Exxon Mobil Corp., based in Irving, Texas, is the world's largest private-sector integrated oil and gas company. The upstream segment has operations in North America, the Middle East, Asia-Pacific, Africa, Europe, and South America. The downstream segment has refineries in North America, Europe, Asia-Pacific, and the Middle East. The chemicals segment produces a range of petrochemicals.

Name	Ticker	Growth	Dividend	D + G
Exxon Mobil Corporation	XOM	8.00%	3.84%	11.84%

Highlights:
It has been just over a month since the corporate plan update, there was not much incremental on the strategic/guidance front, however confirmation of progress on major upstream and LNG projects bodes well for the company's future growth potential. Our caution continues to be driven by challenging downstream markets, where XOM has an overweight position relative to peers, with Q4 results further evidence of this. In the context of this as well as its premium valuation, we see the risk-reward for XOM as balanced.

Bull Case:

- ***Long-Term Outlook*** - Given investor pushback since December was primarily around the higher capex (driven by emerging businesses) and earnings uncertainty associated with these investments, we welcomed the additional details on the projects in the space. This includes the Baytown low-carbon hydrogen project (on track for FID this year), Proxxima capacity ramp up, and the emerging low-carbon power opportunity in the US. We believe XOM will stay disciplined and only move forward with these investments if return thresholds are met. As such, we view these emerging businesses as key differentiators and drivers of upside earnings potential for XOM in the long run.
- ***Focusing on Capital Discipline*** - Share buy backs tripled last quarter to an annual run rate of $15bn; while this was not changed this quarter, we see XOM setting up for a sizeable dividend increase ahead of their next earnings report, with potential for another step up in buy backs given balance sheet trajectory that we see towards net debt.
- ***A Lot Has Changed for XOM*** - XOM has gone from the brink of a potential dividend cut in 2020 to a more balanced financial framework in 2021, and now significant free cash flow potential in 2025, driven by booming commodity prices, geopolitical events and most recently, an extremely tight oil products market. After a particularly strong showing last year due to booming chemicals margins, the question is whether XOM could see greater earnings upgrades than many of its peers; we believe the answer is yes.
- ***Potential AI Beneficiary***: XOM is uniquely positioned to enable low-carbon power solutions for data centers. Management reiterated that they are in active dialogue with tech companies to enable low-carbon firm power for data centers, specifically modern natural gas CCGT with >90% carbon capture capability. The company is well into a front-end engineering and design study and is seeing significant market interest from hyperscalers that want to decarbonize power. Management indicated a site could be ready by as early as 2028 and decarbonized by 2029.

Bear Case:

- ***Commodity Price Risk -*** Prices for natural gas and oil fluctuate widely, and we believe that Exxon's cash flow and dividends depend substantially on prevailing oil and gas prices. As a result, current and expected oil and gas prices can significantly influence the price of XOM shares.
- ***Expectation Of Faster Acceptance of Green Energy –*** The biggest threat to "dirty" energy has been the argument that Green Energy will overtake fossil fuels – this has been the bear thesis on the space for almost a decade now – compressing multiples across the sector. It has been the sentiment driving the devaluation of these companies. We don't disagree with this – we are big believers in growth regarding the Clean Energy space. But, in the past, the transition to a new energy source has provided a big boost to the old one. Solving this conundrum — how to supply enough dirty old material to build a new green economy — will require balance. Blocking new mines/rigs will not always be the environmentally responsible move. We believe that governments, and greens in particular, need to recognize that trying to shut down the old economy too fast threatens to push the price of building a cleaner one out of reach.
- ***Downstream Tailwind Fades*** - While we continue to see value in XOM's growth profile, we expect earnings momentum to moderate, as refining margins have fallen considerably while chemicals margins remain challenged amid a tough economic backdrop. We expect commodity prices to remain volatile, and with OPEC+ likely to support oil prices, we have a bias towards upstream levered names over downstream from here.

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