

# [***Marathon Petroleum Corp. Reports Second-Quarter 2020 Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:60H4-JH91-DXP3-R40H-00000-00&context=1516831)

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**Body**

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Reported second-quarter income of $9 million, or $0.01 per diluted share, including net pre-tax benefit of $1.4 billion; adjusted loss of $868 million, or $(1.33) per diluted share Announced agreement to sell Speedway in $21 billion all-cash transaction; estimated after-tax proceeds of $16.5 billion expected to be used to both strengthen the balance sheet and return capital to shareholders Indefinitely idling Gallup and Martinez refineries; evaluating strategic repositioning of Martinez to renewable diesel facility On track to deliver $1.4 billion of capital spending and at least $950 million of operating expense reductions Significant liquidity with $7.7 billion of available borrowing capacity at MPC

Marathon Petroleum Corp. (NYSE: MPC) today reported net income of $9 million, or $0.01 per diluted share, for the second quarter of 2020, compared to $1.1 billion, or $1.66 per diluted share, for the second quarter of 2019.

Second-quarter 2020 results include a pre-tax lower of cost or market (LCM) inventory benefit of $1.5 billion. Details on this and other adjustments are shown in the accompanying release tables. Adjusted net loss was $868 million, or $(1.33) per diluted share, for the second quarter of 2020, compared to adjusted net income of $1.1 billion, or $1.73 per diluted share, for the second quarter of 2019.

"Our second quarter results reflect a full three months of the challenges COVID has created for our business," said President and Chief Executive Officer Michael J. Hennigan. "We began April with demand at historic lows. Despite seeing some recovery during the quarter, demand for our products and services continues to be significantly depressed, particularly across the West Coast and Midwest.

"In response, we are executing on the actions we announced in May and are advancing the three strategic priorities which lay the foundation for our long-term success. First, we strengthened the competitive position of our assets with the decision to indefinitely idle our Gallup and Martinez refineries, and are evaluating strategic repositioning possibilities for Martinez. Second, we began implementing commercial strategy changes and I've been encouraged by the team's quick progress. And third, we lowered our capital spending and tightly managed our operating expenses. I'm confident we will meet the $950 million expense reduction target we previously announced for 2020. We are also implementing plans to structurally lower costs in 2021 and beyond."

Segment Results

Income from operations was $981 million in the second quarter of 2020, compared to $2.0 billion in the second quarter of 2019. Second quarter 2020 results include a pre-tax LCM inventory benefit of $1.5 billion.

Adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA) was $653 million in the second quarter of 2020, compared to $3.2 billion for the second quarter of 2019. Adjusted EBITDA excludes refining planned turnaround costs of $162 million for the second quarter of 2020 and $237 million for the second quarter of 2019.

Refining & Marketing (R&M)

R&M segment loss from operations was $1.6 billion in the second quarter of 2020, compared with income of $906 million for the second quarter of 2019. The decrease in R&M earnings was primarily due to reduced throughput and lower crack spreads driven by lower demand associated with COVID-19, and lower crude differentials.

Segment adjusted EBITDA was $(1.0) billion in the second quarter of 2020, versus $1.6 billion for the second quarter of 2019. Segment adjusted EBITDA excludes refinery planned turnaround costs, which totaled $162 million in the second quarter of 2020 and $237 million in the second quarter of 2019.

R&M margin was $7.13 per barrel for the second quarter of 2020. Crude capacity utilization was 71%, resulting in total throughputs of 2.3 million barrels per day, and clean product yield was 84%.

Retail

Retail segment income from operations was $494 million in the second quarter of 2020, compared with $493 million for the second quarter of 2019. Segment EBITDA was $626 million in the second quarter of 2020, versus $623 million for the second quarter of 2019. Quarterly results reflected lower fuel volumes, higher fuel margin per gallon, and operating cost reductions.

Retail fuel margin increased to 39.60 cents per gallon in the second quarter of 2020, from 26.66 cents per gallon in the second quarter of 2019. Same-store merchandise sales decreased by 4% year-over-year and same-store gasoline sales volume decreased by 37% year-over-year.

Midstream

Midstream segment income from operations, which primarily reflects the results of MPLX LP (NYSE: MPLX), was $869 million in the second quarter of 2020, compared with $878 million for the second quarter of 2019.

Segment EBITDA was $1.2 billion in the second quarter of 2020, versus $1.2 billion for the second 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 to Segments

Corporate expenses totaled $188 million in the second quarter of 2020, compared to $179 million in the second quarter of 2019. Items not allocated to segments totaled $1.4 billion of income in the second quarter of 2020, compared with $56 million of expense in the second quarter of 2019. Second-quarter 2020 results include a $1.5 billion LCM inventory benefit, $25 million of impairment expense related to long-lived assets and $30 million of costs incurred in connection with the Speedway separation and other related activities. Second quarter 2019 results include $34 million of transaction-related expenses in connection with the Andeavor acquisition and $22 million of litigation charges.

Financial Position and Liquidity

As of June 30, 2020, the company had $1.0 billion in cash and cash equivalents (excluding MPLX's cash and cash equivalents of $67 million), $5 billion available under a five-year bank revolving credit facility, $2 billion available under its two 364-day bank revolving credit facilities and $705 million available under its trade receivables securitization facility.

The company previously reported that it drew $2 billion on the five-year revolving credit facility in the first quarter of 2020, plus an additional $1.5 billion in April 2020. These borrowings were made to provide financial flexibility given the commodity price downturn and the significant working capital impact associated with the decline in crude oil prices. In late April, the company added an additional $1 billion 364-day revolver. Also, in late April, the company issued $2.5 billion of senior notes. Net proceeds from the senior notes issuance were used to repay a portion of the amounts outstanding on the five-year revolving credit facility. In June, the company completely repaid all amounts outstanding on the five-year revolving credit facility.

Strategic and Operations Update

Yesterday, the company announced an agreement with 7-Eleven to sell Speedway for $21 billion in cash.  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 for approximately 7.7 billion gallons of fuel per year and the opportunity to supply additional 7-Eleven locations.

The company also announced the indefinite idling of the Gallup and Martinez refineries, and announced it is evaluating the strategic repositioning of Martinez to a renewable diesel facility.

Construction continues on the Dickinson Renewable Diesel project, which remains on schedule for planned completion in late 2020. The project will convert the Dickinson refinery into a 12,000 barrel per day biorefinery capable of producing 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.

Consistent with MPC's midstream strategy of developing long-haul pipelines and other logistics solutions, the company progressed several projects 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 from customers.

In addition, the South Texas Gateway terminal began crude oil export operations in July. MPC owns a 25% interest in the South Texas Gateway terminal.

Third Quarter 2020 Outlook

Conference Call

At 9:30 a.m. EDT 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.comand*](http://www.marathonpetroleum.comand) clicking on the "Join the Webcast" link. 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 [*https://www.marathonpetroleum.com*](https://www.marathonpetroleum.com).

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 TermsReferences 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 StatementsThis 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 effects of the recent outbreak of COVID-19 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; the effects of the recent outbreak of COVID-19, and the current economic ***environment*** generally, on our working capital, cash flows and liquidity, which can be significantly affected by decreases in commodity prices; our ability to reduce capital and operating expenses; with respect to the planned Speedway sale, the ability to successfully complete the sale within the expected timeframe or at all, based on numerous factors, including our ability to satisfy customary conditions, including obtaining regulatory approvals on the proposed terms and schedule, and any conditions imposed in connection with the consummation of the transaction, our ability to utilize the proceeds as anticipated, and our ability to capture value from the associated on-going supply relationship and realize the other expected benefits; 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 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, 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 to maintain or increase the dividend; 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 as a result of the COVID-19 pandemic, other infectious disease outbreaks or otherwise; 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 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, 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 Form 10-K, 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. We undertake no obligation to update any forward-looking statements except to the extent required by applicable law.

Non-GAAP Financial MeasuresManagement 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 MPCAdjusted 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. 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 ShareAdjusted 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.

Operating Cash Flow Before Changes in Working CapitalOperating cash flow before changes in working capital is defined as net cash provided by (used in) operations less changes in current receivables, inventories, current accounts payable and accrued liabilities, the fair value of derivative instruments and right of use assets and operating lease liabilities. We believe operating cash flow before changes in working capital is useful as it is indicative of cash received or used for operations based on current operating conditions without the effects of working capital account fluctuations that result from commodity price changes, timing of cash collections, inventory purchases or accounts payable payments as compared to the prior year-end reporting period.

Adjusted EBITDA & Segment Adjusted EBITDAAdjusted 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 MarginRefining margin is defined as sales revenue less the cost of refinery inputs and purchased products.

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

Retail Merchandise MarginRetail merchandise margin is defined as the price paid by consumers less the cost of merchandise.

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