

# [***Marathon Petroleum Corp. Reports Third Quarter 2018 Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TMN-FV51-J9XT-P24T-00000-00&context=1516831)

Plus Company Updates(PCU)

November 2, 2018 Friday

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**Length:** 2981 words

**Body**

FINDLAY: Marathon Petroleum Corporation has issued the following news release: Reported third quarter earnings of $737 million, or $1.62 per diluted share Refining and Marketing segment income from operations of $666 million as strong market fundamentals supported high utilization Midstream segment income from operations of $679 million, achieved significant growth with higher volumes and multiple new assets coming online Generated $1.2 billion in cash from operations during the quarter and returned $607 million to shareholders Closed Andeavor acquisition on October 1st with integration underway Marathon Petroleum Corp. (NYSE: MPC) today reported 2018 third quarter earnings of $737 million, or $1.62 per diluted share. Third quarter 2018 earnings included pre-tax charges of $49 million related to pension settlement and transaction costs, or approximately $0.08 per diluted share. This compares with $903 million, or $1.77 per diluted share, in the third quarter of 2017. "On October 1, we closed on our strategic combination with Andeavor after a vote that demonstrated overwhelming support by both sets of shareholders. We are now the leading, integrated, downstream energy company in the U.S.," said Gary R. Heminger, chairman and chief executive officer.

"As we look forward, we see extraordinary potential across our nationwide platform including over $1 billion of annual run-rate synergies within the first three years." "This was another impressive quarter," Heminger continued. "Our team's strong execution drove over $1.2 billion of cash from operations, allowing us to return $607 million to shareholders, contributing to the $3.2 billion of capital returned so far in 2018. The market ***environment*** appears favorable and our integrated business model enables us to capture opportunities including wider crude differentials and the changing dynamics of low-sulfur fuel requirements which we expect to begin to see in the second half of 2019." Segment Results MPC's income from operations was $1.40 billion in the third quarter of 2018, compared with $1.58 billion in the third quarter of 2017, driven by strong contributions from the Midstream segment, offset by lower segment income from operations in the Refining and Marketing (R&M) and Speedway segments. Three Months Ended<br class="dnr" /> September 30 (In millions) 2018 2017 Income from Operations by Segment Refining & Marketing $ 666 $ 1,097 Speedway 161 208 Midstream 679 355 Items not allocated to segments (103) (83) Income from operations(a) $ 1,403 $ 1,577 (a) We adopted Accounting Standards Update 2017-07, Retirement Benefits Presentation of Pension and Postretirement Cost, as <br class="dnr" /> of Jan. 1, 2018, and applied the standard retrospectively. As a result, we reclassified prior period amounts from selling, general <br class="dnr" /> and administrative expenses to net interest and other financial costs to conform to current period presentation. Refining & Marketing R&M segment income from operations was $666 million, compared with $1.1 billion in the third quarter of 2017. The year-over-year decrease in R&M segment results was primarily driven by lower Midwest and Gulf Coast crack spreads, partially offset by wider WCS- and WTI- based crude differentials. In addition, R&M segment income was $230 million lower resulting from the February 1, 2018 dropdown transaction. Prior period R&M segment results do not reflect the impact of the dropdown. Refinery utilization was 97 percent during the quarter. The U.S. Gulf Coast and Chicago LLS blended 6-3-2-1 crack spread on an ex-RIN basis was $8.03 per barrel in the third quarter of 2018 as compared to $8.68 per barrel in the third quarter of 2017. These crack spreads are net of RIN crack adjustments of $1.73 and $4.00 per barrel for the third quarter of 2018 and 2017, respectively. Midstream Midstream segment income from operations, which largely reflects MPLX LP (NYSE: MPLX), was $679 million in the quarter, compared with $355 million in the third quarter of 2017. The results include $230 million from the February 1, 2018 drop of refining logistics and fuels distribution services to MPLX. Prior period Midstream segment results do not reflect the impact of these businesses. The incremental $94 million increase in third quarter Midstream segment results were driven by strong pipeline throughput volumes as well as record gathered, processed and fractionated volumes. During the quarter, MPLX announced several new projects. First, the company plans to participate in a new 600-mile crude pipeline running from the Permian Basin to the Texas Gulf Coast region. Second, the company also plans to jointly develop the Whistler Pipeline, a 2.0 billion cubic feet per day (bcf/d) pipeline designed to deliver natural gas to the Agua Dulce market hub. Lastly, the company announced the acquisition of a Gulf Coast export terminal in Mt. Airy, Louisiana with 4 million barrels of third-party leased storage capacity and a 120 thousand barrel-per-day (mbpd) dock. Additionally in October, MPLX announced with Crimson Midstream, LLC the commencement of an open season on the proposed 600 mbpd Swordfish Pipeline from St. James, Louisiana, and Raceland, Louisiana, to the Louisiana Offshore Oil Port LLC (LOOP) terminal facility in Clovelly, Louisiana. Speedway Speedway segment income from operations was $161 million in the quarter, compared with $208 million in the third quarter of 2017. The year-over-year decrease in segment results was primarily related to higher operating expenses and lower light product margins. Speedway's gasoline and distillate margin decreased to 16.51 cents per gallon in the third quarter of 2018 compared with 17.72 cents per gallon in the third quarter of 2017 primarily due to the effects of rising crude oil prices. For the quarter, same-store merchandise sales increased by 4.9 percent and same-store gasoline sales volume decreased by 1.2 percent year-over-year. Expenses increased $28 million, primarily due to higher labor and benefits costs. Depreciation was $8 million higher, primarily due to increased investment in the business. MPC has begun the process of converting the Andeavor company-owned-and-operated stores to the Speedway brand. Since the closing of the transaction on October 1st, roughly 90 sites in the St. Paul and Minneapolis markets have been converted and the company expects to complete approximately 200 sites in total by the end of 2018. Items Not Allocated to Segments Items not allocated to segments totaled $103 million of expenses in the third quarter of 2018, compared with $83 million in the third quarter of 2017. The increase was due to transaction costs related to the combination with Andeavor and increased employee benefit costs. Strong Financial Position and Liquidity On September 30, 2018, the company had $5.0 billion of cash and cash equivalents, including the approximately $3.5 billion necessary to close the Andeavor transaction on October 1, 2018; $2.5 billion available under a revolving credit agreement and full availability under its $750 million trade receivables securitization facility. During the quarter, MPC returned $607 million to MPC shareholders, including $400 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. MPC Revolving Credit Agreements On August 28, 2018, in connection with the Andeavor transaction, MPC entered into agreements with a syndicate of lenders to replace MPC's previous credit facilities. The facilities, which became effective October 1, 2018, provide for a $5 billion five-year revolving credit agreement that expires in 2023 and a $1.0 billion 364-day revolving credit agreement that expires in 2019. The financial covenants and the interest rate terms contained in the new credit agreements are substantially the same as those contained in the previous bank revolving credit facilities. MPC Senior Notes As a result of the completion of the Andeavor transaction, MPC assumed an aggregate principal amount of $3.375 billion senior notes issued by Andeavor. On October 2, 2018, approximately $2.905 billion aggregate principal amount of Andeavor's outstanding senior notes were part of an exchange offer and consent solicitation undertaken by MPC and Andeavor, where unsecured notes were exchanged for new unsecured senior notes issued by MPC having the same maturity and interest rates as the Andeavor senior notes and cash. Other Strategic Updates In October, MPC began evaluating the financial business plans of Andeavor Logistics LP (NYSE: ANDX), with the intent to move toward financial policies more consistent with its approach towards MPLX. This approach includes meaningfully higher distribution coverage, leverage levels at or below 4.0x EBITDA, no planned public equity issuances, and independent sustainability with limited parent support. MPC plans to engage advisors and begin the process of assessing all options for the two MLPs, which could include MPLX acquiring ANDX and ANDX acquiring MPLX. Conference Call At 9 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.com*](http://www.marathonpetroleum.com) and clicking on the "2018 Third Quarter Financial Results" 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   [*http://ir.marathonpetroleum.com*](http://ir.marathonpetroleum.com) . 2018 Investor Day Marathon Petroleum Corporation, MPLX LP, and Andeavor Logistics LP will host their 2018 Investor Day at the Mandarin Oriental Hotel in New York City on December 4, 2018 at 8:30 a.m. EST. Reservations are required to attend. Interested parties can request an invitation by contacting the Investor Relations department via email at [*investorrelations@marathonpetroleum.com*](mailto:investorrelations@marathonpetroleum.com) . The presentation will also be webcast live at   [*http://marathonpetroleum.com*](http://marathonpetroleum.com) ,   [*http://mplx.com*](http://mplx.com) , and   [*http://andeavorlogistics.com*](http://andeavorlogistics.com) . About Marathon Petroleum Corporation Marathon Petroleum Corporation (NYSE: MPC) is a leading, integrated, downstream energy company headquartered in Findlay, Ohio. The company operates the nation's largest refining system with over 3.0 million barrels per day of crude oil capacity across sixteen refineries. MPC's marketing system includes approximately 7,800 branded locations across the United States, including approximately 5,600 Marathon brand retail outlets. Speedway LLC, an MPC subsidiary, owns and operates approximately 3,900 retail convenience stores across the United States. MPC also owns the general partner and majority limited partner interests in two midstream companies, MPLX LP (NYSE: MPLX) and Andeavor Logistics LP (NYSE: ANDX), which own and operate gathering, processing, and fractionation assets, as well as crude oil and light product transportation and logistics infrastructure. Investor Relations Contact: <br class="dnr" /> Kristina Kazarian (419) 421-2071 Media Contact:<br class="dnr" /> Chuck Rice (419) 421-2521 References to Earnings<br class="dnr" /> 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<br class="dnr" /> 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 acquisition of Andeavor 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 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; 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 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, 2017, and in MPC's Form 10-Q for the quarter ended June 30, 2018, 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 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. Copies of MPC's Form 10-K and Forms 10-Q are available on the SEC website, MPC's website at   [*http://ir.marathonpetroleum.com*](http://ir.marathonpetroleum.com) or by contacting MPC's Investor Relations office. Copies of MPLX's Form 10-K 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. Copies of ANDX's Form 10-K are available on the SEC website, ANDX's website at   [*http://ir.andeavorlogistics.com*](http://ir.andeavorlogistics.com) or by contacting ANDX's Investor Relations office.

**Load-Date:** November 2, 2018

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