

# [***-Marathon Petroleum Corp. Reports Third-Quarter Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5XD9-R771-JD3Y-Y3WC-00000-00&context=1516831)

ENP Newswire

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**Body**

Marathon Petroleum Corp. (NYSE: MPC) today reported net income of $ 1.1 billion, or $ 1.66 per diluted share, for the third quarter 2019 compared to $ 737 million, or $ 1.62 per diluted share, for the third quarter of 2018.

Excluding adjustments shown in the accompanying earnings release tables, third quarter 2019 adjusted net income was $ 1.1 billion, or $ 1.63 per diluted share, compared to $ 774 million, or $ 1.70 per diluted share, for the third quarter of 2018.

MPC returned $ 848 million of capital to shareholders during the third quarter of 2019, including $ 500 million in share repurchases.

'Our third-quarter results showcased our operational and commercial excellence,' said Gary R. Heminger, chairman and chief executive officer. 'Refining system utilization was 98% and leveraging our commercial expertise drove strong capture of 94% vs. market indicators. The retail segment delivered solid fuel margins and exceptional merchandise sales growth across our nationwide footprint, marking the 33rd consecutive quarter of same-store merchandise sales growth.

'The focus of the first year of our combination was execution to unlock unrealized value. We have made significant, observable progress improving mechanical availability and operational integrity, expanding our commercial capabilities, and reducing costs. We have converted roughly 550 of our targeted 700 retail stores and our synergy capture across the company is significantly ahead-of-schedule and on-track to exceed the targeted $ 600 million by year end.'

'Our company has a history of bold strategic actions. Creating value for our shareholders has always been and remains a top priority. Today we announced our next step to unlocking future value: our intent to separate Speedway into an independent company. Additionally, we are forming a special committee of the Board of Directors to continue evaluating alternatives to enhance value across our midstream business.'

Synergies

MPC realized $ 283 million of synergies in the third quarter. Some examples of realized synergies include: approximately $ 55 million from supply and distribution optimization, approximately $ 40 million from catalyst reformulation, and approximately $ 24 million from marketing-related enhancements. The company has realized $ 686 million of total synergies through the first nine months of the year, and is on track to exceed the $ 600 million of annual gross run-rate synergies targeted for the end of 2019.

Segment Results

In the third quarter of 2019, total income from operations was $ 2.0 billion compared to $ 1.4 billion for the third quarter of 2018. Adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA) was $ 3.1 billion in the third quarter of 2019 compared to $ 2.2 billion for the same quarter last year. Adjusted EBITDA excludes refining planned turnaround costs of $ 164 million in the third quarter of 2019 and $ 197 million in the third quarter of 2018.

Midstream

Midstream segment income from operations, which primarily reflects the results of MPLX LP (NYSE: MPLX), was $ 919 million in the third quarter of 2019, compared with $ 679 million for the third quarter of 2018. The increase was due to growth across MPLX's businesses as well as contributions from legacy Andeavor Logistics. Segment EBITDA was $ 1.2 billion in the third quarter 2019 versus $ 884 million for the same quarter last year.

Retail

Retail segment income from operations was $ 442 million in the third quarter of 2019, compared with $ 161 million in the third quarter of 2018. The increase in earnings was largely related to the addition of the legacy Andeavor retail operations and higher fuel and merchandise margin contributions across the legacy Speedway system. Segment EBITDA was $ 555 million in the third quarter 2019 versus $ 237 million for the same quarter last year.

Retail fuel margin increased to 24.5 cents per gallon in the third quarter of 2019 from 16.5 cents per gallon in the third quarter of 2018. Same-store merchandise sales increased by 5.2 percent year-over-year and same-store gasoline sales volume decreased by 2.8 percent year-over-year.

Refining Marketing (RM)

RM segment income from operations was $ 883 million in the third quarter of 2019 compared with $ 666 million in the same quarter of 2018. The year-over-year increase was primarily due to higher throughputs as a result of the Andeavor combination. RM margin was $ 14.66 per barrel for the quarter with a clean product yield of 83 percent.

Segment adjusted EBITDA was $ 1.4 billion in the third quarter of 2019 versus $ 1.1 billion for the same quarter last year. Segment adjusted EBITDA excludes refinery planned turnaround costs which totaled $ 164 million in the third quarter of 2019. This compares to $ 197 million of turnaround-related costs in the third quarter of 2018.

Crude capacity utilization was 98 percent, resulting in total throughputs of 3.2 million barrels per day for the third quarter of 2019, which was 1.1 million barrels per day higher than the throughput for the third quarter of last year. The increase was primarily due to the addition of the Andeavor refineries.

Items Not Allocated to Segments and Other

Items not allocated to segments totaled $ 220 million of expenses in the third quarter of 2019 compared to $ 103 million in the third quarter of 2018. Third quarter 2019 results include $ 22 million of transaction-related expenses and the inclusion of legacy Andeavor corporate costs.

Strong Financial Position and Liquidity

As of Sept. 30, 2019, the company had $ 1.5 billion in cash and cash equivalents (excluding MPLX's cash and cash equivalents of $ 41 million), $ 5 billion available under a five-year bank revolving credit facility, $ 1 billion available under a 364-day bank revolving credit facility, and $ 750 million available under its trade receivables securitization facility.

Strategic Update

In a separate release this morning, MPC announced several strategic actions to enhance shareholder value. The company plans to separate its Speedway business into an independent company and also form a special committee of MPC's board to continue to evaluate alternatives to enhance value across the midstream business. Among other aspects, the special committee will analyze the strategic fit of assets with MPC, the ability to realize full valuation credit for midstream earnings and cash flow, balance sheet impacts including liquidity and credit ratings, transaction tax impacts, separation costs, and overall complexity.

During the quarter, the Gray Oak Pipeline project progressed and is expected to be placed in service by the end of 2019. The pipeline will provide crude oil transportation from the Permian and Eagle Ford Basins to the Texas Gulf Coast region, including Corpus Christi. The Gray Oak pipeline will connect to multiple terminals including the South Texas Gateway Terminal, which is expected to start up by mid-2020. The terminal is designed to have two deepwater docks, with initial storage capacity of approximately 7 million barrels and up to 800 mbpd of throughput capacity. MPC owns a 25 percent interest in both the Gray Oak Pipeline and the South Texas Gateway Terminal.

The Wink-to-Webster crude oil pipeline, in which MPLX has an equity interest, remains on schedule to be competed in the first half of 2021. The 36-inch diameter pipeline will originate in the Permian Basin and have destination points in the Houston market, including MPC's Galveston Bay refinery.

Also in the Permian, the Whistler Pipeline is being designed to transport approximately 2 billion cubic feet per day of natural gas from Waha, Texas to the Agua Dulce market in South Texas, ultimately reaching MPC's Galveston Bay refinery. MPLX has an equity interest in Whistler, which is expected to be placed in service in the second half of 2021.

The company also continues to progress the reversal of the Capline pipeline, with a purge of the mainline initiated in the fourth quarter. Once reversed, Capline will be capable of supplying discounted mid-continent and Canadian crude to St. James, Louisiana, which has a direct connection to MPC's Garyville refinery. Capline, which is partially owned by MPC and operated by MPLX, is expected to begin light crude service in the first half of 2021, with heavy crude service expected in 2022.

In the retail segment, Speedway continues to expand its brand through store conversions of the acquired Andeavor sites. As of September 30, 2019, Speedway had completed 379 store conversions in 2019, bringing the total number of conversions since the combination with Andeavor to 549. The company remains on track to complete 700 total cumulative store conversions by the end of 2019, including locations on the West Coast and in the Southwest.

MPC also continues to expand its presence in Mexico. In addition to significant exports from the Gulf Coast and investments in refined product distribution, the company is now supplying over 215 retail sites, including 171 that are branded ARCO as of September 30, 2019. The entire network of sites in Mexico provides additional product outlets for and enhanced integration with the refining business.

In preparation for the IMO fuel specification change, the company has completed infrastructure enhancements at multiple refineries to decrease on-purpose high sulfur fuel oil production and receive outside feedstocks into resid destruction units. The company progressed the completion of its Garyville crude revamp and coker drum replacement projects. The crude project is expected to be completed by the end of 2019. The coker project is expected to increase unit capacity by approximately 14 percent and remains on track to be completed in two phases, fourth quarter of 2019 and first quarter of 2020.

Construction continues on the Dickinson Renewable Diesel project, which remains on-track for planned completion in late 2020. The project will convert the Dickinson refinery into a 12 mbpd biorefinery that will process corn and soybean oil to produce renewable diesel. MPC intends to sell the renewable diesel into the California market to comply with the California Low Carbon Fuel Standard.

The Los Angeles Refinery Integration and Compliance (LARIC) project to physically connect the adjacent Carson and Wilmington facilities for cleaner and more efficient operations is nearing completion. The expansion of the Wilmington hydrocracker is on track to be completed in the first half of 2020.

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 million barrels per day of crude oil capacity across 16 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 interest in MPLX LP, a midstream company which owns and operates gathering, processing, and fractionation assets, as well as crude oil and light product transportation and logistics infrastructure. More information is available at [*www.marathonpetroleum.com*](http://www.marathonpetroleum.com).

Contact:

Tel: (419) 421-2071

References to earnings mean net income attributable to MPC from the statements of income. Unless otherwise indicated, references to earnings and earnings per share are MPC's share after excluding amounts attributable to noncontrolling interests. Discretionary free cash flow is defined as operating cash flow less maintenance and regulatory capital.

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, 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,' 'commitment,' 'could,' 'design,' 'estimate,' 'expect,' 'forecast,' 'goal,' 'guidance,' 'imply,' 'intend,' 'may,' 'objective,' 'opportunity,' 'outlook,' 'plan,' 'policy,' 'position,' 'potential,' 'predict,' 'priority,' 'project,' 'proposition,' '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 but are not limited to: with respect to the planned Speedway separation, the ability to successfully complete the separation within the expected timeframe or at all, based on numerous factors including the macroeconomic ***environment***, credit markets and equity markets, our ability to satisfy customary conditions, and the ability to achieve the strategic and other objectives discussed herein; with respect to the Midstream review, our ability to achieve the strategic and other objectives related to the strategic review discussed herein; 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 acquisition of Andeavor Logistics LP by MPLX LP (MPLX), including the risk that anticipated opportunities and any other synergies from or anticipated benefits of the transaction may not be fully realized or may take longer to realize than expected, including whether the transaction will be accretive within the expected timeframe or at all, or disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the ability to complete any divestitures on commercially reasonable terms and/or within the expected timeframe, and the effects of any such divestitures on the business, financial condition, results of operations and cash flows; future levels of revenues, refining and marketing margins, operating costs, retail gasoline and distillate margins, merchandise margins, income from operations, net income and 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 and 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 such repurchases; the adequacy of capital resources and liquidity, including availability, timing and amounts of free cash flow necessary to execute business plans and to effect any share repurchases or dividend increases; 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 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, and in Forms 10-Q, filed with the SEC. Copies of MPC's Form 10-K and Forms 10-Q are available on the SEC website, MPC's website at   [*https://www.marathonpetroleum.com/Investors*](https://www.marathonpetroleum.com/Investors)/ or by contacting MPC's Investor Relations office. Copies of MPLX's Form 10-K and Forms 10-Q are available on the SEC website, MPLX's website at   [*http://ir.mplx.com*](http://ir.mplx.com) or by contacting MPLX's Investor Relations office.

We have based our forward-looking statements on our current expectations, estimates and projections about our business and 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 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.

Important Additional Information

MPC, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from MPC shareholders in connection with the matters to be considered at MPC's 2020 Annual Meeting. MPC intends to file a proxy statement with the SEC in connection with any such solicitation of proxies from MPC shareholders. MPC shareholders are encouraged to read any such proxy statement and accompanying white proxy card when they become available as they will contain important information. Information regarding the ownership of MPC's directors and executive officers in MPC shares, restricted shares and options is included in their SEC filings on Forms 3, 4 and 5. More detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be set forth in the proxy statement and other materials to be filed with the SEC in connection with MPC's 2020 Annual Meeting. Information can also be found in MPC's Annual Report on Form 10-K for the year ended Dec. 31, 2018, filed with the SEC, and Current Reports on Form 8-K filed with the SEC. Shareholders will be able to obtain any proxy statement, any amendments or supplements to the proxy statement and other documents filed by MPC with the SEC for no charge on the SEC website, MPC's website at   [*https://www.marathonpetroleum.com/Investors*](https://www.marathonpetroleum.com/Investors)/ or by contacting MPC's Investor Relations office.

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