

# [***Marathon Petroleum Corp. Reports Fourth-Quarter 2020 Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:61X5-CRK1-JB72-1021-00000-00&context=1516831)

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**Body**

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Reported fourth-quarter income of $192 million, or $0.29 per diluted share, which includes net pre-tax benefits of $851 million; reported adjusted loss of $608 million, or ($0.94) per diluted share $21 billion Speedway sale targeted to close by end of first quarter; reiterating commitment to use proceeds to strengthen the balance sheet and return capital to shareholders Advancing renewable fuels portfolio; Dickinson is 2nd largest renewable diesel facility in the US and progressing Martinez strategic repositioning Continuing focus on lowering cost structure Announced 2021 MPC standalone capital spending outlook of $1.4 billion, a reduction of $350 million from 2020

Marathon Petroleum Corp. (NYSE: MPC) today reported net income of $192 million, or $0.29 per diluted share, for the fourth quarter of 2020, compared with net income of $443 million, or $0.68 per diluted share, for the fourth quarter of 2019.

Fourth-quarter 2020 results include net pre-tax benefits of $851 million as shown in the accompanying release tables. Adjusted net loss was $608 million, or $(0.94) per diluted share, for the fourth quarter of 2020, compared with adjusted net income of $1.0 billion, or $1.56 per diluted share, for the fourth quarter of 2019.

"The COVID-19 pandemic presented unprecedented challenges in 2020," said President and Chief Executive Officer Michael J. Hennigan. "The rollout of vaccines in 2021 provides support for the return of global mobility and transportation fuel demand, increasing optimism around steps toward economic recovery and prospects for our industry.

"Throughout the year, we took aggressive action to reposition the company for long-term success.  We focused on optimizing our portfolio through the sale of Speedway, indefinitely idling higher cost refineries, structurally reducing operating costs, and expanding our renewable fuel portfolio.  Our Dickinson facility began producing renewable diesel and we are advancing discussions with feedstock suppliers and potential commercial partners for the Martinez renewables project. Today we announced our 2021 capital outlook which is yet again below prior year spending levels.  And, as we enter 2021 and progress toward the close of the $21 billion sale of our Speedway business, our top priorities remain reducing debt to strengthen our balance sheet and efficiently returning capital to shareholders."

Results from Operations

As previously announced, on Aug. 2, 2020, MPC entered into a definitive agreement to sell Speedway to 7-Eleven, Inc. for $21 billion in cash. Consistent with the reporting from last quarter:

Speedway's results are required to be presented separately as discontinued operations. The retained direct dealer business results are reported within the Refining & Marketing segment. As a result of the above, MPC no longer presents a separate Retail segment, which had previously included Speedway and the direct dealer business.

Speedway's results are presented differently under discontinued operations accounting as compared to their previous presentation. The major changes include:

MPC ceased recording depreciation and amortization (D&A) for Speedway at the time of signing the sale agreement. Corporate costs are no longer allocable to Speedway under discontinued operations accounting. Results for all periods exclude any allocation of corporate costs to Speedway.

Adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA) was $907 million in the fourth quarter of 2020, compared with $3.2 billion for the fourth quarter of 2019.  As detailed in the table below, adjusted EBITDA is shown for both continuing and discontinued operations. Adjusted EBITDA from continuing operations excludes refining planned turnaround costs and LIFO liquidation charges.

Refining & Marketing (R&M)

As discussed above, R&M segment results now include the results of the direct dealer business. Prior periods reflect this change in segment presentation.

R&M segment loss from operations was $1.6 billion in the fourth quarter of 2020, compared with income of $1.1 billion for the fourth quarter of 2019.  Fourth-quarter 2020 and fourth-quarter 2019 R&M segment results include direct dealer income from operations of $90 million and $194 million, respectively. Segment results also include a LIFO liquidation charge of $305 million in the fourth quarter of 2020.

Segment adjusted EBITDA was $(702) million in the fourth quarter of 2020, versus $1.7 billion for the fourth quarter of 2019. Segment adjusted EBITDA excludes refining planned turnaround costs, which totaled $107 million in the fourth quarter of 2020 and $153 million in the fourth quarter of 2019, and a LIFO liquidation charge of $305 million in the fourth quarter of 2020.  The decrease in R&M earnings was primarily due to lower crack spreads, reduced throughput, and weaker crude differentials, partially offset by lower operating costs.

R&M margin, excluding the LIFO liquidation charge, was $7.42 per barrel for the fourth quarter of 2020, versus $16.35 for the fourth quarter of 2019. Crude capacity utilization was 82% (excluding idled facilities) resulting in total throughput of 2.5 million barrels per day. Clean product yield was 87%.

Midstream

Midstream segment income from operations, which primarily reflects the results of MPLX LP (NYSE: MPLX), was $974 million in the fourth quarter of 2020, compared with $889 million for the fourth quarter of 2019.

Segment adjusted EBITDA was $1.3 billion in the fourth quarter of 2020, versus $1.2 billion for the fourth quarter of 2019. Strong performance in the midstream segment in the current business ***environment*** was driven by stable, fee-based earnings, contributions from organic growth projects, and reduced operating expenses.

Corporate and Items Not Allocated

As discussed above, corporate costs are no longer allocable to Speedway under discontinued operations accounting and all periods include corporate costs previously allocated to Speedway.

Corporate expenses totaled $175 million in the fourth quarter of 2020, compared with $244 million in the fourth quarter of 2019. Fourth-quarter 2020 and fourth-quarter 2019 corporate expenses include expenses of $6 million and $7 million, respectively, which are no longer allocable to Speedway.

Items not allocated to segments included net benefits of $1.2 billion in the fourth quarter of 2020, compared with net charges of $1.2 billion in the fourth quarter of 2019. Fourth-quarter 2020 results from continuing operations include a $1.2 billion lower of cost or market (LCM) inventory benefit, a favorable litigation settlement of $84 million and gains on asset sales of $66 million. These items are partially offset by impairment and restructuring charges of $165 million. Fourth-quarter 2019 results include $1.2 billion of impairment charges primarily related to MPLX goodwill and $6 million of costs incurred in connection with the midstream strategic review and other related activities. These items were partially offset by an equity method restructuring gain of $52 million. Discontinued operations for the fourth quarter of 2020 included a $25 million LCM inventory benefit and $39 million of costs related to the Speedway separation.

Speedway

As discussed above, the results of Speedway are required to be reported separately as discontinued operations. MPC ceased recording D&A for Speedway in August 2020. Therefore, fourth-quarter 2020 results reflect no D&A, as compared to $128 million of D&A in fourth-quarter 2019. Results for all periods presented exclude any allocation of corporate costs to Speedway.

Speedway income from operations was $419 million in the fourth quarter of 2020, compared with $290 million for the fourth quarter of 2019. Speedway adjusted EBITDA was $426 million in the fourth quarter of 2020, versus $418 million for the fourth quarter of 2019. Fourth-quarter 2020 results reflect higher fuel margins partially offset by lower fuel volumes compared to the prior year.

Speedway fuel margin was 28.99 cents per gallon in the fourth quarter of 2020, versus 26.11 cents per gallon in the fourth quarter of 2019. Same-store merchandise sales increased by 1.8% year-over-year and Speedway same-store gasoline sales volume decreased by 18.1% year-over-year.

Financial Position and Liquidity

As of Dec. 31, 2020, the company had $540 million in cash and cash equivalents (excluding MPLX's cash and cash equivalents of $15 million), no borrowings outstanding under its $5 billion five-year bank revolving credit facility, no borrowings outstanding under its two $1 billion 364-day bank revolving credit facilities, and no borrowings outstanding under its $750 million trade receivables securitization facility. The company took advantage of attractive commercial paper rates available during the quarter and had $1.0 billion of outstanding commercial paper borrowings as of Dec. 31, 2020. MPC does not intend to have outstanding commercial paper borrowing in excess of available capacity under its bank revolving credit facilities.

In the fourth quarter, the company redeemed all of the $475 million outstanding aggregate principal amount of its senior notes due October 2022 and repaid all of the $650 million outstanding aggregate principal amount of its senior notes due December 2020.

Strategic and Operations Update

The company continues to progress activities related to the $21 billion sale of Speedway to 7-Eleven, targeting a close of the transaction by the end of the first quarter of 2021. The company expects to use proceeds from the sale to strengthen the balance sheet and return capital to shareholders. The arrangement includes a 15-year fuel supply agreement and the opportunity to supply additional 7-Eleven locations.

The Dickinson, North Dakota, renewable fuels facility is ramping operations and is on-track to reach full production by the end of the first quarter. At full capacity, the facility is expected to produce 12,000 barrels per day of renewable diesel from corn and soybean oil. MPC intends to sell the renewable diesel into the California market to comply with the California Low Carbon Fuel Standard.

The company also progressed activities associated with the conversion of the Martinez refinery to a renewable diesel facility. Discussions with feedstock suppliers and definition engineering activities continue to advance. As envisioned, the Martinez facility would be expected to start producing renewable diesel by the second half of 2022, with a potential to build to full capacity of 48,000 barrels per day by the end of 2023.

Consistent with MPC's midstream strategy of developing long-haul pipelines and other logistics solutions, several projects advanced during the quarter, including the Wink to Webster crude oil pipeline, the Whistler natural gas pipeline, and the reversal of the Capline crude pipeline. Each of these projects is backed by minimum volume commitments.

First Quarter 2021 Outlook

2021 Capital Plan ($ millions)

Conference Call

At 11:00 a.m. EST today, MPC will hold a conference call and webcast to discuss the reported results and provide an update on company operations. Interested parties may listen by visiting MPC's website at  [*http://www.marathonpetroleum.com*](http://www.marathonpetroleum.com). A replay of the webcast will be available on the company's website for two weeks. Financial information, including the earnings release and other investor-related material, will also be available online prior to the conference call and webcast at [*http://www.marathonpetroleum.com*](http://www.marathonpetroleum.com).

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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. 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 that 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[*http://www.marathonpetroleum.com*](http://www.marathonpetroleum.com).

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References to Earnings and Defined Terms

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, 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: the magnitude and duration of the COVID-19 pandemic and its effects, including travel restrictions, business and school closures, increased remote work, stay at home orders and other actions taken by individuals, government and the private sector to stem the spread of the virus, and the adverse impact thereof on our business, financial condition, results of operations and cash flows, including, but not limited to, our growth, operating costs, labor availability, logistical capabilities, customer demand for our products and industry demand generally, margins, inventory value, cash position, taxes, the price of our securities and trading markets with respect thereto, our ability to access capital markets, and the global economy and financial markets generally; our ability to reduce capital and operating expenses; with respect to the planned sale of Speedway, the ability to successfully complete the sale within the expected timeframe, on the expected terms, or at all, based on numerous factors, including the failure to satisfy any of the conditions to the consummation of the planned transaction (including obtaining certain governmental or regulatory approvals on the proposed terms and schedule), the occurrence of any event, change or other circumstance that could give rise to the termination of the planned transaction; MPC's ability to utilize the proceeds as anticipated; the risk that the dissynergy costs, costs of restructuring transactions and other costs incurred in connection with the planned transaction will exceed our estimates; and our ability to capture value and realize the other expected benefits from the associated ongoing supply relationship following consummation of the planned sale; the risk that the cost savings and any other synergies from our acquisitions may not be fully realized or may take longer to realize than expected; the risk of further impairments; 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, 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, including the potential conversion of the Martinez Refinery to a renewable diesel facility; the receipt of relevant third party and/or regulatory approvals; the reliability of processing units and other equipment; the successful realization of 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, complete announced capital projects and to effect any share repurchases or to maintain or increase the dividend; the effect of restructuring or reorganization of business components, including those undertaken in connection with the planned sale of Speedway and workforce reduction; the potential effects of judicial or other proceedings, including remedial actions involving removal and reclamation obligations under environmental regulations, 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 as a result of the COVID-19 pandemic (including any related government policies and actions), other infectious disease outbreaks, natural hazards, extreme weather events or otherwise; general economic, political or regulatory developments, including changes in governmental policies relating to refined petroleum products, crude oil, natural gas or NGLs, regulation or taxation and other economic and political developments (including those caused by public health issues and outbreaks); non-payment or non-performance by our producer and other customers; compliance with federal and state environmental, economic, health and safety, energy and other policies, permitting and regulations, including the cost of compliance with the Renewable Fuel Standard, and/or enforcement actions initiated thereunder; the 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, 2019, and in Forms 10-Q and other filings, filed with the SEC. Copies of MPC's Form 10-K, Forms 10-Q and other SEC filings are available on the SEC's website, MPC's website at[*https://www.marathonpetroleum.com/Investors/or*](https://www.marathonpetroleum.com/Investors/or) by contacting MPC's Investor Relations office. Copies of MPLX's Annual Report on Form 10-K for the year ended December 31, 2019, Forms 10-Q and other SEC filings are available on the SEC's website, MPLX's website at[*http://ir.mplx.comor*](http://ir.mplx.comor) 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. Any forward-looking statements speak only as of the date of the applicable communication and we undertake no obligation to update any forward-looking statements except to the extent required by applicable law.

Non-GAAP Financial Measures

Management uses certain financial measures to evaluate our operating performance that are calculated and presented on the basis of methodologies other than in accordance with GAAP. We believe these non-GAAP financial measures are useful to investors and analysts to assess our ongoing financial performance because, when reconciled to their most comparable GAAP financial measures, they provide improved comparability between periods through the exclusion of certain items that we believe are not indicative of our core operating performance and that may obscure our underlying business results and trends. These measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP, and our calculations thereof may not be comparable to similarly titled measures reported by other companies. The non-GAAP financial measures we use are as follows:

Adjusted Net Income Attributable to MPC

Adjusted net income attributable to MPC is defined as net income attributable to MPC excluding the items in the table below, along with their related income tax effect. For the three and twelve months ended Dec. 31, 2020, we applied a combined federal and state statutory tax rate of 24% to the adjusted pre-tax loss for those periods. We have excluded these items because we believe that they are not indicative of our core operating performance and that their exclusion results in an important measure of our ongoing financial performance to better assess our underlying business results and trends.

Adjusted Diluted Earnings Per Share

Adjusted diluted earnings per share is defined as adjusted net income attributable to MPC divided by the number of weighted-average shares outstanding in the applicable period, assuming dilution.

Adjusted EBITDA & Segment Adjusted EBITDA

Adjusted EBITDA and Segment Adjusted EBITDA represent earnings before net interest and other financial costs, income taxes, depreciation and amortization expense as well as adjustments to exclude refining turnaround costs, items not allocated to segment results and other items shown in the table below. We believe these non-GAAP financial measures are useful to investors and analysts to analyze and compare our operating performance between periods by excluding items that do not reflect the core operating results of our business or in the case of turnarounds, which provide benefits over multiple years. We also believe that excluding turnaround costs from this metric is useful for comparability to other companies as certain of our competitors defer these costs and amortize them between turnarounds. Adjusted EBITDA and Segment Adjusted EBITDA should not be considered as a substitute for, or superior to segment income (loss) from operations, net income attributable to MPC, income before income taxes, cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP. Adjusted EBITDA and Segment Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

Refining & Marketing Margin

Refining margin is defined as sales revenue less the cost of refinery inputs and purchased products.

Speedway Fuel Margin

Speedway fuel margin is defined as the price paid by consumers less the cost of refined products, including transportation, consumer excise taxes and bankcard processing fees (where applicable).

Speedway Merchandise Margin

Speedway merchandise margin is defined as the price paid by consumers less the cost of merchandise.

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