Closing Price as of 06/16/2020: $6.74
Dividend Yield: 3.0%
Period End Date: 03/31/2020

Marathon Oil Corp (MRO)

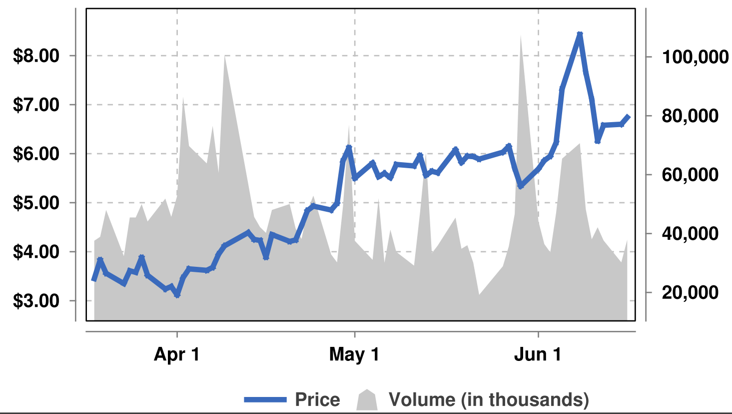
4 - Unattractive

NYSE - Energy

Investment Recommendation

- We recommend investors avoid MRO.
- MRO earns our Unattractive rating. See Investment Rating Details below.
- An Unattractive rating means this stock has more downside risk than upside potential.
- MRO ranks in the 37th percentile of the 2850+ stocks we cover.
- Ranks 125th out of 178 Energy Sector stocks.

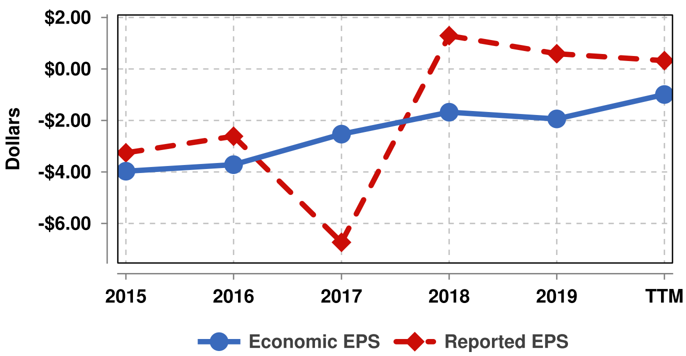
Price 06/16/2020:	$6.74
Economic Book Value per share	$5.66
52-Week Range	$3.02 - $14.51



Investment Rating Details

Risk/Reward Rating	Quality of Earnings: Economic vs Reported EPS	Quality of Earnings: Return on Invested Capital (ROIC)	Valuation: FCF Yield	Valuation: Price-to-EBV Ratio	Valuation: Growth Appreciation Period (yrs)
5 - Very Unattractive	Misleading Trend	Bottom Quintile	<-5%	> 3.5 or -1 < 0	> 50
4 - Unattractive	False Positive	4th Quintile	-5%<-1%	2.4 < 3.5 or < -1	20 < 50
3 - Neutral	Neutral EE	3rd Quintile	-1%<3%	1.6 < 2.4	10 < 20
2 - Attractive	Positive EE	2nd Quintile	3%<10%	1.1 < 1.6	3 < 10
1 - Very Attractive	Rising EE	Top Quintile	>10%	0 < 1.1	0 < 3

Accounting vs Economic Earnings



Accounting Adjustments Summary

- MRO's accounting earnings overstate its economic earnings, which equal (ROIC - WACC) * Average Invested Capital.
- For MRO, we made a total of $15,755 million in income statement and balance sheet adjustments to convert accounting earnings to economic earnings in FY19.
- We made $7,357 million in adjustments in our DCF valuation of the stock.
- We make, in general, 10 types of income statement adjustments to derive NOPAT, 12 types of balance sheet adjustments to derive Average Invested Capital, & 10 types of valuation adjustments in our reverse DCF valuation models.

Stock Price Performance

Last 30 Days	20.1%
Last 60 Days	54.9%
Last 90 Days	95.4%
Last Year	(47.4%)

Key Market Statistics

Enterprise Value (MM)	$11,498
EV/EBITDA	3.61
P/E (TTM)	20.83

Economic vs Reported Earnings

Economic Earnings are 3 - Neutral

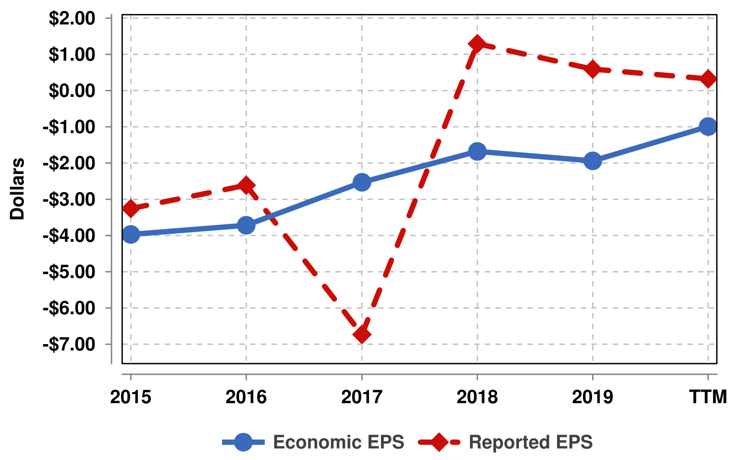
Economic Earnings are almost always meaningfully different than reported earnings. We believe Economic Earnings provide a truer measure of profitability and shareholder value creation than reported earnings because they have been adjusted to remove over twenty accounting distortions.

The majority of data required to reverse accounting distortions is available only in the Footnotes and MD&A, which we analyze rigorously. Our core competency is gathering and analyzing all relevant financial data from filings so that we can deliver earnings analysis that best represents the true profitability of businesses.

Economic Earnings per share (EEPS) for MRO for the trailing twelve months earn our Neutral rating.

Appendix 1 in the report available to members of our website provides a detailed reconciliation between economic and accounting earnings.

Economic EPS vs Reported EPS



Return on Invested Capital (ROIC)

ROIC is 5 - Very Unattractive

ROIC measures a company's return on all cash invested in the business. It is the truest measure of profitability. Stock valuations are more highly correlated to ROIC than any other metric. ROIC is calculated as NOPAT divided by Average Invested Capital.

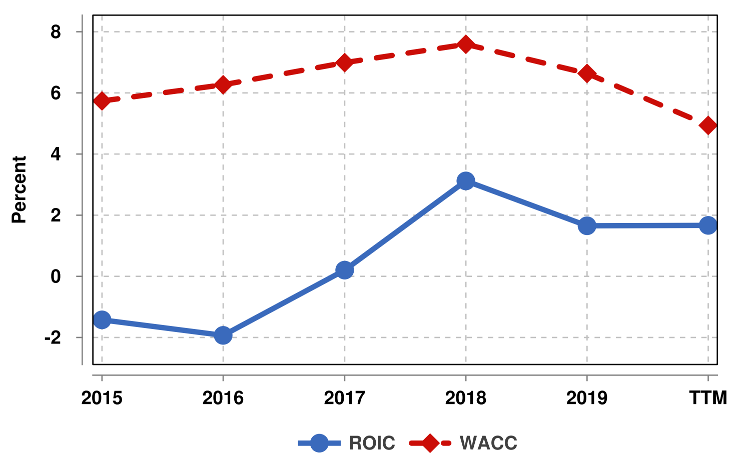
Weighted-Average Cost of Capital (WACC) is the average of debt and equity capital costs that all publicly traded companies with debt and equity stakeholders incur as a cost of operating.

Companies must earn an ROIC greater than WACC to generate positive economic earnings and create value for shareholders.

MRO's ROIC for the trailing twelve months earns our Very Unattractive rating.

Appendix 1 in the report available to members of our website provides details on all the accounting adjustments we make to provide the best ROIC in the business. This paper compares our ROIC for a mega cap company to other major providers.

ROIC vs WACC



Free Cash Flow Yield (FCF Yield)

Free Cash Flow Yield is 2 - Attractive

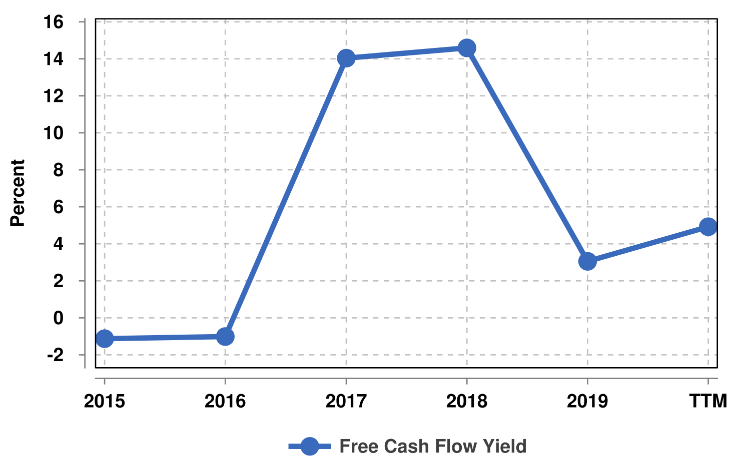
Free Cash Flow reflects the amount of cash free for distribution to all stakeholders (including debt & equity). FCF Yield divides free cash flow by enterprise value.

Using Free Cash Flow Yield to pick stocks is not a new strategy. However, our strategy yields superior results because we use a better measure of Free Cash Flow. In the same way our Economic EPS are better measures of profitability than reported EPS, our measure of Free Cash Flow is better than traditional accounting-based Free Cash Flow.

MRO's FCF Yield for the trailing twelve months earns our Attractive rating.

Appendix 1 in the reports available members of our website provides the income statement and balance sheet adjustments required for an accurate measure of FCF.

Free Cash Flow Yield



Price-to-EBV Ratio

Price-to-EBV Ratio is 2 - Attractive

Price-to-Economic Book Value (EBV) measures the difference between the market's expectations for future profits and the no-growth value of the stock.

EBV measures the no-growth value of the company based on the company's current Net Operating Profit After Tax (NOPAT).

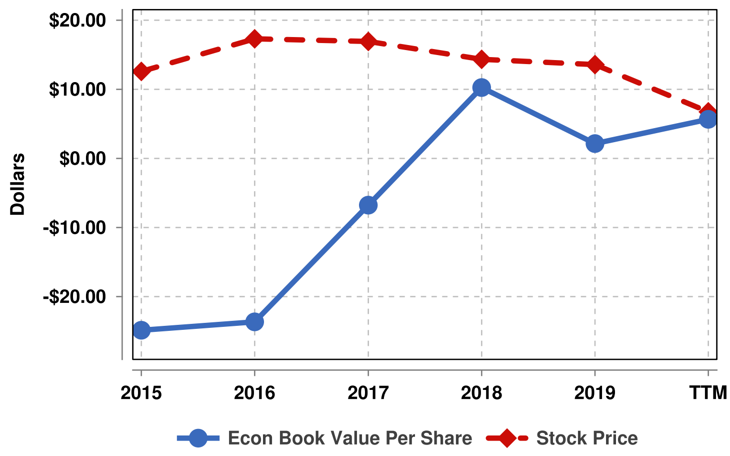
When prices are higher than EBV, the market predicts the NOPAT of the company will increase and expectations for profit growth are reflected in the stock. If the stock price equals EBV, the market predicts NOPAT will remain the same and there are no expectations for profit growth reflected in the stock. When stock prices are lower than EBV, the market predicts NOPAT will decrease and expectations for permanent profit decline are reflected in the stock.

In general, we like to buy stocks with low expectations for profit growth and sell/short stocks with high expectations for profit growth.

MRO's current Price-to-EBV per share earns our Attractive rating.

Appendix 2 in the reports available to member of our website details all the valuation adjustments required for an accurate measure of economiv book value.

Stock Price vs Economic Book Value (EBV) Per Share



Growth Appreciation Period

The Growth Appreciation Period is 4 - Unattractive

The market-implied duration of profit growth or GAP measures the number of years the company must maintain an edge over its competitors by earning ROIC greater than the weighted-average cost of capital on new investments.

We believe MRO embeds an Unattractive level of market expectations because there is a large difference between the expected financial performance implied by its market price and the company's historical performance.

At MRO's current stock price of $6.74, the market is expecting revenue to grow at 1.4% for the next 42 years. Over this period, MRO is also expected to generate an average Economic Earnings Margin of (2.3%).

These results are derived using our dynamic discounted cash flow model.

Performance Hurdles	Historical Performance			Market Expectations
	5 Yr	3Yr	Last FY	Default based on current price
Stock Price	$12.59	$16.93	$13.58	**$6.74**
Revenue CAGR	(2.1%)	7.6%	(12.2%)	**1.4%**
ROIC - WACC	(5.7%)	(4.7%)	(2.5%)	**(2.3%)**
Growth Appreciation Period	-	-	-	**42 years**

Learn More

Members of our website get exclusive access to more data and detailed analytics on the 10,000 securities we cover. Stock reports from our website include detailed information on the number and dollar value of every income statement, balance sheet and DCF valuation adjustments we make.

Members also get exclusive access to multiple model portfolios, weekly Long Ideas, and Danger Zone calls, IPO Research, Market Outlooks, Webinars and thought leadership on Machine Learning & AI for Investing and Fiduciary Rule fulfillment.

Members get advanced screening capabilities on our best-in-class metrics like ROIC and Free Cash Flow Yield and alerts whenever there are changes to any of the securities in your custom portfolio.

Take a free tour and get a risk-free trial today!

Appendix: Explanation of New Constructs' Stock Ratings

Ratings

In-depth risk/reward analysis underpins our stock rating. Our stock rating methodology grades every stock according to what we believe are the 5 most important criteria for assessing the quality of a stock. Each grade reflects the balance of potential risk and reward of buying that stock. Our analysis results in the 5 ratings described below. Very Attractive and Attractive correspond to a "Buy" rating, Very Unattractive and Unattractive correspond to a "Sell" rating, while Neutral corresponds to a "Hold" rating.

Risk/Reward Rating	Quality of Earnings		Valuation		
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period
5 -Very Unattractive	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50
4 - Unattractive	False Positive	4th Quintile	-5% < -1%	2.4 < 3.5 or < -1	20 < 50
3 - Neutral	Neutral EE	3rd Quintile	-1% < 3%	1.6 < 2.4	10 < 20
2 - Attractive	Positive EE	2nd Quintile	3% < 10%	1.1 < 1.6	3 < 10
1 - Very Attractive	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3

Ratings

Economic earnings and return on capital metrics are significantly more accurate when as-reported financial statements have been adjusted to reverse accounting distortions and Red Flags. The majority of the data required to reverse accounting distortions is available only in the Notes to the Financial Statements, which we analyze rigorously. Our core competency is gathering and analyzing all relevant financial data (from the Financial Statements and Notes) so that we can deliver earnings analysis that best represents the true profitability of businesses. See the figure below for a list of the Red Flag adjustments we make to a company's reported GAAP profits in order to reverse accounting distortions and arrive at a better measure of a firm's profits.

Accounting Issues and Red Flags that Distort GAAP

- Employee Stock Options
- Pension Over/Under Funding
- Excess Cash
- Restructuring Charges
- Pooling Goodwill
- Minority Interests
- Discontinued Operations
- Preferred Stock
- Mid-Year Acquisitions
- Off-Balance-Sheet Financing
- LIFO Reserve
- Unrealized Gains/Losses
- Goodwill Amortization
- Unconsolidated Subsidiaries
- Capitalized Expenses
- Deferred Compensation
- Net Deferred tax Assets and Liabilities

Footnotes adjustments matter. We are the ONLY source.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7000 mutual funds.

HBS & MIT Sloan research reveals that:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies (featured by Harvard Business School), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, Core Earnings: New Data and Evidence, shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

Learn more.

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

"...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications." - page 20

Pick better stocks:

"Trading strategies that exploit cross-sectional differences in firms' transitory earnings produce abnormal returns of 7-to-10% per year." - abstract

Avoid losses from using other firms' data:

"...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat..." - page 14

Build better models:

"Core Earnings [calculated using New Constructs' novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts." - page 4

Exploit market inefficiencies:

"These results ... suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures." - page 26

Fulfill fiduciary duties:

"An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A." - page 33-34

DISCLOSURES

New Constructs®, LLC (together with any subsidiaries and/or affiliates, 'New Constructs') is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first 15 days after New Constructs issues a report on that security.

DISCLAIMERS

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.