

## ExxonMobil Fourth Quarter 2021 Earnings Call Transcript

This transcript presents ExxonMobil's fourth quarter earnings call held on February 1, 2022.

Operator: Good day, everyone, and welcome to this ExxonMobil Corporation Fourth Quarter 2021 Earnings Call. Today's call is being recorded.

And at this time, I would like to turn the call over to the Vice President of Investor Relations and Secretary, Mr. Stephen Littleton. Please go ahead, sir.

Stephen Littleton: Thank you, and good morning, everyone. Welcome to our fourth quarter earnings call.

We appreciate your participation and continued interest in ExxonMobil. I am Stephen Littleton, Vice President of Investor Relations. Joining me today are Darren Woods, Chairman and Chief Executive Officer; and Kathy Mikells, our Senior Vice President and Chief Financial Officer.

The full set of presentation slides and prepared remarks are made available on the Investor Relations section of our website earlier this morning, along with our press release.

During our call this morning, Darren will provide a few additional opening comments and reference a select number of slides from that presentation, leaving more time for your questions. We expect to conclude the call at 9:30 a.m. Central Time.

I would also like to draw your attention to the cautionary statement on Slide 2 and to the supplemental information at the end of the presentation slides on the website. I'll now turn the call over to Darren.

Darren Woods: Thanks, Stephen. It's a pleasure to share our 2021 results with you today, which demonstrates the significant progress we've made to advance our strategy and position the company to sustainably grow shareholder value. Our effective pandemic response, focused investments during a down cycle and structural cost savings positioned us to realize the full benefit of the market recovery last year. We delivered strong financial and operating performance, significantly increased earnings and cash flow to fund our advantaged investments, reduced debt to pre-pandemic levels and continued our long history of sharing our success with shareholders.

Today, we'll outline some of our progress towards reaching our strategic goals to lead in earnings and cash flow growth, drive to a net-zero future, build successful lower emissions businesses and maintain optionality in our portfolio to match the pace of the energy transition. Let me touch on a couple of key points.

First, we're working to fully leverage our competitive advantages, including our scale to drive step changes in cost and efficiency. We're also actively managing our strong portfolio and continue our keen focus on operating performance and disciplined capital and operating spend.

We're also accelerating our work to reduce emissions and drive innovations focused on the hard-to-decarbonize sectors, such as heavy industry and commercial transportation. An important part of this activity is our ambition to achieve net-zero emissions from our operations by 2050. Also important is the good progress we've made building our Low Carbon Solutions business, which is rapidly expanding, utilizing existing policy. As you're all aware, we're also pursuing very large-scale opportunities that will give us first-mover advantage as we advocate for the new policy necessary to support these step-out projects. Our results demonstrate the benefits of the actions we've taken. We're continuing to manage and evolve the company to further strengthen our competitive advantages, growing value through the transition, regardless of its pace.

Turning now to some perspectives in 2021. As I said, we've made tremendous progress advancing our strategy over the past year. We remain focused on safety and reliability, delivering a second consecutive year of outstanding performance.

In emission reductions, we expect to meet our 2025 reduction plans 4 years early. That led us to set even more aggressive plans for 2030. The experience we gained developing reduction road maps for our assets gives us confidence for what we can ultimately achieve. This helped form the basis of our recently announced ambition to achieve net-zero emissions in our operations by 2050.

Of course, a big part of our work in this area involved our Low Carbon Solutions business. As I mentioned, this new business has made exceptional progress building a large inventory of new business opportunities with a focus on carbon capture, hydrogen and biofuels. Importantly, we're also addressing emissions by providing high-performance products to deliver solutions to help our customers reduce their emissions. Demand for these products was very strong in 2021, enabling 7% growth in our performance product volumes. This helps drive record annual earnings in our Chemical business.

Strengthening our portfolio across all of our businesses continues to be a key part of our strategic focus to increase shareholder returns. To that end, we have more exploration success in Guyana with 6 discoveries in 2021 and 2 additional discoveries already this year. This has expanded the estimated recoverable resources on the Stabroek block to more than 10 billion oil-equivalent barrels, and we're on schedule to start production this quarter at Liza Phase 2.

In the Permian, we continue to drive improvements in drilling and completions, increasing average production by nearly 100,000 oil equivalent barrels per day to approximately 460,000.

We started up the Corpus Christi chemical facility under budget and ahead of schedule. And we've continued to monetize non-core assets, generating more than \$3 billion of cash proceeds from divestment during the year.

Our actions are yielding strong results, and as I said, positioned us to benefit from demand recovery. We grew earnings to \$23 billion and drove nearly \$2 billion of structural efficiencies in 2021 on top of the \$3 billion the year before. This puts us in a good position to significantly exceed our goal of \$6 billion of structural cost savings per year by 2023 relative to 2019. We maintained our disciplined approach to investments, focused on competitively advantaged, low cost of supply opportunities, and on growing our portfolio of high-value products. Capex was \$16.6 billion for the year, which was near the low end of our guidance.

As a result of our cost reductions, improved efficiency and capital discipline, we've lowered our Brent breakeven price to \$41 per barrel. We're continuing to drive that down even more, expecting to average \$35 a barrel between now and 2027. Cash flow from operating activities increased to \$48 billion, the highest since 2012. We use the available cash to restore our balance sheet, essentially paying back what we borrowed in 2020, reducing our debt-to-capital ratio to about 21%. As a result of our restored financial strength, we increased the annual dividend for the 39th consecutive year and announced a \$10 billion share repurchase program that started last month. Overall, a strong list of accomplishments.

Now looking ahead to this year. Our plan is robust and progresses our strategic objectives. I'll highlight a few key items on this page. First, we will increase our competitively advantaged low cost-of-supply production with the start-up of Liza Phase 2 in Guyana and the Coral LNG development in Mozambique. The same is true for the Permian, where our focus remains on driving

further capital efficiency and high-value growth. We're already ramping up manufacturing at Corpus Christi and expecting to start up our Baton Rouge polypropylene expansion later this year. These projects will continue to grow production of our high-value chemical performance products.

We're applying the same capabilities and expertise developed over decades to progress our net-zero ambitions and grow our Low Carbon Solutions business. In that business, we expect to reach final investment decisions on large-scale carbon capture and storage projects at LaBarge, Wyoming, and Rotterdam in the Netherlands. We're continuing to advance the flagship carbon capture opportunity in Houston. It now has 14 participating companies and has the potential to capture up to 100 million metric tons of CO<sub>2</sub> per year by 2040. We also anticipate beginning to lift renewable diesel from our agreement with Global Clean Energy's biorefinery in California later this year, as well as making a final investment decision on our renewable diesel project at our Strathcona refinery in Canada, expanding our lower-emissions fuels offering. And finally, we expect to further strengthen our balance sheet and progress our share repurchase program while continuing to retain capital flexibility and optionality to adapt to market conditions and opportunities.

Leveraging our core competitive advantages, we're well positioned for future success, irrespective of the path or pace. We have the flexibility to shift resources between our traditional and low-carbon businesses at any rate required. This provides a lot of optionality and positions us to lead industry in the energy transition and in earnings and cash flow growth.

We thank you for joining us today and look forward to sharing more with you during our Investor Day on March 2. Unfortunately, because of ongoing COVID considerations, we'll conduct the events virtually again this year. We do look forward to the day when we can get back to hosting you all in person.

Before we take your questions, I'd like to take a moment to thank Stephen for his leadership and significant contributions as after 30 years of service, he will be retiring at the end of this month. I wish Stephen and his wife, Kim, the very best. You'll be missed. I'd also like to welcome Jennifer Driscoll, who will be joining later this month as our Vice President of Investor Relations.

Stephen Littleton: Thank you, Darren. Operator, please open the phone lines for the first question.

Operator: (Operator Instructions) We'll go first to Phil Gresh with JPMorgan.

Phil Gresh: Congrats, Stephen, on your retirement.

Stephen Littleton: Thank you, Phil.

Phil Gresh: First question for Kathy on capital allocation. Great to see the net debt reduction here in the fourth quarter well ahead of our expectations and the start-up of share buybacks in January. As you look at '22, with oil prices where they are, how are you thinking about the pace of the share buybacks and the desire to take leverage below this 20% to 25% target given the pace and progress you made in the fourth quarter?

Kathy Mikells: Sure. So look, our capital allocation priorities remain the same, right. First, let's make sure we're investing in the high-return assets and products across the business from Guyana to chemical performance products to biofuels; second, really continuing to strengthen the balance sheet. I talked about on the third quarter, and we continue to look out to our term debt maturities with an eye to paying those down in 2022 and continuing to sustain the strong dividend that we have and then, obviously, returning further available cash to shareholders.

We would have started the \$10 billion share repurchase program at the beginning of the year, what I would have described as an equal pace against the 24-month longer-term time frame. As we assess both our year-end results where we ended up in terms of net debt, looking at the continued positive market environment, that would cause us to increase the pace of the share repurchase program, and as I stand here today, I'd say increasing the pace with the faster end of that 12- to 24-month pace in mind. We will continue to evaluate the program and the pace throughout the year. It's one thing to sit here today and fit in what are pretty favorable market conditions, but we'll just have to see how the year pans out. But that's how we're thinking about it right now.

Phil Gresh: Okay. Great. No, that makes a lot of sense. And then my second question, I know you'll give a more detailed update in March at the Analyst Day, but just any thoughts around 2022 production targets, considering the -- some of the recently closed asset sales, just any moving pieces, Permian or otherwise?

Darren Woods: Yes. I'll take that, Phil. As you know, one of the primary objectives we've had in looking at the portfolio is less about volume and volume targets and more about the quality and profitability of the barrels that we're producing. So we've been aggressively trying to high-grade the portfolio across our businesses, and that's certainly true in the Upstream which led to the discussion we had a couple of years ago with respect to the divestment program, which continues to pay dividends and will continue to progress, and then the growth that we're seeing in Guyana and Permian and Brazil. And so I would expect that volumes are fairly consistent with what we've seen this year, and -- but the mix within that volume profile will continue to improve, and the earnings per barrel will continue to improve, and that's been the focus.

And as we move forward, we'll continue -- you'll continue to see the -- what I'll say, the quality of the barrels or profitability of the barrels increase. And then with time, as you head out in the later years, you'll see volumes grow with that improved quality mix.

Operator: Next question will come from the line of Biraj Borkhataria with RBC.

Biraj Borkhataria: I wanted to reference the -- some of your comments made on the structural cost reduction. You talked about those benefits continuing into 2023. I was just wondering if you could balance that against, the cost inflation we're seeing across various items: your raw materials, logistics, labor, etc. Can you talk about the net impact of those? And I have a follow-on on a different topic.

Darren Woods: Sure. So we talked some time ago about a \$6 billion structural reduction through 2023. As we work through 2021, and drove additional improvements within the business, we've extended that structural cost reduction. We expect, as I said this morning earlier, kind of around \$2 billion again in 2022 and another \$2 billion in 2023, so more than exceeding the level that we thought about and talked about last year. That, obviously, is the structural side of the equation in terms of reducing cost. The counterweight then is the inflation and Forex and some of the pressures that we're seeing. In the short term, we were in the down cycle. We recognize that there would be a return, and there would be growth, and that would put pressure on prices. And so we, in anticipation of that, tried to manage many of our contracts and the work that we are doing to maintain a level of cost and to minimize escalation as we headed into 2021 into 2022, and that's paying off. We've managed to mitigate quite a bit of that inflation.

Obviously, as time goes on, we'll start to see more of that. And our expectation is the businesses will work to offset that inflation growth. And longer term, our objective is, as we grow the business



with the investments that we're making in chemical facilities and some of the changes that we're making in our Downstream operations and then as we grow some of the Upstream businesses will offset all that increased cost with structural efficiencies.

Biraj Borkhataria: Understood. That's really helpful. The second question is actually asset specific. I've been looking at some of the export data at Papua New Guinea over the last few months, and it looks like that asset is performing extremely well and above nameplate capacity. I was wondering if you could talk about whether there's anything specific you're doing to increase capacity there. And maybe any color on how much of those exports are contracted versus spot would be helpful, too.

Darren Woods: Yes, sure. I think, again, what we're seeing in Papua New Guinea, and frankly, it's been replicated in other parts of the company is what we've been talking about, which is leveraging the full capabilities of the organization. One of the changes that we've made over time here is we brought a lot of the optimization skills and techniques that we've historically used in our Downstream businesses, and our refineries where you're eking out pennies on the barrel to be successful. And taking that technology and approach to some of our upstream assets and sharing that technology and working with the Upstream teams to improve the productivity of the assets on the ground, that's paying off really all around the world where we're applying that technique. And what you're seeing in Papua New Guinea is that's part of the driver -- what the driver of that increase on top of just hard work by that operating team to maintain reliability and to run that plant to its constraints. And so I think it's the combination of those two things.

And our expectation, we've seen that in Chemical as well. As we brought those plants up, we've been able to run above the nameplate capacity, just, again, with the optimization and the hard work of the operating team. So we've kind of have an expectation as we bring new assets on that those operating teams figure out unique ways to get beyond constraints and improve the performance.

Operator: We'll go to Jason Gabelman with Cowen.

Jason Gabelman: First, I wanted to touch on the Capex guidance, provided a range of \$21 billion to \$24 billion, which is appreciated. Can you just discuss how you think about what determines the low end and the high end of that range for next -- for this year? And I have a follow-up.

Kathy Mikells: Sure. So overall, I think as you consider the range that we've given, I'd kind of point to starting the year with an expectation of being more towards the center of the range, and then we'll see, ultimately, how the projects and the big projects proceed is probably the biggest indicator and whether any new projects ultimately come online, which we would always be maintaining some level of flexibility for.

Unsurprisingly, with the size of our Upstream business relative to Downstream and Chemicals, the biggest increase year-over-year comes from, overall, the Upstream business and further spending in Guyana, further spending in unconventional, especially the Permian, beginning to upweight our spending overall on our own emission reductions. And again, the Permian would be another place that we're particularly focused, restarting paused projects that we had in the Downstream. And then you'll be well aware of the big projects that we have ongoing in Chemical. So that's really what's driving the difference. And I'd say how we think about landing towards the middle versus a different end within that range, but obviously tightening the range relative to the range that we've given over a longer period of time, which is the \$20 to \$25 billion.

Jason Daniel Gabelman: That's helpful. And my second question, I wanted to touch on the performance products within Chems. You've often discussed that's a driver of your earnings growth over the next few years and high-grading the business, and so I just wanted to hopefully get some context around the comment about 7% growth in performance product volumes. Can you help us

understand what types of earnings uplift that provides and how you think about earnings growth within that performance products business moving forward?

Kathy Mikells: Yes. So I'd go back to the corporate plan disclosures we had, where we talked about both within Chem and within Downstream, our focus on growing high-value, higher-margin projects, which would include low-emission fuels, and it would include high-performance lubricants in our lubricants portfolio as well as what we would describe as chemical performance products and looking to double the volume of those products kind of over the plan period. And ultimately as we look at the combination of Downstream and Chem over that period of time, looking to triple earnings. And so it is a strong component of what sits behind tripling earnings. But I'd also say, and this comes through our breakeven analysis, continuing to reduce the structural costs within the business across all elements of the business also are a driver of that increased cash flow and earnings power. So that's how I would think about how we're looking to continue to upgrade the mix within both Downstream and Chemical.

Darren Woods: And maybe just a little bit of color commentary with respect to when we talk about performance, say, in the chemical company, what drives that, and it's built on a pretty fundamental competitive advantage with respect to our technology capabilities and the work that we do with catalyst. And the developments that we've made give many of our chemical products unique characteristics, characteristics and use. And then -- so that's a really important part of the value equation. And then we have invested in the science and technology to work with customers on applications to take advantage of those unique properties. And we have labs in China and other places around the world to support our customers, and value -- the value and use of that improved performance then is shared with customers and ourselves which gives that uplift on our performance products.

Operator: And next, we'll go to Doug Leggate with Bank of America.

Doug Leggate: Well, shocking news this morning. Congratulations, Stephen. We will miss you indeed. I look forward to chatting with you before you leave.

So guys, I wonder if I could go to Slide 12 and just ask you to walk through a little bit more color on the breakeven guidance that you're talking about. And my specific question is you're talking about an average breakeven between \$22 billion and \$27 billion, but a lot of your higher-margin projects come on at the back end of that period, specifically Guyana. So what does the breakeven look like at the end of the period as opposed to the average?

Kathy Mikells: So you're probably asking questions that I'll dive into a bit more detail when we get to Investor Day, Doug, but you're right. What we walked through on this slide and specifically on the bottom of the slide, where we did the walk from our current breakeven to that average in '22 to '27 of \$35. What I would tell you is, as a result of the comment with regard to the portfolio improvement continuing to take place over time, as you would expect, we start out at the higher end and then move to the lower end. So I would tell you our progress, while not exactly linear, continues to be fairly consistent over that period of time. And we'll definitely dive into that a bit further when we get to Investor Day.

Darren Woods: And I would add, Doug -- I would add that the high end of that range is consistent with what we're showing in 2021.

Doug Leggate: Okay. So it's probably below 35% is the bottom line at the end of the period. Arithmetically, it would have to be, right?

Kathy Mikells: Yes.

Douglas George Blyth Leggate: Okay, okay. My follow-up is actually -- I guess it's kind of a cash distribution question. A \$0.01 dividend increase, you basically did what Chevron did 5 years ago, but they didn't have the growth story. The free cash trajectory that we see is pretty significant this year beyond what you've laid out even with the buyback. So my question is could we ever see Exxon do like an interim dividend increase? Or put differently, what are you going to do with all the cash?

Kathy Mikells: I guess, a, I'm not going to get out in front of the Board's decision with regard to further distributions to shareholders. We've talked previously, as we've looked at our dividend, that some of the metrics that we look at is both our dividend yield relative to our peers' dividend yield relative to, I'll call it, the total dividend yield on average on the market as well as looking at our payout ratio. Our overall dividend size is larger than what our peers would be, and we have been more towards the top end of the range, both on yield as well as on payout ratio. Obviously, as we see the improved overall results at the company, that, naturally, is starting to impact both of those metrics which we'll consider -- continue to be considered as the Board looks to make decisions going forward. But I'd say, as we sit here today, we continue to feel pretty good about what our dividend yield is and its competitiveness.

Darren Woods: Yes. And I would add, Doug, that the Board evaluates that quarterly, so it's an ongoing discussion. We don't have a fixed time period. It's a function of the things that Kathy talked about.

Operator: Next, we'll go to Devin McDermott with Morgan Stanley.

Devin McDermott: Stephen, congrats on the retirement.

Stephen Littleton: Thank you, Devin.

Devin McDermott: So my first question is on some of the structural cost efficiencies. You've all done a great job in bringing those to fruition here over the last few years and are still talking about exceeding the \$6 billion structural target by 2023. I can't help but notice that in the waterfall chart on longer-term breakevens, you're showing an incremental \$5 billion of cost reductions relative to '21 levels would imply pretty significant increase in that longer-term target. Could you talk a little bit more about some of the incremental opportunities that you identified? And I'd imagine that some of the structural changes at the corporate level that you've announced recently are part of that.

Darren Woods: Sure. And just to be clear on the chart that Kathy walked folks through, the five that we're showing on that bottom chart is dollars per barrel. It's not billions of dollars, so just to be clear on that.

Devin McDermott: Understood.

Darren Woods: And so I think the heart of the reductions that you're seeing as we go forward is a function of capturing the best of what the corporation can bring to bear in each one of our businesses. Just a little bit of background, Devin, we started with process safety and basically, several years ago, launched an effort to take the best thinking that we had in each of our businesses, bring that together, come up with one approach to managing process safety and then roll that out across the organization. That has resulted in eliminating a lot of duplicate or programs running in parallel that brings cost. So we've saved with respect to the work that we are doing in that space. But much, much more importantly, we improved our results and have significantly reduced process safety events.

And so we're continuing down that path, but it highlighted the strength of kind of capturing the learnings that have occurred across our different businesses over the decades. And the quality thinking that we have in each of our organizations and bringing those experts together and having them address the problem on a corporate-wide basis is delivering good results.

We saw the same thing with reliability when we brought, again, the best thinking of the corporation across the different operating companies together to solve the challenge of how do we improve reliability structurally and sustainably across all of our businesses. This team came up with ideas and implementations that, once again, significantly lowered our cost and is improving our performance.

And so that is the kind of the recipe that we're executing across a very wide range of opportunities. We're bringing the maintenance activities and thinking about the above-site maintenance, how you -- what are the processes, how do you go about that into that same type of approach, leveraging the best of the corporation, which we expect to see significant improvements in our maintenance and turnaround spend, technology, and engineering that the new company or the new group that we're forming is basically, again, doing the same thing, best capabilities from each of our businesses. We have technology functions within each of our companies. We're bringing those things together, same with engineering. And we, again, expect to end up doing things much more cost efficiently for much more effect.

And that -- so the savings that we see, going forward, are really the result of a lot of different things being applied across a huge scale of our operations to significantly reduce cost. And there are other opportunities in the future. Think about supply chain. Think about some of the financial transactions as we've, over the course of 2018 and 2019, realigned our businesses and work processes so that now, as you look across our different businesses, we're conducting businesses in a very similar

back-office approach, so to speak, that gives us an opportunity to capture the synergies that exist between those.

So a really broad range of opportunities as we kind of open the doors between the different businesses across our corporation, take the best that each has to offer, bring those together and come up with an answer that's better than anyone on its own.

And I think that, again, plays to this -- the competitive advantages that I've been talking about since taking this job around leveraging our scale, leveraging the integration of our businesses, leveraging the functional excellence that each of these companies have developed, how do we better take advantage of that, and then leveraging our technology and bringing that all together by leveraging the capabilities of our people. So that recipe is beginning to pay off and frankly hard to see where we -- where that ends with respect to the improvements that we've got lined up for the business.

Devin McDermott: Very helpful. And my second question is on M&A. In addition to the high-return investment opportunity, you highlight selective M&A as an opportunity in the slide deck. I was just wondering if you could talk in a little bit more detail about what strategically you'd be looking for at this point in time.

Darren Woods: I'll answer that, and if Kathy has anything to add, I'll turn it over to her. But as we've talked about for quite some time, we do have an ongoing active M&A group that -- but we look for things that -- where we can and bring it into our portfolio, add unique value, grow unique value. So it's got to be something that -- where we feel like there's a synergy or a fit with what we're currently doing to lever that value up and see accretion very early on.



And so that's how we're looking at that, and we look at it across all of our businesses for opportunities. And you've seen that kind of play out in the Chemical business here with an acquisition last year. You've seen it play out in our Downstream business, and so I think that's a very active program. But bottom line is we've got to look at what that opportunity looks like in the context of what ExxonMobil can bring to bear then make sure that we're in a position to effectively leverage our core competencies, skill sets and capabilities to grow value beyond what either one companies could do independently. And that's how we assess and think about that. Kathy, anything to add?

Kathy Mikells: The only other thing I'd add is in the low-carbon emission space, we're also actively assessing things, and we would have discussed the fact that we made an investment in Biojet. I'll call it a biodiesel company that's out in Norway where we also have an offtake agreement. So we continue to look at opportunities in that space as well.

Operator: Next question will be from Sam Margolin with Wolfe Research.

Sam Jeffrey Margolin: Congrats, Stephen.

Stephen Littleton: Thanks, Sam.

Sam Margolin: So my first question is on the emissions statement that you made, where you're four years ahead of your target for 2025. It's interesting because the final data is not out yet, but I suspect that global emissions hit a record in 2021, just based on the amount of coal that came through the monthly supply numbers. And a lot of execution in the low-carbon business is around policy and communicating to regulators what's most beneficial for society. So in the context of Exxon's

emissions starting to fall and global emissions still rising, has -- do you feel like your seat at the table has potentially improved or your influence is getting stronger? Or is it still very early in the process?

Darren Woods: Well, I think -- it's a great question, Sam. I think as we've talked about before, this is a really complicated space, and it deals with the really important part of people's lives and the resiliency of economies around the world. And so I think I've been encouraged, frankly, by the growth in terms of the folks who are working in the space and actively thinking through how best to achieve and address what we've been talking about for some time to deal with challenge. And I think there's a growing recognition and a growing acceptance of the need for a variety of solutions and approaches to strike that balance correctly and make sure that we make progress on lowering emissions, but at the same time, don't compromise the quality of people's lives.

And I think what we're seeing play out today in Europe, certainly, I think, has made that point clear in terms of some of the challenges associated with moving quickly in the space or not thinking through all the potential downsides and unintended consequences. And we've seen that here in the U.S. with some of the tightness of supply, and so that is the challenge.

We are committed to helping society make that reduction. We are working hard to catalyze the right kind of policy to incentivize and to drive emissions down faster while, at the same time, protecting people's standard of living and livelihood. There are options to do that. It does require some policy in different places, and we're seeing some of that policy manifest itself in some of the countries around the world, which underpins the work that we're doing in low-carbon solutions.

And that's a global business with opportunities that we see developing all around the planet in many, many countries, and there's policy in place today to support those investments, which is what's driving certainly in the early days. And then I think those policies and investments set good

examples for other countries to consider and to think about, in line with the needs of their constituencies.

So I am encouraged. I do feel like there's a better conversation happening. Obviously, a long ways to go there and a lot of work to be done, both from a policy standpoint as well as from the companies participating in the market.

Sam Margolin: And then so this is a follow-up about the Low Carbon Solutions organization in the company. A lot of the efforts there are connected to existing operations, right, carbon capture on facilities or biofuels coming off of refinery parks. And so is the intent to fully disaggregate all of that from the base business so that we can kind of map the revenue trend line and associate that with an emissions abatement number and watch our progress that way? Or is that more of an organizational function and not necessarily a financial segment yet?

Kathy Mikells: So I'd say, right now, our focus is on building that third-party business, right. We have, I'd say, a huge number of projects in the pipeline. We feel very good about the progress that's been made in a pretty short period of time since we launched the low-carbon emission business, but we also have the overall activities in terms of reducing our own emissions. And those activities are really the prime accountability of the business lines. And so there's an overall, I'll call it, corporate coordination, best practice role that's taking place there. That's part of what enabled us to actually expect to meet the 2025 goals ahead of time.

So when we talk about our overall efforts as it relates to emissions in their entirety, we're always talking about what we're doing within our own four walls and then what we're doing to help reduce, I'll call it, our customers' emissions, or more broadly, what the company does in terms of the

products and technologies that it offers in helping to reduce society's emissions with lower life cycle emission-type product.

So that's how we think about it. And certainly, first and foremost, that third-party business is something we're focused on building today. So we are not expecting that that's going to be a, I'll call it, new segment that we're disclosing as opposed to just focusing on building that business which is still in its early stages.

Darren Woods: You can imagine, Sam, if you think about looking across more in our global portfolio and then opportunities with customers or third parties is understanding what's the lowest cost of abatement? How much CO<sub>2</sub> can you reduce for the lowest dollar spent? That group has a good perspective that we're leveraging across all the opportunities, whether they're internal or external. And frankly, if you look at the portfolio of opportunities that we're looking at as a company, there's a really good mix between what we're going to be doing at our own facilities, opportunities to provide lower-emissions products for our customers and then opportunities to reduce industry-wide CO<sub>2</sub> emissions.

So it's got a good mix today. We're very early in this process. I mean, this is a very dynamic space. If you think back a couple of years ago, hydrogen and carbon capture, and frankly, even biofuels, were struggling to kind of be in the mix in terms of potential solutions, whereas, today, I think people recognize the importance they're going to play going forward. And so I would just say it's rapidly evolving.

There's a lot of interest. We've certainly had a lot of interest expressed in our business and the opportunities we're pursuing, so I would say we'll keep talking about that. You'll see that business grow with time as places around the world take the steps to make the necessary reductions.

Sam Margolin: By the way, it's Lunar New Year, and it's the Year of the Tiger, so that seems potentially significant.

Darren Woods: Glad to hear that.

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

Neil Mehta: Congrats on strong results, and congrats to you, Stephen, on your retirement here. I have a couple of questions for you. The first is on the Permian. Darren, can you just provide an update on how you're thinking about prosecuting that asset? We heard from Chevron. They're thinking about 10% type of growth in the Permian in 2022 versus 2021. How are you thinking about volume growth? And then, in general, what is the right approach to maximizing value from the Permian relative to what you were talking about a couple of years ago?

Darren Woods: Yes. Sure, Neil. And I think maybe I'll start with where you ended, which is what we were talking about a couple of years ago, which you recall, we talked about, I think the terms I used were -- right now, the industry is playing a short game, and we're a long ball hitter. And how do you do -- how do you take the long ball game into the unconventional space? And that led to the approach that Neil Chapman has talked about over the last couple of years with respect to setting up more of a manufacturing approach and driving efficiencies and driving technology applications into that -- those developments. And that has worked very, very well, and we're seeing the results of that.

So we grew our Permian production from '20 to 2021 by over 25%. Our expectation, as we go into 2022, is to grow another 25%, and that's doing that with a very tight control on capital. So that's how we're playing the game, and we continue to look at within our -- the approach that we

outlined a couple of years ago and the success that we've seen with that and bringing to bear a lot of the technology and application expertise, think drilling and reservoir management that the rest of the corporation has, really seeing the benefits of that. We're going to make sure that we stay in that envelope.

And obviously, as we progress production and development, new horizons are opening up, and we've got more delineation work to do that will continue to kind of grow the understanding of where the opportunities are. And we'll progress those in the context of staying within that concept that we've laid out, which we're seeing allows us to bring barrels to market at a very low cost. And that's going to be an important part of the equation, maintaining that low-cost, high-value operation.

Neil Mehta: Do you have a number in mind from a volume perspective as you think about this year?

Darren Woods: So this year, I think we're going to be 25% up. We expect to be 25% up from 2021, which is consistent with how -- the increase that we saw from 2020 to 2021.

Neil Mehta: Okay, very helpful. And then I really like this exhibit -- or Page 12 of the slide with the breakevens, and I know we spent a lot of time on it already on the cost and the volume side. But the big number here is mix, the \$9 a barrel. Can you spend some time talking about the composition of it? How much of it is Upstream versus fuel versus Chemicals? And any more granularity that we can expect at the Analyst Day to help us break down the mix shift that you're seeing in the business?

Kathy Mikells: Sure. So look, overall, the business composition, by its nature, is heavy Upstream relative to Downstream and Chem. So as you think about that mix, all of the businesses are contributing to the favorable mix. Upstream has an outsized contribution. We talked about in our strategic plan that

70% of those investments were in, I'll call it, the strategic upstream development area, so Guyana, Permian, Brazil, bringing on more LNG, those are really what are fueling, I would call, the Upstream improvement in the portfolio.

And then we also talked about, by the time we get to 2027 in Downstream and Chem, over 40% of the earnings coming from those high-value, high-performance products. So you do get a mixture, overall, but obviously a very big change overall in the portfolio coming from the Upstream. And overall, that's what the big drivers are. We've talked about 50% of our volume from post-2020 start-ups in 2027 from the Upstream, so just to give you another stat in terms of how significant the mix change is there.

Operator: Our next question will come from the line of Paul Cheng with Scotiabank.

Paul Cheng: First, Stephen, thank you for the help, and congratulations and wish you a wonderful retirement.

Stephen Littleton: Thanks, Paul.

Paul Cheng: Two questions, please, I think for Darren. You guys have just announced sort of a streamline restructuring. But historically that your chemical and refining is already wanting as -- maybe as coordinating as anyone, I mean 70%, I think, of your chemical facility linked to -- directly to your refinery operation. And you're always in the management committee that have an executive sort of overseeing both chemical and refining. So with this structural change, are we talking about major headcount reduction? Is that the rationale behind? Or how exactly the topic realignment really changing the way how -- what consider probably really seamless and one of the best in the industry

in coordinating between chemical and refining. I mean, how is that really going to change that and further improve?

And maybe after that, then I will ask the second question.

Darren Woods: Okay. Yes. So I think a good observation, and I would echo the points you made, which is if you look at our Chemical and Downstream business, historically, they have been very well coordinated, I think amongst the best within the industry. I would say, though, there's a difference between coordinating between two owners and then having a single owner. And we really see the opportunity as to have one set of management overlooking those businesses and making sure that we're prioritizing across those businesses and those resources; making sure that we're prioritizing, not only the investments that we're making in the facilities, but the allocation of the resources, our technical resources, our engineering resources; and pursuing the highest priority payout opportunities across those two. And it's difficult to do today across two separate organizations.

This will improve upon that. So we've got a good base case. We think we're going to make this even better. And we've demonstrated the power of that to ourselves, frankly, in a couple of previous organizational changes. I'll just take the Upstream business, when you think about the functional companies that we had in our Upstream business, many of them, working very closely together and coordinating. We then consolidated all those businesses from 3 -- from 7, 3, 2 and now down to 1. As we step through each of those, despite what I would say is the best intention of the organizations and working collaboratively together, you get a step change in performance and opportunities to reduce cost and becoming more efficient as you consolidate those. And so we're going to see, we believe, the same opportunity within the Downstream in the chemical portfolio.



The other point I would make, which I don't want to go unrecognized, is by taking and centralizing what I will call service delivery processes out of those businesses and again bringing the best the corporation has to offer and then high-grading the thinking there, as I talked about with process safety and reliability, doing that in maintenance, we think is going to drive a step-change improvement with respect to how we execute maintenance across the entire portfolio. So there's this opportunity to consolidate expertise and then leverage that across all of our operating companies. And so those two things, I think, are going to be very, very critical.

And the third point I would make with respect to headcount reductions, that's not what we see driving this improvement opportunity. We made those tough decisions back in 2020. We recognized how hard that was going to be on the organization, and we stretched ourselves to make sure that when we put together our plans for that, we, as best as possible, comprehended what was to come and made this a one-time deal as much as we can and therefore stretch ourselves to then move the organization to the level of efficiency that we need to support a lower staffing. And that's the work that we've been doing.

And then obviously, as attrition has occurred within our company and the industry more broadly and across the economy as a whole, we've been very thoughtful and cautious about what positions we fill and how we manage that attrition, again continuing to think through opportunities to get more efficient and take advantage of the attrition to make sure that we're managing our staffing in line with what we see as the ultimate opportunity. When you put all that together, we feel like we're in a fairly good position to execute this and not have the kind of one-off large redundancy programs that we went through in 2020.

Paul Cheng: Okay. And the second question maybe is for Kathy. That 20%, 21% debt to capital at a \$90 oil price, obviously, is extremely comfortable, and one will argue that maybe it's low leverage. But the

volatility in the market is unpredictable. So from that standpoint, given you are generating a lot of free cash, should we continue to put a portion of that into the balance sheet, into the cash until you reach maybe an ultra-conservative, such as zero net debt. I mean, if you look at in 2020, if you have a zero net debt entering into the downturn, there's tremendous opportunity, whether it's from buyback or other things that you can do. So is that a reasonable approach for a business as unpredictable and volatile as oil and gas? Or do you think that's just clearly not the efficient use of capital structure?

And on the side, quickly, if I can sneak in is can you talk about your U.S. cash tax payment position over the next several years?

Kathy Mikells: Okay. So overall, we would absolutely agree that during the best part of the cycle, we need to be really restoring our balance sheet and giving ourselves plenty of flexibility to contemplate what's ultimately going to be the down part of the cycle, which is difficult to call.

You would have heard me make commentary that we are going to further reduce our debt. We certainly think getting to the low end of, I'll call it, the total debt-to-cap range is something that we're absolutely targeting and expecting to achieve this year. And relative to where we've been historically, I'd say carrying a bit more cash is within the expectation as well. So I would say we're very aligned in understanding that during the top part of the cycle we really want to make sure that we've built in a whole lot of flexibility and completely restored our balance sheet, continue to have really strong credit ratings.

We wouldn't, today, sit here and say we think we need to have zero net debt or carry zero debt overall. And that debt does serve also as a little bit of an offset against inflationary pressure to some extent. So I'd say we feel pretty comfortable that we're getting the balance right in both ensuring

we have a strong balance sheet and plenty of liquidity, and also then during this part of the cycle, making sure that we have a path forward to continue to have that flexibility and return excess cash within our capital allocation priorities to shareholders.

Darren Woods: Yes. And I would add, Paul, I don't think you have to go too far back in time to just test how resilient the strategy that we had in place with respect to capital structure was. I mean, 2020, in the pandemic, we saw the worst conditions in this industry in living memory. And the fact that we managed through that extreme set of circumstances, maintained our commitment to our shareholders, continue to pay dividend, managed our capital program and basically kept all those projects that we were pursuing alive and slowed some of those down, paused and kept others going, that balance that we struck going through those extreme challenging times, I think, demonstrated the robustness of the approach that we are pursuing.

Kathy Mikells: And then I'll just come back to your second question. I'd say, as we look forward in the near term, just the next few years out, we don't really see our U.S. cash kind of tax position changing, but that is with a big caveat that there's obviously been a lot coming forward in Congress with respect to potential tax changes. And while the build back better bill did not kind of ultimately go through, I also don't think it's entirely off the table in terms of coming back and seeing something smaller but likely to still have various tax provisions in it. But that's how you should think about it for the moment before we see any other legislative changes.

Operator: We'll take that last caller, will be Roger Read with Wells Fargo.

Roger Read: Yes. I'd like to ask, international gas was exceptionally strong. I don't think it's a stretch to understand why, but I was curious as we look between LNG, domestic sales wherever those

occurred. And then you had talked about building up a trading organization, and I was curious if that was a positive contributor this quarter?

Darren Woods: Sure. Well, I think the story around natural gas is pretty well understood with respect to the tightness that we're seeing, and the majority of our sales of gas are contracted under long-term contracts. And so limited opportunities to make significant changes in the short term. I would say that we do have a very active trading program, and we continue to grow that. And our expectation is that we'll continue to grow that. And so I think that's going to play a bigger role as we go forward. But I don't think as you look at today's results, it's -- the value that you're seeing is basically being driven primarily by the base business.

Roger David Read: Okay. And then any changes in terms of your LNG outlook, particular projects? I know there's been talk of bidding on some things in Asia Pac market or East Asia, maybe I should say, in terms of new facilities. Just curious if there's been movement there. You talked a little earlier about the outlook with P&G. But whether it's Middle East, Asia or Gulf Coast, just curious in terms of expansion.

Darren Woods: Yes. I would say there, nothing has changed per se. I think we have, as you know, a fairly broad portfolio of opportunities that we've been working, and we continue to work those. And if we can find those projects which deliver the kind of returns at the cost of supply that we think is needed to compete over a very broad range of future scenarios that we'll pursue those. That's kind of how we're thinking about it. And I would just say the work that we're doing in that space today is consistent with the work we've been doing for some time now. There are opportunities out there that we're evaluating, but they need to be competitive in the portfolio, and they need to be competitive long term across a very wide range of future scenarios.

Kathy Mikells: And no change with the big projects that we're progressing. Obviously, we've got the Mozambique Coral floating LNG project still expected start up towards the end of this year and continuing to progress the Golden Pass project.

Roger David Read: Good luck, Stephen, on your retirement.

Stephen A. Littleton: Thank you very much, Roger.

I also like to thank all of you for your time and thoughtful questions this morning. I also like to thank you for the opportunity to work with you over the past couple of years. I look forward to introducing you to Jennifer.

So with that, I hope you enjoy the rest of your day, and thank you, and please stay safe.

Darren Woods: Thanks, everybody.

Operator: That does conclude today's conference. We thank everyone again for their participation.