

# [***-Marathon Petroleum Corp. reports second-quarter 2018 results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SXC-Y9S1-JD3Y-Y2K5-00000-00&context=1516831)

ENP Newswire

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**Body**

FINDLAY - Marathon Petroleum Corp. (NYSE: MPC) today reported 2018 second-quarter earnings of $ 1.06 billion, or $ 2.27 per diluted share.

This compares with $ 483 million, or $ 0.93 per diluted share, in the second quarter of 2017.

'We delivered an outstanding quarter,' said Gary R. Heminger, chairman and chief executive officer. 'Our ability to execute and capture opportunities in a volatile commodity ***environment*** demonstrated the power of our integrated business model and drove extraordinary results. Looking forward, we remain very optimistic about the prospects for our business given strong global demand, wider crude differentials, and the changing dynamics of the low-sulfur fuel market.

'Our team has made significant progress towards completing the combination between MPC and Andeavor. There are tremendous benefits from merging these two businesses and we remain confident in our ability to generate incremental cash flow and create substantial long-term value for our shareholders.'

MPC recently announced the expiration of the waiting period under the Hart-Scott-Rodino Act, and continues to advance the SEC filings necessary to obtain the appropriate approvals for the transaction from both MPC and Andeavor shareholders. The company expects to close the transaction in the second half of 2018, subject to other regulatory and customary closing conditions.

During the quarter, MPC returned $ 1.1 billion to MPC shareholders, including $ 885 million in share repurchases. MPC remains committed to its disciplined capital strategy and returning capital beyond the needs of the business in a manner consistent with maintaining the company's current investment-grade credit profile.

Segment Results

MPC's income from operations was $ 1.71 billion in the second quarter of 2018, compared with $ 982 million in the second quarter of 2017, driven by strong contributions from the Refining and Marketing (RM) and Midstream segments, partially offset by lower earnings in the Speedway segment.

Refining Marketing

RM segment income from operations was $ 1.03 billion, compared with $ 562 million in the second quarter of 2017. The year-over-year increase in second-quarter RM segment results was primarily driven by positive Midwest and Gulf Coast crack spreads on an ex-RIN basis as well as wider WCS- and WTI- based crude differentials. These favorable effects more than offset the $ 232 millionreduction in RM segment results associated with the Feb. 1, 2018, dropdown transaction. Prior period RM segment results were not adjusted to reflect these businesses being included in the Midstream segment effective Feb. 1, 2018.

Refinery utilization was 99.9 percent during the quarter resulting in record crude throughput of 1.9 million barrels per day. The U.S. Gulf Coast (USGC) and Chicago LLS blended 6-3-2-1 crack spread on an ex-RIN basis was $ 6.98 per barrel in the second quarter of 2018 as compared to $ 5.71 per barrel in the second quarter of 2017. These crack spreads reflect blended 6-3-2-1 crack spreads of $ 9.14and $ 9.18 per barrel for the second quarter of 2018 and 2017, respectively, less RIN crack adjustments of $ 2.16 and $ 3.46 per barrel for the second quarter of 2018 and 2017, respectively.

For the third quarter of 2018, MPC is expecting total throughput volumes of approximately 2 million barrels per day and total direct operating costs of $ 7 per barrel. Sour crude is estimated to make up 53 percent of MPC's crude oil throughput and WTI-priced crudes are estimated at 32 percent.

Midstream

Midstream segment income from operations, which largely reflects MPLX, was $ 617 million, compared with $ 332 million in the second quarter of 2017. The results for the quarter include $ 232 million from the recent drop of refining logistics and fuels distribution services to MPLX. Prior period Midstream segment results do not reflect the impact of these businesses. Strong second-quarter Midstream segment results also benefited from record gathered, processed and fractionated volumes as well as pipeline throughput volumes.

MPLX continues to execute on its organic growth plan in key regions including the Marcellus/Utica, Permian, and STACK. In July, operations commenced at both the 75 million cubic feet per day (mmcf/d) Omega gas processing plant in the STACK and the 200 mmcf/d Majorsville 7 gas processing plant in the Marcellus. During the quarter, the partnership completed major work on both the Ozark and Wood River-to-Patoka pipeline systems expanding capacity to 345,000 barrels per day and improving MPC's ability to source advantaged crude.

Speedway

Speedway segment income from operations was $ 159 million, compared with $ 238 million in the second quarter of 2017. The year-over-year decrease in second-quarter segment results was primarily related to lower light product margins and higher expenses. Speedway's gasoline and distillate margin decreased to 16.45 cents per gallon in the second quarter of 2018 compared with 18.35 cents per gallon in the second quarter of 2017 primarily due to the effects of rising crude oil prices.

Expenses increased $ 24 million year-over-year, primarily due to higher labor and benefit costs. Depreciation was $ 8 million higher year-over-year, primarily due to increased investment in the business. The $ 6 million gain on the sale of assets in the second quarter of 2017 also contributed to the change in segment earnings.

For the quarter, same-store merchandise sales increased by 2.9 percent year-over-year and same-store gasoline sales volume decreased by 2.6 percent year-over-year.

As announced in April, Speedway signed an agreement to purchase 78 locations in Syracuse, Rochester and Buffalo, New York. This acquisition will expand Speedway's network in key growth markets and is anticipated to close in the third quarter of 2018. Speedway operated 2,744 convenience stores at the end of the quarter, a net increase of 15 stores from the end of the same period last year.

Items Not Allocated to Segments

Corporate and other unallocated expenses were $ 90 million in the second quarter of 2018, compared with $ 150 million in the second quarter of 2017. Second quarter 2018 included $ 10 million of transaction costs related to the pending combination with Andeavor. Second quarter 2017 included $ 86 million of litigation-related expense and a $ 19 million gain on asset liquidations related to a cancelled project.

Strong Financial Position and Liquidity

On June 30, 2018, the company had $ 5 billion of cash and cash equivalents; $ 2.5 billion available under a revolving credit agreement; $ 1 billion available under a 364-day bank revolving credit facility and full availability under its $ 750 million trade receivables securitization facility. The company's liquidity should provide it with sufficient flexibility to meet its day-to-day operational needs.

About Marathon Petroleum Corporation

MPC is the nation's second-largest refiner, with a crude oil refining capacity of approximately 1.9 million barrels per calendar day in its six-refinery system. Marathon brand gasoline is sold through approximately 5,600 independently owned retail outlets across 20 states and the District of Columbia. In addition, Speedway LLC, an MPC subsidiary, owns and operates the nation's second-largest convenience store chain, with approximately 2,740 convenience stores in 22 states. MPC owns, leases or has ownership interests in approximately 10,800 miles of crude oil and light product pipelines. Through subsidiaries, MPC owns the general partner of MPLX LP, a midstream master limited partnership. Through MPLX, MPC has ownership interests in gathering and processing facilities with approximately 5.9 billion cubic feet per day of gathering capacity, 8.7 billion cubic feet per day of natural gas processing capacity and 610,000 barrels per day of fractionation capacity. MPC's fully integrated system provides operational flexibility to move crude oil, NGLs, feedstocks and petroleum-related products efficiently through the company's distribution network and midstream service businesses in the Midwest, Northeast, East Coast, Southeast and Gulf Coast regions.

References to Earnings

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.

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, the proposed transaction between MPC and Andeavor ('ANDV') and include expectations, estimates and projections concerning the business and operations, strategic initiatives 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,' 'position,' 'potential,' 'predict,' '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 ability to complete the proposed transaction between MPC and ANDV on anticipated terms and timetable; the ability to obtain approval by the shareholders of ANDV and MPC related to the proposed transaction and the ability to satisfy various other conditions to the closing of the transaction contemplated by the merger agreement; the ability to obtain regulatory approvals of the proposed transaction on the proposed terms and schedule, and any conditions imposed on the combined entity in connection with consummation of the proposed transaction; the risk that the cost savings and any other synergies from the proposed transaction may not be fully realized or may take longer to realize than expected; disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees or suppliers; risks relating to any unforeseen liabilities of ANDV; 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; our ability to manage disruptions in credit markets or changes to our credit rating; 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; MPC's share repurchase authorizations, including the timing and amounts of any common stock repurchases; the adequacy of our capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute our business plan and to effect any share repurchases, including within the expected timeframe; the effect of restructuring or reorganization of business components; the potential effects of judicial or other proceedings on our 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, 2017, and in the Form S-4 filed by MPC, filed with Securities and Exchange Commission (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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