

# [***Marathon Petroleum Corp. Reports Third-Quarter 2020 Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:616J-2TG1-DXP3-R2M9-00000-00&context=1516831)

PR Newswire

November 2, 2020 Monday 6:30 AM EST

Copyright 2020 PR Newswire Association LLC All Rights Reserved

**Length:** 4297 words

**Dateline:** FINDLAY, Ohio, Nov. 2, 2020

**Body**

PR Newswire

Reported third-quarter loss of $1.0 billion, or $(1.57) per diluted share, including net pre-tax charges of $525 million; adjusted loss of $649 million, or $(1.00) per diluted share On-track to exceed targeted reductions of $1.4 billion of capital spending and $950 million of operating expense; implemented workforce reduction plan Progressing $21 billion Speedway sale; continue to target first-quarter 2021 close Starting up Dickinson, N.D. renewable fuels facility Continuing strategic repositioning of Martinez refinery to renewable diesel facility Available liquidity exceeds $7 billion

Marathon Petroleum Corp. (NYSE: MPC) today reported a net loss of $1.0 billion, or $(1.57) per diluted share, for the third quarter of 2020, compared with net income of $1.1 billion, or $1.66 per diluted share, for the third quarter of 2019.

Third-quarter 2020 results include net pre-tax charges of $525 million as shown in the accompanying release tables. Adjusted net loss was $649 million, or $(1.00) per diluted share, for the third quarter of 2020, compared with adjusted net income of $1.1 billion, or $1.63 per diluted share, for the third quarter of 2019.

"The challenges created by COVID continued through the third quarter," said President and Chief Executive Officer Michael J. Hennigan. "Despite some recovery, global demand for our products and services remains significantly below historical levels, which continues to pressure profitability for both our company and the industry.

"As we navigate these challenges, we remain focused on the aspects of our business within our control. First, we strengthened the competitive position of our assets by advancing our investments in renewables. Our Dickinson renewable fuels facility is starting up. With respect to the conversion of our Martinez refinery into a renewable diesel facility, we filed for permits, progressed feedstock supplier discussions, and began detailed engineering activities. Second, we continued working toward a first-quarter 2021 closing for the Speedway sale and remain committed to using the proceeds to strengthen our balance sheet and return capital to shareholders. And third, we took incremental steps to reduce our cost structure, including the implementation of a workforce reduction plan. The difficult decision to reduce our workforce was not made lightly, and we are committed to treating our employees with integrity and respect as we take these necessary steps to position the company for through-cycle resiliency."

Results from Operations

On Aug. 2, 2020, MPC entered into a definitive agreement to sell Speedway to 7-Eleven, Inc. for $21 billion in cash. Due to the announced sale, MPC has made the following changes to its third-quarter 2020 and historical results:

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 included these two businesses.

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, and therefore, third quarter results reflect only one month of D&A for Speedway's assets. D&A was $36 million for the month of July 2020. Corporate costs are no longer allocable to Speedway under discontinued operations accounting. Results for all periods presented have been recast to exclude any allocation of corporate costs to Speedway. These costs have averaged approximately $7 million per quarter in 2020.

Adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA) was $1.0 billion in the third quarter of 2020, compared with $3.1 billion for the third 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.

Refining & Marketing (R&M)

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

R&M segment loss from operations was $1.6 billion in the third quarter of 2020, compared with income of $989 million for the third quarter of 2019. Third quarter 2020 and third quarter 2019 R&M segment results include direct dealer income from operations of $103 million and $106 million, respectively. Segment results also include a LIFO liquidation charge of $256 million in the third quarter of 2020.

Segment adjusted EBITDA was $(623) million in the third quarter of 2020, versus $1.6 billion for the third quarter of 2019. Segment adjusted EBITDA excludes refining planned turnaround costs, which totaled $234 million in the third quarter of 2020 and $164 million in the third quarter of 2019. It also excludes a non-cash LIFO liquidation charge of $256 million in the third quarter of 2020. The decrease in R&M earnings was primarily due to reduced throughput, lower crack spreads, and weaker crude differentials.

R&M margin, excluding the LIFO liquidation charge, was $8.28 per barrel for the third quarter of 2020, versus $15.11 for the third quarter of 2019. Crude capacity utilization was 84% (excluding idled facilities) resulting in total throughput of 2.5 million barrels per day. Clean product yield was 85%.

Midstream

There have been no changes to the presentation of midstream segment results.

Midstream segment income from operations, which primarily reflects the results of MPLX LP (NYSE: MPLX), was $960 million in the third quarter of 2020, compared with $919 million for the third quarter of 2019.

Segment EBITDA was $1.3 billion in the third quarter of 2020, versus $1.2 billion for the third 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. Prior periods have been recast to exclude any allocation of corporate costs to Speedway. These costs averaged approximately $7 million per quarter in 2020.

Corporate expenses totaled $197 million in the third quarter of 2020, compared with $206 million in the third quarter of 2019. Third quarter 2020 and third quarter 2019 corporate expenses include expenses of $7 million and $8 million, respectively, which are no longer allocable to Speedway.

Items not allocated to continuing operations included net charges of $251 million in the third quarter of 2020, compared with charges of $22 million in the third quarter of 2019. Third-quarter 2020 results include a $530 million lower of cost or market (LCM) inventory benefit, $433 million of impairment expense related to long-lived assets primarily related to the repositioning of the Martinez refinery, and $348 million of restructuring expenses related to the idling of the Martinez and Gallup refineries and costs related to our announced workforce reduction. Discontinued operations included $18 million of costs related to the Speedway separation in the third quarter of 2020.

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, third-quarter 2020 results reflect $36 million for only one month of D&A, as compared to $94 million for three months of D&A in third-quarter 2019. Results for all periods presented exclude any allocation of corporate costs to Speedway. These costs have averaged approximately $7 million per quarter in 2020.

Speedway income from operations was $456 million in the third quarter of 2020, compared with $344 million for the third quarter of 2019. Speedway EBITDA was $492 million in the third quarter of 2020, versus $438 million for the third quarter of 2019. Quarterly results reflect higher fuel margin and merchandise sales partially offset by lower fuel volumes.

Speedway fuel margin was 30.25 cents per gallon in the third quarter of 2020, versus 26.04 cents per gallon in the third quarter of 2019. Same-store merchandise sales increased by 0.8% year-over-year and Speedway same-store gasoline sales volume decreased by 16.6% year-over-year.

Financial Position and Liquidity

As of Sept. 30, 2020, the company had $688 million in cash and cash equivalents (excluding MPLX's cash and cash equivalents of $28 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 $750 million available under its trade receivables securitization facility. The company also renewed its $1 billion 364-day bank revolving credit facility that was to expire in September.

In October, the company redeemed all of the $475 million outstanding aggregate principal amount of its senior notes due Oct. 1, 2022, using available revolver capacity. As of Oct. 31, 2020, the company had total credit facility availability, excluding MPLX facilities, in excess of $7 billion.

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 in 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 for approximately 7.7 billion gallons of fuel per year and the opportunity to supply additional 7-Eleven locations.

The Dickinson, North Dakota renewable fuels facility is starting up. 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, including applying for permits, advancing discussions with feedstock suppliers, and beginning detailed engineering activities. As envisioned, the Martinez facility would be expected to start producing renewable diesel in 2022, with a potential to build to full capacity of 48,000 barrels per day in 2023.

Consistent with MPC's midstream strategy of developing long-haul pipelines and other logistics solutions, the company advanced 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.

Fourth Quarter 2020 Outlook

Conference Call

At 9:30 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).

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).

Investor Relations Contacts: (419) 421-2071Kristina Kazarian, Vice President, Investor Relations

Brian Worthington, Manager, Investor Relations

Media Contact: (419) 421-3312Jamal Kheiry, Manager, Communications

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 effects of the recent outbreak of COVID-19, including any related government policies and actions, 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 proposed 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 proposed 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 proposed 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 proposed 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 proposed sale; the risk that the cost savings and any other synergies from our acquisition of Andeavor and the acquisition of Andeavor Logistics LP (ANDX) by MPLX LP (MPLX) may not be fully realized or may take longer to realize than expected, including whether the ANDX transaction will be accretive within the expected timeframe or at all; disruption from the Andeavor or ANDX transactions making it more difficult to maintain relationships with customers, employees or suppliers; risks relating to any unforeseen liabilities of Andeavor or ANDX, respectively; 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 Speedway sale 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.

Refining & Marketing Operating Statistics (Unaudited)

The retained direct dealer business is now reported within the Refining & Marketing segment. The historical results have been recast.

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 nine months ended Sept. 30, 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.

Reconciliation of Refining & Marketing Income (Loss) from Operations to Refining & Marketing Gross Margin and Refining & Marketing Margin

Effective in the third quarter of 2020, Refining & Marketing historical results have been recast and now include the results of the retained direct dealer business.

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.

View original content:http://www.prnewswire.com/news-releases/marathon-petroleum-corp-reports-third-quarter-2020-results-301164653.html

SOURCE Marathon Petroleum Corporation

**Load-Date:** November 2, 2020

**End of Document**