HILLIARD LYONS

Energy
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INITIATING COVERAGE

Key Metrics

XOM - NYSE - as of	6/6/17		$81.21
Price Target			$90.00
52-Week Range		$79.26 -	$95.55
Shares Outstanding (mm)			4146.5
Market Cap. ($mm)			$336,738.4
1-Mo. Average Daily Volume			10,671,010
Institutional Ownership			52.3%
Net Debt/Total Capital	Q1'17		17.0%
ROE	FY'15		4.5%
Book Value / Share	Q1'17		$43.37
Price / Book Value			1.9x
Dividend & Yield		$3.08	3.8%
LTM EBITDA Margin			14.4%

Earnings / Share FY 12/31

	2016A	Prior 2017E	Current 2017E*		Prior 2018E	Current 2018E
1Q	$0.44		$0.95	A	--	--
2Q	$0.41	--	$0.90		--	--
3Q	$0.63	--	$1.00		--	--
4Q	$0.40	--	$0.95		--	--
Year	$1.88	--	$3.79		--	$4.45
P/E	43.2x		21.4x			18.2x

* - EPS differential reflects impact of share count change

Revenue ($Bil)

	2016A	Prior 2017E	Current 2017E		Prior 2018E	Current 2018E
1Q	$48.7		$63.3	A	--	--
2Q	$57.7	--	$65.3		--	--
3Q	$58.7	--	$68.0		--	--
4Q	$61.0	--	$70.5		--	--
Year	$226.1	--	$267.0		--	$297.9

Company Description: *Irving, TX – based ExxonMobil Corp. is a major international integrated oil, gas and chemical company with reserves and operations in ~100 countries. In 2016 the company produced approximately 1,475 Mmboe (million barrels oil equivalent), 59% liquids, from proved reserves of approximately 20,000 Mmboe, and processed more than 2,100 Mmboe of fuels and petrochemicals.*

Exxon Mobil Corp

XOM – NYSE — Long-term Buy-2

Is the Tiger Stirring? Initiating Coverage at Long-term Buy

Investment Highlights

- We are inaugurating coverage on Exxon Mobil Corp. with a Long-term Buy-2 rating.
- With the energy commodity price cycle recovering, we believe a reduced cost structure, two recent acquisitions and a more aggressive pace of capital spending position the company for a positive shift in reserves and production growth and a multi-year recovery in earnings.
- XOM has arguably the strongest balance sheet in the sector, at 17% net debt to total capitalization, debt / EBITDA of 0.9x and a net interest coverage ratio of ~29x. This provides ample flexibility, in our view, to pursue a more aggressive growth path or a higher return to shareholders.
- The dividend yield is currently 50% above the 10-year average, but growth averaging 3.2% over the past two years is ~60% below the norm for that span. With improving coverage ratios, we believe dividend growth could be poised for a rebound in the intermediate-term.
- At our 24-month target price of $90, the shares would trade at a ~6% average premium to historical multiples of Enterprise Value/Boe of proved reserves, EV/Boepd of production and financial metrics of earnings and cash flows, which we believe is reasonable for this stage of the commodity cycle.

Note Important Disclosures on Pages 20-21
Note Analyst Certification on Page 20

HISTORICAL BACKGROUND & CURRENT STRUCTURE

Exxon Mobil Corp (XOM) traces its origins to two of the original Standard Oil Trust companies. Standard of New Jersey, first made a component of the Dow Jones Industrial Average in 1928, would become known as Esso and in 1972 as Exxon. Standard of New York, would later become Socony then Mobil. The companies and their subsidiaries were behind some of the earliest and most important developments of the petroleum, refining and petrochemical industries.

Figure 1

Corporate History Highights

1882	Standard Oil of New Jersey formed (SONJ, later Esso, Exxon)
	Standard Oil of New York formed (later Socony, Mobil)
1898	SONJ acquires stake in Imperial Oil (Canada)
1919	SONJ acquires 50% stake in Humble Oil
1930	SONJ acquires Anglo-American Oil
1931	Socony / Vacuum Oil merger (Mobil brand)
1959	Esso acquires Humble Oil (1963, Humble invents 3-D seismic)
1966	Socony-Mobil becomes Mobil Oil
1972	Esso adopts Exxon name
1999	Exxon / Mobil merger
2010	XTO Energy acquisition
2017	InterOil Corp. acquisition
	Bass - Permian acquisition

Source: company filings

Today Exxon Mobil is among the five largest publicly-traded international integrated (i.e. combining both exploration and production, or upstream, with refining, distribution and marketing, or downstream) oil and gas companies in the world and one of the ten-largest companies by market capitalization in the USA.

The company's **upstream segment** had 19.97 Bboe (billion barrels of oil equivalent) of proved reserves at year-end 2016, comprised of 39% liquids (crude oil and condensate), 43% gas (and at ~18 TCF the largest holder of gas reserves in the USA), 8% NGLs and 6% "synthetic oil" (i.e. bitumen / oil sands resources). The company produced 1,502.8 Mmboe (million barrels oil equivalent) in 2016, or 4.04 Mmboepd (million barrels oil equivalent per day), yielding a reserve life index (RLI) of 13.3 years.

The reserve replacement ratio was negative in 2016 and below 100% for the second year in a row, primarily due to price-based negative revisions, 79% of which was related to its Kearl, Alberta oil sands assets. For more than 20 years preceding 2015, the reserve replacement ratio had been in excess of 100%. For the second consecutive year as well, extensions and discoveries (i.e. organic growth) were led by activity in the Permian Basin, in which region the company added 195 Mmboe, or 80% of the year's total increase. Purchases added 11 Mmboe while dispositions reduced total reserves by 126 Mmboe last year.

Figure 2

Geographic Segment Breakout - 2016

Upstream:	Proved Reserves (Mmboe)	%	Production (Mmboe)	%
Consolidated Subsidiaries:				
USA	5,907	30%	363	24%
Canada / South America	1,678	8%	176	11%
Europe	482	2%	145	10%
Africa	1,134	6%	181	12%
Asia	3,703	19%	215	14%
Australia / Oceania	1,405	7%	77	5%
Equity Interests:				
USA	281	1%	24	2%
Europe	1,288	6%	67	4%
Asia	4,096	21%	283	18%
Total	19,973		1,531	
Proved Developed	13,750	68.8%		

Source: company filings

The company's **downstream segment** is the world's largest refiner, consisting of 22 plants in 14 nations with 4.9 Mboe/d of capacity. The US fleet accounts for 35% of capacity, with Canada and Western Europe representing an additional 9% and 34% of capacity, respectively. The largest contributor to the Asia / Pacific region is the Singapore plant, at ~12% of total capacity, and also includes Thailand at ~3%, Australia at ~2% and China at ~1%.

Figure 3

Geographic Segment Breakout - 2016

Downstream:	Plants	Capacity (Mboe/d)	%	Production (Mboe/d)	Utilization
USA	5	1,723	35.1%	1,591	92.3%
Canada	3	423	8.6%	363	85.8%
Europe	9	1,655	33.7%	1,417	85.6%
Asia / Pacific	4	906	18.5%	708	78.1%
Middle East	1	200	4.1%	190	95.0%
Total	22	4,907		4,269	87.0%

Source: company filings

The company sold its 150 Mboe/d Torrance, California refinery operation in July of last year for \$567M and was reported shortly thereafter to be considering the sale of its 60 Mboe/d Billings, Montana plant for a similar or better price. Management has not officially commented on the matter, however.

Significant projects completed in 2016 include the doubling of capacity of the China lubricants plant and expansion of the Louisiana aviation lubricants operations. Projects are currently ongoing in Belgium and the Netherlands for fuel upgrade processes and a 40 Mb/d ultra-low diesel fuel expansion is underway at the Beaumont, Texas plant.

Exxon Mobil manufactures and markets a full range of motor and aviation fuels, other distillates and by-products and lubricants. These products are marketed under the "Exxon," "Esso," "Mobil" and "Mobil 1" brands through approximately 10,200 service stations in the United States and another ~10,600 internationally, while lubricants are marketed even more broadly.

Exxon Mobil's **chemical segment**, regularly ranked among the world's ten largest by sales, is comprised of 15 manufacturing facilities worldwide, with 23.7 million metric tons per year (MMT/y) of capacity. About 40% of that capacity is in the United States with another 3% in Canada. The Asia / Pacific region represents another 30% of capacity, with ~24% of that from Singapore and smaller operations in China and Thailand accounting for ~4% and ~2%, respectively. The European (five plants across Western Europe) and Middle Eastern (two plants in Saudi Arabia) operations each accounted for ~13% of capacity at year-end.

Figure 4

Geographic Segment Breakout - 2016

Chemical:	**Capacity (MMT/y)***						**Approximate Global Share**
	USA	**Canada**	**Europe**	**Middle East**	**Asia / Pacific**	**Total**	
Ethylene	4.1	0.3	0.8	1.6	2.2	**9.0**	8.7%
Polyethylene	3.3	0.5	1.3	1.4	2.1	**8.6**	14.9%
Polyproylene	1.1		0.3	0.2	1.1	**2.7**	6.9%
Paraxylene	1.0		0.7		1.7	**3.4**	11.9%
	9.5	0.8	3.1	3.2	7.1	**23.7**	

* - million metric tons per year

Source: company filings

The company's prime product sales include ethylene, a base feedstock, polyethylene and polypropylene, the first and second most important plastics, and paraxylene, a feedstock for polyesters. These support the manufacture of numerous intermediary and specialty products serving a wide range of industries and applications.

Last year the company completed the startup of a specialty elastomers line in Saudi Arabia and furthered progress on ethane and polyethylene projects in Texas and synthetic rubber and resin units in Singapore. Expansions were also announced for polyethylene capacity in Texas and a specialty elastomers plant in Wales.

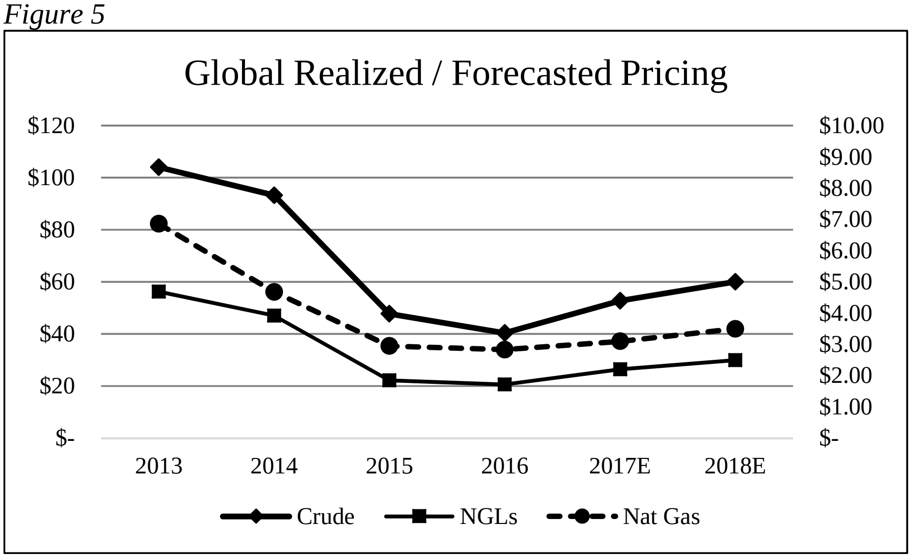
INVESTMENT THESIS

After several years of relatively flat production and two consecutive years of declining reserves replacement, Exxon Mobil has been tagged with the "low growth" mantle, perhaps justifiably. However, with two upstream acquisitions having recently closed and several major capital projects in progress across the upstream, downstream and chemical segments, we believe this will begin to reverse over the next two to three years.

Exxon Mobil has operations on every inhabited continent and in a majority of the world's nations. And while it is understandable to think of the company in terms of its worldwide exploration and production presence, the upstream segment is, in about as many years as not, behind the chemical segment in generating the lowest revenue contribution. However, the upstream segment also generates the majority of the company's profitability, accounting for ~70% of net income over the past ten years. Additionally, the commodity pricing dynamics that drive the upstream segment also directly impact input costs and pricing for the downstream and chemical segments. As such, our commodity pricing outlook forms the basis of our forecasts.

We believe commodity prices will continue to recover toward marginal production costs over the next two years. For US commodity markets that entails crude moving back to $60/Bbl by the end of 2018 with US gas climbing back into the mid-$3/Mcf range. XOM's international crude production is generally tied to Brent, which has seen its historical premium to WTI shrink to nearly par, a modest premium we are maintaining. Pricing of the company's international gas production has averaged nearly 2x US gas pricing over the past ten years and closer to 3x in the past five years. Our forecast moderates the more recent premium to under 2x.

Figure 5



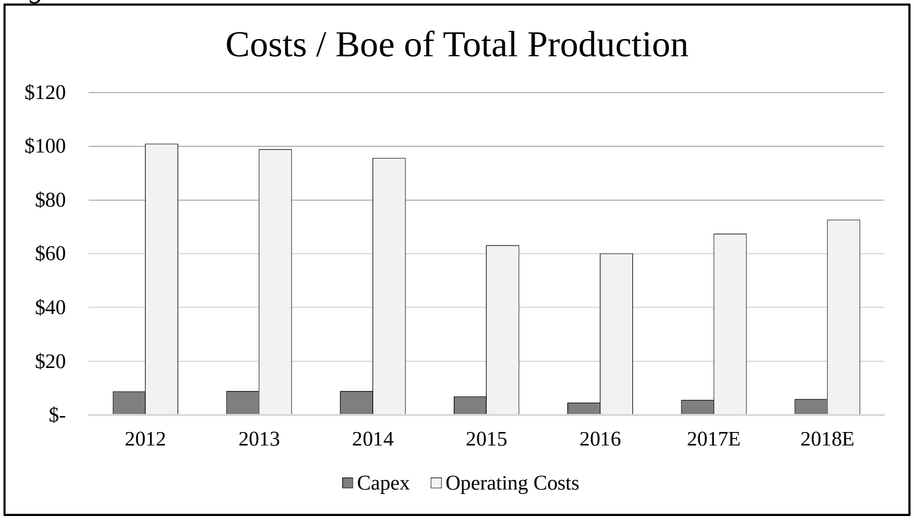
Our crude forecast is for a WTI exit price of $55 per barrel for 2017 and $65/bbl for 2018, with Brent maintaining a modest premium to WTI.

Our gas outlook is for US prices to move through $3/Mcf this year and to average $3.50/Mcf in 2018. We have international pricing at a 58% premium to US, vs. the company's 10-year average premium of 80%.

Source: company filings, Hilliard Lyons forecasts

The company responded to the energy crash by scaling back Capex to $26.5B in 2015 and to $16.2B last year, from the ~$32B average of the five years ending 2014. Additionally, operating costs on a unit of production basis fell from ~$95/Boe (aggregating upstream and downstream volume with chemical tonnage at a 6.5 Bbl / metric ton basis), to just under $60/Boe in 2016. Even allowing for a "normalization" of outside commodity purchase expense, we believe the lessons behind this reduction in the cost structure will prove relatively durable and see costs remaining under $75/Boe through 2018 and closer to $30/Boe excluding commodity purchases.

Figure 6



The company has reduced total operating expenses and Capex by ~40% from the previous cycle highs.

Costs have already begun to escalate, primarily on higher commodity prices, but we believe operating expense reductions will prove more sustainable.

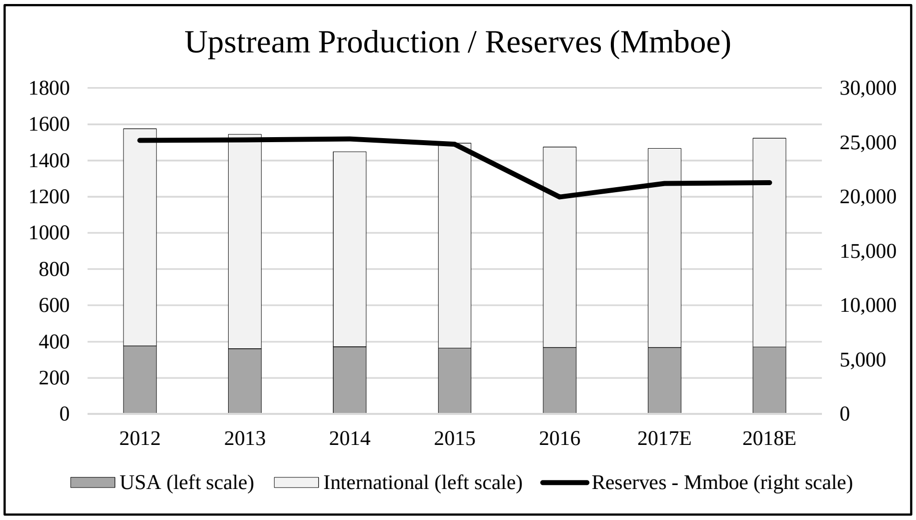
Source: company filings, Hilliard Lyons forecasts

In February of this year, XOM closed on two upstream acquisitions. InterOil was a $2.5B deal on offshore, gas-oriented assets in Papua New Guinea (PNG). While still relatively early in the pre-development phase, terms of the deal include contingent payouts for reserves in excess of 6.2 trillion cubic feet (Tcfe or ~1,000 Mmboe). Should the play prove up, we believe it would complement XOM's extensive operations in that nation, most importantly, the PNG-LNG complex, which began shipping liquefied natural gas in 2014 and is now running two trains.

The second transaction was for entities controlled by the Bass family of Ft. Worth, Texas which represented approximately 250,000 acres, 3,400 Mmboe of reserves (75% liquids) and ~18 Mboepd of production in the Permian Basin for $5.6B in stock. Contingent payments of an additional $1B are possible between 2020 and 2032. The acquisition more than doubled XOM's Permian reserves and ignoring an additional ~25,000 acres in Louisiana and Colorado that were included in the deal, the up-front price of $22,400 per acre is at the lower end of the scale for recent Permian transactions and remains so even factoring in the contingent $1B. Importantly, operations in the Permian represent short-cycle return projects, as are its' Bakken assets, and this transaction alone likely reverses the recent sub-100% reserves replacement experience.

A project anticipated to begin production by year-end is the Hebron offshore platform in waters off the coast of Newfoundland and Labrador provinces in Canada. The geological formation is estimated to contain 700 Mmboe of recoverable oil and the rig is configured to handle up to 150 Mboepd. XOM has a controlling 36% interest in the operation.

Figure 7



Source: company filings, Hilliard Lyons forecasts

We believe XOM will stabilize upstream production growth this year, with output about flat vs. a 1.4% decline in 2016, and are forecasting an increase of more than 3% for 2018.

The recent Permian acquisition likely reverses the reserves replacement shortfall of the past two years.

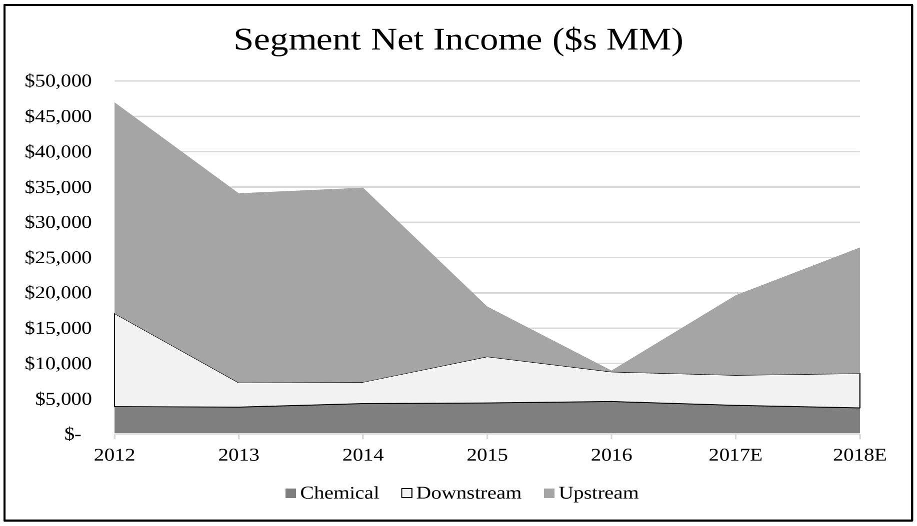
Over the next two years, the downstream and chemical segment projects we addressed earlier will begin to contribute, with the refineries primarily benefitting from process improvements that effectively replace lower-value, lower-margin heavy fuels with higher-margin products. The chemical segment projects will add approximately 15% to current total capacity. The US operations are part of what management has described as a 10-year, ~$20B strategy to take advantage of the Gulf Coast's secure feedstock sourcing and competitive cost structure.

Other participatory projects benefiting XOM in the nearer-term are the addition of the third train at the Gorgon LNG facility in Australia and ongoing expansion in the Tengiz field in Kazakhstan, both projects in which XOM participates with Chevron.

Longer lead upstream projects include the Stabroek Block, offshore Guyana, where the company has a 45% interest in and is operator of a 1,000 Mmboe find that is anticipated to be producing ~100 Mboepd by 2020. Two additional wells have seen positive results and further exploration of the block is underway. Exploration and development activities are also in varying stages in Abu Dhabi, offshore Cyprus, the Gulf of Mexico and Russia. And this week, the company announced the award of an offshore block in Equatorial Guinea that essentially doubles its acreage position.

Accordingly, we see a path to stabilizing and increasing upstream production volumes over the next two to four years with a portfolio of projects behind that benefiting the company in the longer-term.

Figure 8



We see the recovery in upstream earnings, coupled with incremental profit enhancement projects in the downstream and chemical segments, more than compensating for rising input costs in the latter two operations.

Source: company filings, Hilliard Lyons forecasts

Downstream net margins peaked most recently through the 2015 depths of the collapse of commodity prices, with domestic margins averaging 2.6% in that period and international margins averaging 3.5%. Domestic and international margins had pulled back to 2.0% and 2.7%, respectively, for 2016 and to 1.9% and 2.5% in Q1'17 as input costs were rising once again. Our forecast is for downstream margins to continue to recede toward the historical norms of 1.8% in the USA and 1.9% internationally, with some benefit from the profit-enhancing nature of a number of the projects currently underway.

Chemical segment net margins, however, have proven somewhat more resilient, with US margin cresting in 2015 at 21.9%, pulling back to 18.9% last year and at 19.0% in Q1'17 compared to the 10-year average of 14.6%. Internationally, margins reached a new annual high in 2016 at 17.0%, and while down to 14.6% in Q1'17, remain well above the longer-term average of 9.9%. We are forecasting margins move toward historical averages in both domestic and international chemical operations, but at a more subdued pace than for downstream.

With our forecast for production to begin stabilizing and re-accelerating, a firming pricing environment and a tighter grip on operating costs, we see the recovering upstream segment margin contribution more than compensating for compression within the downstream and chemical operations. Most immediately impactful, in our view, is the swing back to profitability in US upstream operations we anticipate in the second half of this year, following nine consecutive quarterly losses. We thus see EPS essentially doubling this year vs. 2016, with the recovery lifting earnings by 17% for 2018.

Exxon Mobil's balance sheet strength provides the company exceptional financial flexibility.

XOM has historically operated with low leverage, averaging a net debt to total capitalization ratio of 4.9% and 11.2% over the past ten and five years, respectively, while net debt to EBITDA averaged ~0.4x over both time periods. At its' recent net debt to total capitalization ratio peak of 18.4% in Q3'16, the company's leverage remained a fraction of the US E&P sector average of 52.0% or the refiners average of 31%, net debt to EBITDA was at 1.3x (compared to the US E&P and refiners sector averages of 8.8x and 3.9x, respectively), and the interest coverage ratio remained well into double digits.

Figure 9

XOM Debt Summary

	2012	2013	2014	2015	2016	2017E	2018E
Cash & Equivalents	$ 9,582	$ 4,644	$ 4,616	$ 3,705	$ 3,657	$ 4,850	$ 2,000
Short-term Debt	$ 3,653	$ 15,808	$ 17,468	$ 18,762	$ 13,830	$ 18,190	$ 19,190
Long-term Debt	$ 7,928	$ 6,891	$ 11,653	$ 19,925	$ 28,932	$ 25,120	$ 21,270
Total Debt, Net	$ 1,999	$ 18,055	$ 24,505	$ 34,982	$ 39,105	$ 38,460	$ 38,460
Net Debt / Total Capitalization	1.1%	8.9%	11.7%	16.2%	18.1%	16.1%	15.5%
Effective Interest Rate	2.82%	0.04%	0.98%	0.80%	1.06%	1.42%	1.50%
Net Debt / EBITDA	0.0x	0.2x	0.4x	0.9x	1.3x	0.9x	0.8x
Net Interest Coverage	138.2x	3621.0x	114.7x	52.9x	18.3x	29.3x	38.7x
Liquidity	$ 74,777	$ 53,411	$ 48,447	$ 24,498	$ 26,984	$ 36,977	$ 36,988

Source: company filings, Hilliard Lyons forecasts

As of Q1'17 these metrics were further improved, with net debt to total capitalization at 17.0%, net debt to EBITDA at 0.9x and interest coverage at 28.5x. These debt ratios also compare favorably to the company's international integrated peers, which carry an average net debt to total capitalization ratio of 29.3% and a net debt to EBITDA ratio of 5.1x.

The company reduced short-term debt by a net $935M in Q1'17 but drew $1.3B on its commercial paper facility, its primary short-term operating funding vehicle. With $5.8B of credit facility capacity, improving commodity pricing and the resultant improvement in cash flows, we see ample liquidity for an increase in Capex to ~$22B in 2017 from the cycle-bottom of $16.2B last year with no need for additional borrowings. Indeed, with the bulk of 2017 debt maturities accomplished already, we see the additional $3.9B due in 2018 and $2.5B in 2019 further improving the company's leverage ratios over the next two years.

The company's outstanding publicly-traded bonds are rated AA+ by Standard and Poor's and Aaa by Moody's. However, in February of 2016 and May of this year the services both reduced their outlook for the company to negative.

XOM has an attractive dividend yield with improving coverage ratios, which we believe could drive a re-acceleration of dividend growth.

The company has paid uninterrupted common dividends since 1911, has raised its split-adjusted, annualized dividend every year since 1982 and has not reduced its payout on a yr/yr basis since 1948. Over the past 10 years the annual dividend growth rate has averaged 8.9% while the five-year average is 10.1%. However, the $0.02 per quarter hike effective with the Q2'17 declaration represents an annualized growth rate of only 2.7%, and following last year's 3.5% increase marks the fifth consecutive year of slowing growth rates.

Figure 10

XOM Dividend Metrics

	10-yr avg	*5-yr avg*	2014	2015	2016	2017E	2018E
Dividend			$ 2.70	$ 2.88	$ 2.98	$ 3.06	$ 3.17
Yield at Yr-end	*2.5%*	*3.0%*	2.9%	3.7%	3.3%		
Yr/Yr Div Change	*8.9%*	*10.1%*	9.8%	6.7%	3.5%	2.7%	3.5%
Payout Ratio	*45.3%*	*64.9%*	35.5%	74.8%	158.5%	80.7%	71.2%
Coverage Ratio	*3.4x*	*2.4x*	2.8x	1.3x	0.6x	1.2x	1.4x

Source: company filings, ThomsonOne, Hilliard Lyons forecasts

Given the magnitude of the 2014-2016 commodity price collapse, the restrained recent pace of dividend growth is understandable, in our view. And at the current annual dividend rate of $3.06/share, XOM's yield of 3.8% is among the highest in the oil & gas sector and the fifth highest in the Dow Jones Industrial Average. Further, that yield is supported by a payout ratio that is back under 100%.

Should commodity prices continue firming in line with our forecasts, we believe the next hike, likely at Q2'18, could reverse the contracting yr/yr growth rate. Such a scenario could entail an increase of $0.03/share, which would lift the annual growth rate from 2.7% to 3.5% while still allowing for further improvement in the payout and coverage ratios.

The shares have been flirting with annual lows lately. Even so, this early in the commodity recovery cycle valuation multiples are still mixed versus historical and peer averages, but we anticipate will continue to improve into 2018.

The valuation picture with XOM is complex, with the shares trading at year-end 2016 at average premiums of 54% to the five-year multiples of four key metrics: Enterprise Value to proved reserves (EV/Boe), EV to production (EV/Boepd), price to current fiscal year earnings (P/E - CFY), and EV/EBITDA. Given the year-to-date pullback in the stock, however, those premiums have retreated to 4% vs. our 2017 forecasts and a 4% discount against our 2018 forecasts. At our 24-month target price of $90, the average premiums rise to 17% and 6%, levels we believe are reasonable at this stage of the commodity cycle and which the company can grow into as the cycle continues to unfold.

Figure 11

XOM			Price: Current	Price: Target	5-year Average:	Prem/Disc Current	Prem/Disc @ Target
Avg. est. EPS growth '15-'18	4.3%						
Share Price:			$ 81.21	$ 90.00			
Dividend			$ 3.08				
EV / Boe (Proved)		FY'14	$ 16.59 A			-4%	
		FY'15	$ 14.57 A			-16%	
		FY'16	$ 20.80 A		$ 17.28	20%	
		FY'17E	$ 18.21	$ 19.98		5%	16%
		FY'18E	$ 18.14	$ 19.74		5%	14%
EV (000) / Boepd		FY'14	$ 105.85 A			6%	
		FY'15	$ 88.32 A			-12%	
		FY'16	$ 102.82 A		$ 100.05	3%	
		FY'17E	$ 96.07	$ 105.43		-4%	5%
		FY'18E	$ 91.79	$ 100.72		-8%	1%
EPS & P/E	$ 7.60	FY'14	12.2x A			-38%	
	$ 3.85	FY'15	20.2x A			3%	
	$ 1.88	FY'16	43.2x A		19.7x	120%	
	$ 3.79	FY'17E	21.4x	23.7x		9%	21%
	$ 4.45	FY'18E	18.3x	20.2x		-7%	3%
EV / EBITDA		FY'14	5.8x A			-23%	
		FY'15	8.5x A			13%	
		FY'16	13.1x A		7.5x	74%	
		FY'17E	8.4x	9.3x		12%	24%
		FY'18E	7.3x	8.1x		-3%	7%

Source: company filings, Hilliard Lyons forecasts

Looking back over the past 10 years, a period which reflects two down-cycles, XOM received ~17% lower average financial multiples. However, the company also received ~9% higher average multiples on an EV/Boe and EV/Boepd basis (at $19.26 compared to $17.28 and

$106.25 vs. $100.05, respectively) than the five-year averages, likely reflecting the more consistent record of growth in reserves and production. With our view of the opportunity to re-accelerate these dynamics, we believe that there may be room for multiple expansion in these two operational valuation metrics over the intermediate term.

Compared to its international integrated peers, XOM stacks up positively from a balance sheet standpoint, with a 38% advantage on its long-term debt to total capitalization ratio and at a 75% better debt to EBITDA ratio. Returns on equity and invested capital were also significantly above the peer group, on both a one- and five-year basis as well. And while XOM's dividend yield is 32% below the peer group average, it is also 29% better covered. XOM is trading at a 22% average premium to the group on current and forward earnings, however, and 37% higher average EV multiples vs. EBITDA, reserves and production (see figure 12, next page).

We view the combination of these valuation metrics as generally offsetting and believe that at this stage of the energy cycle our focus is more appropriately aimed at the potential for recovering operational and financial performance than at cycle trough results.

Figure 12

Company	Tkr	Price 6-Jun-17	LFY Revs ($MM)	Mkt Cap ($MM)	Net Debt / EBITDA (LFY)	LTD / Cap. (%)	P/E LFY	P/E CFY	P/E FFY	Est. 3-Yr Avg EPS Growth	EBITDA Margin (LFY)	EV / EBITDA (LFY)	Div. Yld.	YE Payout (%)	30-day Avg. Vol.	LFY ROIC (%)	5-Yr Avg ROIC (%)	LFY ROE (%)	5-Yr Avg ROE (%)	# Ests.	Reserves Mboe	% Liquids	EV $ / Boe Rsvs	EV $'000 / Boepd Prod
BP ADR	BP	$ 36.24	183,008	114,250	11.0x	36.0	44.2x	18.9x	14.1x	71%	6.8%	9.7x	6.62%	216	6,506,132	0.1	2.4	3.6	10.7	6	17,561	59%	$ 8.49	$ 44.38
CHEVRON	CVX	$ 104.17	115,330	197,205	1.6x	20.0	96.5x	21.9x	17.6x	143%	15.1%	7.4x	4.19%	nm	5,438,675	(0.2)	7.0	(0.3)	12.7	17	11,121	57%	$ 20.38	$ 83.61
ROYAL DURCH SHELL ADR	RDS'A	$ 54.38	234,769	118,819	3.0x	31.0	43.2x	15.1x	12.1x	86%	12.6%	4.9x	6.91%	298	3,364,815	1.6	5.1	2.2	7.2	8	13,015	48%	$ 16.00	$ 56.63
TOTAL S A ADR	TOT	$ 51.93	70,160	129,987	4.7x	30.0	37.1x	12.2x	10.4x	85%	32.4%	7.7x	5.12%	154	2,267,353	3.6	4.9	4.5	8.7	6	10,911	50%	$ 14.88	$ 66.07
				avg:	5.1x	29.3	55.2x	17.0x	13.6x	96%	16.7%	7.4x	5.71%	223	4,394,244	1.3	4.8	2.5	9.8	9	13,152	53%	$ 14.94	$ 62.67
EXXON MOBIL	XOM	$ 81.21	226,094	336,738	1.3x	18.0	34.3x	20.6x	17.5x	32%	13.6%	11.0x	3.79%	159	10,671,010	3.0	10.5	4.5	16.0	23	19,974	53%	$ 18.82	$ 91.28
				vs intl peers:	-75%	-38%	-38%	21%	29%	-67%	-19%	48%	-34%	-29%		135%	117%	80%	63%		52%	-1%	26%	46%

Source: ThomsonOne, Company reports and Hilliard Lyons estimates

RECENT RESULTS

Total revenues were $63.3B in Q1'17, a 29.9% yr/yr increase and the second consecutive positive comp. Total expenses were 23.6% higher yr/yr for the period, primarily driven by a 48.4% yr/yr increase in commodity purchases reflecting the rise in input prices. EPS of $0.95 more than doubled the year-ago $0.44 result and exceeded consensus expectations of $0.85.

The company reported Q1'17 upstream production of 4,151 Mboepd, a 4.0% yr/yr decline, but up 30 Mboepd vs. Q4'16. US volumes were 1.2% lower yr/yr while international production was down 4.9%, primarily on reduced entitlements and increased maintenance downtime in Canada and Nigeria. Liquids accounted for 56% of production in Q1 vs. 59% a year ago. US crude and gas pricing of $45.93/Bbl and $2.83/Mcf were 69.4% and 76.9% higher yr/yr, respectively. International crude was $47.87/Bbl, up 67.0% yr/yr while international gas was the laggard, but still posted a 16.0% yr/yr gain. Upstream net income improved to $2.3B from a loss of $76M a year ago.

Downstream throughput was 5,395 Mbpd in Q1, 1.1% higher yr/yr, as gains in Saudi Arabia, Europe and Canada offset declines in the USA and the Asia/Pacific operations. Mix and margin lifted per barrel pricing by an estimated 37.4% yr/yr in the US and 25.8% internationally. Downstream net income improved 23.1% yr/yr overall, with US operations up 56.1% and international better by 14.6%.

Chemical production of 6,072 thousand metric tons was down 1.6% yr/yr, with a 5.0% decline in US volume offsetting a 0.5% increase in international volume. Pricing improved an average of 19.0%, but increased maintenance turnaround expense, foreign exchange effects and production margins depressed segment net income by 9.0% in the USA and 17.1% internationally.

Figure 13

Summary Segment Earnings

($s MM)	**Q1'17**	Q1'16	**2016**	2015
Upstream				
USA	**(18)**	(832)	**(4,151)**	(1,079)
International	**2,270**	756	**4,347**	8,180
Total	**2,252**	(76)	**196**	7,101
Downstream				
USA	**292**	187	**1,094**	1,901
International	**824**	719	**3,107**	4,656
Total	**1,116**	906	**4,201**	6,557
Chemical				
USA	**529**	581	**1,876**	2,386
International	**642**	774	**2,739**	2,032
Total	**1,171**	1,355	**4,615**	4,418
Other Corp. Exp, net	**(529)**	(375)	**(1,172)**	(1,926)
Total Earnings	**4,010**	1,810	**7,840**	16,150
EPS	**$ 0.95**	$ 0.44	**$ 1.88**	$ 3.85

Source: company filings, Hilliard Lyons forecasts

The company funded $2.9B of Capex in Q1 and $191M of exploration, both figures marking multi-year lows, and $3.1B of dividends. The dividend was raised by $0.02 per share in April. Debt increased by a net $433M in Q1, ending the period at $43.6B for a net debt to total capitalization ratio of 17.0% vs. 17.3% a year ago.

Results for Q2'17 are anticipated to be released July 28.

CORPORATE GOVERNANCE FACTORS

With the departure of long-time chairman and CEO, Rex Tillerson, upon resigning in late 2016 to head the US State Department, the senior management team saw its first major realignment in a decade. Darren Woods was named to the CEO and chairman's position at the start of this year, culminating a career that began with XOM in 1992. Similarly, the other top four executives of the company have an average tenure with XOM in excess of 30 years.

Figure14

Name	Age*	Position	Since
Senior Management			
Darren Woods	52	CEO & Chairman	2017
Andrew Swiger	60	Senior Vice President & Principal Financial Officer	2013
Mark Albers	60	Senior Vice President	2007
Michael Dolan	63	Senior Vice President	2008
Jack Williams	53	Senior Vice President	2014
Neil Chapman	54	Vice President, President ExxonMobil Chemical	2015
Neil Duffin	60	Vice President, President ExxonMobil Production	2017
Stephen Greenlee	59	Vice President, President ExxonMobil Exploration	2010
Sara Ortwein	58	Vice President, President XTO Energy	2016
Dennis Wascom	60	Vice President, President ExxonMobil Refining	2014
Non-Employee Board Members			
Dr. Susan Avery	67	former President Woods Hole Oceanographic Institution	2017
Dr. Michael Boskin	71	Economics professor Stanford University	1996
Angela Braly	55	former Chairman WellPoint	2016
Ursula Burns	58	Chairman Xerox Corp.	2012
Hernietta Fore	68	Chairman & CEO Holsman International	2012
Kenneth Frazier	62	Chairman & CEO Merck & Co.	2009
Douglas Oberhelman	64	Chairman & CEO Caterpillar, Inc.	2015
Samuel Palmisano	65	former Chairman IBM	2006
Steven Reinemund	69	former Dean of Business Wake Forest University	2007
William Weldon	68	former Chairman Johnson & Johnson	2013

** as of 2017 annual proxy filing*

Source: company filings

XOM's board of directors has also been relatively stable, with an average term of over seven years, excluding Dr. Avery's election in January of this year. Similarly, the company's relationship with its auditor, PwC, dates from when independent auditors were first required in the 1930s.

Management compensation is driven by a number of factors, including safety, ROCE (return of average capital employed), free cash flow generation, shareholder distributions (dividends and share repurchases) and TSR (total shareholder return, i.e. share price return plus yield). By most of these measures, the company has outperformed its peers on one-year, five-year and 10-year time frames.

Institutional ownership was 52.3% of outstanding shares as of the most recent filings, with the top ten holders accounting for 22.9%. Reporting insiders (excluding Mr. Tillerson) owned 1.8M shares at the filing of the 2017 proxy, or less than one-tenth of a percent.

The company is exposed to numerous legal actions pertaining to its normal operations, none of which are believed by management to be material. There have, however, been a number of so-called "climate change denial" inquiries pursued by several states' attorneys general offices and members of congress at the federal level. While still more implied than alleged, terms such as fraud and racketeering have been bandied about, which could signal more serious developments on this front in the future.

Recent internal developments on the climate front include an affirmative vote at the recent annual meeting on a shareholder proposal seeking to have the company annually disclose an evaluation of the effects of compliance with climate change guidelines under a "C2" scenario. "C2" refers to the projected regulatory and economic impacts likely in a drive to limit global warming to two degrees Celsius (3.6 F) over the course of the century.

The company maintains various pension and other post-retirement benefit plans in the US and internationally. At year-end 2016 those plans were underfunded by a combined $20.7B compared to $23.2B at the end of 2015. Contributions to the plans totaled $2.6B in 2016 vs. $557M the prior year and are anticipated to be $2.0B for 2017.

SUITABILITY RATING

Our Suitability rating is 2 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive). This reflects our favorable view of the company's long operating history, global diversification and competitive cost structure. This is balanced, however, against the pronounced cyclicality of the energy industry and still-challenging industry conditions.

CONSIDERATIONS AND RISKS

The energy production industry is highly capital intensive, highly competitive and is subject to a range of economic and operational risks. Foremost among these risks may be volatility in the underlying commodity pricing, which is subject to supply and demand fundamentals related to factors such as economic conditions, geopolitical events, weather patterns and logistical constraints. The industry is also subject to a range of regulatory risks, including changes in environmental and pollution policies, permitting requirements, and employee benefits obligations. The company also has potential exposure to ongoing legal challenges, the ultimate resolution of which cannot be quantified. Operating financial risks include success rates and costs related to expansion of production and the reserve base.

Additional information is available upon request.

Other stocks mentioned:

Anthem, Inc. (ANTM - $187.00)
Caterpillar, Inc. (CAT - $104.55)
Chevron Corp. (CVX - $104.17)
International Business Machines (IBM - $152.37)
Johnson & Johnson (JNJ - $130.83)
Merck & Co. (MRK - $64.67)
Xerox Corp. (XRX - $7.00)

Exxon Mobil Corp (XOM)
Financial Model ($s in MMs) FYE Dec.

Income Statement Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Sales & Other Operating Revenue	**394,105**	**259,488**	47,105	56,360	56,767	58,376	**218,608**	61,090	63,090	65,800	68,250	**258,230**	**286,830**
Income from Equity Affiliates	**13,323**	**7,644**	1,251	1,124	1,103	1,328	**4,806**	1,710	1,710	1,710	1,710	**6,840**	**8,600**
Other Income	**4,511**	**1,750**	351	210	807	1312	**2,680**	487	490	500	500	**1,977**	**2,500**
Total Revenues	**411,939**	**268,882**	48,707	57,694	58,677	61,016	**226,094**	63,287	65,290	68,010	70,460	**267,047**	**297,930**
Expenses:													
Crude & Product Purchases	**225,972**	**130,003**	20,707	27,130	28,035	28,299	**104,171**	30,359	31,110	33,610	34,974	**130,053**	**151,472**
Production & Manufacturing	**40,859**	**35,587**	7,561	8,076	7,709	8,581	**31,927**	7,845	8,184	7,849	8,750	**32,628**	**33,618**
S, G & A	**12,598**	**11,501**	2,593	2,646	2,736	2,824	**10,799**	2,599	2,670	2,732	2,880	**10,881**	**11,452**
Depreciation & Depletion	**17,297**	**18,048**	4,765	4,821	4,605	8,117	**22,308**	4,519	4,813	4,619	4,784	**18,735**	**19,395**
Exploration	**1,669**	**1,523**	355	445	327	340	**1,467**	289	312	331	350	**1,282**	**1,478**
Interest Expense	**286**	**311**	77	75	106	195	**453**	146	145	143	140	**574**	**500**
Sales-based Taxes	**29,342**	**22,678**	4,815	5,435	5,437	5,403	**21,090**	5,342	5,519	5,590	5,564	**22,014**	**22,535**
Other Taxes & Duties	**32,286**	**27,265**	6,104	6,670	6,496	6,640	**25,910**	6,270	6,826	6,679	6,837	**26,612**	**27,707**
Pre-Tax Inc.	**51,630**	**21,966**	1,730	2,396	3,226	617	**7,969**	5,918	5,711	6,457	6,182	**24,268**	**29,773**
Income Taxes	**18,015**	**5,415**	(51)	715	337	(1,407)	**(406)**	1,828	1,770	2,066	2,040	**7,705**	**10,421**
%	**34.9%**	**24.7%**	-2.9%	29.8%	10.4%	-228.0%	**-5.1%**	30.9%	31.0%	32.0%	33.0%	**31.7%**	**35.0%**
Net Income including Noncontrolling Interests	**33,615**	**16,551**	1,781	1,681	2,889	2,024	**8,375**	4,090	3,941	4,390	4,142	**16,563**	**19,352**
Net Inc. attributable to Noncontrolling Interests	**1,095**	**401**	(29)	(19)	239	344	**535**	80	79	88	83	**329**	**484**
Net Income	**32,520**	**16,150**	1,810	1,700	2,650	1,680	**7,840**	4,010	3,862	4,303	4,059	**16,234**	**18,869**
Shares Outstanding	**4,278.9**	**4,194.8**	4,146.6	4,139.1	4,178.0	4,215.7	**4,170.2**	4,237.3	4,302.3	4,294.8	4,287.3	**4,280.4**	**4,244.4**
EPS - fully diluted	**$ 7.60**	**$ 3.85**	$ 0.44	$ 0.41	$ 0.63	$ 0.40	**$ 1.88**	$ 0.95	$ 0.90	$ 1.00	$ 0.95	**$ 3.79**	**$ 4.45**
Dividends to Common	**$ 2.70**	**$ 2.88**	$ 0.73	$ 0.75	$ 0.75	$ 0.75	**$ 2.98**	$ 0.75	*$ 0.77*	*$ 0.77*	*$ 0.77*	***$ 3.06***	***$ 3.17***
Margin Analysis													
Production gross margin	35.2%	38.4%	42.0%	39.0%	39.1%	39.6%	39.8%	39.6%	*39.8%*	*39.0%*	*37.9%*	*39.1%*	*37.9%*
Operating margin	12.5%	8.2%	3.6%	4.2%	5.5%	1.0%	3.5%	9.4%	*8.7%*	*9.5%*	*8.8%*	*9.1%*	*10.0%*
S, G & A as % of revenues	3.1%	4.3%	5.3%	4.6%	4.7%	4.6%	4.8%	4.1%	*4.1%*	*4.0%*	*4.1%*	*4.1%*	*3.8%*
Depr. & Depl. as % of revenues	4.2%	6.7%	9.8%	8.4%	7.8%	13.3%	9.9%	7.1%	*7.4%*	*6.8%*	*6.8%*	*7.0%*	*6.5%*
Rate of Change Analysis													
Revenues	-6.0%	-34.7%	-28.0%	-22.2%	-12.9%	2.0%	-15.9%	29.9%	*13.2%*	*15.9%*	*15.5%*	*18.1%*	*11.6%*
Pre-tax Inc.	-10.5%	-57.5%	-73.9%	-65.5%	-43.9%	-76.5%	-63.7%	242.1%	*138.4%*	*100.1%*	*901.9%*	*204.5%*	*22.7%*
EPS - operating	3.1%	-49.3%	-62.7%	-58.9%	-37.2%	-40.5%	-51.2%	116.8%	*118.6%*	*58.0%*	*137.6%*	*101.7%*	*17.2%*
Dividends	9.8%	6.7%	5.8%	2.7%	2.7%	2.7%	3.5%	2.7%	*2.7%*	*2.7%*	*2.7%*	*2.7%*	*3.5%*
EBITDDA / Share	-4.5%	-40.6%					-23.3%					*38.2%*	*14.9%*
Shares Out.	-3.2%	-2.0%					-0.6%					*2.6%*	*-0.8%*
Working Cap.	-4.2%	-7.8%					-34.4%					*14.1%*	*-21.3%*
notes:	Reserves: 25,321 Mmboe	Reserves: 24,835 Mmboe			7/1- sell CA refinery		Reserves: 19,974 Mmboe	2/22- close InterOil acq $2.5B; 2/28- close Permian / Bass acq $6.2B					

Source: Company reports and Hilliard Lyons estimates

Cash Flow Analysis ($s in MMs)	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Net Income	**33,615**	**16,551**	1,781	1,681	2,889	2,024	**8,375**	4,090	3,941	4,390	4,142	**16,563**	**19,352**
Depreciation & Depletion	**17,297**	**18,048**	4,765	4,821	4,605	8,117	**22,308**	4,519	4,813	4,619	4,784	**18,735**	**19,395**
(Increase) / Decrease in Working Capital	**721**	**1,281**	5,737	(713)	(2,135)	2,290	**5,179**	(5,261)	2,082	816	968	**(1,395)**	**(644)**
Operating Cash Flow	**51,633**	**35,880**	12,283	5,789	5,359	12,431	**35,862**	3,348	10,836	9,826	9,894	**33,904**	**38,104**
(Capex/ Acquisitions)	**(32,952)**	**(26,490)**	(4,601)	(4,271)	(3,404)	(3,887)	**(16,163)**	(2,890)	(6,500)	(6,250)	(6,250)	**(21,890)**	**(22,980)**
Asset Sales / (Adjustments)	**4,035**	**2,389**	177	1,029	976	2,093	**4,275**	687	150	150	150	**1,137**	**1,500**
Other Item(s)	**1,715**	**235**	(234)	(77)	(1,087)	(19)	**(1,417)**	(1,558)	-	-	-	**(1,558)**	**(750)**
(Dividends)	**(11,568)**	**(12,090)**	(3,054)	(3,133)	(3,133)	(3,133)	**(12,453)**	(3,134)	(3,311)	(3,305)	(3,299)	**(13,050)**	**(13,435)**
Free Cash Flow	**12,863**	**(76)**	4,571	(663)	(1,289)	7,485	**10,104**	(3,547)	1,175	421	494	**(1,457)**	**2,438**
Additions to long-term debt	**5,731**	**8,028**	11,963	1	1,289	(1,187)	**12,066**	60	-	-	-	**60**	**-**
(Reductions in long-term debt)	**(69)**	**(26)**	-	-	-	-	**-**	-	-	-	-	**-**	**(3,850)**
Additions to short-term debt	**-**	**-**	-	-	-	-	**-**	1,734	-	-	-	**1,734**	
(Reductions in short-term debt)	**(745)**	**(506)**	(28)	(229)	(29)	(28)	**(314)**	(2,669)	(290)	-	-	**(2,959)**	**-**
Net change in Comm. Paper & >3mo debt - net	**2,049**	**1,759**	(7,594)	1,628	1,904	(3,397)	**(7,459)**	1,308	-	-	-	**1,308**	**1,000**
(Common stock acquired)	**(13,183)**	**(4,039)**	(726)	(1)	-	(250)	**(977)**	(501)	(600)	(700)	(800)	**(2,601)**	**(3,500)**
Common stock sold	**30**	**5**	5	2	-	-	**6**	-	2	2	4	**8**	**25**
Net Cash Flow	**6,676**	**5,145**	8,191	738	1,875	2,623	**13,426**	(3,615)	287	(277)	(302)	**(3,907)**	**(3,887)**
Estimated EBITDA	**$ 69,213**	**$ 40,325**	$ 6,572	$ 7,292	$ 7,937	$ 8,929	**$ 30,730**	$ 10,583	*$ 10,669*	*$ 11,219*	*$ 11,105*	***$ 43,577***	***$ 49,668***
margin	**16.8%**	**15.0%**	13.5%	12.6%	13.5%	14.6%	**13.6%**	16.7%	*16.3%*	*16.5%*	*15.8%*	***16.3%***	***16.7%***
Est. EBITDA / Share	**$ 16.18**	**$ 9.61**	$ 1.58	$ 1.76	$ 1.90	$ 2.12	**$ 7.37**	$ 2.50	*$ 2.48*	*$ 2.61*	*$ 2.59*	***$ 10.18***	**$ 11.71**
yr/yr change	**-4.5%**	**-40.6%**	-39.3%	-35.8%	-23.1%	18.1%	**-23.3%**	57.6%	*40.8%*	*37.6%*	*22.4%*	***38.2%***	**15.0%**
CF Multiple	**5.7x**	**8.1x**					**12.2x**						

Balance Sheet Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Cash & Equivalents	**4,616**	**3,705**	4,846	4,358	5,093	3,657	**3,657**	4,897	5,180	4,900	4,600	**4,600**	**2,000**
Notes & A/R	**28,009**	**19,875**	19,814	21,827	20,388	21,394	**21,394**	21,842	21,730	21,620	21,510	**21,510**	**21,400**
Crude oil, products and merchandise	**12,384**	**12,037**	11,837	11,543	10,981	10,877	**10,877**	10,686	10,630	10,580	10,530	**10,530**	**10,480**
Materials and supplies	**4,294**	**4,208**	4,386	4,332	4,361	4,203	**4,203**	4,187	4,190	4,190	4,190	**4,190**	**4,190**
Other current assets	**3,565**	**2,798**	3,368	3,768	2,122	1,285	**1,285**	1,519	1,520	1,520	1,520	**1,520**	**1,520**
Total current assets	**52,910**	**42,623**	44,251	45,828	42,945	41,416	**41,416**	43,131	43,250	42,810	42,350	**42,350**	**39,590**
Investments	**35,239**	**34,245**	34,915	34,182	35,553	35,102	**35,102**	38,268	38,460	38,650	38,840	**38,840**	**39,030**
PP&E, net	**252,668**	**251,605**	255,257	254,062	251,923	244,224	**244,224**	253,147	256,280	259,760	263,140	**263,140**	**274,480**
Other assets, including intangibles, net	**8,676**	**8,285**	8,366	8,401	8,965	8,572	**8,572**	9,663	9,710	9,760	9,810	**9,810**	**9,860**
Total assets	**349,493**	**336,758**	342,789	342,473	339,386	329,314	**329,314**	344,209	347,700	350,980	354,140	**354,140**	**362,960**
Notes and loans payable	**17,468**	**18,762**	13,540	14,972	17,239	13,830	**13,830**	18,483	18,190	18,190	18,190	**18,190**	**19,190**
A/P & Accrued Liabilities	**42,227**	**32,412**	32,294	33,801	30,027	31,193	**31,193**	32,069	31,910	31,750	31,590	**31,590**	**31,430**
Income taxes payable	**4,938**	**2,802**	2,892	2,731	2,755	2,615	**2,615**	2,822	2,820	2,820	2,820	**2,820**	**2,820**
Total current liabilities	**64,633**	**53,976**	48,726	51,504	50,021	47,638	**47,638**	53,374	52,920	52,760	52,600	**52,600**	**53,440**
Long-term debt	**11,653**	**19,925**	29,568	29,499	28,916	28,932	**28,932**	25,124	25,120	25,120	25,120	**25,120**	**21,270**
Postretirement benefits reserves	**25,802**	**22,647**	22,401	21,583	21,019	20,680	**20,680**	20,584	20,480	20,380	20,280	**20,280**	**20,180**
Deferred income tax liabilities	**39,230**	**36,818**	36,293	36,012	34,857	34,041	**34,041**	34,772	34,600	34,430	34,260	**34,260**	**34,090**
Long-term obligations to equity companies	**5,325**	**5,417**	5,457	5,320	5,340	5,124	**5,124**	5,175	5,200	5,230	5,260	**5,260**	**5,290**
Other long-term obligations	**21,786**	**21,165**	21,846	21,680	22,223	20,069	**20,069**	21,409	21,520	21,630	21,740	**21,740**	**21,850**
Total liabilities	**168,429**	**159,948**	164,291	165,598	162,376	156,484	**156,484**	160,438	159,840	159,550	159,260	**159,260**	**156,120**
Shareholder's Equity	**181,064**	**176,810**	178,498	176,875	177,010	173,830	**172,830**	183,771	187,860	191,430	194,880	**194,880**	**206,840**
Book Value per share	**$ 42.32**	**$ 42.15**	$ 43.05	$ 42.73	$ 42.37	$ 41.23	**$ 41.44**	$ 43.37	*$ 43.69*	*$ 44.60*	*$ 45.48*	***$ 45.55***	***$ 48.76***
Current Ratio	**0.8x**	**0.8x**	0.9x	0.9x	0.9x	0.9x	**0.9x**	0.8x	*0.8x*	*0.8x*	*0.8x*	***0.8x***	***0.7x***
Total Debt/Cap. - Net of Cash	**11.7%**	**16.2%**	17.3%	18.1%	18.4%	18.1%	**18.1%**	17.0%	16.5%	16.4%	16.3%	***16.3%***	***15.6%***
ROE: DuPont	**18.0%**	**9.1%**	4.1%	3.8%	6.0%	3.9%	**4.5%**	2.2%	*2.1%*	*2.2%*	*2.1%*	***8.3%***	***9.1%***

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, Joel K. Havard, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Definitions of Ratings:
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.
Neutral - We believe the stock is holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Definitions of Suitability:
1 - A large cap, core holding with a solid history.
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	**# of Stocks Covered**	**% of Stocks Covered**	**Banking**	**No Banking**
Buy	32	26%	13%	88%
Hold/Neutral	79	64%	8%	92%
Sell	12	10%	0%	100%

As of 8 May 2017

Other Disclosures

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