chart demonstrates that when normalized for resource quality, ExxonMobil’s advantaged cubes recover significantly more than industry, including Pioneer.
Overall, we expect our optimized development plan, combined with other proprietary technologies, will result in an incremental recovery of approximately one billion oil-equivalent barrels, at a very competitive cost-of-supply.
Our drilling and completions performance is industry leading. Our teams continue to set records for drilling efficiency. Recently, we drilled a 3-mile well in the Delaware Basin in under 12 days; it’s an extraordinary achievement.

In the Midland Basin, as shown on the right-hand chart, our drilling and completion performance combined with a lower-cost well design is expected to reduce Pioneer well costs by around 10%.

We’re also the leader in length of horizontal wells. We’ve already drilled well over one hundred 3-mile laterals to access even more resource from the same well, while maintaining equivalent recovery per foot. With a development program that requires fewer wells, we’ll increase overall capital efficiency and reduce total development costs.

In summary, the combined capabilities from this merger will enable us to get more resource out of the ground, more efficiently, with a faster trajectory to net zero in the Permian. It’s as simple as that.

Now, let me turn it back to Darren.
Darren Woods

Thanks, Neil. I’ll close with a few key takeaways.

First and foremost, I want to recognize and thank our people. Through their hard work and commitment, we delivered another quarter of strong operational and financial performance. Their relentless focus on safety, the environment, and value led to another strong quarter and an even stronger foundation for continued growth in value while reducing emissions.

We’ve challenged ourselves to strengthen our advantages – and grow our lead over competition. The organization is delivering. We are driving higher throughput and utilization, executing large projects at industry-leading pace and cost, growing performance product sales and exceeding our planned structural savings to name just a few.

Our strong cash flow generation and balance sheet continue to support a robust and balanced program of dividends and share repurchases.

Looking to the future, we’re strengthening our portfolio of businesses through advantaged growth, both organically and inorganically. We have a compelling set of strategic projects to deliver value in the years ahead, including developments in Guyana and the Permian, a portfolio of LNG opportunities, and our first Chemical plant in Guangdong Province, China.

The planned Denbury and Pioneer transactions provide additional opportunities to leverage our competitive advantages and create value, for both our shareholders and society.
As we head towards the end of the year, I remain confident in our strategy and am pleased with the delivery of our plans. We are providing the energy and products society needs, lowering our emissions intensity and helping others to lower theirs, and delivering attractive returns to our shareholders.

That’s a winning proposition.

Thank you.

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i Subject to additional investment by ExxonMobil and permitting for carbon capture and storage projects.
ii ExxonMobil analysis based on assumptions for U.S. in 2022, including average distance traveled, fuel efficiency, average power grid carbon intensity, electric vehicle charging efficiency and other factors. Gas-powered cars include light-duty vehicles (cars, light trucks and SUVs).
iii Comparison of ExxonMobil estimates of greenhouse gas intensity (tonnes of CO2e per 100 tonnes of production) for Guyana and average of Upstream operated assets in 2027 based on corporate plans.