

# [***-Marathon Petroleum Corp. Reports First-Quarter Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5W2S-P291-JD3Y-Y1BG-00000-00&context=1516831)

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**Body**

FINDLAY - Marathon Petroleum Corp. (NYSE: MPC) today reported a first-quarter 2019 loss of $ 7 million, or $(0.01) per diluted share.

First quarter 2019 earnings included a net benefit of $ 0.08 per diluted share related to a non-cash gain which was partially offset by transaction-related costs and prior period tax adjustments. This compares with income of $ 37 million, or $ 0.08 per diluted share, in the first quarter of 2018.

'Despite challenging refining market conditions, the stability of our Midstream and Retail segments helped our integrated business generate over $ 1.6 billion of operating cash flow during the quarter,' said Gary R. Heminger, chairman and chief executive officer. 'Throughout the quarter refining fundamentals improved, gasoline and distillate inventories rebalanced, and the April blended crack spread of $ 18.80 is more than double the first-quarter average. We expect positive dynamics across all three of our business segments to support growing cash flows throughout the remainder of 2019.'

Heminger added, 'One of our core objectives is growing profitability and creating competitive advantages. We continuously assess our project portfolio to ensure disciplined capital allocation. Based on our internal forecasts, the Garyville Coker 3 project no longer comfortably exceeds our internal hurdle rates for refining projects. Consequently, we have decided to remove the project from our investment plans.'

The company remains committed to returning at least 50 percent of discretionary free cash flow to investors over the long term. MPC returned $ 1.2 billion in capital to shareholders during the first quarter of 2019, including $ 885 million in share repurchases.

MPLX LP (NYSE: MPLX) today announced that it has entered into a definitive merger agreement whereby MPLX will acquire Andeavor Logistics LP (NYSE: ANDX) in a unit-for-unit exchange. 'This merger creates a leading, large-scale, diversified midstream company anchored by fee-based cash flows,' added Heminger. 'The combined entity will have an expanded geographic footprint with enhanced long-term growth opportunities in some of the best basins in the U.S. We are confident about the midstream growth and value-creation opportunities that exist across this combined platform.'

Segment Results

In the first quarter of 2019, total income from operations was $ 669 million and adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA) was $ 1.5 billion. This compares to $ 440 million in income from operations and $ 1.0 billion of Adjusted EBITDA for the first quarter of 2018.

Refining Marketing (RM)

RM segment loss from operations was $ 334 million in the first quarter of 2019 compared with a loss from operations of $ 133 million in the same quarter of 2018. The $ 201 million decrease in RM income was primarily driven by narrower crude discounts across our medium and heavy sour crude slate. Additionally, high industry gasoline inventories following the fourth quarter's strong production ***environment*** resulted in weaker gasoline margins particularly in January 2019.

Refinery capacity utilization was 95 percent, resulting in total throughputs of 3.1 million barrels per day for the first quarter, which was 1.2 million barrels per day higher than the throughput for the first quarter of last year. The increase was primarily due to the addition of the legacy Andeavor refineries. Refined product exports totaled 430 thousand barrels per day in the first quarter of 2019.

RM margin was $ 11.17 per barrel for the quarter. This quarter MPC began providing regional RM margins. Gulf Coast RM margins were $ 7.82 per barrel, Mid-Con RM margins were $ 15.26 per barrel, and West Coast RM margins were $ 10.94 per barrel.

Segment EBITDA was $ 93 million in the first quarter 2019 versus $ 119 million for the same quarter last year. These results include turnaround costs of $ 186 million in the first quarter of 2019 and $ 173 million in the first quarter of 2018.

Midstream

Midstream segment income from operations, which primarily reflects the results of MPLX and ANDX, was $ 908 million in the first quarter of 2019, compared with $ 567 million for the first quarter of 2018. The increase was due to contributions of $ 220 million from Andeavor Logistics and a $ 121 million increase in Midstream segment results driven primarily by growth across MPLX's businesses.

The Midstream segment made progress on its strategy of capturing the full midstream value chain and enhancing its cash flow stability by announcing continued development of long-haul pipelines that meet growing market needs. MPLX signed a letter of intent to participate in the Wink-to-Webster crude oil pipeline in the Permian Basin. Additionally, the previously announced Whistler natural gas and BANGL natural gas liquids pipeline projects are both in the documentation phase, with final investment decisions expected in the near term. The open season on the proposed Capline reversal was completed and received significant interest such that the project will progress with an initial target in-service date of September 2020. Lastly, the Gray Oak Pipeline, in which MPC has a 25 percent equity interest, remains on schedule and is expected to be placed in service in the fourth quarter of 2019.

Retail

Retail segment income from operations was $ 170 million in the first quarter of 2019, compared with $ 95 million in the first quarter of 2018. The increase in earnings was largely related to the addition of the legacy Andeavor retail operations as well as a $ 24 million year-over-year increase in MPC's legacy Speedway segment earnings.

Retail fuel margin increased to 17.15 cents per gallon in the first quarter of 2019 from 15.61 cents per gallon in the first quarter of 2018. Same-store merchandise sales increased by 5.4 percent year-over-year and same-store gasoline sales volume decreased by 3.2 percent year-over-year.

As of April 30, Speedway has completed 112 store conversions in 2019, bringing the total number of conversions since the combination with Andeavor to 282. The store conversions across Minnesota are complete and the company is now focused on conversions in the Southwest. The company is targeting 700 total cumulative store conversions by the end of 2019.

Items Not Allocated to Segments and Other

Items not allocated to segments totaled $ 75 million of expenses in the first quarter of 2019 compared to $ 89 million in the first quarter of 2018. First quarter 2019 results included a $ 207 million gain related to the exchange of MPC's undivided interest in the Capline Pipeline system for an equity ownership in a newly formed entity. The non-cash gain reflects the excess of the estimated fair value of MPC's new entity ownership interest over the carrying value of the company's contributed undivided interest. This gain was partially offset by $ 91 million of transaction related costs primarily associated with adopting MPC's vacation accrual policies across the legacy Andeavor employee base.

The effective tax rate for the first quarter of 2019 was 29 percent, largely due to $ 36 million of state deferred tax expense recognized for an out-of-period adjustment to correct the tax effects recorded in 2018 for the Andeavor acquisition.

Strong Financial Position and Liquidity

As of March 31, 2019, the company had $ 755 million in cash and cash equivalents (excluding MPLX and ANDX's cash and cash equivalents of $ 93 million and $ 29 million, respectively), approximately $ 5 billion available under a revolving credit agreement, $ 1 billion available under a 364-day bank revolving credit facility and $ 750 million available under its trade receivables securitization facility.

Strategic Update

MPC realized $ 133 million of synergies related to the Andeavor combination in the first quarter. The company continues to expect annual gross run-rate synergies of up to $ 600 million at year-end 2019 and $ 1.4 billion by the end of 2021.

Today, MPLX announced that it has entered into a definitive merger agreement with ANDX whereby MPLX will acquire ANDX in a unit-for-unit transaction at a 1.07x blended exchange ratio. Under the terms of the agreement, ANDX public unit holders will receive 1.135x MPLX common units for each ANDX common unit held, representing a premium of 7.3%, and MPC will receive 1.0328x MPLX common units for each ANDX common unit held, representing a 2.4% discount based on May 2, 2019 closing prices.

Second Quarter 2019 Outlook

The company's second quarter 2019 outlook for the RM segment includes total throughput guidance of 2,925 thousand barrels per day and total direct operating costs of $ 8.70 per barrel. Corporate and other unallocated items are estimated at $ 200 million.

About Marathon Petroleum Corporation

Marathon Petroleum Corporation (MPC) is a leading, integrated, downstream energy company headquartered in Findlay, Ohio. The company operates the nation's largest refining system with more than 3.0 million barrels per day of crude oil capacity across sixteen refineries. MPC's marketing system includes branded locations across the United States, including Marathon brand retail outlets. Speedway LLC, an MPC subsidiary, owns and operates retail convenience stores across the United States. MPC also owns the general partner and majority limited partner interests in two midstream companies, MPLX LP and Andeavor Logistics LP, which own and operate gathering, processing, and fractionation assets, as well as crude oil and light product transportation and logistics infrastructure.

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Forward-Looking Statements

This press release contains forward-looking statements within the meaning of federal securities laws regarding Marathon Petroleum Corporation (MPC). These forward-looking statements relate to, among other things, MPC's acquisition of Andeavor and include expectations, estimates and projections concerning the business and operations, strategy and value creation plans of MPC. In accordance with 'safe harbor' provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in the forward-looking statements. You can identify forward-looking statements by words such as 'anticipate,' 'believe,' 'could,' 'design,' 'estimate,' 'expect,' 'forecast,' 'goal,' 'guidance,' 'imply,' 'intend,' 'may,' 'objective,' 'opportunity,' 'outlook,' 'plan,' 'policy,' 'position,' 'potential,' 'predict,' 'priority,' 'project,' 'prospective,' 'pursue,' 'seek,' 'should,' 'strategy,' 'target,' 'would,' 'will' or other similar expressions that convey the uncertainty of future events or outcomes. Such forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the company's control and are difficult to predict. Factors that could cause MPC's actual results to differ materially from those implied in the forward-looking statements include: the risk that the cost savings and any other synergies from the Andeavor transaction may not be fully realized or may take longer to realize than expected; disruption from the Andeavor transaction making it more difficult to maintain relationships with customers, employees or suppliers; risks relating to any unforeseen liabilities of Andeavor; risks related to the proposed transaction between MPLX LP (MPLX) and Andeavor Logistics LP (ANDX), including the ability to complete the proposed transaction on the proposed terms and timetable, the ability to satisfy various conditions to the closing of the transaction contemplated by the merger agreement, the ability to obtain regulatory approvals for the proposed transaction on the proposed terms and schedule, and any conditions imposed on the combined entity in connection with the consummation of the proposed transaction, the risk that anticipated opportunities and any other synergies from or anticipated benefits of the proposed transaction may not be fully realized or may take longer to realize than expected, including whether the proposed transaction will be accretive within the expected timeframe or at all, or disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees or suppliers; future levels of revenues, refining and marketing margins, operating costs, retail gasoline and distillate margins, merchandise margins, income from operations, net income or earnings per share; the regional, national and worldwide availability and pricing of refined products, crude oil, natural gas, NGLs and other feedstocks; consumer demand for refined products; the ability to manage disruptions in credit markets or changes to credit ratings; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; the reliability of processing units and other equipment; business strategies, growth opportunities and expected investment; share repurchase authorizations, including the timing and amounts of any common stock repurchases; the adequacy of capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute business plans and to effect any share repurchases or dividend increases, including within the expected timeframe; the effect of restructuring or reorganization of business components; the potential effects of judicial or other proceedings on the business, financial condition, results of operations and cash flows; continued or further volatility in and/or degradation of general economic, market, industry or business conditions; compliance with federal and state environmental, economic, health and safety, energy and other policies and regulations, including the cost of compliance with the Renewable Fuel Standard, and/or enforcement actions initiated thereunder; the anticipated effects of actions of third parties such as competitors, activist investors or federal, foreign, state or local regulatory authorities or plaintiffs in litigation; the impact of adverse market conditions or other similar risks to those identified herein affecting MPLX or ANDX and the factors set forth under the heading 'Risk Factors' in MPC's Annual Report on Form 10-K for the year ended Dec. 31, 2018, filed with the SEC.

We have based our forward-looking statements on our current expectations, estimates and projections about our industry. We caution that these statements are not guarantees of future performance and you should not rely unduly on them, as they involve risks, uncertainties, and assumptions that we cannot predict. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. While our respective management considers these assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. Accordingly, our actual results may differ materially from the future performance that we have expressed or forecast in our forward-looking statements. We undertake no obligation to update any forward-looking statements except to the extent required by applicable law.

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