

Czech University of Life Sciences Prague
Faculty of Economics and Management
Department of Economics and Management



Diploma Thesis

Financial Analysis of chosen company

ExxonMobil

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DIPLOMA THESIS ASSIGNMENT

Bc. Duman Ali

Economics and Management
Economics and Management

Thesis title

Financial Analysis of ExxonMobil

Objectives of thesis

The aim of the Diploma thesis is to illustrate the financial and economic value of ExxonMobil, which is one of the largest oil producing companies in the world.

Methodology

The diploma thesis will be divided into two part: Theoretical and Practical.

Theoretical part will include fundamental terms, brief theoretical description of methods that will be applied in the practical part, and will introduce prospects of ExxonMobil.

Practical part will contain the quantitative methods of research including graphs, tables and implementation of some measures of both financial/fundamental analysis of ExxonMobil.

The proposed extent of the thesis

60-80

Keywords

ExxonMobil, comparison, profitability, ratios, fundamental, activity, analysis

Recommended information sources

Bantekas, I. and Paterson, J. (2004). Oil and gas law in Kazakhstan. 1st ed. The Hague: Kluwer Law International

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Declaration

I declare that I have worked on my bachelor thesis titled “Financial analysis of ExxonMobil” by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 5th April 2020

_____Duman Ali

Summary

The Diploma thesis is primarily contained with financial analysis of a selected company assessing the current condition of the company. The key concepts of word processing are financial analysis, activity, liquidity, profitability, horizontal and vertical analysis, receivables, solvency, Economic added value.

The theoretical part addresses basic concepts of a financial analysis, description of financial indicators and company assessing methods, where will be used balance sheet, income statement and ratio analysis.

In the practical part is introduced company ExxonMobil which was an object of financial analysis described in theoretical part. The objective of the financial analysis is to find out the state of individual financial aspects and consequently to provide complex view on its overall financial health.

The final part consists of evaluation of financial health of the company and recommendation measures.

Key words: balance sheet, income statement, activity, liquidity, profitability, horizontal and vertical analysis, receivables, solvency, Economic added value.

Souhrn

Diplomová práce je primárně obsažena ve finanční analýze vybrané společnosti, která hodnotí současný stav společnosti. Klíčovými pojmy zpracování textu jsou finanční analýza, aktivita, likvidita, ziskovost, horizontální a vertikální analýza, pohledávky, solventnost, ekonomická přidaná hodnota.

Teoretická část je věnována základním pojmům finanční analýzy, popisu finančních ukazatelů a metod oceňování společností, kde budou použity rozvahy, výsledovky a poměrová analýza.

V praktické části je představena společnost ExxonMobil, která byla předmětem finanční analýzy popsané v teoretické části. Cílem finanční analýzy je zjistit stav jednotlivých finančních aspektů a následně poskytnout komplexní pohled na její celkové finanční zdraví.

Závěrečná část obsahuje zhodnocení finančního zdraví společnosti a doporučení.

Klíčová slova: rozvaha, výkaz zisku a ztráty, aktivita, likvidita, ziskovost, horizontální a vertikální analýza, pohledávky, solventnost, ekonomická přidaná hodnota.

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1 Introduction

Financial analysis is the method of analyzing the performance of a business in the context of its market and economic environment with a view to making a decision or recommendation. Also, financial analysts' decisions and recommendations include the supply of capital to companies—specifically, whether to invest in the company's debt or equity securities, and at what price.

A debt-securities investor is concerned about the ability of the company to pay interest and repay the principal lent. An investor in equity securities is a shareholder with a residual interest in the company and is concerned about the ability of the company to pay dividends and the possibility of a rise in its share price.

Generally, a central focus of financial analysis is to determine the potential of the company to gain a return on its capital that is at least equal to the cost of that capital, to expand its operations profitably, and to produce enough cash to meet commitments and to seek opportunities.

Fundamental financial analysis starts with the information found in the financial reports for a company. Such financial reports contain audited financial statements, relevant documents that regulatory authorities request and any related (unaudited) management remarks.

1.1 Roles of the Financial Analysis

- Characterize the roles of the Financial Reporting and Financial results Analysis;
- Identify the roles of the Financial Statements, the Comprehensive Revenue Statement, the Statement of Equity Changes and the Statement of Cash Flows in the Performance and Financial Position of the Company;
- Characterize the importance of notes and supplementary information on the financial statement including disclosures of accounting policies, methods and estimates and comments from management;
- Characterize the steps taken in the framework for the analysis of the financial statements.

The information provided in financial and other reports, including the financial statements, notes, and commentary from the management, helps the financial analyst analyze the performance and financial position of a company.

An analyst may be called upon to conduct a financial analysis for a variety of reasons, including valuation of equity securities, credit risk assessment, completion of due diligence on an acquisition, and evaluation of the performance of a division relative to other business units. Major economic factors in both equity analysis and credit analysis are to assess the financial position of a

company its ability to create profits and cash flow, and it's potential to generate future profit and cash flow expansion.

ExxonMobil Corporation's management is responsible for the detailed review of ExxonMobil's financial results, as well as the corresponding financial statements and relevant additions to the consolidated financial statements to which they refer. The accounting and financial reporting of the Company is relatively representative of its integrated business model for exploration of crude oil and natural gas, trade, sale of crude oil and its transport also natural gas, petrochemicals, petroleum and a big variety of specialty goods.

2 Objective and Methodology

3 Theoretical overview

Financial Analysis is the process of distinguishing the financial quality and identifying of weaknesses of the chosen firm or company by properly setting up connection between financial statements items. A financial statement is consisting of conceptual and logical framework collection of the data, steady accounting procedure. its aim is to communicate an understanding of some financial aspects of the business. It may appear a position at a moment of time as time, as within the case of and income statement.

Financial performance alludes to the act of performing money related movements. In a broader sense, financial performance leads to the degree to which monetary objectivities being or has been fulfilled. It is the process of measuring the comes about of the firm's arrangements an operation in financial terms. It is the way of identifying over a certain period the financial welfare of the business.

3.1 Vertical analysis

Vertical analysis is a form of analysis of the financial statements, where each line item is listed as a percentage of a base figure in the document. So line items on a statement of income can be reported as a percentage of gross revenue, while line items on a balance sheet can be stated as a percentage of total assets or liabilities, and vertical review of a statement of cash flow reveals each cash inflow or outflow as a percentage of total cash inflow

Vertical analysis makes the comparison of one company's financial results with another, and across sectors, much simpler. This is because one can see the relative ratios of balance of account. It also allows the comparison of previous periods for time series analysis, in which quarterly and

annual results are measured over a number of years, to obtain an image of whether performance metrics are improving or declining.

Financial statements like vertical analyzes clearly show percentages of line items in a separate column. Such forms of financial statements, including detailed vertical analysis, are also known as financial statements of common size, and are used by many businesses to provide more information on the financial position of a company. Common size financial statement often includes comparative financial statements with columns comparing each line item to a time previously reported.

Vertical analysis facilitates the understanding of the correlation, expressed in a percentage, between single items on a balance sheet and the end line.

When used in conjunction with horizontal analysis, which considers the finances of a certain period of time, vertical analysis can become a more potent tool.

3.2 Horizontal analysis

Horizontal analysis is used in the analysis of financial statements to compare historical data over a variety of accounting periods, such as averages, or line items. Horizontal analysis may use either absolute comparisons or percentage comparisons, where the numbers are expressed as a percentage of the amount in the baseline year for each subsequent year, with the baseline amount listed as 100 percent.

- It is usually depicted as a percentage growth in the base year over the same line item.
- Horizontal analysis allows users to quickly spot trends and growth patterns on financial statements.
- It can be manipulated to make the current period look better if specific historical periods of poor performance are chosen as a comparison

Horizontal analysis helps investors and analysts to see what affects the financial performance of a business over a number of years, and to spot trends and growth patterns such as seasonality. This allows analysts to evaluate, and project into the future, relative shifts in different line items over time.

Through looking over time at the income statement, balance sheet, and cash flow statement, one can build a complete picture of financial outcomes, and see what affects a company's performance and whether it performs effectively and profitably.

Analyzing critical business performance metrics, such as profit margins, inventory turnover and return on equity, will identify emerging challenges and strengths. Earnings per share, for example, may have increased because the cost of the goods sold has plummeted, or because profits have expanded sharply.

And coverage ratios, such as the cash flow to debt ratio and the interest coverage ratio, may reveal whether a company can service its debt through adequate cash. Horizontal analysis also makes it easier for multiple companies to compare the growth rates and profitability.

3.3 Financial analysis

The most frequently used sources for financial analysis are financial statements.

“Financial are at the heart of every business, whether it is a transaction with a customer at a cash register or a multibillion-dollar corporate merger. Both follow the same set of accounting rules and are registered in financial statements, which are nothing more than a summary of all the financial dealings that occurred within the business over a specific period of time.” (Kline, 2007)

Financial analysis is the method of reviewing companies, programs, expenditures and other activities relevant to finance to assess their performance and appropriateness. Financial analysis is usually used to determine whether an enterprise is sufficiently stable, solvent, liquid or competitive to justify a monetary investment.

Financial analysis may help managers make future business decisions or analyze recent patterns for past successes if done internally.

If carried out externally, the financial analysis will help investors select the best investment opportunities possible.

Frequently used financial statements are balance sheet, income statement and cash-flow statement.

3.3.1 Balance sheet

The balance sheet is one of the three fundamental financial statements and is key to both financial modeling and accounting. The balance sheet displays the company's total assets, and how these assets are financed, through either debt or equity. It can also be referred to as a statement of net worth, or a statement of financial position. The balance sheet is based on the fundamental equation (corporate finance institute, 2018):

Total Assets = (Total Liabilities + Total Owner's Equity)

3.3.1.1 Asset

An asset is an economic advantage for a business or reflects access that is not to other persons or firms. A right or other access is legally enforceable, ensuring that an individual can use economic resources at the discretion of a corporation and its use may be precluded or restricted.

Assets can be classified further into short-term or current assets, fixed assets, financial investments and intangible assets.

Examples of assets

3.3.1.1.1 Current assets

Current assets are short-term economic resources which should be converted into cash in one year. Current assets include cash and cash equivalents, receivable accounts, inventories and various prepayment expenses. While cash is easy to estimate, accountants periodically reprocess inventory recoverability and receivables accounts

3.3.1.1.2 Fixed assets

Fixed assets, such as plants, equipment, and buildings, are long-term resources.

An adjustment for the aging of fixed assets is made on the basis of periodic charges called depreciation, which may or may not reflect the loss of a fixed asset's earning power.

3.3.1.1.3 Financial assets

Financial assets account for investments in other institutions' properties and shares. Financial assets include stocks, corporate and sovereign debt, preferred equity and other hybrid securities. Financial assets are valued according to the categorization of the investment and the motive behind it.

3.3.1.1.4 Intangible asset

Intangible assets are intangible capital where physical presence is not present. Patents, trademarks, copyrights and goodwill are included. Intangible asset accounting varies depending on the type of asset, and they can either be amortized or checked for loss each year.

3.3.1.2 Equity

Equity is performed as shareholder equity (also referred to as shareholders' equity) which represents the amount of money that would be returned to shareholders of a company if all the assets were liquidated and all the debt of the company was paid off.

Equity is found on the balance sheet of a company and is one of the most common financial indicators used by investors to evaluate a company's financial health.

Likewise, shareholder equity will reflect a company's book value. Can be explained according to the formula:

$$\underline{\text{Shareholders' Equity}} = \underline{\text{Total Assets}} - \underline{\text{Total Liabilities}}$$

in order to identify the value of equity:

1. For the period locate the total assets of the company on the balance sheet.
2. Locate total liabilities on the balance sheet which should be listed separately.
3. To get to shareholder equity, subtract total assets from total liabilities.
4. Total assets will be equal to the total of the liabilities and equity.

3.3.1.2.1 Types of equity

- A stock or any other asset that reflects an interest in property, which could be in a private company in which case it is called private equity.
- The amount of funds received by the owners or shareholders, plus the retained earnings (or losses) on a company's balance sheet. One may also call equity or shareholders' equity of these stockholders.
- In margin trading, the value of securities in a margin account minus what the brokerage account holder borrowed.
- In real estate, the difference between the current fair market value of the property and the amount still owed on the mortgage by the proprietor. It is the amount the owner would receive following the sale of a property and payment of any liens. Often known as the "money for real property."
- When a business goes bankrupt and has to liquidate, equity is the remaining amount of money after the company repays its creditors. This is most commonly referred to as "ownership equity" also known as venture capital or "liable capital."

3.3.1.3 Liability

In general, is an obligation is a duty to, or something to which you owe someone else. Liabilities are classified as the legal financial debts or obligations of a company which occur during

business operations. They may be liability limited, or unlimited. Over time, liabilities are settled by shifting economic benefits including assets, goods or services.

Liabilities recorded on the right side of the balance sheet include loans, accounts payable, mortgages deferred income, earned income, earned premiums, unearned premiums and accrued expenses.

A liability is, in general, a duty between one party and another which is not yet fulfilled or accounted for. A financial liability is also an obligation in the accounting world, but is more characterized by previous business transactions, activities, purchases, exchange of goods or services, or anything that would bring economic profit at a later date.

Commonly, liabilities are considered short term (expected to be concluded within 12 months or less) or long term (12 months or more).

3.3.1.3.1 Current Liabilities

Organizations divide their responsibilities into two categories: present and long-term. Current debts are debts incurred within one year, whereas long-term debts are debts accrued over a longer period of time. For example, if a company takes out a mortgage payable over a period of 15 years, that is a long-term liability.

However, the mortgage payments due during the current year are considered the current long-term debt portion and are recorded in the balance sheet section of the short-term liabilities.

3.3.1.3.2 Difference between an expense and a liability

One expense is the operating costs paid by a corporation to generate revenue. Unlike assets and liabilities, the expenses are revenue-related and both are performed on the income statement of a company. For short, net income is measured using the expenditures. Revenues minus expenses is the equation for calculating net income.

For example, if a company has over the past three years more expenses than revenues, it can signal weak financial stability because it has been losing money for those years.

Expenditures and liabilities are not to be confused. One is listed on the balance sheet of a company, and the other is listed in the statement of income of the company. Expenditures are the costs of operating a company while liabilities are the obligations and debts that a company owes.

3.3.1.3.3 Examples of Current Liabilities

- **Wages Payable:** the total amount earned but not yet received by accrued income staff. This liability often changes since most companies pay their employees every two weeks.

- **Interest Owed:** Companies, including companies, often use credit to buy goods and services in short periods of time to fund them. It reflects the interest owed on those short-term credit transactions.
- **Dividends Payable:** This represents the amount owed to shareholders after the dividend has been declared for companies that have issued stock to investors and pay a dividend. This period is about two weeks, so this liability typically appears four times a year until the dividend is paid out

3.3.2 Income Statement

An income statement is one of the three important financial statements used to report the financial performance of a company over an accounting period, with the other two key statements being the balance sheet and the cash flow statement.

The income statement is a primary part of the performance reports a company is required to submit to the Securities and Exchange Commission (SEC). While a balance sheet offers a snapshot of the financials of a company as of a given date, the income statement records profits over a given time period and its heading shows the length.

The income statement focuses on the four key items—income (revenue), expenditure, gain and loss. It does not include receipts (the money received by the company) or cash payments / disbursements (the money paid by the company). This begins with the sales data, then works down to measure the net income and finally earnings per share (EPS).

$$\text{Net Income} = (\text{Total Revenue} + \text{Gains}) - (\text{Total Expenses} + \text{Losses})$$

A statement of income provides valuable insights into a company's operations, its management effectiveness, underperforming sectors and its success in comparison to industry peers.

3.3.2.1 Operating Revenue

Revenue generated through primary activities is often called operating income. For a company that produces a product, or for a wholesaler, distributor or retailer involved in the business of selling that product, the revenue from primary operations refers to the revenue generated from the product's sale.

Likewise, in the business of providing services for a client (or its franchisors), revenue from primary operations refers to income or fees received in return for offering those services.

3.3.2.2 Non-Operating Revenue

Revenues generated via secondary, non-core business activities are often referred to as recurring non-operating revenues. These revenues come from earnings outside the purchase and sale of goods and services and may include interest earned on bank-based business capital, rental income from business property, revenue from strategic partnerships.

3.3.2.3 Gain (Income)

Often called other sales, profits reflect net money from other investments, such as selling long-term properties. These include net income from one-time non-business activities such as a company which sells its old transportation van, unused land, or a subsidiary.

3.3.2.4 Expense (Loss)

The cost of continuing operation and turning a profit for a business is known as expense. Some of these expenses, if they meet the IRS guidelines, may be written off on a tax return.

3.3.2.5 Profitability

Profitability is an efficiency measure-and ultimately its success or failure. Another definition of profitability is the ability of a business to yield a return on an investment based on its resources as compared to an alternative investment. Although a company can realize a profit, this does not necessarily mean that the company is profitable.

3.3.2.6 Gross Profit Margin

The gross profit margin is one of the profitability ratios used to measure how profitable the entity is after deducting from total revenue the cost of the goods sold. Total revenue and cost of goods sold are the two main important items in this ratio. Gross profit margin usually small when the cost of the goods sold is high and the types of goods or services highly competitive in markets. The low profit margin, however, could be also due to poor cost management or functioning of outputs.

This ratio is calculated by dividing the gross profit over the period with the total net sales revenue. Gross profit is the result of deducting the cost of the goods sold from total revenue from sales.

Compared to the previous period the high ratio or competitor means that the entity's products or services are highly profitable. The low ratio could be due to high competition, inadequate cost control and poor production cycle.

Gross Profit Margin= Gross profit/Net sales)

3.3.2.7 Operating Profit Margin

Operating profit margin measures the entity's profitability by comparing the operating profit against the net sales generated by the entity over the period. Operating profit could be founded on the statement of income, and it is the profit before interest and tax expenses.

The main objective of calculating the operating profit is, after deducting operating expenses, they want to determine what the benefit is compared to previous time or competitor. The result is normally better, which could mean the entity has managed its operating expenses very well.

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Revenue}}$$

The operating profits are the same thing as EBIT or earnings before interest and taxes when measuring an operating margin. EBIT, or operating profit, is revenue minus the cost of sales goods and the daily sale, general and administrative costs of running the company, excluding interest and taxes.

$$\text{EBIT} = \text{Gross Income} - (\text{OE} + \text{DA})$$

OR- Operation Expenses

DA- Depreciation and amortization

3.3.2.8 Net Profit Margin

The net profit margin by the way the productivity of the company is measured and calculated at the

bottom, which is the sum that contributes to the shareholders. The net profit margin measurement is by comparing the net profit with the total sales revenues.

Net profit sits at the bottom of the income statement and is the product of deducting the cost of the goods sold, operating expenses, tax expenditures and interest expenses from total sales revenues over the period. It is the value of income statement ratios to be taken into consideration when conducting review of financial statements.

$$\text{Net Profit Margin} = \frac{\text{Net income}}{\text{Net Sales}}$$

3.3.2.9 Earnings Per Share

Earning per share is the proportion of the entity's earnings over the common shares outstanding. This ratio measures the profitability of the entity particularly by comparing one investment firm to another.

Even this ratio is very important especially from an investor's point of view, most experts are concerned that there are risks of executive manipulation to ensure the ratio looks nice.

Calculating this ratio is net income for the period less the amount paid for the preferred share and then dividing it with outstanding averages.

$$\text{EPS} = \frac{\text{Net Income} - \text{Dividends}}{\text{Average Outstanding Common Share}}$$

3.3.2.10 Return on Equity

Return on equity (ROE) is one of the most important measure of profitability. Return on equity shows how much after-tax profit a firm earned compared to the total shareholder equity found on the balance sheet. In other words, it tells investors how efficiently the company is handling their money. A business that has a high return on equity is more likely to be one capable for internal cash generating.

The key to finding stocks that are profitable long term investment also involves finding businesses that can reliably produce an outsized return on equity over several decades and buy them at reasonable prices.

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Average Shareholders' Equity}}$$

The equity of the shareholder is equal to total assets, minus total liabilities. Shareholder equity is an accounting product which represents the assets created by the business' retained earnings and the owners paid-in capital.

3.3.2.11 Return on Assets

Return on assets is a ratio of profitability which provides how much income a business can generate from its assets. In other words, return on assets (ROA) tests how effective the management of a company is in generating profit from its economic resources or assets on its balance sheet.

ROA is shown as a percentage, and the higher the number, the more efficient the management of a company manages its balance sheet in order to generate profit.

$$\text{ROA} = \text{Net Income} / \text{Average Total Assets}$$

Asset turnover on the balance sheet tells an investor total sales of the assets per dollar. ROA lets an investor see how much a corporation created for every dollar of assets after tax income. In other words, ROA measures the net earnings of the company in relation to all the resources it had at its disposal the capital of shareholders plus short and long term borrowed funds. So, ROA is the most stringent shareholder return test. If a company does not have debt, the return on assets and return on equity are the same

Measure the ROA that a company produces over a period of several years and watch for improvements.

Occasionally, this tells you something is happening in the sector that might be a harbinger of future prosperity, or a sign of coming disaster.

3.3.2.12 Return on Sales

Return on Sales (ROS) is a metric used to determine the operational efficiency of a business.

This calculation provides insight into how much profit per dollar of sales is generated. An increasing ROS suggests a company is growing more efficiently, whereas a decreasing ROS may mean impending financial troubles.

Sales Return (ROS) is a calculation of how easily a company turns sales into profits. ROS is calculated by dividing net sales of operating profit. ROS is only useful when comparing firms of roughly the same size and the same business line.

$$\text{ROS} = \text{Operating Profit} / \text{Net Sales}$$

ROS – Return on sales

Operating is calculated as earnings before income and taxes, or EBIT

3.3.2.13 Liquidity

Liquidity ratios are financial ratios that measure the ability of a company to reimburse its short-term financial obligations, i.e. current liabilities using current assets. Current ratio, fast ratio, cash ratio and cash exchange cycle are the most common liquidity ratios. A high current ratio, fast ratio and cash ratio and a low cash conversion period suggest a strong liquidity position.

The short-run represents a 12-month period and the long-run means a more than 1-year period. Liquidity is relevant for short run while long run solvency is applicable. The relationships between current assets and current liabilities are calculated by almost all liquidity ratios. Current assets are assets that are expected to produce cash flows within or with one operating period of 12 months and current liabilities are obligations that must be paid off in one cycle of operating or 12 months

3.3.2.13.1 Current ratio

The most common liquidity ratio is current ratio. It is calculated by dividing the current assets according to the total liabilities. It is also known as percentage of working capital. A ratio greater than 1 implies that the company expects to receive more cash inflows from the liquidation of current assets than it plans to pay in the next 12 months on account of current liabilities.

Typically, the balance sheets show current assets and current obligations separately from non-current assets and non-current liabilities. Traditional current assets include prepayments, inventories, accounts receivable, short-term marketable securities and cash and traditional current liabilities: accounts payable, short-term notes payable, short-term loans payable, taxes payable, unearned income and accrued loss.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

3.3.2.13.2 Quick ratio

Quick ratio (also known as acid test ratio) is a liquidity ratio that compares those current assets which can be liquidated quickly with current liabilities. Quick assets include cash, marketable securities for

the short term, and receivable accounts. Other current assets, such as prepayments and inventories, are excluded in the calculation of the quick ratio, as downpayments and inventories must be receivable and can only be expected to be liquidated afterward.

- The quick ratio shows the ability of a corporation to cover its current liabilities without having to sell its inventory or raise additional funding.
- The quick ratio is viewed as a more conservative indicator than the current ratio, which uses all current assets as compensation for current liabilities.
- The higher the ratio, the better the liquidity and financial health of a business; the lower the ratio the more likely the company will be struggling with debt payments

Quick ratio= $\frac{\text{Current Assets}-\text{Inventory}}{\text{Current Liabilities}}$

3.3.2.13.3 Cash ratio

The cash ratio is a liquidity indicator that shows the willingness of a company to meet its short-term obligations using cash and cash equivalents only. The cash ratio is calculated by adding the total cash and near-cash securities assets of a company and dividing the amount by its total current liabilities. The cash ratio is more conservative than other liquidity ratios because it considers only the most of a liquid resourced company

Cash ratio= $\frac{\text{Cash Equivalents} + \text{Cash}}{\text{Current Liabilities}}$

3.3.3 Activity

Activity Ratios refers to the type of financial ratios the company uses to determine the efficiency with which the company can use its different operating assets present in its balance sheet to turn it into revenue or cash.

Activity ratios help to assess the operating efficiency of a business by analyzing the receivables of fixed assets, inventories, and accounts. It not only expresses the financial health of a business but also indicates how the components of the balance sheet are used.

- Activity ratios do not provide the optimal performance when comparing companies across various industries.
- Efficiency ratios are the most common term used for activity ratios.
- The formulas for the activity ratio also help analysts analyze the current or short-term performance of the business.
- An enhancement of the ratios shows improved profitability.

3.3.3.1 Inventory Turnover

It is important for companies to manage inventory levels to show whether sales efforts are effective or if costs are being controlled. The turnover ratio of inventories is an important measure of how well a firm generates sales from its inventory.

- The higher the inventory turnover, the better because a high inventory turnover typically means that a company sells products very quickly and that there is demand for their product.
- In contrast, low inventory turnover would likely perform weaker sales and decreasing demand for the products of a company.
- The inventory turnover provides insight as to whether a company is properly managing its stock. As shown by low turnover, the company may have overestimated demand for their products and bought too many goods. Conversely, if inventory turnover is very high, they may not buy enough inventory and may miss out on opportunities to sell.
- Inventory contains all the products that a business has in its warehouse, which will ultimately be sold.

Inventory turnover = Sales / Inventories

3.3.3.2 Asset Turnover

The turnover ratio of assets calculates the total revenue for each dollar of assets which a company owns. To calculate the turnover of assets, take overall revenue and divide it by the average assets for the period studied.

Asset Turnover = Total Sales / (Beginning assets + Ending assets) / 2

Total Sales – Annual sales total

Beginning assets – Assets at start of a year

Ending Assets – Assets at end of a year

There are several general rules to keep in mind when measuring the turnover of the properties. Firstly, the aim of asset turnover is to calculate the efficiency of a company in using its assets. The higher the number, the better, although investors must be certain of comparing a business with their industry. Comparing completely unrelated businesses is a mistake, as different industries have different customs, economics, market forces and characteristics. For a space engine component manufacturer of heavy construction equipment the turnover for a local corner grocery store will be magnitudes faster than the turnover.

3.3.3.3 Fixed Asset Turnover

In general, the fixed asset turnover ratio (FAT) is used by analysts for calculating operating performance. The performance ratio compares net sales (revenue statement) to fixed assets (balance sheet) and calculates the capacity of a company to produce net sales from its investment in fixed assets.

The value of the fixed assets is used as a percentage of accumulated depreciation. A higher fixed asset turnover ratio suggests a company has used investment in fixed assets to generate sales effectively.

- The fixed turnover ratio of assets shows how effective a company is in producing revenue from its current fixed assets.
- A higher ratio means that management is making more efficient use of its fixed assets.
- A high FAT ratio says nothing about the capacity of a company to produce good income or cash flow

$FAT = \text{Net sales} / \text{Average Fixed Assets}$

Net Sales – Gross sales, less returns and allowances

Average Fixed Assets = $(NABB + \text{Ending Balance}) / 2$

NABB = Net fixed assets' beginning balance

3.3.3.4 Receivables Turnover

The receivable turnover ratio of accounts is an accounting method used to calculate the success of a business in recovering the receivables or money owed by the clients. The ratio shows how well a company uses and handles the credit it provides to customers, and how easily it receives or pays short-term debt. The turnover ratio of receivables is also called the turnover ratio of receivable accounts.

$\text{Receivable Turnover} = \text{Net Credit Sales} / \text{Average Accounts Receivables}$

A high receivables turnover ratio may mean that the processing of receivable accounts by a business is productive and that the company has a high proportion of loyal customers who are quick to pay their debts. A low turnover ratio of receivables could be attributed to a business having a poor collection process, bad credit practices, or consumers who are not financially

viable or creditworthy. The receivables ratio of a company's turnover should be controlled and recorded to decide whether a trend or pattern develops over time

3.3.3.5 Leverage

A leverage ratio is any of many financial metrics that analyze how much capital comes in the form of debt (loans) or determine a company's ability to satisfy its financial obligations.

The category of leverage ratio is relevant because companies rely on a mixture of equity and debt to fund their operations and understanding the amount of debt a company holds is helpful in determining whether it can pay off its debts when they come due. Below we will discuss some rising leverage ratios.

- In fact, a leverage ratio can be used to calculate a company's composition of operating expense to get an indication of how production changes will affect operating income.
- Popular leverage ratios include the debt equity ratio, equity multiplier, financial leverage degree and leverage ratio for consumers.
- Banks have regulatory oversight of the leverage level they can have, as calculated by the leverage ratio

3.3.3.5.1 Debt ratio

The debt ratio is a financial ratio calculating the magnitude of the debt a corporation has. The debt ratio is known as the ratio of total debt to total assets, being expressed as a decimal or percentage. It can be construed as the proportion of the assets of a company that are funded by debt.

A ratio greater than 1 indicates that a significant portion of the debt is funded by assets. In other words the company has more liabilities than assets. A high ratio also means that if interest rates were to unexpectedly increase, a business might place itself at risk of default on its loans.

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

In terms of total debt to total assets, the debt ratio is a financial ratio that calculates the degree of a company's leverage.

A debt ratio greater than 1.0 (100 percent) shows you a company has more debt than cash. In the meantime, a debt ratio of less than 100 percent means a corporation has more assets than debt.

Debt ratios vary widely across sectors, with capital intensive companies such as utilities and pipelines having significantly higher debt ratios than other industries such as the technology sector

While all debts are included in the total debt to total assets ratio, the long-term debt to assets ratio only takes long-term debts into account. The calculation of the debt ratio (total debt to assets) takes into account all long-term debts, such as mortgages and shares, and existing or short-term debts such as rentals, utilities and loans that mature in less than 12 months

3.3.3.5.2 Equity Ratio

The shareholder equity ratio reveals how much of the company's assets were financed by shareholdings. The lower the resulting amount, the more leverage a company has used to pay for its properties. It also shows how much creditors a company-wide liquidation will get.

The ratio, expressed as a percentage, is calculated by dividing the remaining shareholders' equity by the company's total assets, and measures the number of assets on which shareholders have a residual claim. The figures used to measure this ratio are taken from the balance sheet of the company.

The higher the outcome of a firm's ratio is to 100 per cent, the more assets it funded with equity rather than debt. The ratio shows how much a company relies on its debt and how financially stable it can be in the long run.

$$\text{Equity Ratio} = \frac{\text{Total Equity}}{\text{Total Assets}}$$

3.3.3.5.3 Debt Equity Ratio

The debt to equity (D / E) ratio is calculated by dividing the total liabilities of a corporation by its equity to the shareholder. These numbers are available on the financial statements of a firm's balance sheet.

The ratio is used to measure financial leverage for a business. A common metric used in corporate finance is the D / E ratio. It is a calculation of the degree to which a firm finances its activities by debt versus entirely owned assets. Most precisely, it represents shareholder equity's willingness in the event of a market downturn to pay all outstanding debts.

$$\text{D/E Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

The debt to equity (D / E) ratio contrasts the overall liabilities of a company with its shareholder equity, and can be used to determine how much leverage a company uses. Higher leverage ratios tend to indicate to shareholders a company or stock with higher risk.

The D / E ratio, however, is difficult to compare across industry groups, where ideal debt levels will vary. Many creditors will change the D / E ratio to concentrate on long term debt only because the risk of long-term debt varies from that of short-term debt and payables

3.3.4 Cash Flow Statement

A cash flow statement is a financial statement that offers aggregate data on all cash inflows a company collects from its ongoing operations and external sources of investment. It also covers all cash outflows during a given period paying for business activities and investments.

Financial statements from a company give investors and analysts a snapshot of all transactions going through the corporation, where each transaction leads to its success. It is assumed that the cash flow statement is the most straightforward of all the financial statements because it represents the cash generated by the company in three main ways— through sales, acquisition, and financing.

Profitable businesses that fail to properly manage cash flow, which is why cash flow statement is a critical tool for businesses, analysts and investors alike. The cash flow statement is divided into three business activities: sales, acquisition, and funding.

- A cash flow statement provides data on all cash inflows that a company receives from its ongoing operations and external sources of investment.
- The cash flow statement contains cash generated by the company by sales, acquisition, and financing whose amount is called net cash flow.
- The first section of the statement on cash flow is the cash flow from operations, which covers transactions from all financial activities.
- Investment cash flow is the second part of the cash flow statement and is the product of investment gains and losses.
- Financing cash flow is the final section which provides a summary of the debt and equity cash used.

3.3.4.1 Economic Value Added

Economic Value Added (EVA) is a measure of the financial performance of a company based on the residual wealth calculated by deducting its capital cost from its operating profit, adjusted in cash for tax. EVA can also be called economic profit, since it attempts to capture a company's true economic profit.

EVA is the proportional difference in the rate of return over the capital cost of an enterprise. In fact, it is used to measure the value a company produces from the funds invested in it. If EVA is negative for a company, it means that the company does not generate value from the funds invested in the business. Conversely, a positive EVA indicates that a company produces value from the funds invested in it.

Net Operating Profit After Tax (NOPAT) - Invested Capital * Weighted Average Cost of Capital (WACC)

The EVA equation indicates that a company's EVA has three key components: NOPAT, the sum of capital invested. NOPAT can be measured manually but is usually listed in the financials of a public entity. Capital invested represents the amount of money used to finance a particular project.

EVA's goal is to measure the charge or expense of investing money in a particular project or business and then determine whether it produces sufficient cash to be considered a good investment. The charge reflects the minimum return expected by the investors to make the investment worthwhile. A positive EVA means that a project produces returns in excess of the minimum return expected.

3.3.5 SWOT Analysis

Analysis of SWOT (Strengths, Weaknesses, Opportunities, and Threats) is a tool used to evaluate the competitive position of a business and establish strategic plan. SWOT analyzes internal and external factors as well as current and prospects for the future.

A SWOT analysis is designed to facilitate a practical, fact-based, data-driven look at an enterprise, its strategies or industry's strengths and weaknesses. The company needs to keep the research objective by avoiding preconceived creeds or gray areas and relying instead on real-life situations. It should be used as a reference by businesses, and not simply as a prescription.

Identifying the core strengths, vulnerabilities, opportunities and risks leads to fact based research fresh perspectives and new ideas.

SWOT analysis works best when various groups or viewpoints within an enterprise are free to produce practical data points, rather than prescribed messaging.

Using internal and external data, the methodology will direct companies towards approaches that are more likely to be successful and away from those where they have been less successful, or

are likely to be, in. An independent SWOT analysis can also direct analysts, investors or competitors on whether a company, product line or industry might be strong or weak, and why.

Analysts view a SWOT analysis as a square with one quadrant consisting of each of the four regions. This visual structure gives a quick description of the role of the enterprise. Though not all of the points in a specific heading may be of equal importance, they should all reflect crucial insights into the balance of opportunities and risks, benefits and drawbacks, and so on.

3.3.5.1 Strength

Strengths defines what a company excels at and separates it from the competition: a strong brand, a loyal client base, a strong balance sheet, advanced technologies, and so on. A hedge fund, for example, may have developed a proprietary trading strategy which returns market-beating results. It then has to determine how to make use of those findings to attract new investors.

3.3.5.2 Weakness

Weaknesses hinder an entity from operating at their optimal level. These are areas in which the company needs to improve in order to remain competitive: a poor brand, higher than average turnover, high debt rates, insufficient supply chain or lack of resources.

3.3.5.3 Opportunities

Opportunities apply to beneficial external factors that could bring a competitive advantage to a company. For example, if a country cuts tariffs, an automaker can export his cars to a new market, increasing sales and market share.

3.3.5.4 Threats

Threats refer to factors that could affect an entity. A drought, for example, is a threat to a wheat producing company, as it can kill or reduce crop yields. Certain important risks include issues like increasing material costs, increased competition, tight supply of labor and so on.

A corporation can use a SWOT for general business planning sessions or for a particular segment such as marketing, production or sales. In this way, before committing to it, you can see how the overall strategy built from the SWOT analysis filters down to the segments below.

3.3.6 Users of Financial Analysis

There are a lot of varieties of users of financial analysis of different business. The users can be external and internal. External users are limited by using only public-available sources to estimate the financial welfare of the company and decide “Is it worthy to cooperate with certain business or not?”. Whereas internal users can rely on internal information to measure the

financial situation of the business and finding ways how to increase or decrease certain financial numbers.

3.3.6.1 Types of external users

The users who are restricted from the insides are called external users and to this group belongs: investors, government, banks, partners of the business, competitors.

3.3.6.1.1 Investors

The group of individuals that literally interested in company's financial situation. This group learn the financial performance of the business and estimate the competitiveness of it. Investors can cooperate with business in long-term or short-term depends on the performance of the business. The probability of return is the main factor for investors to be interested in business.

3.3.6.1.2 Government

Government do the financial and statistical researches for macroeconomic purposes.

3.3.6.1.3 Banks

Banks use the financial analysis to keep themselves informed about the financial situation of their debtors. Banks also learn financial situation of their debtors to calculate properties of potential loan based on assessment of risk and return.

3.3.6.1.4 Business partners

The company's potential to have a pay their liabilities is an important information for the suppliers of the business. Suppliers can also learn the financial situation of the company to estimate if it is profitable for them the long-term cooperation with the business. The customers may use the analysis to evaluate the potential of the supplier to perform a contracted goods or services.

3.3.6.1.5 Competitors

Competitors or rivals can learn the financial situation if of the business to use the information for their advantages.

3.3.6.2 Internal users

To the group of internal users belongs employee and managers.

3.3.6.2.1 Employee

Financial analysis for employee or potential employee will be important when it is about wage ability and company's stability. Which means that the better financial performance of the business the calmer employee will be.

3.3.6.2.2 Managers

For managers the financial analysis is necessary for their decision-making process. According to financial analysis there will be further directions to maximize the profit of the business.

4 Practical part

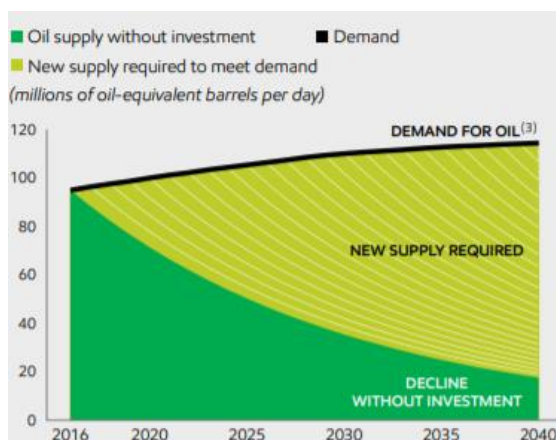
ExxonMobil's history is that of a veritable corporate giant. It all began in 1870, when John D. Rockefeller and his partners founded the Standard Oil Company. Standard Oil controlled 95 percent of the US refining capacity by 1878, owing to their immense expertise in political maneuvering and a ruthless business ethic.

Sadly, the corporate ingenuity of Standard Oil was challenged in 1989 when executives of the corporation were arrested for violating state anti monopoly legislation. Standard Oil was not prosecuted but this marked the start of many attempts to curb its strength.

One of the biggest revenue-based companies in the world, ExxonMobil ranged from the first to sixth largest publicly traded company by market capitalization from 1996 to 2017. In 2016 the company was ranked 9th in the Forbes Global 2000 list worldwide. In 2017 ExxonMobil was the Fortune 500's 10th most profitable company.

As of 2007, it had a daily production of 3,921 million BOE (oil equivalent barrels); but significantly smaller than a number of national firms. This was about 3 per cent of world production in 2008, which is less than several of the biggest petroleum companies owned by the state. With less than 1 per cent of the total, it is 14th in the world when measured by oil and gas reserves. At the end of 2016, ExxonMobil's assets stood at BOE 20 billion, and production rates for 2007 were projected to last more than 14 years. With 37 oil refineries in 21 countries having a total daily refining capacity of 6,3 million barrels (1,000,000 m³), ExxonMobil is the world's largest refiner, a term that has also been synonymous with Standard Oil since its establishment in 1870.

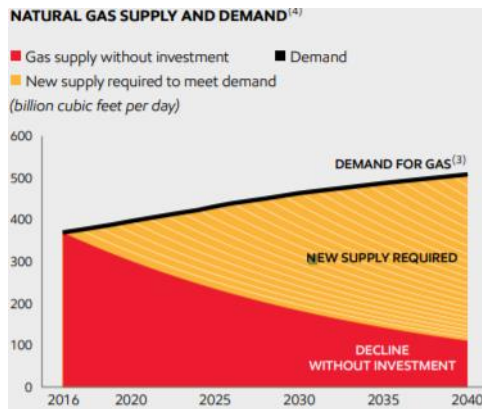
Figure 1. Oil Supply and Demand



Source: Annual report of ExxonMobil

After the 1989 Exxon Valdez oil spill in Alaska, widely regarded as one of the worst oil spills in the world in terms of environmental damage, ExxonMobil has been blamed for its slow response to cleanup efforts. ExxonMobil has a history of campaigning for denial of climate change, and against the scientific consensus that the burning of fossil fuels causes global warming. The corporation has also been the subject of allegations of treating human rights issues illegally, manipulating American foreign policy and its effect on nations' future.

Figure 2. Natural Gas Supply and Demand



Source: Annual report of ExxonMobil

4.1 ExxonMobil's Operations

ExxonMobil is the largest NGO owned company in the energy industry which generates about 3% of the world's oil and about 2% of the world's energy.

ExxonMobil is systematically structured into a series of regional operating divisions. Of reference purposes, these divisions are divided into three groups although the company also has some ancillary divisions such as Coal & Minerals, which are alone stand. It also operates hundreds of smaller companies in Canada such as Imperial Oil Limited (69.6 percent ownership) and a petroleum shipping company, SeaRiver Maritime. Upstream (oil exploration, mining, shipping and wholesale operations) with headquarters in Houston, Texas Downstream (marketing, manufacturing and retail operations) with headquarters in Houston Chemical, Texas.

4.1.1 Upstream

The upstream division accounts for the majority of ExxonMobil's sales, comprising around 70 per cent of the total. The company had 25.3 billion barrels of oil equivalent reserves in 2014. The replacement capital ratio was 103 per cent in 2013.

ExxonMobil's petroleum exploration and manufacturing activities in the United States are largely focused in the Permian Basin, Bakken Formation, Woodford Shale, Caney Shale and Gulf of Mexico.

ExxonMobil also has several gas projects in the Marcellus Shale, Utica Shale, Haynesville Shale, Barnett Shale, and Fayetteville Shale fields. Its subsidiary XTO Energy performs all natural gas operations.

4.1.2 Midstream

As of 2019, the company has joint ventures with pipelines to transport its upstream gas, such as the Wink to Webster pipeline and the Double E pipeline (for which it can purchase 50%) to transport Permian Basin crude.

4.1.3 Downstream

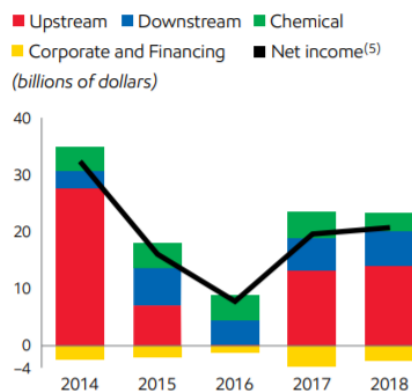
ExxonMobil sells products under the Ford, Mobil, and Esso names worldwide. Bp is the main fuel retail brand of ExxonMobil in California, Florida, New York, New England, The Great Lakes, and the Middle West. Exxon is the main brand in the rest of the US, with the highest concentration of retail outlets in New Jersey, Pennsylvania, Louisiana, and the Mid-Atlantic and Southeastern states. Esso is the main petrol brand of ExxonMobil globally except in Australia and New Zealand, where the Mobil brand is primarily used. Both the Esso and the Mobil logos are used in Colombia.

4.1.4 Chemicals

ExxonMobil Chemical is a petrochemical company that was formed by combining the chemical industries of Exxon and Mobil. The main products include standard olefins and aromatics, ethylene glycol, polyethylene, and polypropylene along with specialty lines such as elastomers, plasticizers, solvents, process fluids, oxo alcohols, and adhesive resins.

The company also produces base stocks of organic lubricants and lubricant additives, propylene coating films and catalysts. The company has been a pioneer in the metallocene catalyst technology industry to manufacture specific polymers with improved performance.

Figure 3. Functional Earnings and Net Income



Source: Annual report of ExxonMobil

4.2 Financial information

ExxonMobil was the second largest, second largest publicly held organization, and by 2018 sales the largest oil company in the United States. ExxonMobil reported earnings of \$19.7 billion for fiscal year

2018, with an annual revenue of \$244.363 billion, an increase of 17.4 per cent over the previous fiscal cycle.

The firm states in its prospectus for the notes that its long term debt, currently \$19 billion at the end of June, is 8.7 per cent of the total market capitalization of ExxonMobil. Throw in the notes of \$7 billion and it rises to 11.6 per cent of its overall market capitalization.

According to S&P Global Market Intelligence, its competitor Chevron has a free cash flow of \$18.5 billion over the past year, up 25 per cent from its GAAP profit over the same period. In the meantime, ExxonMobil generated \$11.3 billion, down 36 per cent from its GAAP profit.

The free cash flow situation for ExxonMobil is about to get even worse as it cranks up its capital investment just as oil prices seem to plunge again. Oil prices stood at their height in April at around \$66 today it hovers around \$53. So while ExxonMobil has decided to release debt at a fixed rate between 1.9 % and 3.1%, if its free cash flow shrinks, it will have less cash available to pay off its debt down the road.

Table 1. Income statement and Revenues

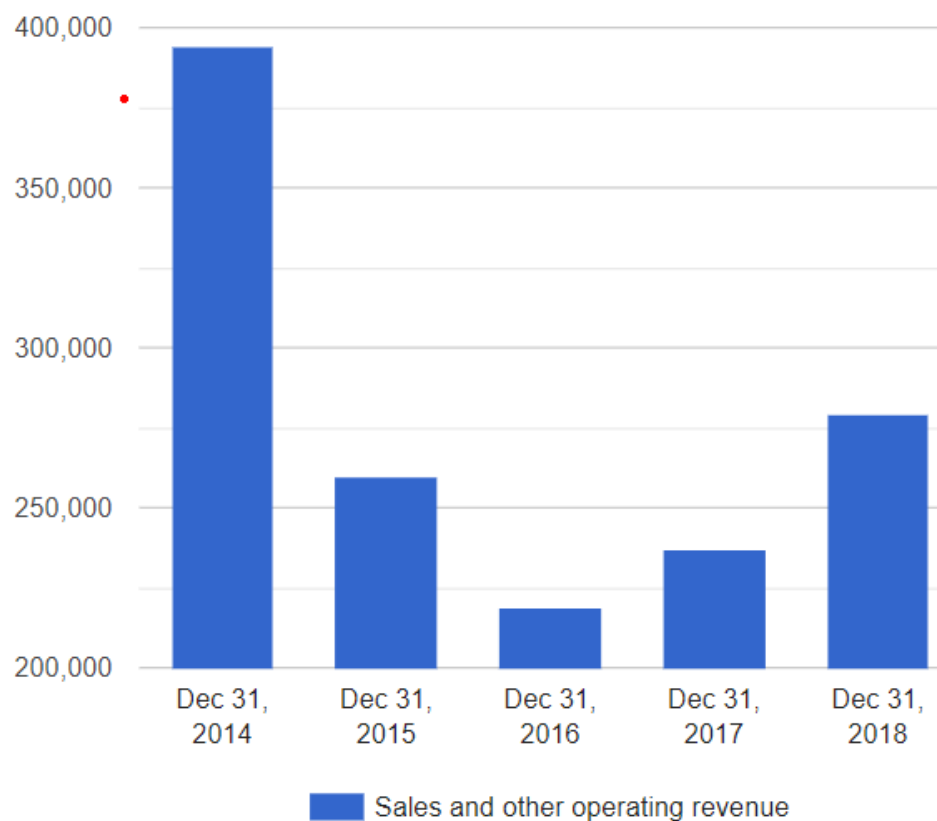
US\$ in millions

	12 months ended	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
U.S.		10 359	9 349	7 552	8 241	14 826
Non-U.S.		15 158	14 508	12 628	15 812	22 336
Upstream		25 517	23 857	20 180	24 053	37 162
U.S.		74 327	61 695	55 984	73 063	118 771
Non-U.S.		147 007	122 881	116 365	134 230	199 976
Downstream		221 334	184 576	172 349	207 293	318 747
U.S.		12 239	11 035	9 945	10 880	15 115
Non-U.S.		20 204	17 659	16 113	17 254	23 063
Chemical		32 443	28 694	26 058	28 134	38 178
Corporate and Financing		38	35	21	8	18
Sales and other operating revenue		279 332	237 162	218 608	259 488	394 105

Source: Stock analysis on

Recognized amount of revenue from goods sold, services provided, insurance premiums or other activities that constitute a method of earning. Includes, but is not limited to, investment and interest earnings before interest expense is excluded when accepted as a part of income, and sales and exchange profits. ExxonMobil's revenue is keep increasing from 2016 to 2018.

Figure 4. Revenues of ExxonMobil



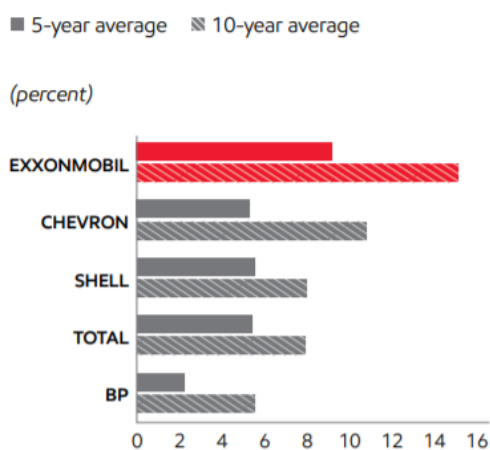
Source: Own figure

4.2.1 What does this mean for investors?

It indicates it's safe for ExxonMobil creditors to stay put for the moment. The business is strong enough and has a track record that is reliable enough to be able to rebound from its current problems.

That said, ExxonMobil is not a buy for new money right now. Investors should keep this on their watch lists but it is not worth picking up at the moment. ExxonMobil will most likely continue to fall for the time being until the oil prices begin to recover again.

Figure 5. Return on Average Capital Employed



Source: Annual report of ExxonMobil

4.3 Financial Analysis of ExxonMobil

4.3.1 Balance sheet

4.3.1.1 Assets

Table 2. Financial performance of ExxonMobil

US\$ in millions

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Cash and cash equivalents	3 042	3 177	3 657	3 705	4 616
Cash and cash equivalents, restricted	—	—	—	—	42
Notes and accounts receivable, trade, less reserves	19 638	21 274	16 033	13 243	18 541
Notes and accounts receivable, other, less reserves	5 063	4 323	5 361	6 632	9 468
Notes and accounts receivable, less estimated doubtful amounts	24 701	25 597	21 394	19 875	28 009
Inventories	18 958	16 992	15 080	16 245	16 678
Other current assets	1 272	1 368	1 285	2 798	3 565
Current assets	47 973	47 134	41 416	42 623	52 910
Equity method company investments and advances, investments	26 382	24 354	20 810	20 337	20 017
Equity method company investments and advances, advances	8 608	9 112	9 443	9 110	9 818
Equity method company investments and advances	34 990	33 466	30 253	29 447	29 835
Equity securities carried at fair value and other investments at adjusted cost basis	210	174	154	274	526
Long-term receivables and miscellaneous, net of reserves	5 590	5 520	4 695	4 524	4 878
Investments, advances and long-term receivables	40 790	39 160	35 102	34 245	35 239
Property, plant and equipment, at cost, less accumulated depreciation and depletion	247 101	252 630	244 224	251 605	252 668
Other assets, including intangibles, net	10 332	9 767	9 572	8 285	8 676
Noncurrent assets	298 223	301 557	288 898	294 135	296 583
Total assets	346 196	348 691	330 314	336 758	349 493

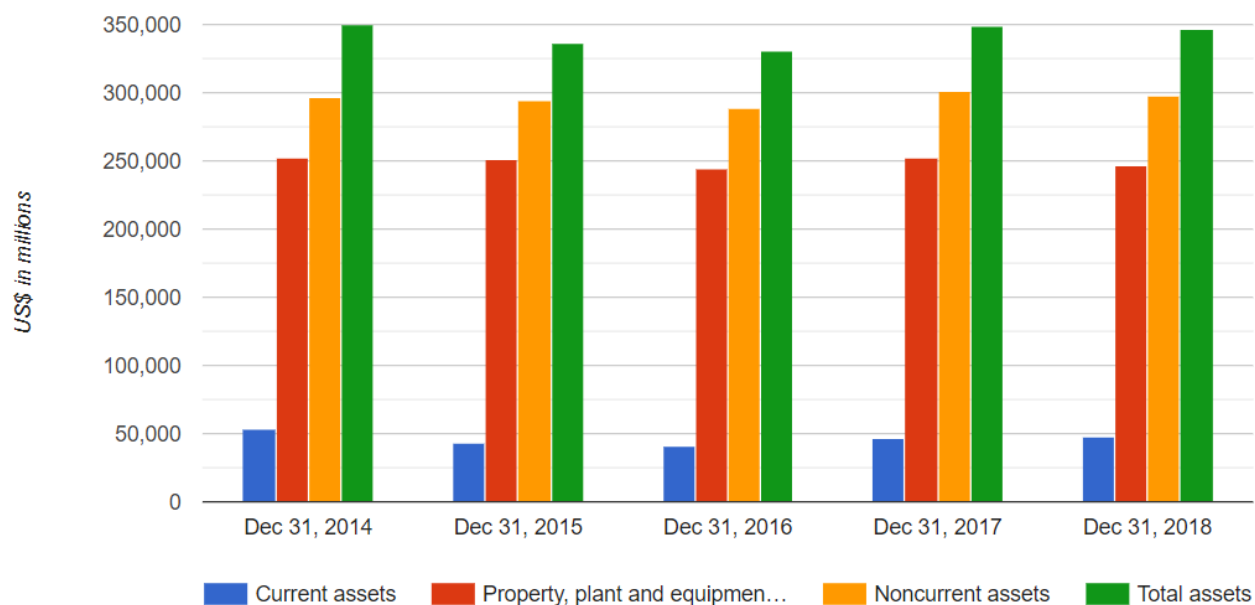
Source: Stock analysis on

Current assets are an amount of carrying amounts of all assets estimated to be realized in cash, sold or consumed within one year (or the normal operating period, if longer) as of the balance sheet date. Obtained or owned by an individual as a result of past transactions or incidents, properties are likely future economic benefits. ExxonMobil's current assets indicator had been increased in the period of 2017-2018.

Property, plant and equipment at cost less calculated depreciation is a value after accumulated depreciation, degradation and amortization of the physical assets used to produce goods and services and not intended for resale in the normal conduct of business. Types include property, houses, machinery and equipment, office equipment, and furniture and fittings, but are

not limited to. ExxonMobil's indicator gained in the period of 2016-2017 and slightly went down from 2017-2018 and could not reach the level from 2016.

Figure 6. ExxonMobil Assets, selected items



Source: Own figure

Noncurrent assets are the amount of carrying amounts of all assets estimated to be realized in cash, sold or used after one year or beyond the normal operating period, as of the balance sheet date, if more. ExxonMobil's noncurrent level gained in the period of 2016-2017 and went down from 2017-2018.

Total assets are the amount of carrying quantities of all known assets as of balance sheet date. Assets are likely future economic benefits which an entity obtains or regulates as a result of past transactions or events. ExxonMobil's total assets level exceeded the previous level in 2017 and decreased from 2017-2018.

4.3.1.2 Equity and Liabilities

Table 3. Equity and Liabilities

US\$ in millions

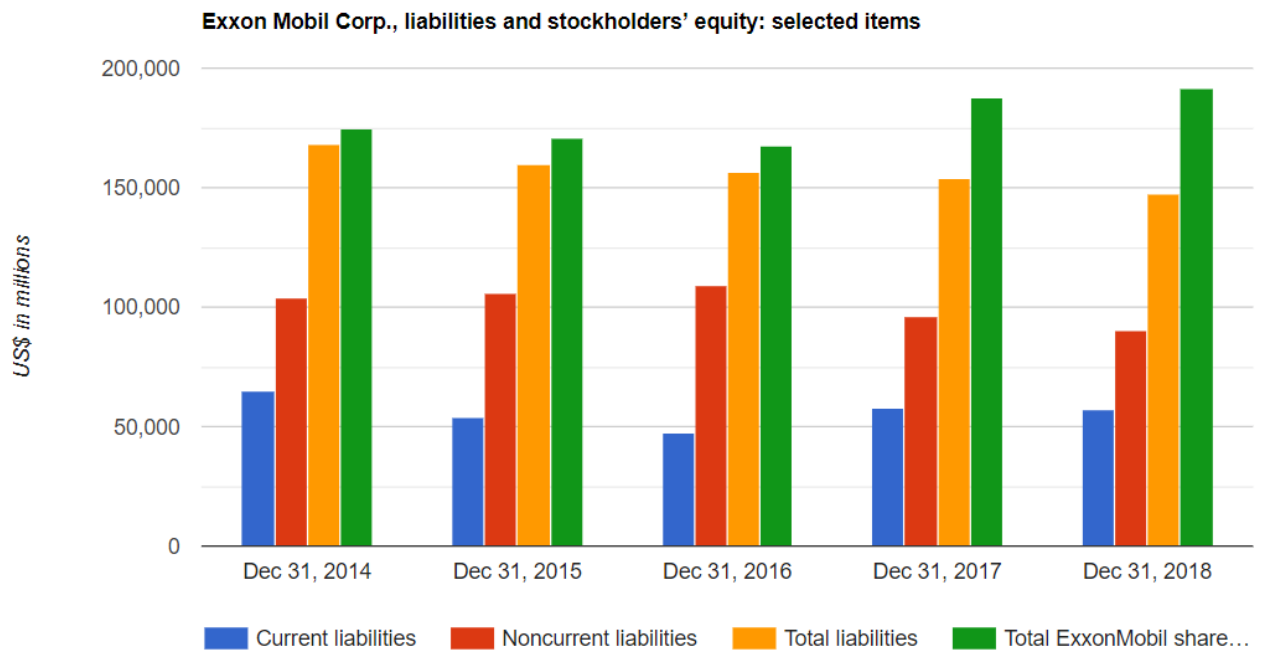
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Notes and loans payable	17 258	17 930	13 830	18 762	17 468
Trade payables	21 063	21 701	17 801	18 074	25 286
Payables to equity companies	6 863	5 453	4 748	4 639	6 589
Accrued taxes other than income taxes	3 280	3 311	2 653	2 937	3 290
Other	6 062	6 331	5 991	6 762	7 062
Accounts payable and accrued liabilities	37 268	36 796	31 193	32 412	42 227
Income taxes payable	2 612	3 045	2 615	2 802	4 938
Current liabilities	57 138	57 771	47 638	53 976	64 633
Long-term debt, excluding due within one year	20 538	24 406	28 932	19 925	11 653
Postretirement benefits reserves	20 272	21 132	20 680	22 647	25 802
Deferred income tax liabilities	27 244	26 893	34 041	36 818	39 230
Long-term obligations to equity companies	4 382	4 774	5 124	5 417	5 325
Other long-term obligations	18 094	19 215	20 069	21 165	21 786
Noncurrent liabilities	90 530	96 420	108 846	105 972	103 796
Total liabilities	147 668	154 191	156 484	159 948	168 429
Common stock without par value	15 258	14 656	12 157	11 612	10 792
Earnings reinvested	421 653	414 540	407 831	412 444	408 384
Accumulated other comprehensive loss	(19 564)	(16 262)	(22 239)	(23 511)	(18 957)
Common stock held in treasury	(225 553)	(225 246)	(230 424)	(229 734)	(225 820)
Total ExxonMobil share of equity	191 794	187 688	167 325	170 811	174 399
Noncontrolling interests	6 734	6 812	6 505	5 999	6 665
Total equity	198 528	194 500	173 830	176 810	181 064
Total liabilities and equity	346 196	348 691	330 314	336 758	349 493

Source: Stock analysis on

Current liabilities are gross liabilities incurred as part of normal activities which are expected to be paid over the following 12 months or, if longer, within a single business cycle. ExxonMobil's current liabilities have been increased in the period of 2016-2017 but had a decline in the period of 2017-2018.

Noncurrent liabilities are the amount of obligation due after one 1 year or if longer than the normal operating cycle. ExxonMobil's noncurrent liabilities indicator showed a decline in the period from 2016-2017 and the same in the period from 2017-2018.

Figure 7. Own figure according to obtained data



Source: Own figure

Total liabilities are the amount of carrying sums of all known liabilities as of the balance sheet date. Liabilities are likely future losses of economic benefits arising from an entity's current obligations to transfer assets or to provide services to other entities in the future. ExxonMobil's

Total ExxonMobil share of equity products of the stockholders, net of receivables attributable to the parent from the managers, directors, shareholders and associates of the company. The amount of the shareholders' equity of the economic entity attributable to the parent excludes the amount of equity of the stockholders that is attributable to that ownership interest in subsidiary equity that is not attributable to the parent (noncontrolling interest, minority interest). This excludes temporary equity and is often referred to as permanent equity. The indicator showed a rise in the period from 2016-2018.

4.3.2 Income statement

The income statement presents information on the financial results over a period of time from a company's business operations. The income statement shows how much income the corporation earned over a period and the expense it spent in producing that profit.

Table 4. Income Statement

US\$ in millions

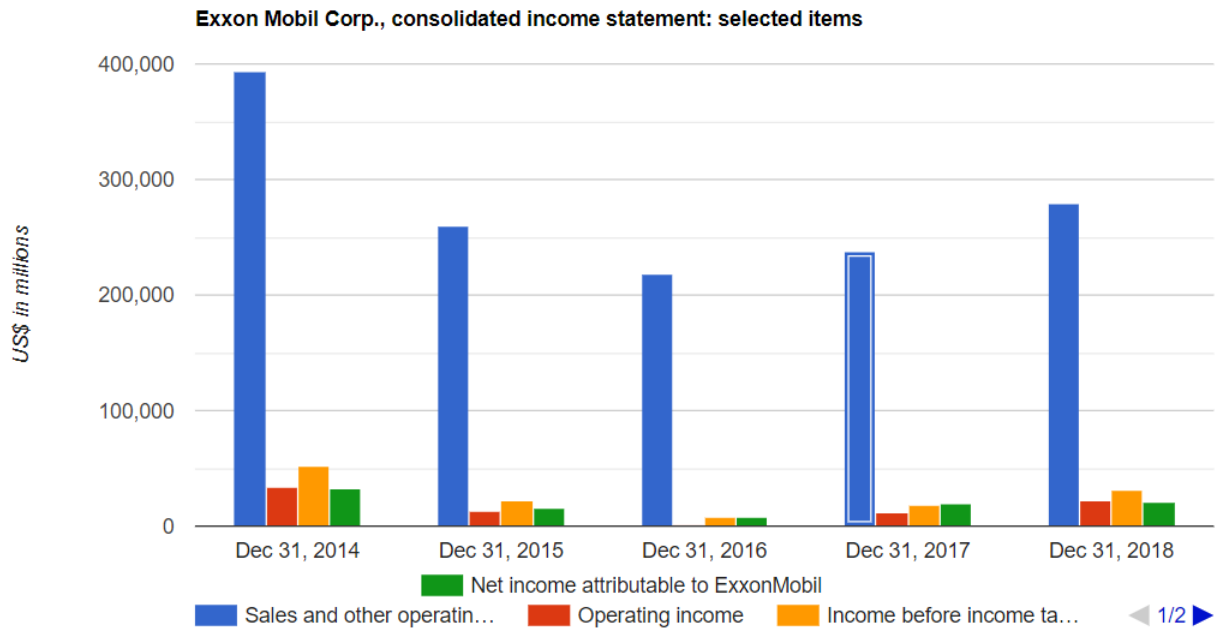
	12 months ended	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Sales and other operating revenue		279 332	237 162	218 608	259 488	394 105
Crude oil and product purchases		(156 172)	(128 217)	(104 171)	(130 003)	(225 972)
Production and manufacturing expenses		(36 682)	(34 128)	(31 927)	(35 587)	(40 859)
Cost of operating revenues		(192 854)	(162 345)	(136 098)	(165 590)	(266 831)
Sales-based taxes		—	—	(21 090)	(22 678)	(29 342)
Gross profit		86 478	74 817	61 420	71 220	97 932
Selling, general and administrative expenses		(11 480)	(10 956)	(10 799)	(11 501)	(12 598)
Depreciation and depletion		(18 745)	(19 893)	(22 308)	(18 048)	(17 297)
Exploration expenses, including dry holes		(1 466)	(1 790)	(1 467)	(1 523)	(1 669)
Other taxes and duties		(32 663)	(30 104)	(25 910)	(27 265)	(32 286)
Operating income		22 124	12 074	936	12 883	34 082
Income from equity affiliates		7 355	5 380	4 806	7 644	13 323
Other income		3 525	1 821	2 680	1 750	4 511
Non-service pension and postretirement benefit expense		(1 285)	—	—	—	—
Interest expense		(766)	(601)	(453)	(311)	(286)
Income before income taxes		30 953	18 674	7 969	21 966	51 630
Income taxes		(9 532)	1 174	406	(5 415)	(18 015)
Net income including noncontrolling interests		21 421	19 848	8 375	16 551	33 615
Net income attributable to noncontrolling interests		(581)	(138)	(535)	(401)	(1 095)
Net income attributable to ExxonMobil		20 840	19 710	7 840	16 150	32 520

Source: Stock analysis on

Sales and other operating revenue are an amount of revenue from performance responsibility satisfaction, including tax collected from customers, by delivering the delivered good or service to customers. Tax collected from consumers is tax levied by a governmental authority that is both placed on and at the same time as a single revenue-producing activity, including, but not limited to, sales, usage, value-added and excise. ExxonMobil's indicators showed an increase in this part in the period of 2016-2018.

Operating income is the net result for the period of deducting operating expenses from operating revenues. ExxonMobil has an increase from 2016-2018

Figure 8. Consolidated income statement



Source: Own figure

Income before income taxes illustrated as a percentage of income from continuing operations, including income from equity investment until deduction of income tax and non-controlling interest income. ExxonMobil’s level has an increase in the period of 2016-2018.

Net income attributable to ExxonMobil is the portion of profit or loss that is attributable to the parent for the period, net of income taxes. ExxonMobil’s net income attributable is increased from 2016-2018.

4.3.3 Profitability

Profitability ratios calculate the company's capability to perform profitable sales from its assets.

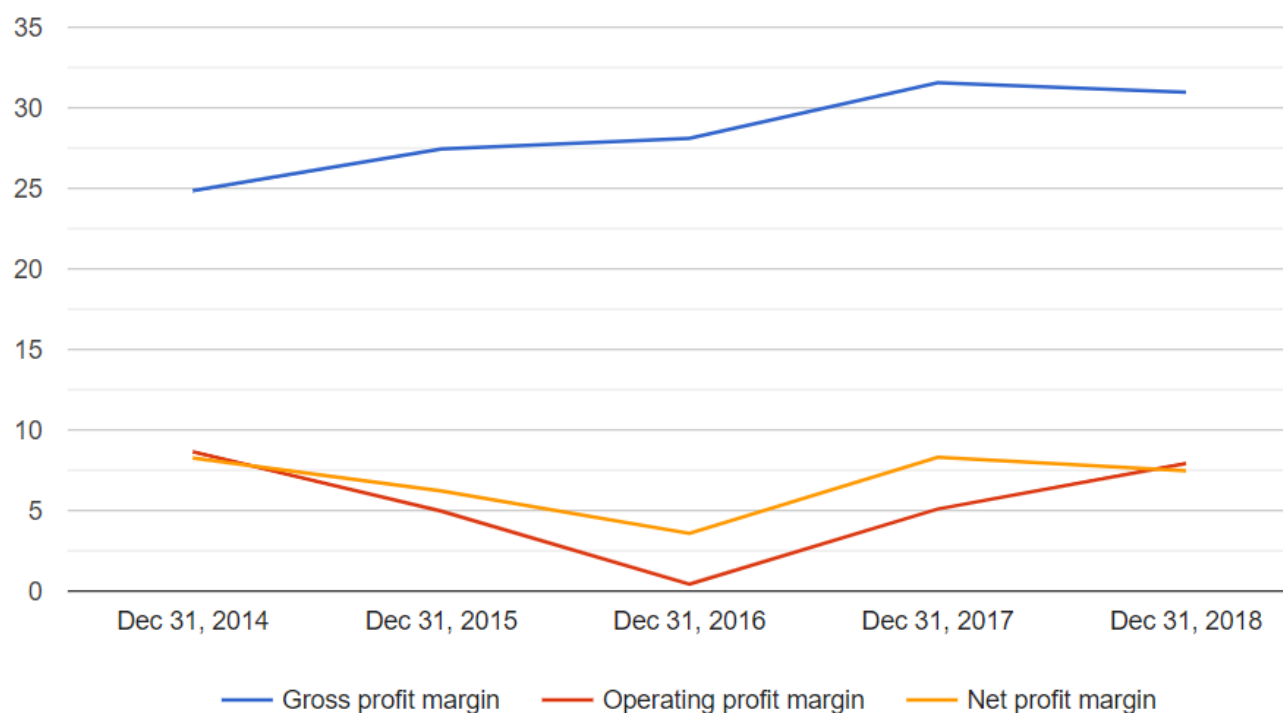
Table 5. Profitability overview

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Return on Sales					
Gross profit margin	30,96%	31,55%	28,10%	27,45%	24,85%
Operating profit margin	7,92%	5,09%	0,43%	4,96%	8,65%
Net profit margin	7,46%	8,31%	3,59%	6,22%	8,25%
Return on Investment					
Return on equity (ROE)	10,87%	10,50%	4,69%	9,45%	18,65%
Return on assets (ROA)	6,02%	5,65%	2,37%	4,80%	9,30%

Source: Stock analysis on

The **gross profit margin** shows the percentage of sales available to cover operating expenses and other expenditures. ExxonMobil gross profit margin straightened from 2016-2017 and then declined from 2017-2018.

Figure 9. Profitability ratios, return on sales



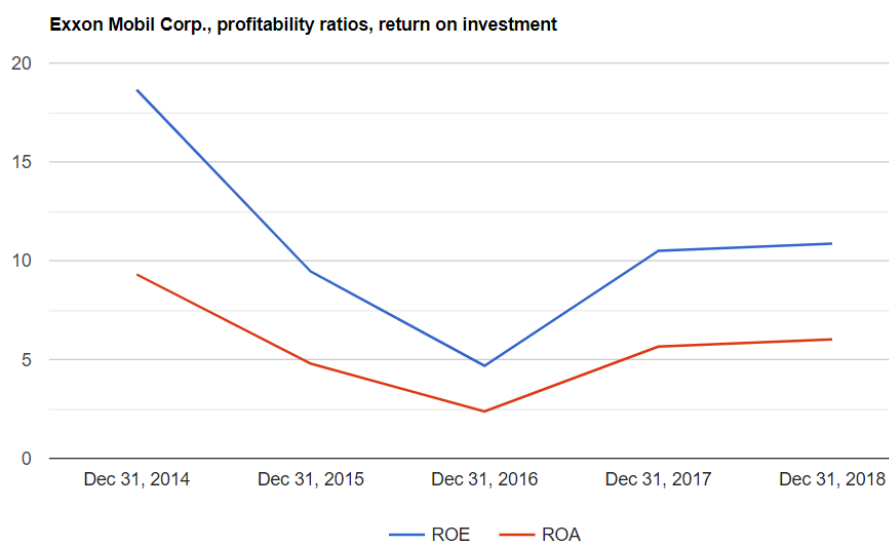
Source: Own figure

Operating profit margin is a productivity ratio divided by sales measured as operating income.

ExxonMobil's operating gross margin had improved in the period of 2016 and 2018

Net profit margin is a productivity metric, measured as a divided by sales net income. The net profit margin of the company had increased in the period of 2016-2017 and declined in 2017-2018.

Figure 10. Profitability ratios, return on investment



Source: Own figure

Return on equity - profitability ratio computed as net income divided by equity of the shareholders.

Return on assets – a profitability measured as net income divided by total assets.

4.3.3.1 Gross Profit Margin

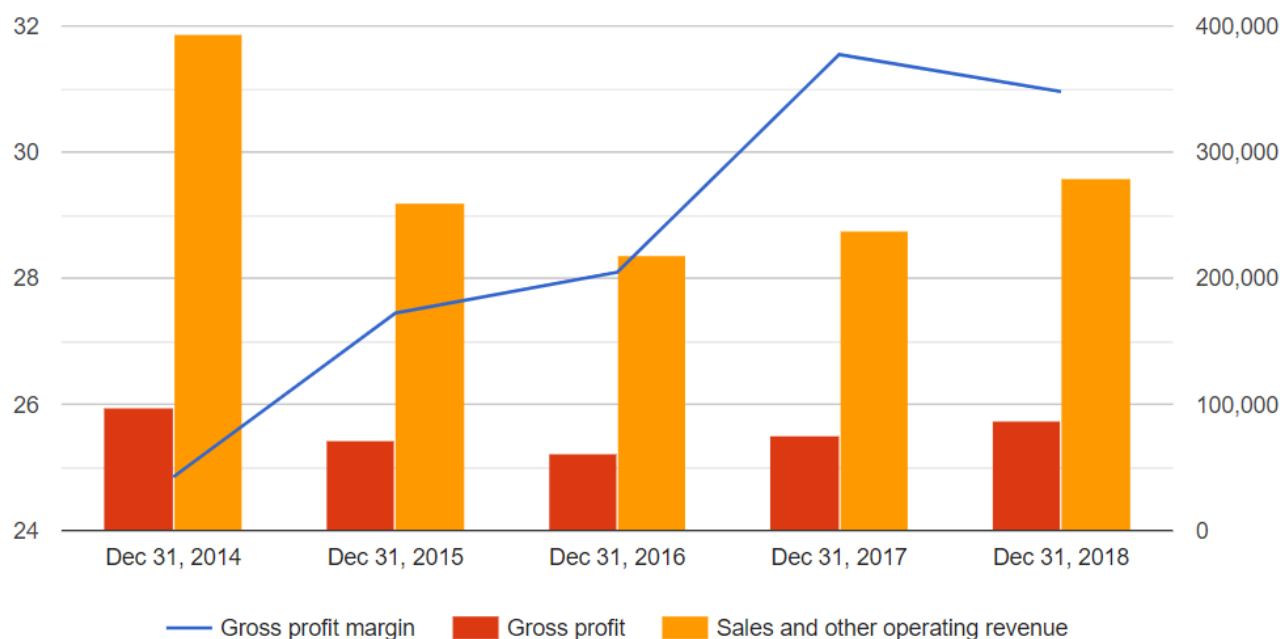
Table 6. Gross Profit Margin

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Gross profit	86 478	74 817	61 420	71 220	97 932
Sales and other operating revenue	279 332	237 162	218 608	259 488	394 105
<i>Profitability Ratio</i>					
Gross profit margin	30,96%	31,55%	28,10%	27,45%	24,85%
<i>Benchmarks</i>					
<i>Gross Profit Margin, Competitors</i>					
Chevron Corp.	27,55%	23,97%	21,52%	22,92%	23,62%
ConocoPhillips	46,43%	39,37%	33,90%	34,24%	40,96%
EOG Resources Inc.	85,72%	82,75%	76,28%	75,13%	85,95%
Phillips 66	7,76%	5,07%	4,93%	7,58%	3,93%

Source: Stock analysis on

Gross profit margin (2018) = $100 * 86,478 / 279,332 = 30.96\%$

Figure 11. Gross Profit Margin



Source: Own figure

The gross profit margin shows the percentage of sales available to cover operating expenses and other expenditures. In the period of 2016-2017 ExxonMobil had an improve by 3,5%, but in period of 2017-2018 faced a decline by 0.6%.

4.3.3.2 Operating Profit Margin

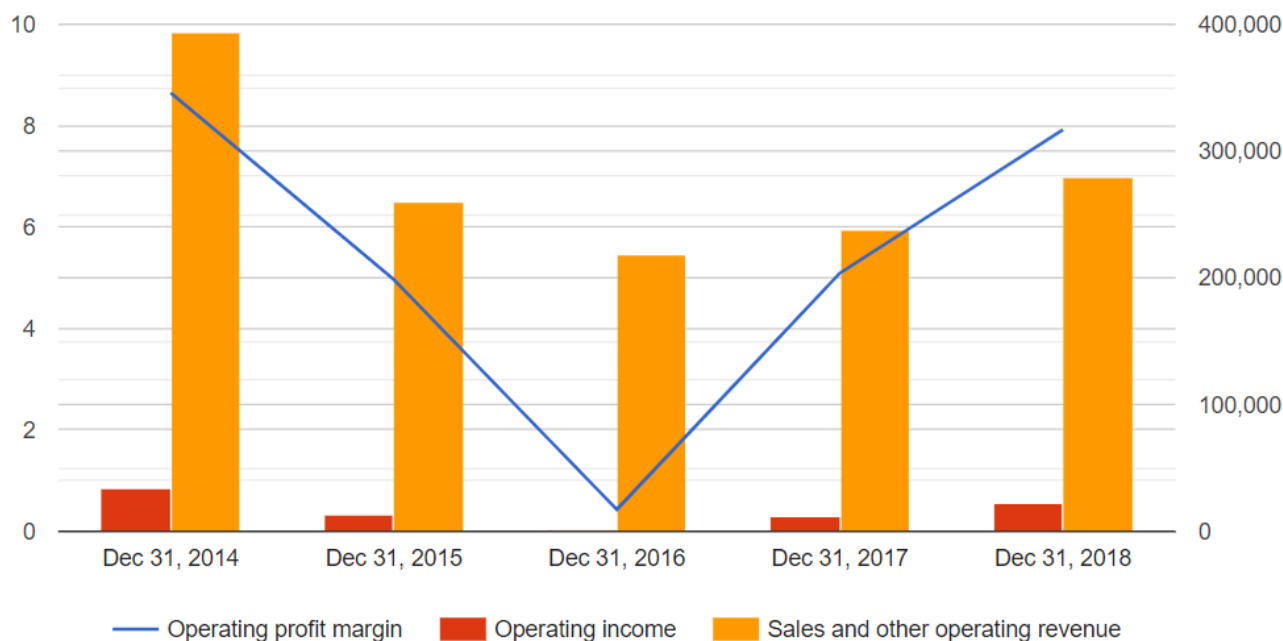
Table 7. Operating Profit Margin

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Operating income	22 124	12 074	936	12 883	34 082
Sales and other operating revenue	279 332	237 162	218 608	259 488	394 105
<i>Profitability Ratio</i>					
Operating profit margin	7,92%	5,09%	0,43%	4,96%	8,65%
<i>Benchmarks</i>					
<i>Operating Profit Margin, Competitors</i>					
Chevron Corp.	9,09%	1,84%	-5,64%	-2,86%	9,84%
ConocoPhillips	24,04%	-16,00%	-20,98%	-26,27%	13,29%
EOG Resources Inc.	25,87%	8,27%	-16,02%	-76,35%	29,06%
Phillips 66	4,63%	1,69%	1,21%	4,47%	1,96%
<i>Operating Profit Margin, Sector</i>					
Oil & Gas Producers	9,11%	2,44%	-2,35%	-0,16%	—
<i>Operating Profit Margin, Industry</i>					
Oil & Gas	9,47%	2,73%	-1,74%	0,80%	—

Source: Stock analysis on

Operating profit margin = $100 * 22,124 / 279,332 = 7.92\%$

Figure 12. Own figure according to obtained data



Source: Own figure

Operating profit margin - a profitability ratio divided by sales measured as operating income.

ExxonMobil has an improve since 2016 and last periods difference was estimated as an increase by 2.8%.

4.3.3.3 Net Profit Margin

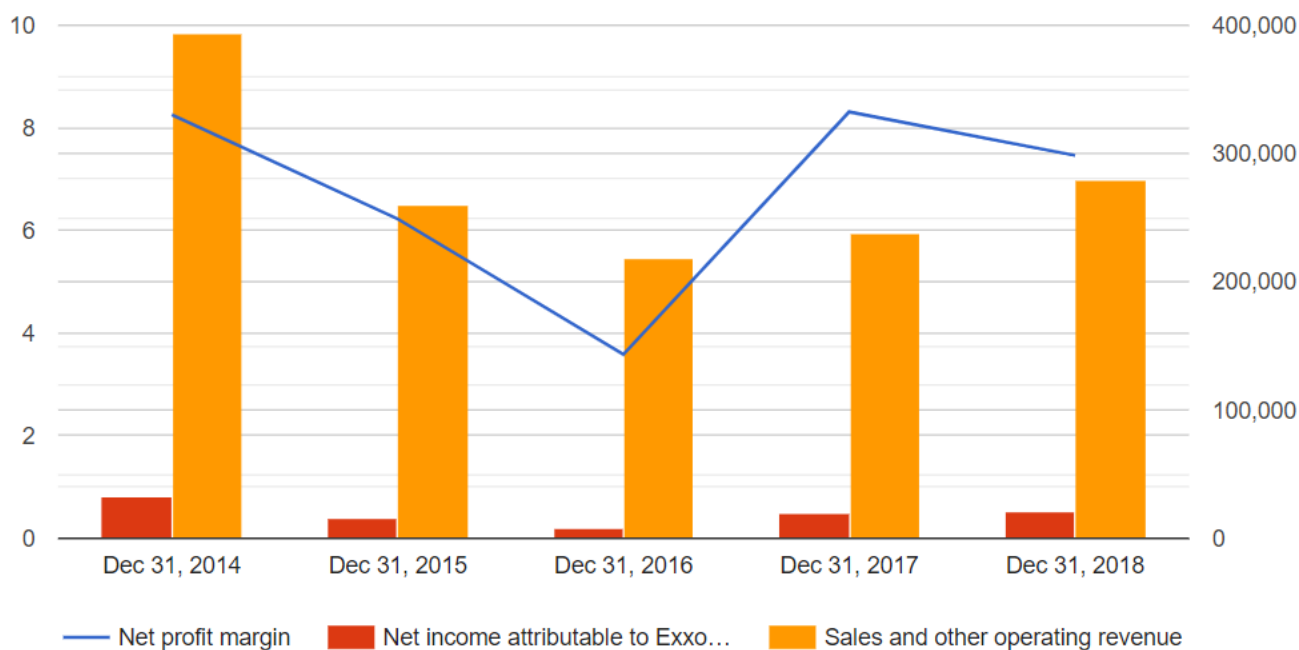
Table 8. Net Profit Margin

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Net income attributable to ExxonMobil	20 840	19 710	7 840	16 150	32 520
Sales and other operating revenue	279 332	237 162	218 608	259 488	394 105
<i>Profitability Ratio</i>					
Net profit margin	7,46%	8,31%	3,59%	6,22%	8,25%
<i>Benchmarks</i>					
<i>Net Profit Margin, Competitors</i>					
Chevron Corp.	9,33%	6,83%	-0,45%	3,53%	9,60%
ConocoPhillips	17,18%	-2,94%	-15,26%	-14,98%	13,08%
EOG Resources Inc.	19,79%	23,04%	-14,33%	-51,66%	16,17%
Phillips 66	5,02%	4,99%	1,85%	4,27%	2,95%
<i>Net Profit Margin, Sector</i>					
Oil & Gas Producers	8,44%	6,95%	0,94%	3,04%	—
<i>Net Profit Margin, Industry</i>					
Oil & Gas	8,41%	6,16%	0,66%	3,18%	—

Source: Stock analysis on

$$\text{Net profit margin} = 100 * 20,840 / 279,332 = 7.46\%$$

Figure 13. Net Profit Margin



Source: Own figure

Net profit margin - a profitability metric, measured as a divided by sales net income. ExxonMobil had around 5% increase in the period of 2016-2017 and a decrease by almost 1% in the period of 2017-2018.

4.3.3.4 Return on Equity

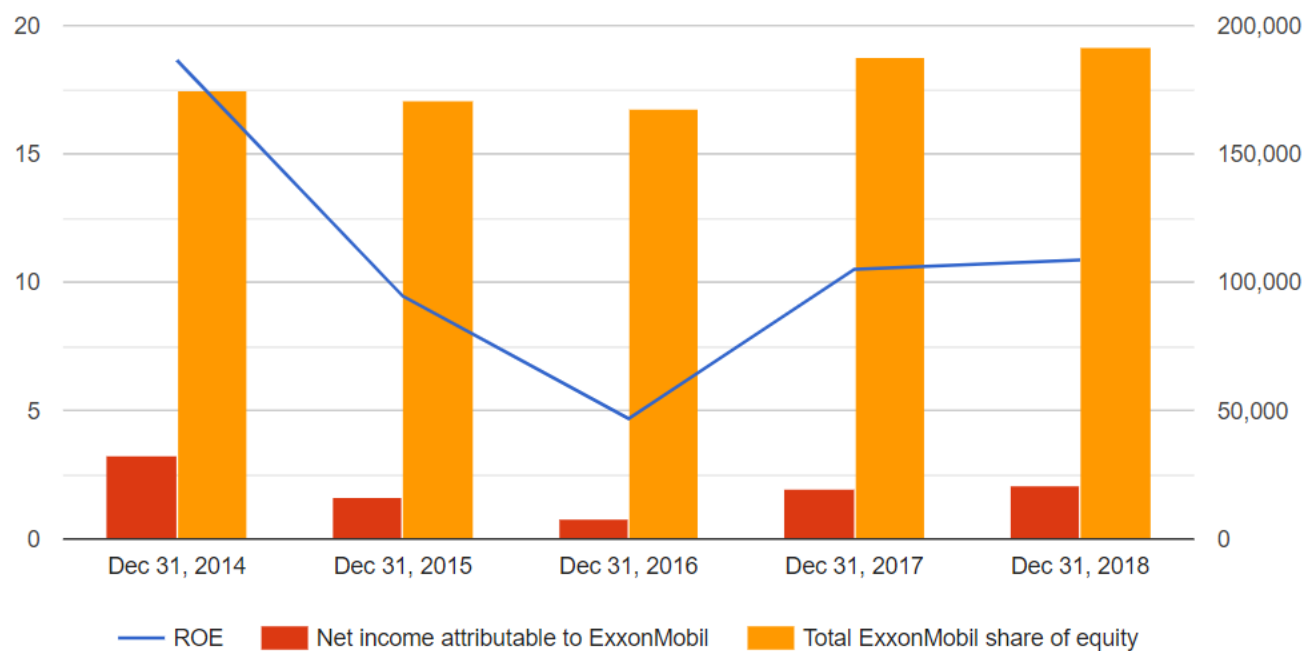
Table 9. Return on Equity

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Net income attributable to ExxonMobil	20 840	19 710	7 840	16 150	32 520
Total ExxonMobil share of equity	191 794	187 688	167 325	170 811	174 399
<i>Profitability Ratio</i>					
ROE	10,87%	10,50%	4,69%	9,45%	18,65%
<i>Benchmarks</i>					
<i>ROE, Competitors</i>					
Chevron Corp.	9,59%	6,21%	-0,34%	3,00%	12,41%
ConocoPhillips	19,59%	-2,79%	-10,34%	-11,14%	13,23%
EOG Resources Inc.	17,66%	15,86%	-7,84%	-34,96%	16,46%
Phillips 66	22,70%	20,35%	6,95%	18,30%	22,06%
<i>ROE, Sector</i>					
Oil & Gas Producers	12,06%	8,76%	1,09%	4,01%	—
<i>ROE, Industry</i>					
Oil & Gas	11,11%	7,20%	0,70%	3,90%	—

Source: Stock analysis on

$$\text{ROE} = 100 * 20,840 / 191,794 = \mathbf{10.87\%}$$

Figure 14. Return on Equity



Source: Own figure

ExxonMobil has a positive indicator in ROE by increasing it every year. The last ROE indicator increased from 10.5% in 2017 to 10.87% in 2018.

4.3.3.5 Return on Assets

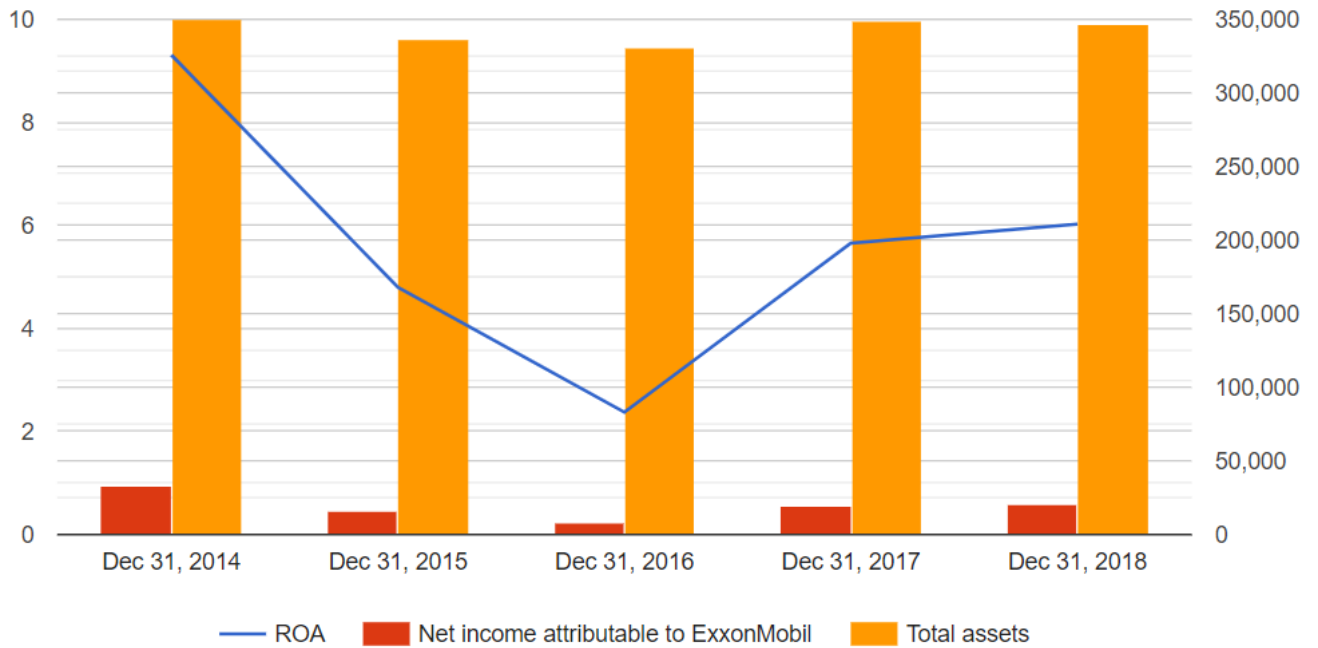
Table 10. Return on Assets

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Net income attributable to ExxonMobil	20 840	19 710	7 840	16 150	32 520
Total assets	346 196	348 691	330 314	336 758	349 493
<i>Profitability Ratio</i>					
ROA	6,02%	5,65%	2,37%	4,80%	9,30%
<i>Benchmarks</i>					
<i>ROA, Competitors</i>					
Chevron Corp.	5,84%	3,62%	-0,19%	1,72%	7,23%
ConocoPhillips	8,94%	-1,17%	-4,03%	-4,54%	5,89%
EOG Resources Inc.	10,08%	8,66%	-3,72%	-16,77%	8,39%
Phillips 66	10,30%	9,39%	3,01%	8,70%	9,77%
<i>ROA, Sector</i>					
Oil & Gas Producers	6,72%	4,70%	0,55%	2,06%	—
<i>ROA, Industry</i>					
Oil & Gas	6,02%	3,78%	0,35%	1,98%	—

Source: Stock analysis on

$$ROA = 100 \times 20,840 \div 346,196 = 6.02\%$$

Figure 15. Return on Assets



Source: Own figure

ExxonMobil faced inconveniences in 2014 until 2016 and decrease was estimated around 7%. In 2016 the company started to straighten their positions and increased their return on assets. In the period of 2017-2018 the company had 0.5% difference of increase.

4.3.4 Liquidity

Liquidity ratios indicates the company’s capability to face its short-term obligations. In other words, it is the assets which can be easily converted into cash.

Table 11. Liquidity Ratios

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Current ratio	0,84	0,82	0,87	0,79	0,82
Quick ratio	0,49	0,50	0,53	0,44	0,51
Cash ratio	0,05	0,05	0,08	0,07	0,07

Source: Stock analysis on

For a business a current ratio of between 1.0 and 3.0 is quite encouraging. It suggests the business has enough cash to pay its debts, but not that much finance tied up in current assets that could be again invested, distributed to shareholders. A current ratio of less than 1.0 could suggest the company is not well placed to pay its debts. Raising extra finances or extending the time it takes to pay creditors may be required. ExxonMobil had a decline in the period of 2016-2017 and an improve in the period of 2017-2018

While all current assets and current liabilities are included in the current ratio, the fast ratio only includes easy assets. Easy assets are the quickest assets to liquidate, meaning they can be converted to cash within a short period of time. Consequently, the fast ratio includes cash and cash equivalents, marketable securities and receivable accounts but does not consider inventory. Inventory is not included in the Rapid Ratio as it is usually harder to sell or turn into cash. ExxonMobil had a decline from 2016 to 2018.

The cash ratio compares the most liquid assets of a company to their current liabilities. The ratio is used to determine if a business can fulfill its short-term obligations-in effect, if it has sufficient liquidity to remain in business. It is the most conservative of all measurements of liquidity, since it excludes inventory and receivable accounts. If a company wants to prove a high cash ratio to the outside world, as of the measurement date, it must keep a large amount of cash on hand, probably more than sensible. ExxonMobil's cash ratio indicator is negative since 2016 to 2018.

4.3.4.1 Current ratio

Table 12. Current Ratio

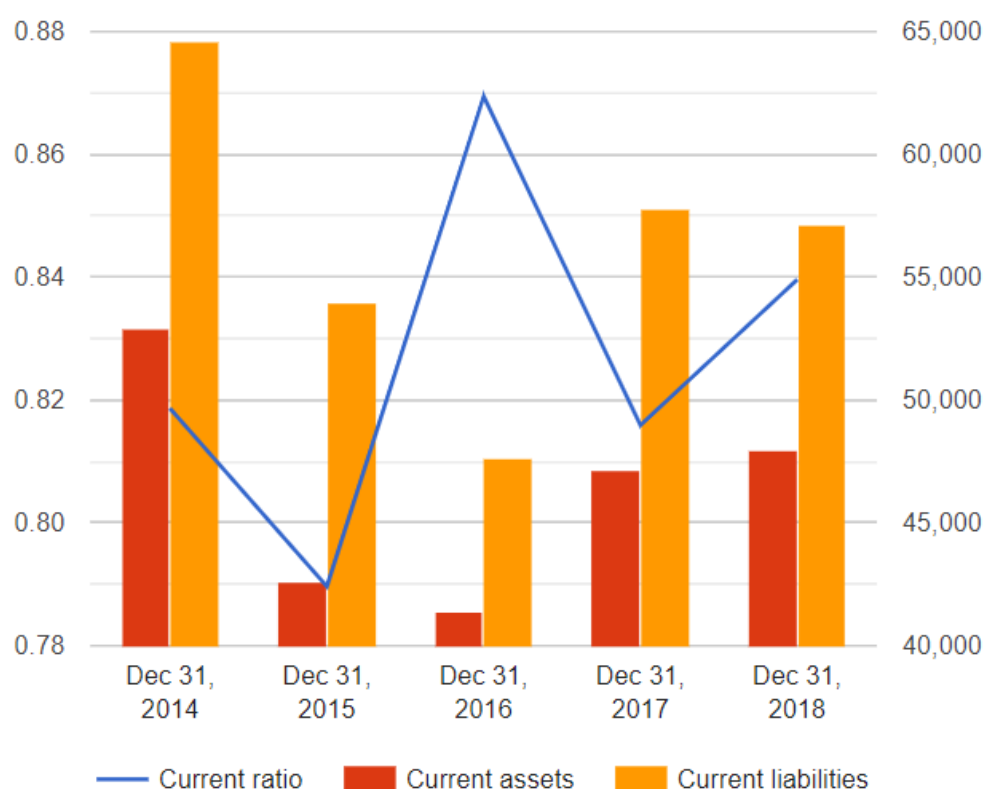
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Current assets	47 973	47 134	41 416	42 623	52 910
Current liabilities	57 138	57 771	47 638	53 976	64 633
<i>Liquidity Ratio</i>					
Current ratio	0,84	0,82	0,87	0,79	0,82
<i>Benchmarks</i>					
<i>Current Ratio, Competitors</i>					
Chevron Corp.	1,25	1,03	0,93	1,34	1,32
ConocoPhillips	1,79	1,76	1,25	0,95	1,31
EOG Resources Inc.	1,36	1,20	1,75	1,42	1,60
Phillips 66	1,48	1,42	1,34	1,63	1,50

Source: Stock analysis on

Current ratio (2018) = Current assets / Current liabilities

$$= 47,973 / 57,138 = \mathbf{0.84}$$

Figure 16. Current Ratio



Source: Own figure

4.3.4.2 Quick Ratio

Table 13. Quick Ratio

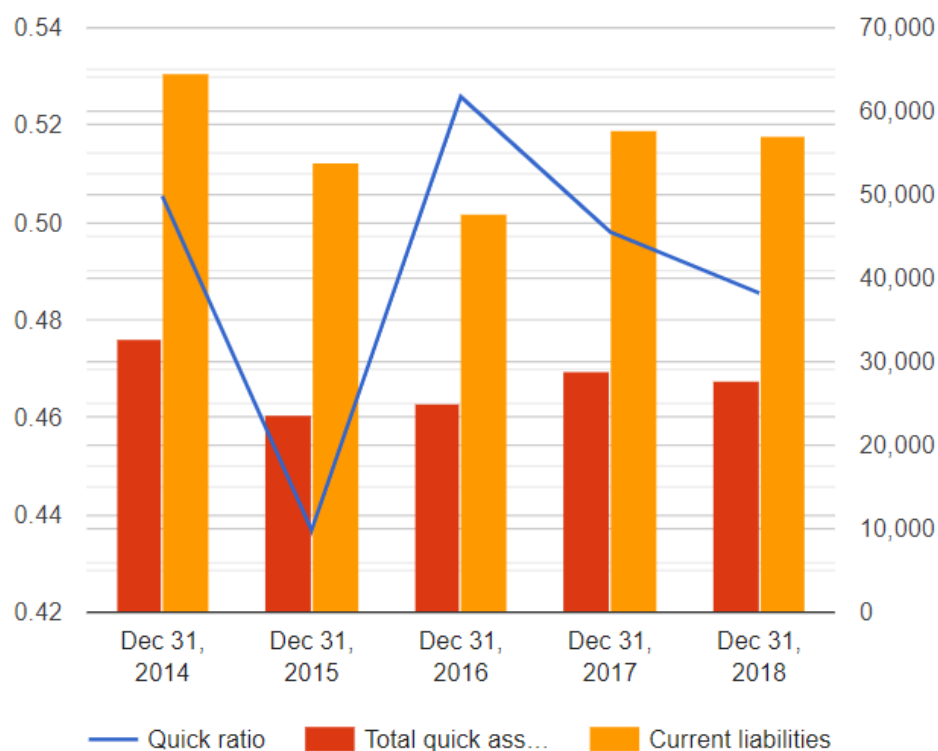
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Cash and cash equivalents	3 042	3 177	3 657	3 705	4 616
Cash and cash equivalents, restricted	—	—	—	—	42
Notes and accounts receivable, trade, less reserves	19 638	21 274	16 033	13 243	18 541
Notes and accounts receivable, other, less reserves	5 063	4 323	5 361	6 632	9 468
Total quick assets	27 743	28 774	25 051	23 580	32 667
Current liabilities	57 138	57 771	47 638	53 976	64 633
<i>Liquidity Ratio</i>					
Quick ratio	0,49	0,50	0,53	0,44	0,51
<i>Benchmarks</i>					
<i>Quick Ratio, Competitors</i>					
Chevron Corp.	0,93	0,73	0,66	0,91	0,94
ConocoPhillips	1,58	1,53	1,02	0,74	1,03
EOG Resources Inc.	0,93	0,89	1,39	0,91	1,14
Phillips 66	1,03	1,05	0,96	1,10	1,12

Source: Stock analysis on

Quick ratio = Total quick assets / Current liabilities

= 27,743 / 57,138 = **0.49**

Figure 17. Quick Ratio



Source: Own figure

4.3.4.3 Cash Ratio

Table 14. Cash Ratio

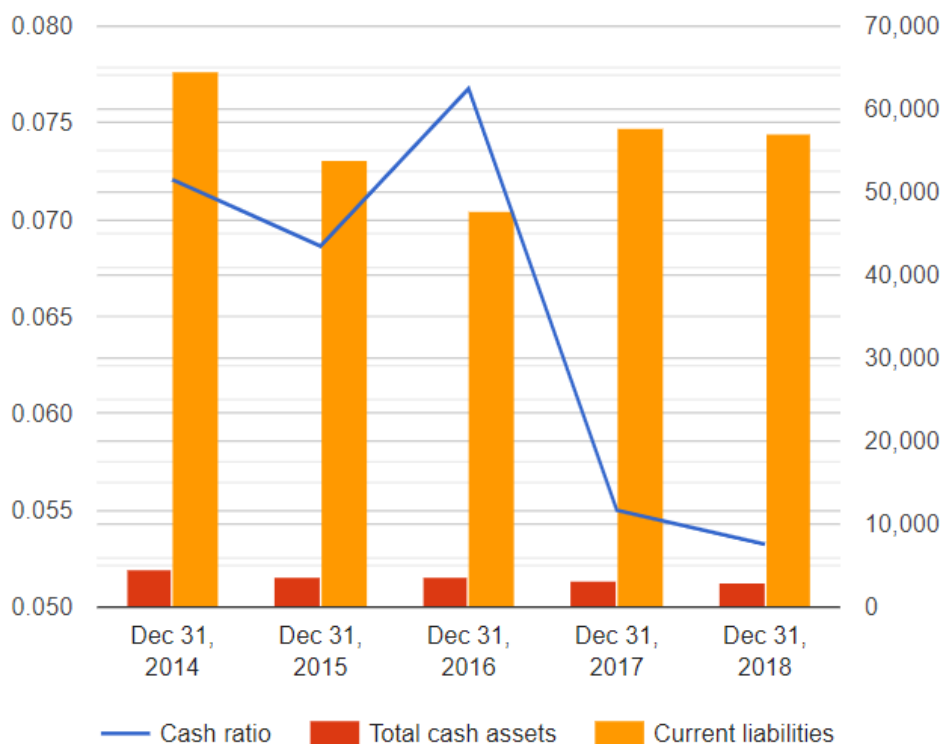
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Cash and cash equivalents	3 042	3 177	3 657	3 705	4 616
Cash and cash equivalents, restricted	—	—	—	—	42
Total cash assets	3 042	3 177	3 657	3 705	4 658
Current liabilities	57 138	57 771	47 638	53 976	64 633
<i>Liquidity Ratio</i>					
Cash ratio	0,05	0,05	0,08	0,07	0,07
<i>Benchmarks</i>					
<i>Cash Ratio, Competitors</i>					
Chevron Corp.	0,38	0,17	0,22	0,43	0,41
ConocoPhillips	1,03	1,07	0,53	0,26	0,44
EOG Resources Inc.	0,42	0,31	0,79	0,39	0,62
Phillips 66	0,34	0,31	0,29	0,41	0,47

Source: Stock analysis on

Cash ratio = Total cash assets / Current liabilities

$$= 3,042 / 57,138 = \mathbf{0.05}$$

Figure 18. Cash Ratio



Source: Own figure

4.3.5 Solvency

Assets are the properties of corporations, and the liabilities are what firms owe on those assets. This is vital because every company sometimes has cash flow problems, especially when starting out. If companies have too many bills to pay, and insufficient assets to pay those bills, they will not survive.

Solvency is directly related to the balance sheet of a company, which shows the connection of assets on the one side with liabilities and equity on the other. The traditional equation of accounting is that Assets are equal to Liabilities plus Owner Equity. The two sides have to compromise, as each commodity must have been acquired either with debt or the money of the owner.

Table 15. Solvency Ratio

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Debt Ratios</i>					
Debt to equity	0,20	0,23	0,26	0,23	0,17
Debt to capital	0,16	0,18	0,20	0,18	0,14
Debt to assets	0,11	0,12	0,13	0,11	0,08
Financial leverage	1,81	1,86	1,97	1,97	2,00

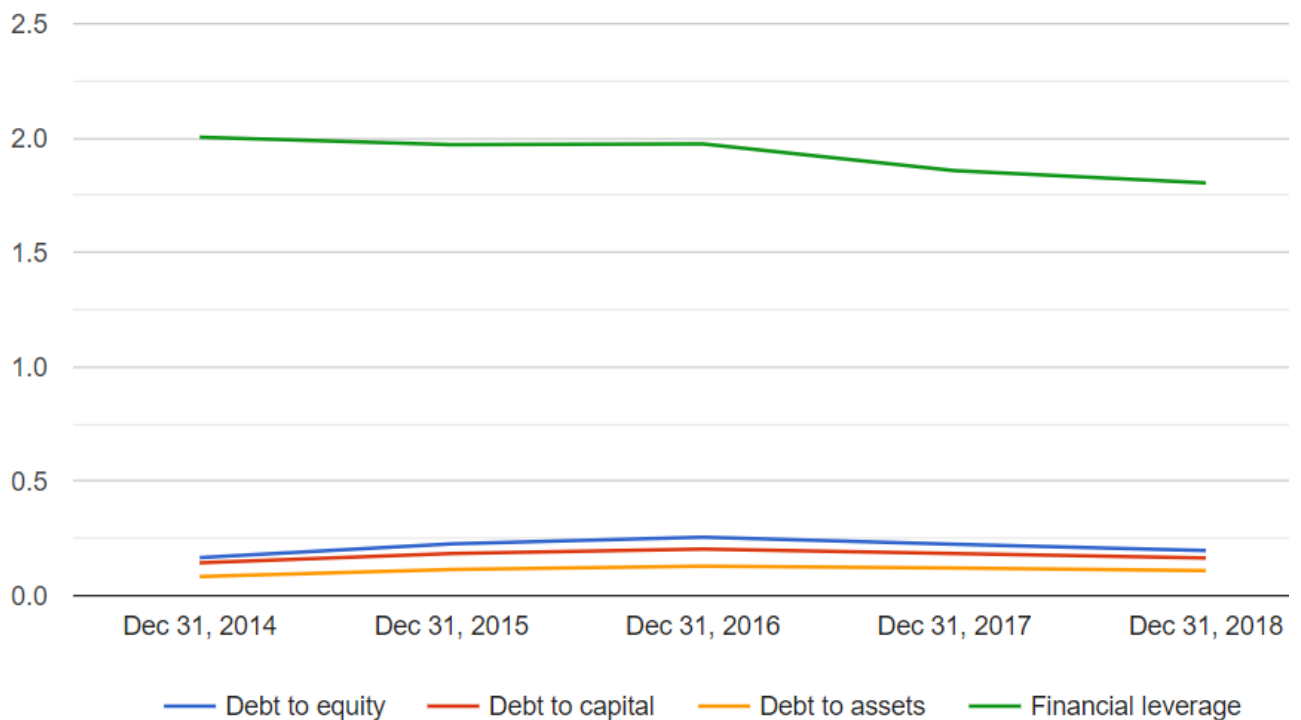
Source: Stock analysis on

4.3.5.1 Debt-to-equity

ratio is a financial, liquidity ratio which compares the total debt of a company with the total equity. The debt-to-equity ratio shows the percentage of corporate funding coming from both creditors and investors. A higher debt-to-equity ratio means more borrower funding than investor financing.

A lower ratio of debt to equity usually implies a more financially stable company. Companies with higher debt to equity ratios are considered more volatile to creditors and investors than lower ratio companies. Like equity finance, interest has to be paid back to the lender. Since debt financing often includes debt servicing or daily interest payments, debt can be much more expensive than equity financing the payments might not be made by companies leveraging large amounts of debt. ExxonMobil has an improve since 2016 to 2018 by 0.3% in compare with previous year.

Figure 19. Solvency Ratio's indicators



Source: Own figure

4.3.5.2 Debt to Capital

this shows the firm's financial leverage. A low ratio points to a more financially stable company, to the creditors better. A higher ratio leads to long-term financial stability of the companies in question. But a higher ratio helps the management with equity trading, i.e. earning the shareholders more revenue. This ratio again does not have industry standard. ExxonMobil had

succeeded in debt to capital sector and gained better estimations since 2016 to 2018 by 0.2% in comparison with previous year.

4.3.5.3 Debt to assets

performs the relationship between the funds of the proprietor (all the shareholders' funds) and the money employed of net assets. A high ratio represents a good indication of the firm's financial health. This means a larger share of the total capital comes from equity. Or that a greater portion of net assets are financed through equity rather than debt. One point to note that the sum of the debt ratio and the proprietary ratio will be 1, when both ratios are calculated with the same denominator. The debt to assets ratio improved from 2016 to 2018 by 0.1% in comparison with previous year.

4.3.6 Financial leverage ratios

calculate a company's total debt load and equate it to the assets or equities. This shows how much of the corporate assets belong to the shareholders as opposed to creditors. When shareholders own a majority of the assets, they say the company is less leveraged. The company is considered highly leveraged when investors own a majority of the assets. There is a decrease in financial leverage at ExxonMobil since 2016 to 2018 by 0.5% in comparison with previous year.

4.3.6.1 Debt to Equity

Table 16. Debt to Equity

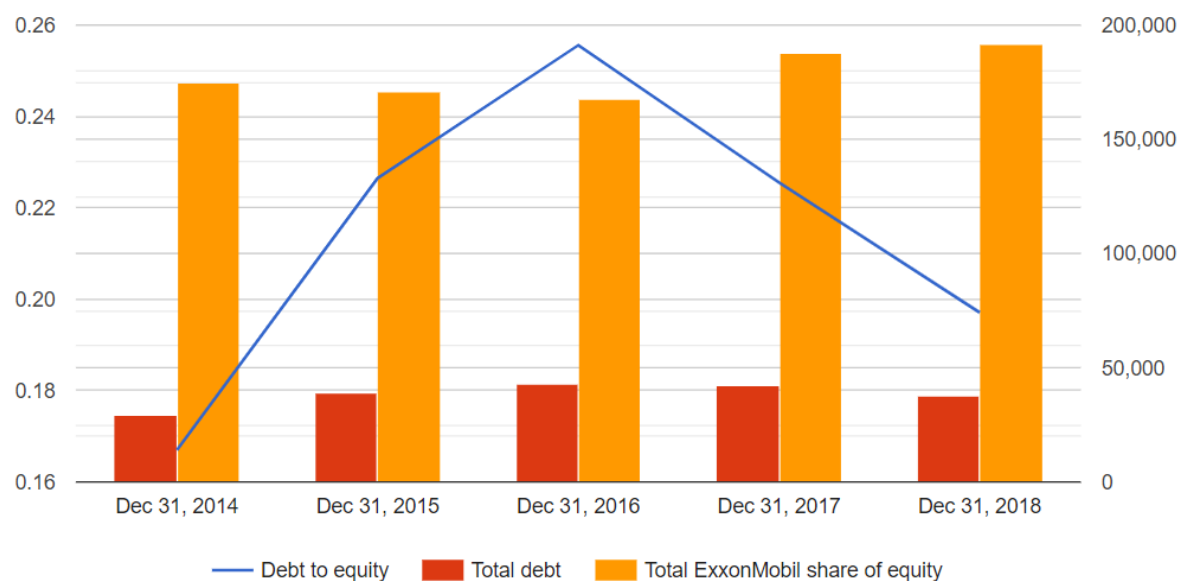
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Notes and loans payable	17 258	17 930	13 830	18 762	17 468
Long-term debt, excluding due within one year	20 538	24 406	28 932	19 925	11 653
Total debt	37 796	42 336	42 762	38 687	29 121
Total ExxonMobil share of equity	191 794	187 688	167 325	170 811	174 399
<i>Solvency Ratio</i>					
Debt to equity	0,20	0,23	0,26	0,23	0,17
<i>Benchmarks</i>					
<i>Debt to Equity, Competitors</i>					
Chevron Corp.	0,22	0,26	0,32	0,25	0,18
ConocoPhillips	0,47	0,64	0,78	0,63	0,43
EOG Resources Inc.	0,31	0,39	0,50	0,51	0,33
Phillips 66	0,45	0,40	0,45	0,38	0,40

Source: Stock analysis on

$$\text{Debt to equity (2018)} = \text{Total debt} / \text{Total ExxonMobil share of equity}$$

$$= 37,796 / 191,794 = \mathbf{0.20\%}$$

Figure 20. Debt to Equity



Source: Own figure

4.3.6.2 Debt to Capital

Table 17. Debt to Capital

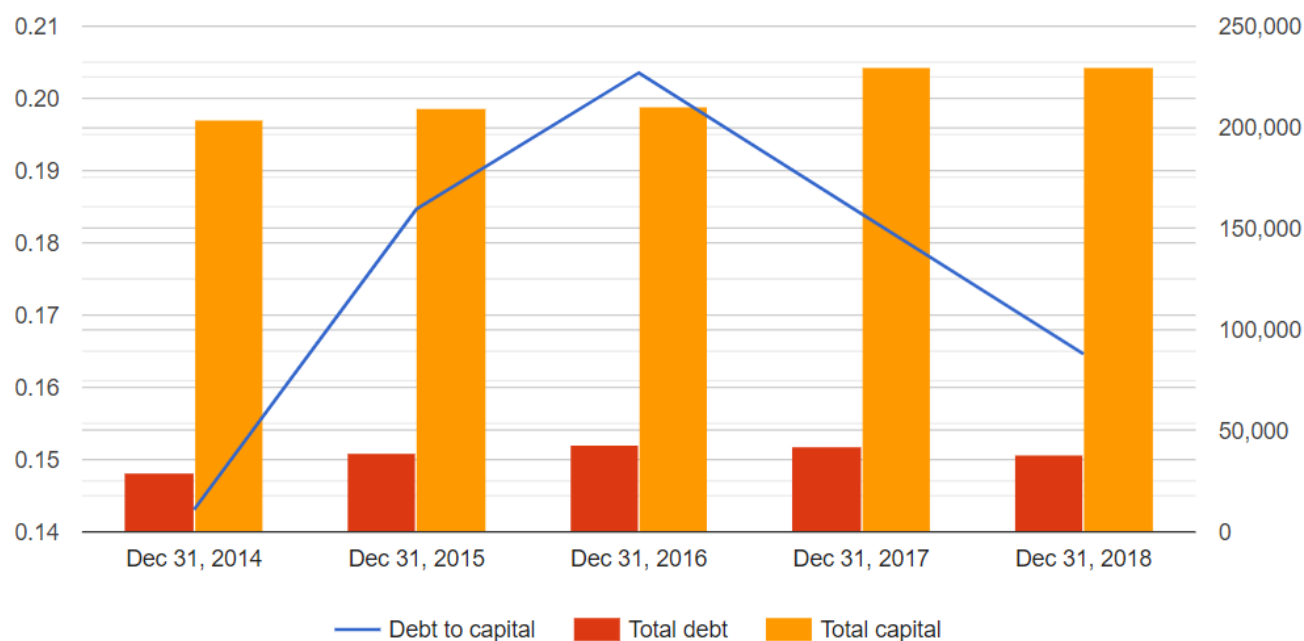
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Notes and loans payable	17 258	17 930	13 830	18 762	17 468
Long-term debt, excluding due within one year	20 538	24 406	28 932	19 925	11 653
Total debt	37 796	42 336	42 762	38 687	29 121
Total ExxonMobil share of equity	191 794	187 688	167 325	170 811	174 399
Total capital	229 590	230 024	210 087	209 498	203 520
<i>Solvency Ratio</i>					
Debt to capital	0,16	0,18	0,20	0,18	0,14
<i>Benchmarks</i>					
<i>Debt to Capital, Competitors</i>					
Chevron Corp.	0,18	0,21	0,24	0,20	0,15
ConocoPhillips	0,32	0,39	0,44	0,38	0,30
EOG Resources Inc.	0,24	0,28	0,33	0,34	0,25
Phillips 66	0,31	0,29	0,31	0,28	0,29

Source: Stock analysis on

Debt to capital (2018) = Total debt / Total capital

= 37,796 / 229,590 = **0.16%**

Figure 21. Debt to Capital



Source: Own figure

4.3.6.3 Debt to Assets

Table 18. Debt to Assets

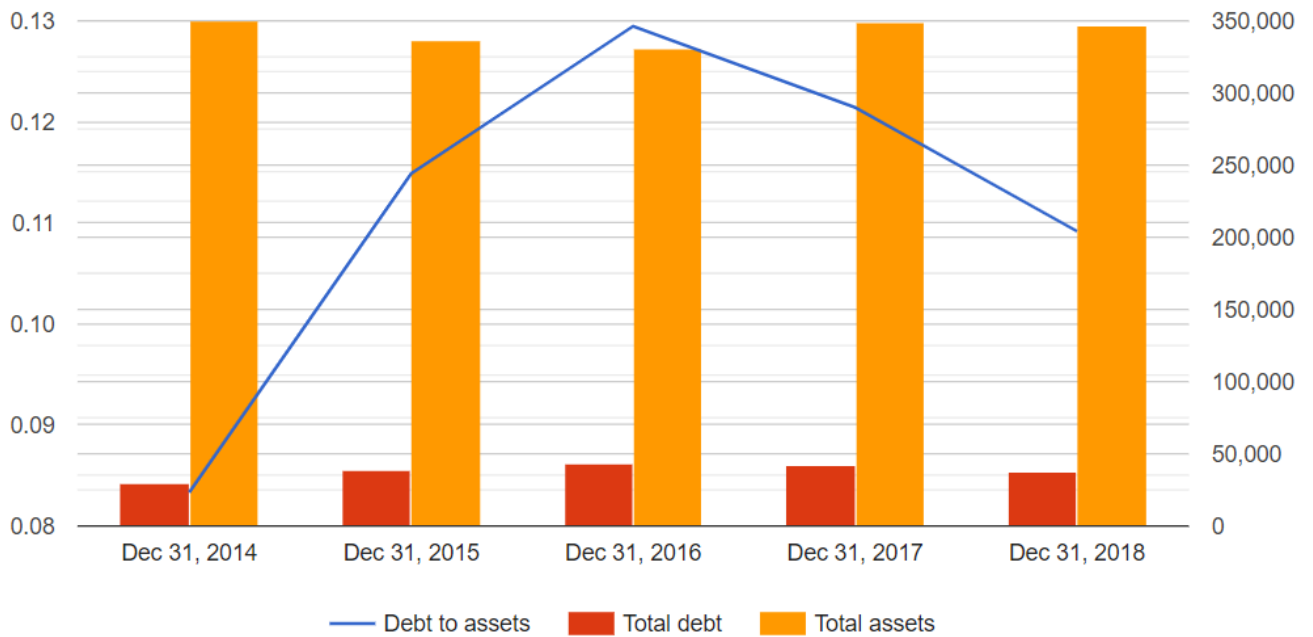
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Notes and loans payable	17 258	17 930	13 830	18 762	17 468
Long-term debt, excluding due within one year	20 538	24 406	28 932	19 925	11 653
Total debt	37 796	42 336	42 762	38 687	29 121
Total assets	346 196	348 691	330 314	336 758	349 493
<i>Solvency Ratio</i>					
Debt to assets	0,11	0,12	0,13	0,11	0,08
<i>Benchmarks</i>					
<i>Debt to Assets, Competitors</i>					
Chevron Corp.	0,14	0,15	0,18	0,15	0,10
ConocoPhillips	0,21	0,27	0,30	0,26	0,19
EOG Resources Inc.	0,18	0,21	0,24	0,25	0,17
Phillips 66	0,21	0,19	0,20	0,18	0,18

Source: Stock analysis on

Debt to assets (2018) = Total debt / Total assets

$$= 37,796 / 346,196 = 0.11\%$$

Figure 22. Debt to Assets



Source: Own figure

4.3.7 Financial leverage

Table 19. Financial leverage

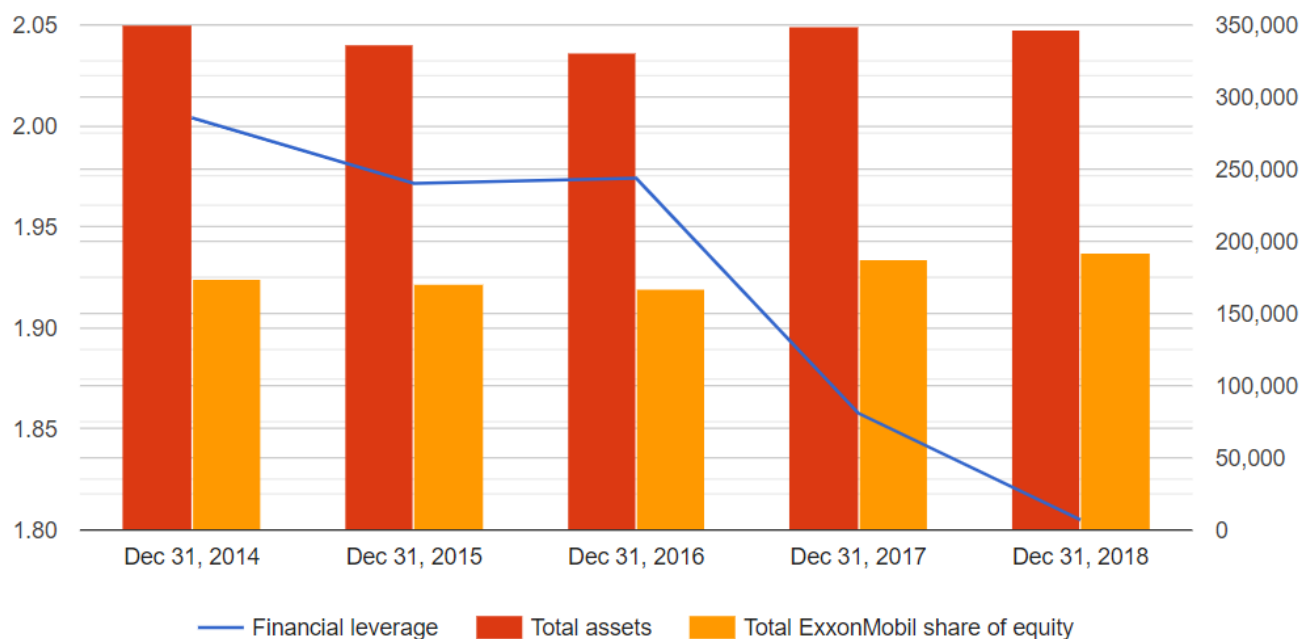
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Total assets	346 196	348 691	330 314	336 758	349 493
Total ExxonMobil share of equity	191 794	187 688	167 325	170 811	174 399
<i>Solvency Ratio</i>					
Financial leverage	1,81	1,86	1,97	1,97	2,00
<i>Benchmarks</i>					
<i>Financial Leverage, Competitors</i>					
Chevron Corp.	1,64	1,71	1,79	1,74	1,72
ConocoPhillips	2,19	2,40	2,57	2,45	2,24
EOG Resources Inc.	1,75	1,83	2,11	2,08	1,96
Phillips 66	2,20	2,17	2,31	2,10	2,26

Source: Stock analysis on

Financial leverage (2018) = Total assets / Total ExxonMobil share of equity

$$= 346,196 / 191,794 = 1.81\%$$

Figure 23. Financial leverage



Source: Own figure

4.3.8 Short-term Activity ratios

This ratio allows to understand how effective the company's management is. As this ratio measures the efficiency of company asset utilization. Generally, this ratio shows how much sales took place as opposed to different asset groups.

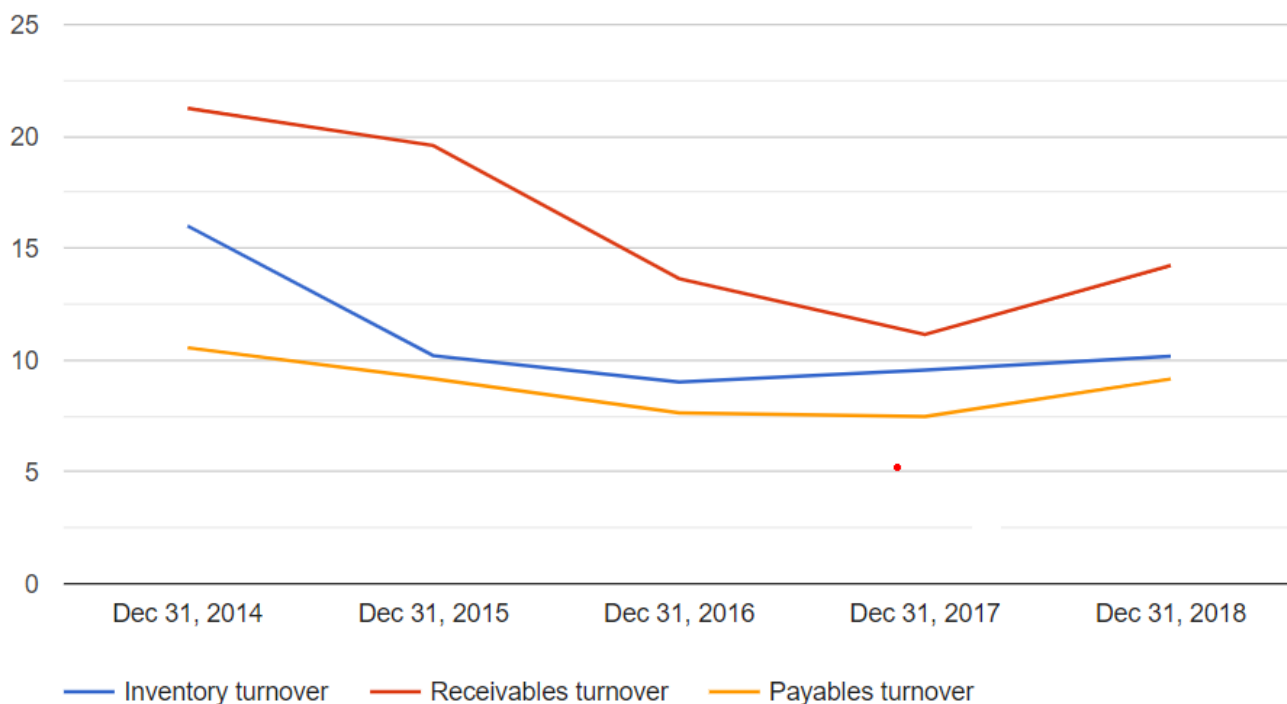
Also referred to as an analysis of the operating ratio, or an analysis of the turnover ratio, it includes calculating a set of indicators that allow conclusions to be drawn on how effectively the firm uses its inventories, receivable accounts and fixed assets.

Table 20. Short-term Activity ratios

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Turnover Ratios</i>					
Inventory turnover	10,17	9,55	9,03	10,19	16,00
Receivables turnover	14,22	11,15	13,63	19,59	21,26
Payables turnover	9,16	7,48	7,65	9,16	10,55
Working capital turnover	—	—	—	—	—
<i>Average No. Days</i>					
Average inventory processing period	36	38	40	36	23
Add: Average receivable collection period	26	33	27	19	17
Operating cycle	62	71	67	55	40
Less: Average payables payment period	40	49	48	40	35
Cash conversion cycle	22	22	19	15	5

Source: Stock analysis on

Table 21. Short-term Activity ratios



Source: Own table

4.3.8.1 The inventory turnover

ratio is an efficiency ratio that demonstrates how the inventory is handled efficiently by comparing the cost of goods sold with average inventory over a period. It determines how many times average inventory during a period is "turned" or sold. In other words, it calculates how many times during the year an organization sells the total average inventory dollar amount. This ratio is important since total turnover is dependent on two main performance components. The first component is the buying of stocks. If larger quantities of inventory are purchased during the year, the company will have to sell larger quantities of inventory to enhance its turnover. If the company is unable to sell these higher inventory numbers, otherwise storage costs and other retention expenses will be incurred. ExxonMobil had straightened their positions in inventory turnover since 2016 to 2018. In last period from 2017 to 2018 the indicator increased by 0.6%.

4.3.8.2 Accounts receivable turnover

purpose is to determine how many an organization will turn the receivable accounts into cash. This indicator basically measures the number of days between the credit sale was made and the day buyer received the money. ExxonMobil's receivable turnover had decreased in the period of 2016-2017 then improved in the period of 2017-2018 by 3.1%.

4.3.8.3 Accounts payable turnover

is yet another calculation that can be used to analyze a firm's activity. Like receivables turnover accounts, this ratio calculates the number of times a company pays its debt to the creditors per year.

ExxonMobil had a decrease in the period of 2016-2017 and straightened their positions in 2017-2018 period by almost 2% hence, exceeding the estimation from 2016.

4.3.9 Inventory Turnover

Table 22. Inventory Turnover

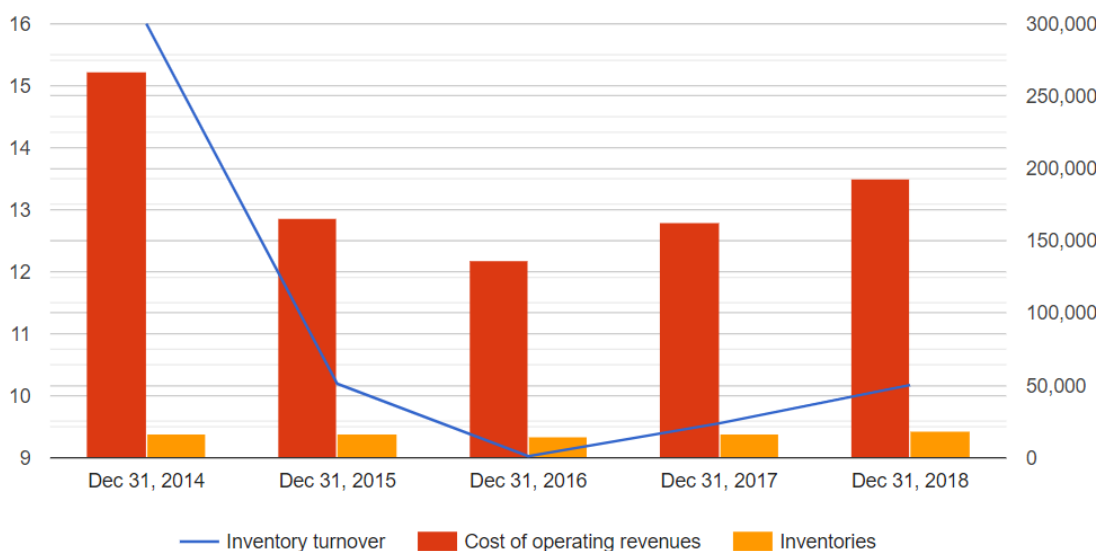
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Cost of operating revenues	192 854	162 345	136 098	165 590	266 831
Inventories	18 958	16 992	15 080	16 245	16 678
<i>Short-term Activity Ratio</i>					
Inventory turnover	10,17	9,55	9,03	10,19	16,00
<i>Benchmarks</i>					
<i>Inventory Turnover, Competitors</i>					
Chevron Corp.	20,18	17,05	14,69	14,65	22,28
ConocoPhillips	19,37	16,65	15,38	17,30	23,30
EOG Resources Inc.	2,87	4,00	5,18	3,64	3,59
Phillips 66	29,02	24,77	21,19	22,34	41,27

Source: Stock analysis on

Inventory turnover (2018) = Cost of operating revenues / Inventories

$$= 192,854 / 18,958 = \mathbf{10.17\%}$$

Figure 24. Inventory Turnover



Source: Own figure

4.3.10 Receivables Turnover

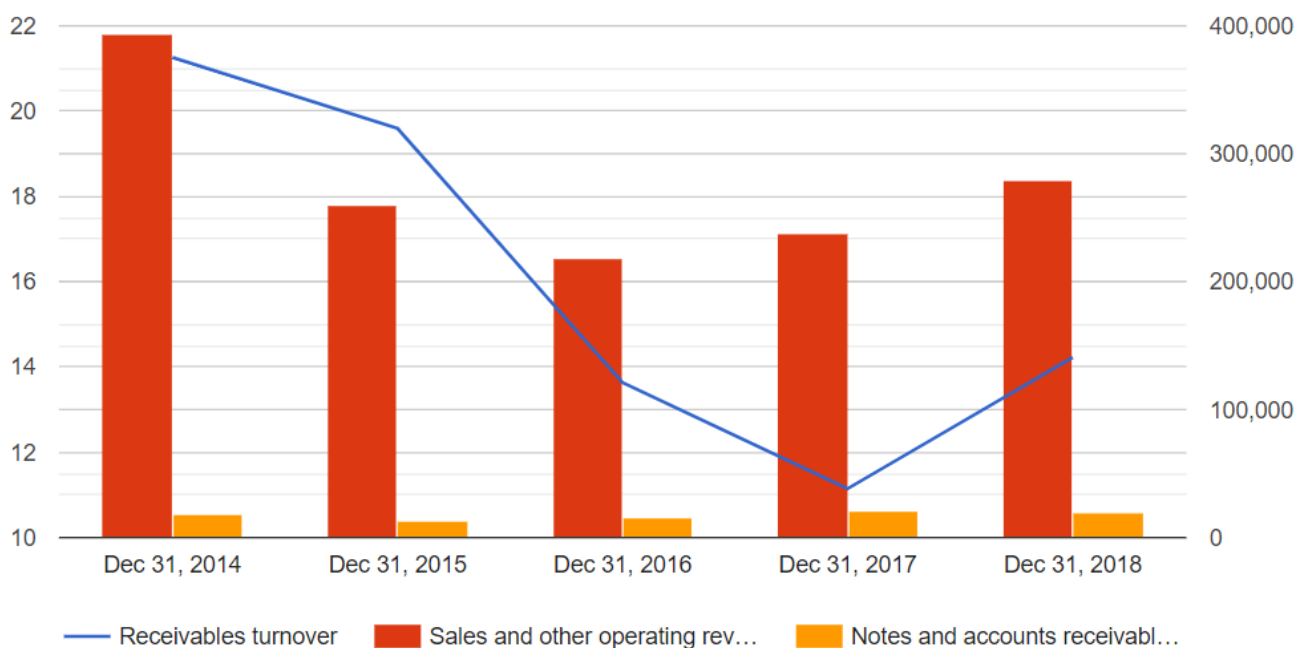
Table 23. Receivables Turnover

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Sales and other operating revenue	279 332	237 162	218 608	259 488	394 105
Notes and accounts receivable, trade, less reserves	19 638	21 274	16 033	13 243	18 541
<i>Short-term Activity Ratio</i>					
Receivables turnover	14,22	11,15	13,63	19,59	21,26
<i>Benchmarks</i>					
<i>Receivables Turnover, Competitors</i>					
Chevron Corp.	10,56	8,77	7,82	10,10	11,98
ConocoPhillips	9,29	6,96	7,29	6,85	7,87
EOG Resources Inc.	9,02	7,02	6,29	9,41	10,14
Phillips 66	20,59	15,93	15,37	22,44	25,56

Source: Stock analysis on

Receivables turnover (2018) = Sales and other operating revenue / Notes and accounts receivable, trade, less reserves
 = 279,332 / 19,638 = **14.22%**

Figure 25. Receivables Turnover



Source: Own figure

4.3.11 Payables Turnover

Table 24. Payables Turnover

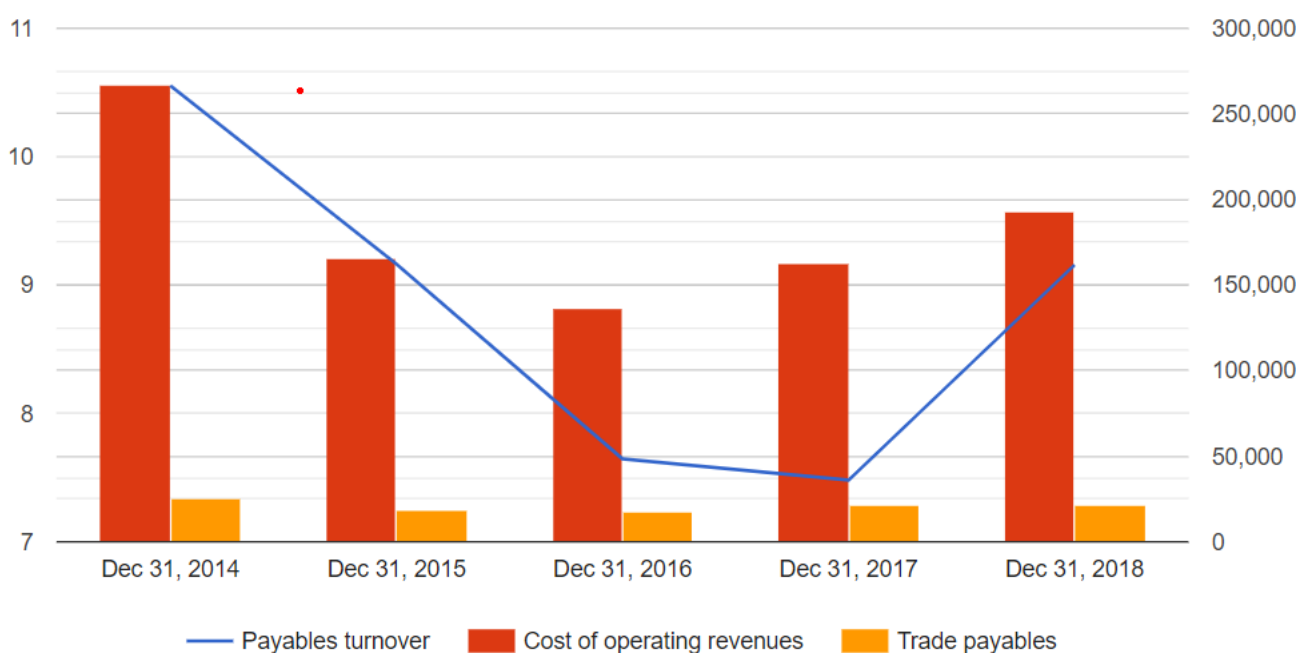
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Cost of operating revenues	192 854	162 345	136 098	165 590	266 831
Trade payables	21 063	21 701	17 801	18 074	25 286
<i>Short-term Activity Ratio</i>					
Payables turnover	9,16	7,48	7,65	9,16	10,55
<i>Benchmarks</i>					
<i>Payables Turnover, Competitors</i>					
Chevron Corp.	8,25	6,54	5,69	6,86	7,63
ConocoPhillips	5,05	4,40	4,31	3,97	3,88
EOG Resources Inc.	1,10	1,05	1,20	1,48	0,89
Phillips 66	16,82	11,61	10,44	15,07	18,72

Source: Stock analysis on

Payables turnover (2018) = Cost of operating revenues / Trade payables

$$= 192,854 / 21,063 = 9.16\%$$

Figure 26. Payables Turnover



Source: Own figure

4.3.12 Long-term Activity ratios

Table 25. Long-term Activity ratios

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Net fixed asset turnover	1,13	0,94	0,90	1,03	1,56
Total asset turnover	0,81	0,68	0,66	0,77	1,13
Equity turnover	1,46	1,26	1,31	1,52	2,26

Source: Stock analysis on

4.3.12.1 Net Fixed Asset Turnover

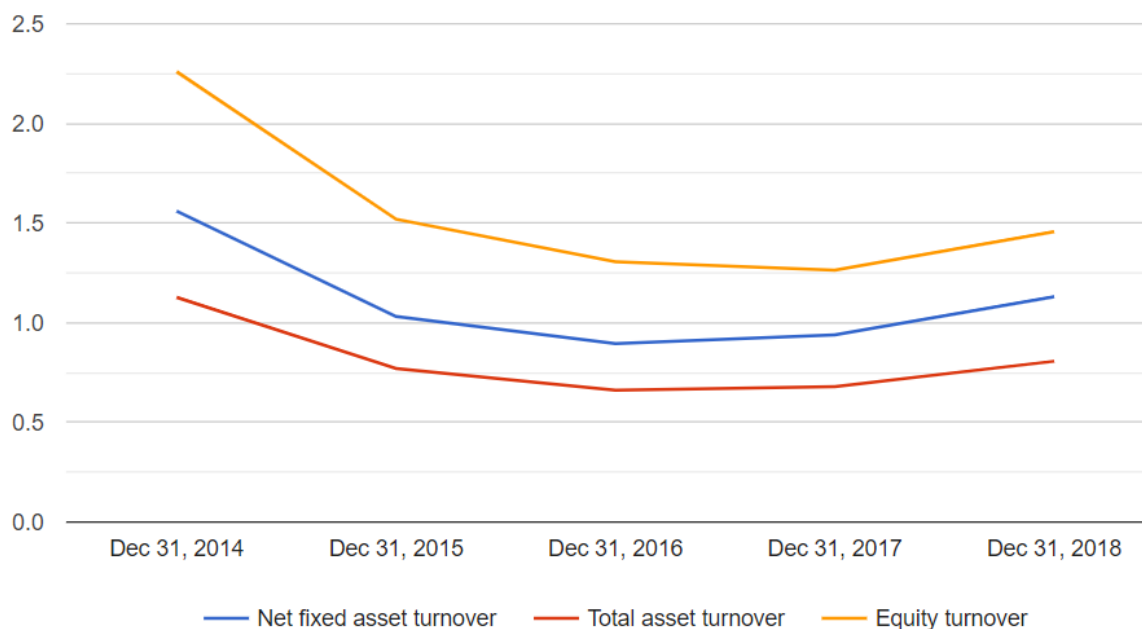
is a productivity ratio that indicates how well the company uses fixed assets to generate sales. This ratio divides net sales, over an annual period, by net fixed assets. The net fixed assets include the amount, less the accumulated depreciation, of land, plant, and equipment. A higher fixed asset ratio generally implies a more efficient use of investments in fixed assets to generate revenue. Often this ratio is evaluated alongside the ratios of leverage and profitability. ExxonMobil improved their positions and gained 0.2% in the period of 2017-2018.

4.3.12.2 Total asset turnover

ratio compares a firm's revenue to its asset base. The ratio tests an organization's ability to produce revenue effectively and is usually used by third parties to determine a business' operations. Ideally, a company with a high total asset turnover ratio is capable of operating with less assets than a less productive rival, thereby having less debt and equity. The company had improve from 2016 and in the last period gained 0.2%.

Equity turnover is a ratio which calculates the proportion of the revenues of a business to the equity of its shareholders. The measurement's purpose is to evaluate the efficacy with which management uses equity to generate revenue. ExxonMobil faced a decrease in 2016-2017 and straightened in the period of 2017-2018 by 0.2%

Figure 27. Long-term Activity ratios



Source: Own figure

4.3.12.3 Net Fixed Asset Turnover

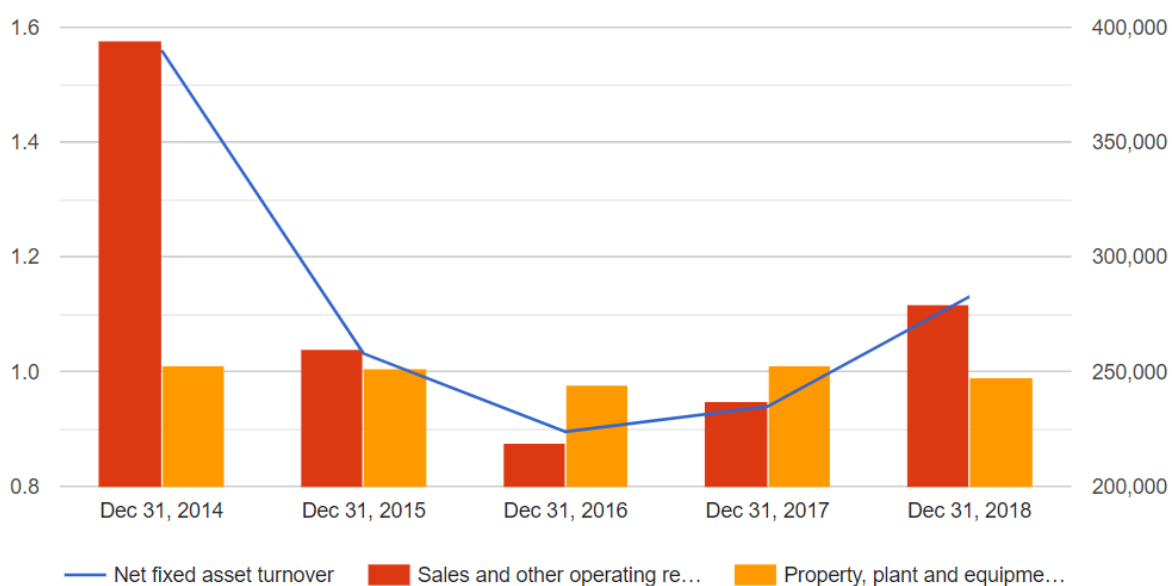
Table 26. Net Fixed Turnover

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Sales and other operating revenue	279 332	237 162	218 608	259 488	394 105
Property, plant and equipment, at cost, less accumulated depreciation and depletion	247 101	252 630	244 224	251 605	252 668
<i>Long-term Activity Ratio</i>					
Net fixed asset turnover	1,13	0,94	0,90	1,03	1,56
<i>Benchmarks</i>					
<i>Net Fixed Asset Turnover, Competitors</i>					
Chevron Corp.	0,94	0,76	0,60	0,69	1,09
ConocoPhillips	0,80	0,64	0,41	0,44	0,70
EOG Resources Inc.	0,62	0,44	0,30	0,36	0,62
Phillips 66	5,06	4,77	4,04	5,02	9,29

Source: Stock analysis on

Net fixed asset turnover (2018) = Sales and other operating revenue / Property, plant and equipment, at cost, less accumulated depreciation and depletion
 = 279,332 / 247,101 = **1.13%**

Figure 28. Net Fixed Turnover



Source: Own figure

4.3.12.4 Total Asset Turnover

Table 27. Total Asset Turnover

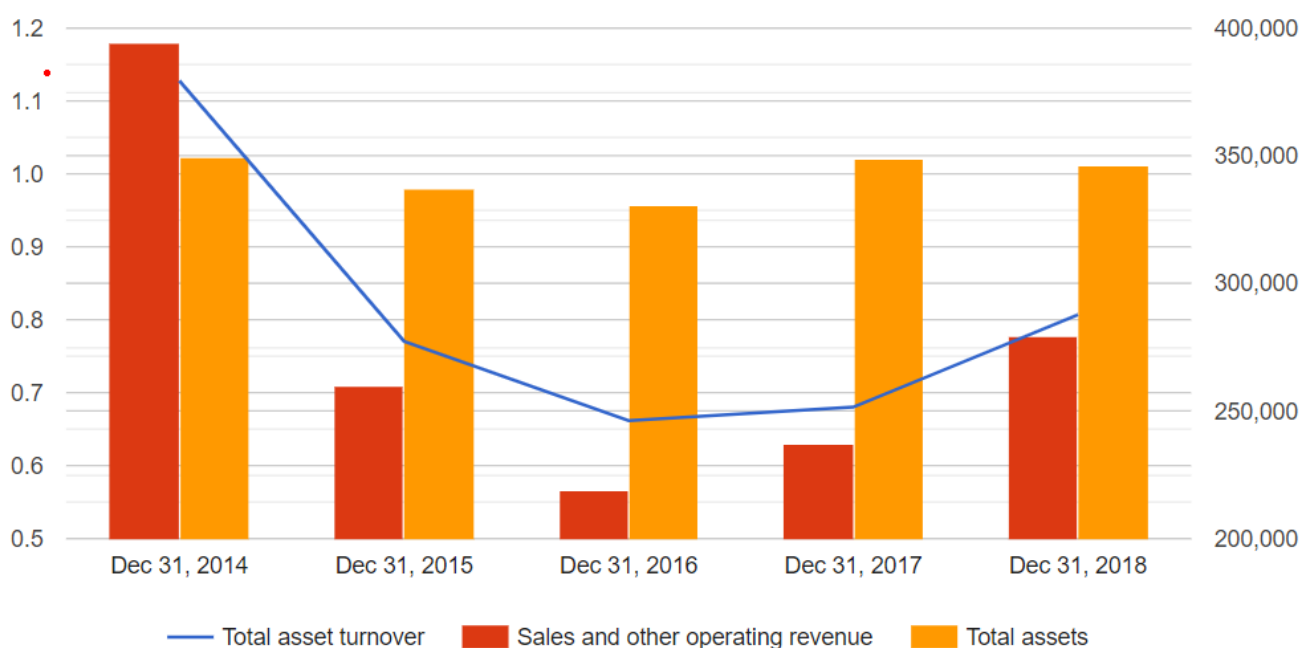
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Sales and other operating revenue	279 332	237 162	218 608	259 488	394 105
Total assets	346 196	348 691	330 314	336 758	349 493
<i>Long-term Activity Ratio</i>					
Total asset turnover	0,81	0,68	0,66	0,77	1,13
<i>Benchmarks</i>					
<i>Total Asset Turnover, Competitors</i>					
Chevron Corp.	0,63	0,53	0,42	0,49	0,75
ConocoPhillips	0,52	0,40	0,26	0,30	0,45
EOG Resources Inc.	0,51	0,38	0,26	0,32	0,52
Phillips 66	2,05	1,88	1,63	2,04	3,31

Source: Stock analysis on

Total asset turnover (2018) = Sales and other operating revenue / Total assets

$$= 279,332 / 346,196 = \mathbf{0.81\%}$$

Figure 29. Total Asset Turnover



Source: Own figure

4.3.12.5 Equity Turnover

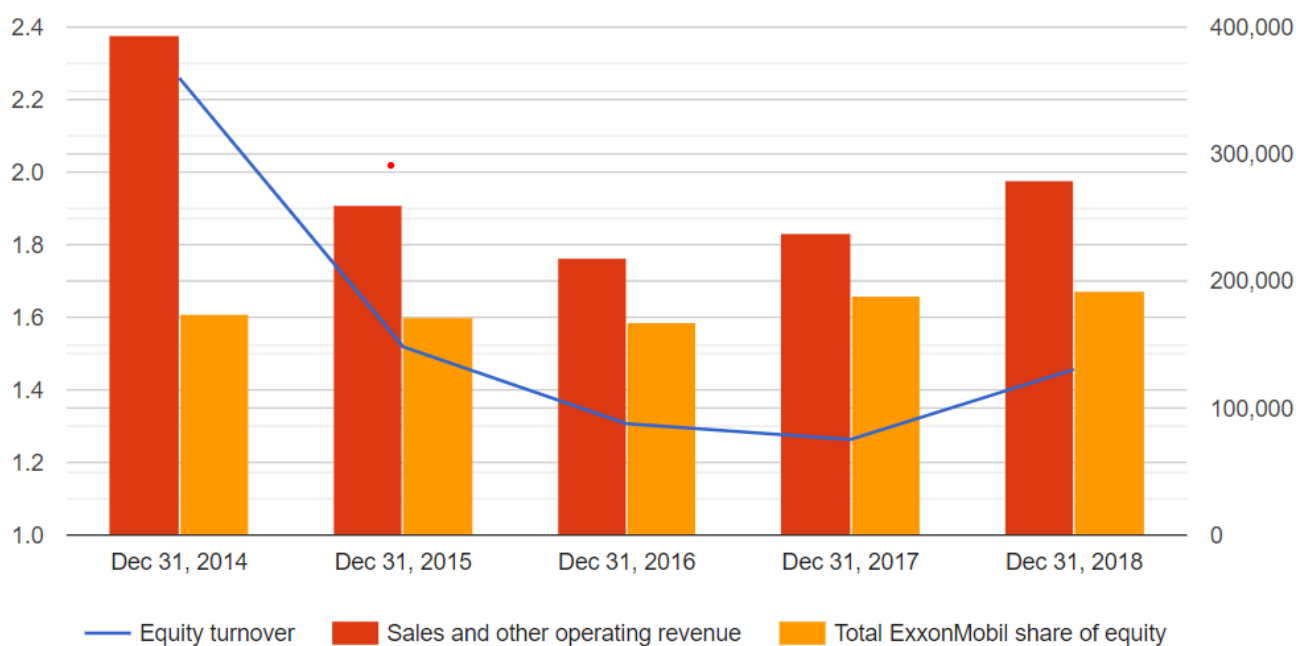
Table 28. Equity Turnover

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Sales and other operating revenue	279 332	237 162	218 608	259 488	394 105
Total ExxonMobil share of equity	191 794	187 688	167 325	170 811	174 399
<i>Long-term Activity Ratio</i>					
Equity turnover	1,46	1,26	1,31	1,52	2,26
<i>Benchmarks</i>					
<i>Equity Turnover, Competitors</i>					
Chevron Corp.	1,03	0,91	0,76	0,85	1,29
ConocoPhillips	1,14	0,95	0,68	0,74	1,01
EOG Resources Inc.	0,89	0,69	0,55	0,68	1,02
Phillips 66	4,52	4,08	3,76	4,28	7,47

Source: Stock analysis on

Equity turnover (2018) = Sales and other operating revenue / Total ExxonMobil share of equity
 = 279,332 / 191,794 = **1.46%**

Figure 30. Equity Turnover



Source: Own figure

4.3.13 Cash flow statement

Table 29. Consolidated Cash Flow Statement of ExxonMobil

US\$ in millions

	12 months ended	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Net income including noncontrolling		21 421	19 848	8 375	16 551	33 615
Depreciation and depletion		18 745	19 893	22 308	18 048	17 297
Deferred income tax charges (credits)		(60)	(8 577)	(4 386)	(1 832)	1 540
Postretirement benefits expense in excess of (less than) net payments		1 070	1 135	(329)	2 153	524
Other long-term obligation provisions in excess of (less than) payments		(68)	(610)	(19)	(380)	1 404
Adjustments for noncash		19 687	11 841	17 574	17 989	20 765
Dividends received greater than (less than) equity in current earnings of equity		(1 684)	131	(579)	(691)	(358)
(Increase) reduction, notes and		(545)	(3 954)	(2 090)	4 692	3 118
(Increase) reduction, inventories		(3 107)	(1 682)	(388)	(379)	(1 343)
(Increase) reduction, other current		(25)	(117)	171	45	(68)
Increase (reduction), accounts and other		2 321	5 104	915	(7 471)	(6 639)
Changes in operational working		(1 356)	(649)	(1 392)	(3 113)	(4 932)
Net gain on asset sales		(1 993)	(334)	(1 682)	(226)	(3 151)
All other items, net		(61)	(771)	(214)	(166)	(823)
Net cash provided by operating		36 014	30 066	22 082	30 344	45 116
Additions to property, plant and		(19 574)	(15 402)	(16 163)	(26 490)	(32 952)
Proceeds associated with sales of subsidiaries, property, plant and		4 123	3 103	4 275	2 389	4 035
(Increase) decrease in restricted cash and		—	—	—	42	227
Additional investments and advances		(1 981)	(5 507)	(1 417)	(607)	(1 631)
Other investing activities including		986	2 076	902	842	3 346
Net cash used in investing activities		(16 446)	(15 730)	(12 403)	(23 824)	(26 975)
Additions to long-term debt		46	60	12 066	8 028	5 731
Reductions in long-term debt		—	—	—	(26)	(69)
Additions to short-term debt		—	1 735	—	—	—
Reductions in short-term debt		(4 752)	(5 024)	(314)	(506)	(745)
Additions/(reductions) in commercial paper, and debt with three months or less		(219)	2 181	(7 459)	1 759	2 049
Cash dividends to ExxonMobil		(13 798)	(13 001)	(12 453)	(12 090)	(11 568)
Cash dividends to noncontrolling interests		(243)	(184)	(162)	(170)	(248)

Changes in noncontrolling interests	146	(150)	—	—	—
Tax benefits related to stock-based	—	—	—	2	115
Common stock acquired	(626)	(747)	(977)	(4 039)	(13 183)
Common stock sold	—	—	6	5	30
Net cash used in financing activities	(19 446)	(15 130)	(9 293)	(7 037)	(17 888)
Effects of exchange rate changes on cash	(257)	314	(434)	(394)	(281)
Increase (decrease) in cash and cash equivalents	(135)	(480)	(48)	(911)	(28)
Cash and cash equivalents at beginning of year	3 177	3 657	3 705	4 616	4 644
Cash and cash equivalents at end of year	3 042	3 177	3 657	3 705	4 616

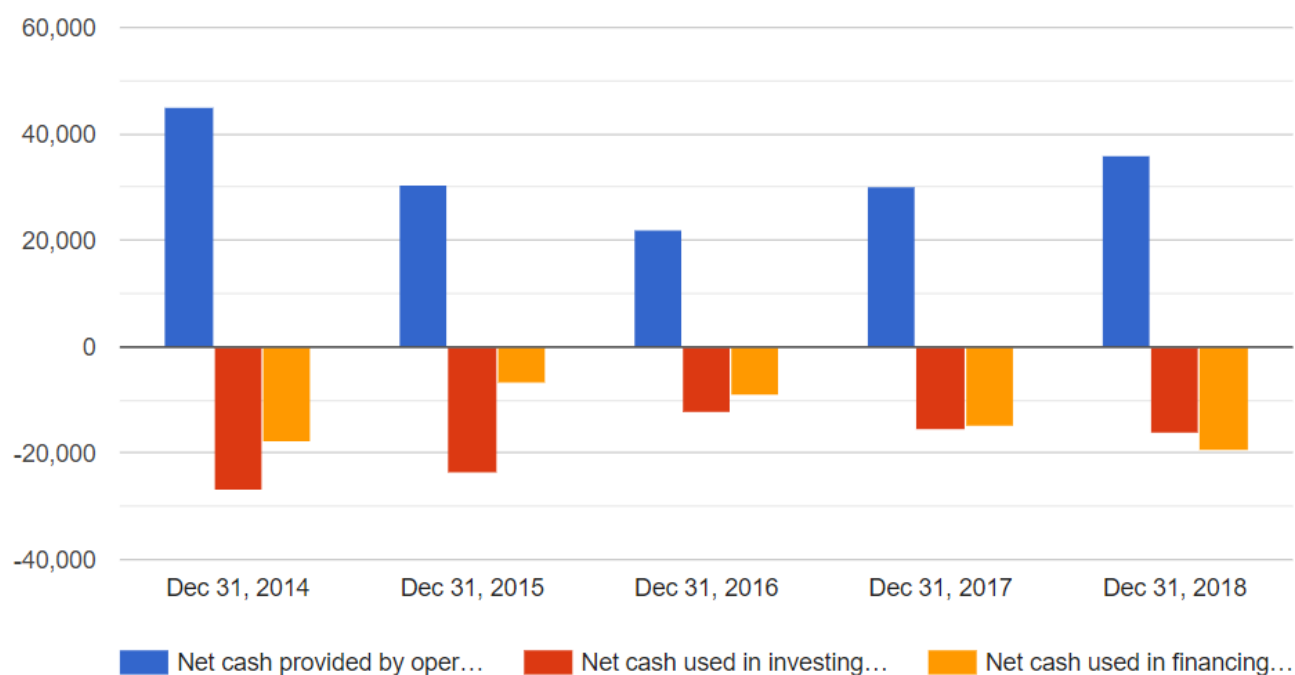
Source: Annual report of ExxonMobil, 2018

Net cash provided by operating activities is the amount of cash inflow and outflow from operating activities, minus operating discontinued. Cash flows for operating activities include transactions, adjustments and value changes that are not defined as investing or financing. ExxonMobil's activities keep increasing from 2016 and was estimated as increasing in 2018.

Net cash used in investing activities is the amount of cash inflow and outflow, except discontinued operations. Cash flows from investment operation include making and receiving loans and purchasing and disposing of debt or instruments and land, plant and equipment and other productive assets. The company's indicator keep decreasing from 2016 and in 2018 was stated as still decreasing.

Net cash used in financing activities is the amount of cash inflow (outflow) from financing activities, except operations suspended. Financing operation cash flows involve acquiring capital from investors and providing them with a return on and return on their investment; borrowing money and repaying borrowed sums or settling the bond; and receiving and paying on long-term credit for other resources acquired from creditors.

Figure 31. Consolidated Cash Flow Statement of ExxonMobil



Source: Own figure

4.3.13.1 Economic Value Added

EVA is net operating profit after tax (or NOPAT) minus a capital charge, the latter being the sum of the capital cost and economic capital.

NOPAT is net operating profit after tax, with changes and adaptations, usually for goodwill amortization brand advertisement capitalisation, and other non-cash items.

Table 30. Economic profit

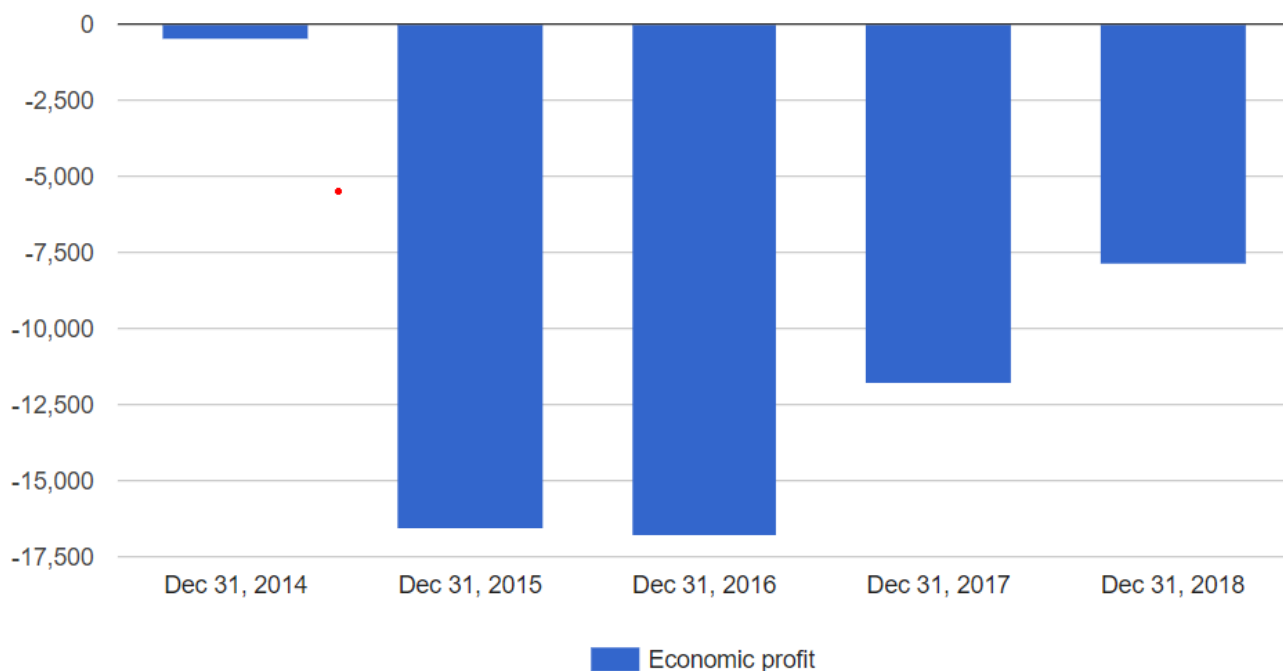
J\$ in millions						
	12 months ended	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Net operating profit after taxes (NOPAT)		19 434	14 697	8 806	9 117	25 753
Cost of capital		9,35%	9,10%	9,14%	9,19%	9,42%
Invested capital		292 742	291 163	280 387	279 976	278 684
Economic profit		(7 926)	(11 808)	(16 825)	(16 599)	(490)

Source: Stock analysis on

Capital is the amount of cash invested, net of depreciation, into the company. It can be calculated as the sum of interest on debt and equity, or as the sum of net assets less non interest on current liabilities (NIBCLs). Given the amount of economic capital spent, the capital charge is the cash flow required to compensate creditors for the business' riskiness.

Capital cost is the minimum rate of return on capital required to offset investors (debt and equity) for bearing risk, their cost of opportunity.

Figure 32. Economic profit



Source: Own figure

Economic profit = NOPAT – Cost of capital / Invested capital

$$= 19,434 / 9.35\% * 292,742 = - 7,926$$

ExxonMobil's increased their Economic Value Added indicators from 2016-2017 and another increase in the period of 2017-2018.

4.3.13.2 NOPAT

Table 31. NOPAT statement

US\$ in millions

12 months ended	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Net income attributable to ExxonMobil	20 840	19 710	7 840	16 150	32 520
Deferred income tax expense (benefit)	(96)	(8 321)	(4 223)	(1 737)	2 298
Increase (decrease) in reserves for notes and accounts receivable	(211)	(91)	591	(50)	21
Increase (decrease) in LIFO reserve	(2 600)	2 700	3 600	(6 100)	(10 600)
Increase (decrease) in equity equivalents	(2 907)	(5 712)	(32)	(7 887)	(8 281)
Interest expense	766	601	453	311	286
Interest expense, operating lease liability	398	262	259	344	354
Adjusted interest expense	1 164	863	712	655	640
Tax benefit of interest expense	(244)	(302)	(249)	(229)	(224)
Adjusted interest expense, after taxes	920	561	463	426	416
(Gain) loss on marketable securities	—	—	—	42	5
Investment income, before taxes	—	—	—	42	5
Tax expense (benefit) of investment income	—	—	—	(15)	(2)
Investment income, after taxes	—	—	—	27	3
Net income (loss) attributable to noncontrolling interest	581	138	535	401	1 095
Net operating profit after taxes (NOPAT)	19 434	14 697	8 806	9 117	25 753

Source: Stock analysis on

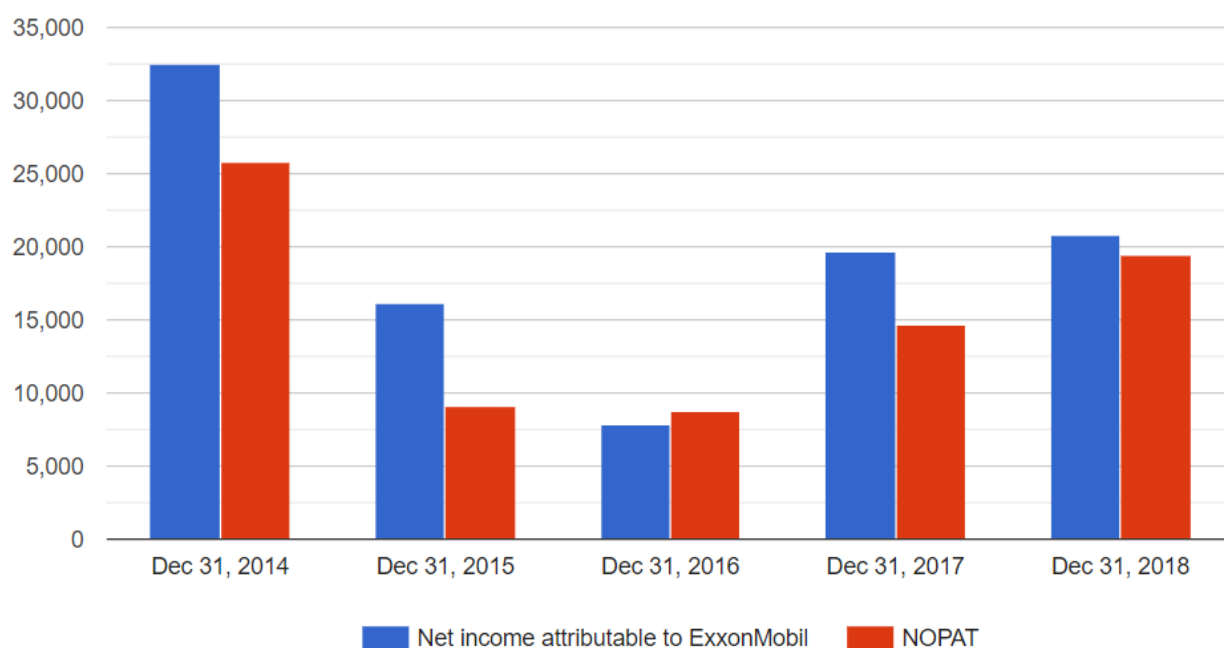
Interest expense on capitalized operating leases = Operating lease liability / Discount rate

$$= 4,219 / 9.44\% = 398$$

Tax benefit of interest expense = Adjusted interest expense * Statutory income tax rate
= 1,164 * 21.00% = **244**

Tax expense (benefit) of investment income = Investment income, before tax * Statutory income tax rate
= 0 * 21.00% = **0**

Figure 33. NOPAT statement



Source: Own figure

NOPAT – is an income from operations, but after elimination of cash-based taxes that are applicable to operating income. ExxonMobil increased its NOPAT in the period of 2016-2017 and another increase in 2017-2018.

4.3.13.3 Cash Operating Taxes

Table 32. Cash Operation Taxes

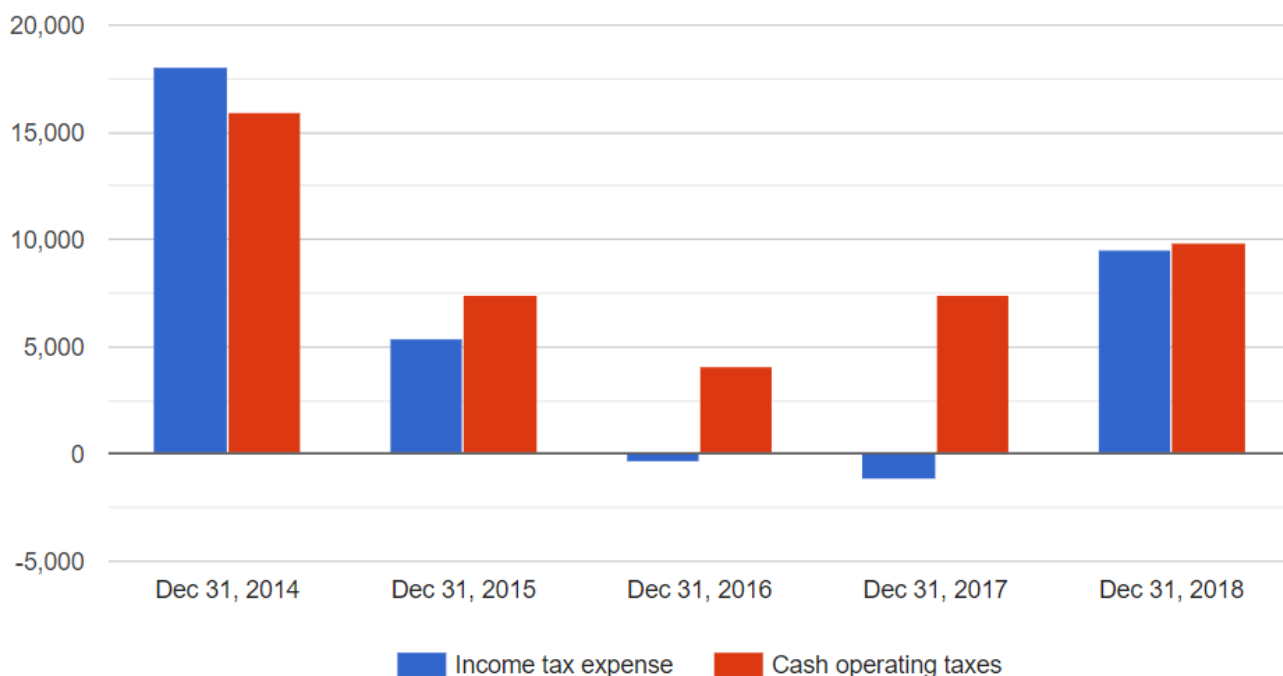
J\$ in millions

	12 months ended	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Income tax expense		9 532	(1 174)	(406)	5 415	18 015
Less: Deferred income tax expense (benefit)		(96)	(8 321)	(4 223)	(1 737)	2 298
Add: Tax savings from interest expense		244	302	249	229	224
Less: Tax imposed on investment income		—	—	—	(15)	(2)
Cash operating taxes		9 872	7 449	4 066	7 396	15 943

Source: Stock analysis on

Cash operating taxes are estimated by adjusting the revenue tax expenditure for changes in deferred taxes and the interest deduction benefit. Cash operating taxes of ExxonMobil has increased in 2016-2017 and the same in 2017-2018.

Figure 34. Cash Operation Taxes



Source: Own figure

4.3.13.4 Invested Capital

Table 33. Invested Capital

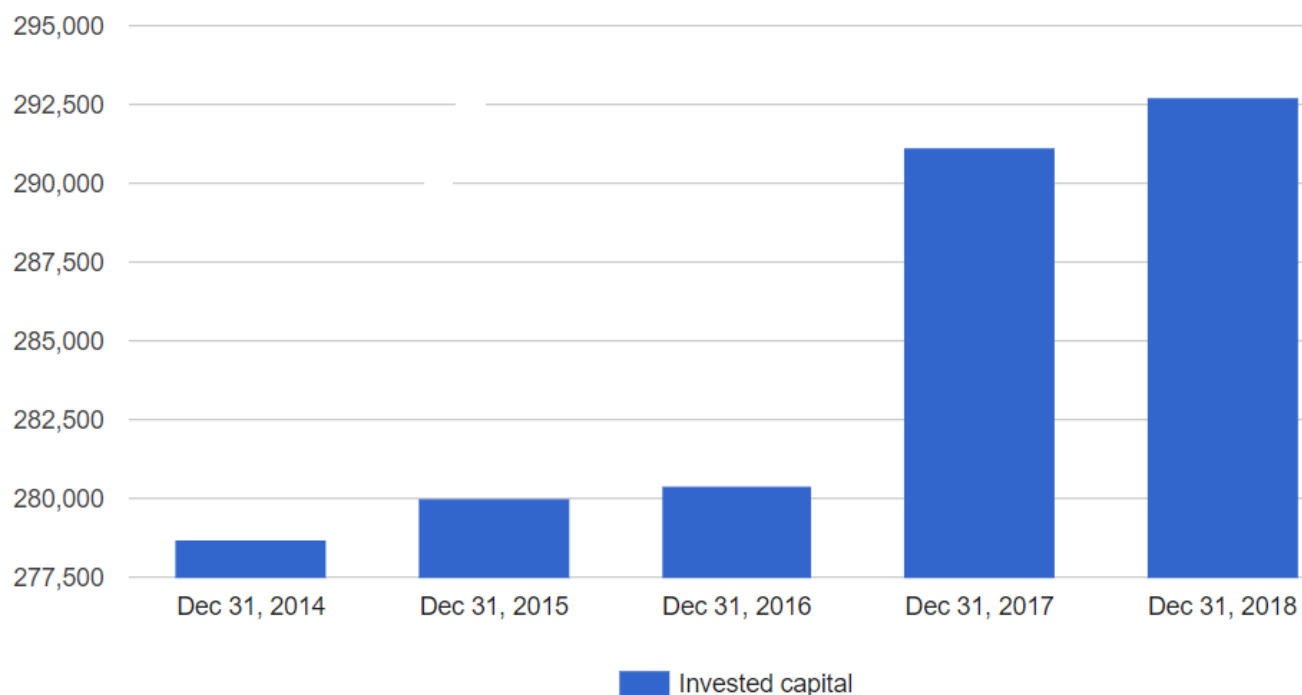
US\$ in millions

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Notes and loans payable	17 258	17 930	13 830	18 762	17 468
Long-term debt, excluding due within one year	20 538	24 406	28 932	19 925	11 653
Operating lease liability	4 219	3 079	2 833	3 743	5 056
Total reported debt & leases	42 015	45 415	45 595	42 430	34 177
Total ExxonMobil share of equity	191 794	187 688	167 325	170 811	174 399
Net deferred tax (assets) liabilities	24 035	23 575	29 921	32 614	33 725
Reserves for notes and accounts receivable	400	611	702	111	161
LIFO reserve	8 200	10 800	8 100	4 500	10 600
Equity equivalents	32 635	34 986	38 723	37 225	44 486
Accumulated other comprehensive (income) loss, net of tax	19 564	16 262	22 239	23 511	18 957
Noncontrolling interests	6 734	6 812	6 505	5 999	6 665
Adjusted total ExxonMobil share of equity	250 727	245 748	234 792	237 546	244 507
Invested capital	292 742	291 163	280 387	279 976	278 684

Source: Stock analysis on

Capital is an approximation of the economic book value of all cash invested in going concern business activities. ExxonMobil's invested capital has increased from 2016 to 2018.

Figure 35. Invested Capital



Source: Own figure

4.3.13.5 Economic Spread Ratio

Table 34. Economic Spread Ratio

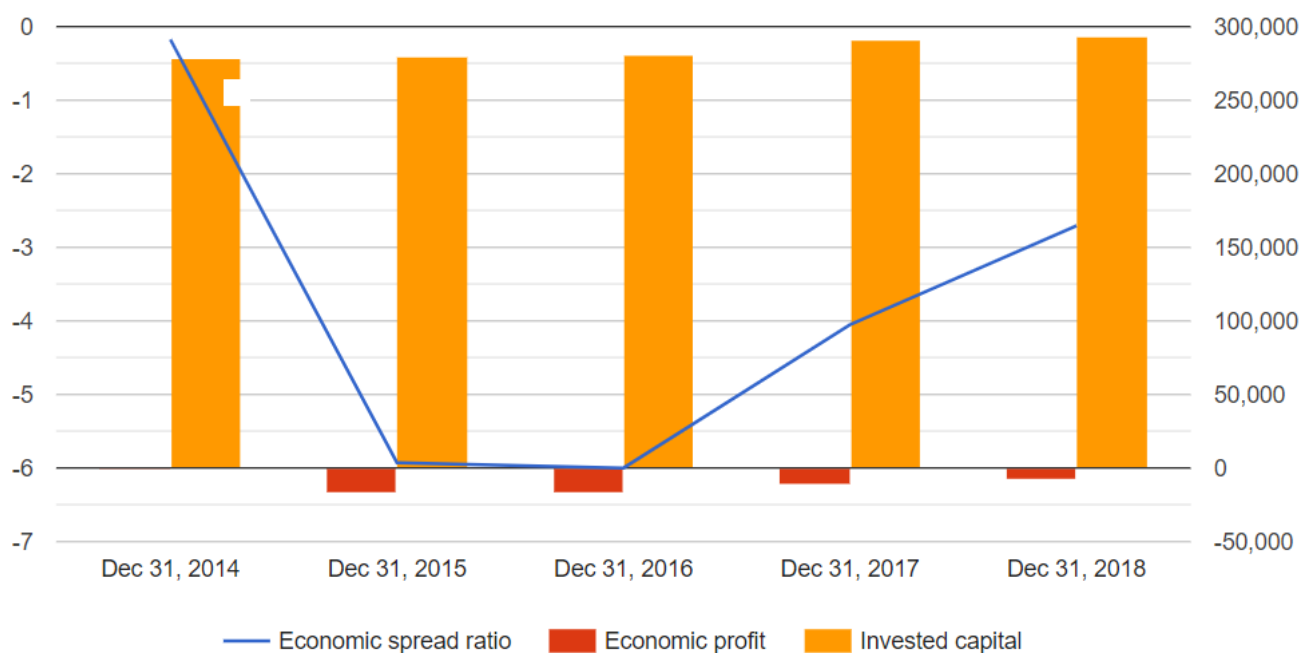
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Economic profit	(7 926)	(11 808)	(16 825)	(16 599)	(490)
Invested capital	292 742	291 163	280 387	279 976	278 684
<i>Performance Ratio</i>					
Economic spread ratio	-2,71%	-4,06%	-6,00%	-5,93%	-0,18%

Source: Stock analysis on

Economic spread ratio = 100 * Economic profit / Invested capital

$$= 100 * -7,926 / 292,742 = - 2.71\%$$

Figure 36. Economic Spread Ratio



Source: Own figure

The ratio of economic profit to capital invested, also equal to the difference between return on capital invested (ROIC) and capital costs. ExxonMobil had improves in the period of 2016-2017 and the same in the period of 2017-2018

4.3.13.6 Economic Profit Margin

Table 35. Economic Profit Margin

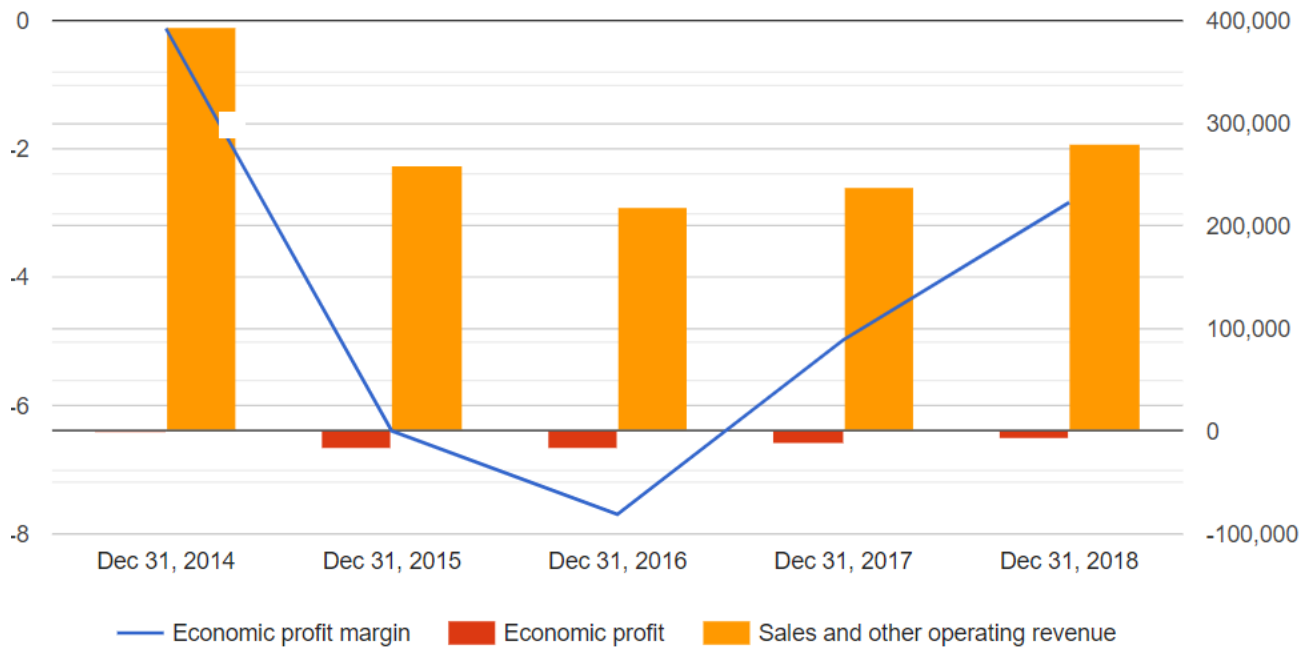
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<i>Selected Financial Data (US\$ in millions)</i>					
Economic profit	(7 926)	(11 808)	(16 825)	(16 599)	(490)
Sales and other operating revenue	279 332	237 162	218 608	259 488	394 105
<i>Performance Ratio</i>					
Economic profit margin	-2,84%	-4,98%	-7,70%	-6,40%	-0,12%

Source: Stock analysis on

$$\text{Economic profit margin} = 100 * \text{Economic profit} / \text{Sales and other operating revenue}$$

$$= 100 * - 7,926 / 279,332 = - 2.84\%$$

Figure 37. Own figure according to obtained data



Source: Own figure

Economic profit margin – it is the profit margin for the company which covers sales efficiency and assets management. The economic profit margin is not biased in favor of capital-intensive business models, since any added is a cost to the profit margin. ExxonMobil had improved in this area and raised their indicators since 2016 to 2018.

4.3.14 SWOT of ExxonMobil

4.3.14.1 Strength

- Over over a hundred years, ExxonMobil has had a strong brand image as a leader in its business building prestige, a sense of security and trust among its client base.
- The company has diversified its portfolio, entering new segments of the energy industry while further developing its portfolio of other strong brand names. The policy of diversification has served the company well.
- ExxonMobil has created and managed an effective corporate social responsibility program and crisis management framework that has helped reduce its previous reputation for oil spills and other safety hazards and improved the way it communicates about its actions, decisions and mistakes.
- The company is now known for its creative approaches and product growth, as it has a large R&D department focused on meeting business needs and expectations of stakeholders.
- It is a global leader in its industry with a large worldwide presence including many emerging markets such as the Middle East, Asia, and China where it partners with these countries to

further build their infrastructure, meet their energy needs, and help their local economies expand through education, job creation, and local philanthropic efforts.

Figure 38. SWOT analysis of ExxonMobil



Source - ExxonMobil Annual report, 2018

4.3.14.2 Weakness

- ExxonMobil appears to be seen as not doing enough for the climate. Stakeholders continue to accuse the company of pollution and overuse of natural resources, as well as carbon emissions that are still too high to meet the targets of climate change.
- The continuing profitability of the company in the wake of rising oil prices has positioned it as a greedy corporate giant in the minds of some stakeholders, including petrol customers. The fact that the company is still getting rich and making such a big profit does not bode well with its customer base.
- Environmental interest groups still do not believe that ExxonMobil communicates with them and that its policies are transparent enough to be a greener company
- To the extent that it could and continues to rely on oil as its main business segment, the company has not developed alternative energy products, which is not a sustainable strategy.

4.3.14.3 Opportunity

- In many developing economies, including those in the Middle East, Asia, South Asia and South East Asia there is an important opportunity to meet rising energy demands.

- If the company can develop the solutions faster than the competition can, there is an opportunities to gain a leadership position in alternative energy markets, helping to add brand equity to ExxonMobil name.
- The organization has a great opportunity to improve its reputation by making more effort in all the countries where it is doing business with more community involvement and other programs in social responsibility.
- ExxonMobil has other brands which can build further strategies to further diversify its portfolio in terms of brand extension products, thus reducing its dependence on oil and fossil fuels.

4.3.14.4 Threats

- Economic recessions have slowed energy demand even in the developing countries of China and India, while these countries now also need to look at alternative sources of energy due to pressure from environmental groups and global organizations demanding lower carbon emissions. It puts pressure on the competitiveness of the company and eventually increases the cost structure in terms of having to invest more on finding alternative sources of energy at a faster rate.
- Energy industry competitors are developing alternative sources of energy and offering more to reach stakeholder expectations than ExxonMobil, which also puts pressure on the company to change its strategy or fail to sustain its current profitability.
- More stakeholder groups are demanding accountability on the part of energy companies such as ExxonMobil, so they have to become more transparent in terms of their operations and their level of social responsibility, showing how they put this before profitability.

5 Conclusion

ExxonMobil Corporation is among the world's most diverse sources of gas. From 2014, this company's overall development was in good shape until 2018. Following the financial crisis, the company's net profit and sales increased quickly, which can be a proof for ExxonMobil had the ability to cope with the crisis and made a strong plan for successfully surviving from the crisis.

In common-size analysis it was shown that it revealed that ExxonMobil Corporation's growths in Total assets, common Equity and earnings was above industry average during the period chosen. What's more, having reviewed the company's Cash Flow statement showed that ExxonMobil's net cash flow was above the market average in operating activities, resulting in capital performance.

The chapter based on the study of the financial ratio was broken down into four parts. The first element in the element of the liquidity ratio where the company had a healthy capacity to repay its bills during these 5 years. Unfortunately, in this time the short-term debt-service capacity of the ExxonMobil has become poorer. The second aspect is activity ratio, which tells us that the income was very small in 2014 and that inventory turnover is the most important in activity ratios. The third part is the leverage ratio; due to the financial crisis the debt to asset ratio was not good in the first 2 years in this period. The last is profitability ratio in general, the gross margin in this period is lower than several percentage points, even though it has been stable in these years, it can also demonstrate that in this time the company had not have adequate profitability.

Economic Value-added part is useful as success predictor. The measure shows how and where a firm generated money, by including things from the balance sheet. This forces managers to be cautious when making tactical decision about assets and expenditures. Nevertheless, the economic value-added measure relies heavily on the amount of capital invested and is better used for stable or mature asset-rich firms. Firms with intangible assets, such as technology companies, may not be good candidates for an economic value-added assessment.

The general outcome of the research has shown that ExxonMobil is above medium financial level. The only thing which needs to be mentioned is the alternative energy as renewable, so the company can exist even in period of extremely oil drop periods and still have revenue.

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