Is Exxon a Good Investment?

By www.ProfitableInvestingTips.com

As the investing world has transitioned to more and more ESG investing, oil companies like Exxon have fallen out of favor with many. Is Exxon a good investment? After years as the leading oil company and a cash cow, Exxon's revenue has fallen by a half and it was removed from the Dow Jones Industrial Average. It is planning to cut jobs and investments but is retaining its 8.7% annual stock dividend.

Investor's Business Daily looks at Exxon and sees problems. They say the stock is not a buy at this time. On the other hand, *Oil Price* notes that oil demand is coming back a bit and will come back a lot more as the pandemic subsides. While other majors are backing out of oil and natural gas it will leave more room for Exxon. While the world switches to electric vehicles and solar power, there will still be a need for oil and natural gas far into the future. Although they do not see stellar growth, they believe that Exxon will not go away and will provide a healthy dividend for investors far into the future with its bet on oil.

Exxon as an Investment

If you had invested in Exxon in the 1980s, your shares today would be worth ten times what you purchased them for. Of course, if you had sold in June of 2014, before oil prices fell, your shares would have been worth thirty times as much as the 1980s price. During those years you would also have been receiving a dividend with a three to five percent yield. Today you would still be getting the same dividend although the yield is over ten percent as the stock price has fallen. Today Exxon trades for $34 a share. In regard to dividends, Exxon is one the handful of companies that have paid dividends for more than a century and have either raised their dividend or kept it steady for nearly forty years.

Investing in Exxon for the Future

Exxon is developing newly discovered oil field offshore from Guyana on the Northeastern coast of South America. The total recoverable oil reserves in the area come to 8 billion barrels. Exxon is still exploring as it is developing sixteen individual sites. By comparison the Prudhoe Bay oil field in Alaska originally had 25 billion barrels. Exxon is also a leader in extracting oil from shale deposits using fracking technology and plans to increase production in the Permian Basin in the coming years.

Despite the pandemic, increased green energy production, and greater fuel efficiency, world energy demand will continue to grow.

In the near term, the pandemic and its economic effects will continue to depress demand of natural gas and oil for a year or more. But, as economies get back on track, demand will pick up and continue to grow for decades. During that time Exxon will find its revenues increasing which will drive profits and its stock price higher. Investors in Exxon will want to take the long view in terms of decades. Meanwhile, enjoy the dividend.

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