

# [***Valero Energy Reports 2016 Fourth Quarter and Full Year Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5MSK-THH1-J9XT-P0YG-00000-00&context=1516831)

Plus Company Updates(PCU)

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**Body**

San Antonio: Valero Energy Corporation has issued the following press release:

Valero Energy Corporation (NYSE:VLO) (“Valero”) today reported net income attributable>

“Domestic refined product demand remained strong and we exported 359,000 barrels per day of gasoline and diesel combined during the fourth quarter,” said Joe Gorder, Valero Chairman, President and Chief Executive Officer. “Looking ahead, we expect an improving economy and relatively low crude oil and refined product prices to support consumer demand growth.”

Refining

The refining segment reported $715 million of operating income for the fourth quarter of 2016, compared to $876 million for the fourth quarter of 2015. Excluding adjustments shown in the accompanying earnings release table>

Biofuel blending costs were $217 million in the fourth quarter of 2016, which was $60 million higher than the fourth quarter of 2015, and $749 million for 2016, which was $309 million higher than 2015. The higher costs were due primarily to higher RINs prices.

Valero’s refineries achieved 95 percent throughput capacity utilization and averaged 2.9 million barrels per day of throughput volume in the fourth quarter of 2016, which was in line with the fourth quarter of 2015.

“Our refining team worked hard to ensure we completed major turnarounds at our Port Arthur and Ardmore refineries safely,” Gorder said.

Ethanol

The ethanol segment reported $126 million of operating income for the fourth quarter of 2016, compared to a loss of $13 million for the fourth quarter of 2015. Excluding the adjustment shown in the accompanying earnings release table>

Corporate and Other

General and administrative expenses were $208 million in the fourth quarter of 2016 compared to $206 million in the fourth quarter of 2015. The effective tax rate of 21 percent in the fourth quarter of 2016 was lower than expected due to stronger than projected earnings from international operations (relative to total earnings) that have lower statutory tax rates and reductions in tax position liabilities due to the lapse of statutes of limitation.

Investing and Financing Activities

Capital investments totaled $628 million in the fourth quarter of 2016, of which $244 million was for turnarounds and catalyst. For the year, capital investments totaled $2.0 billion, consisting of $1.4 billion for sustaining the business and $600 million for growth projects.

Valero paid $271 million in dividends and purchased 2.7 million shares of its common stock for $169 million, resulting in total cash returned to stockholders of $440 million in the fourth quarter of 2016. In 2016, Valero returned $2.4 billion to stockholders, or 142 percent of adjusted net income attributable>

“Our operations generated $998 million of cash during the quarter despite a challenging and volatile earnings ***environment***,” Gorder said. “Our disciplined capital allocation allowed us to meaningfully exceed our total payout ratio target for 2016.”

On January 26, the company announced a 17 percent increase in its quarterly common stock dividend from $0.60 per share to $0.70 per share, payable on March 7, 2017, to holders of record on February 15, 2017.

In December, Valero Energy Partners LP (NYSE: VLP, “VLP”), a master limited partnership sponsored by Valero, issued $500 million of 4.375 percent senior notes due 2026 and used the proceeds to repay a substantial portion of its indebtedness under its senior unsecured revolving credit facility.

Liquidity and Financial Position

Valero ended the fourth quarter of 2016 with $8.0 billion of total debt and $4.8 billion of cash and temporary cash investments. The debt to capital ratio, net of $2.0 billion in cash, was 23 percent.

Strategic Update

Valero expects 2017 capital investments to be about $2.7 billion, of which $1.1 billion is for growth and $1.6 billion is for sustaining projects.

On January 18, VLP announced the acquisition of a 40 percent undivided interest in the Hewitt segment of Plains All American Pipeline, L.P.’s Red River pipeline.

“This is VLP’s first third-party acquisition,” said Gorder. “It provides incremental growth to VLP and it fits perfectly with the strategy to optimize Valero’s supply chain.”

Conference Call

Valero’s senior management will hold a conference call at 10 a.m. ET today to discuss this earnings release and to provide an update on operations and strategy.

About Valero

Valero Energy Corporation, through its subsidiaries, is an international manufacturer and marketer of transportation fuels, and other petrochemical products. Valero subsidiaries employ approximately 10,000 people, and its assets include 15 petroleum refineries with a combined throughput capacity of approximately 3 million barrels per day, 11 ethanol plants with a combined production capacity of 1.4 billion gallons per year, and renewable diesel production from a joint venture. Through subsidiaries, Valero owns the general partner of Valero Energy Partners LP (NYSE:VLP), a midstream master limited partnership. Approximately 7,500 outlets carry the Valero, Diamond Shamrock, Shamrock, and Beacon brands in the United States; Ultramar in Canada; and Texaco in the United Kingdom and Ireland. Valero is a Fortune 500 company based in San Antonio. Please visit [*www.valero.com*](http://www.valero.com) for more information.

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Safe-Harbor Statement

Statements contained in this release that state the company’s or management’s expectations or predictions of the future are forward-looking statements intended to be covered by the safe harbor provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. The words “believe,” “expect,” “should,” “estimates,” “intend,” and other similar expressions identify forward-looking statements. It is important to note that actual results could differ materially from those projected in such forward-looking statements. For more information concerning factors that could cause actual results to differ from those expressed or forecasted, see Valero’s annual reports on Form 10-K and quarterly reports on Form 10-Q filed with the SEC and on Valero’s website at   [*www.valero.com*](http://www.valero.com) , and VLP’s annual reports on Form 10-K and quarterly reports on Form 10-Q filed with the SEC and on VLP’s website at   [*www.valeroenergypartners.com*](http://www.valeroenergypartners.com) .

Use of Non-GAAP Financial Information

This earnings release and the accompanying earnings release table>

(b) Effective October 1, 2016, we (i) transferred ownership of all of our assets in Aruba, other than certain hydrocarbon inventories and working capital, to Refineria di Aruba N.V. (RDA), an entity wholly-owned by the Government of Aruba (GOA), (ii) settled our obligations under various agreements with the GOA, including agreements that required us to dismantle our leasehold improvements under certain conditions, and (iii) sold the working capital of our Aruba operations, including hydrocarbon inventories, to the GOA, CITGO Aruba Refining N.V. (CAR), and CITGO Petroleum Corporation (together with CAR and certain other affiliates, collectively, CITGO). We refer to this transaction as the “Aruba Disposition.”

In June 2016, we recognized an asset impairment loss of $56 million representing all of the remaining carrying value of the long-lived assets of our crude oil and refined products terminal and transshipment facility in Aruba (collectively, the Aruba Terminal). We recognized the impairment loss at that time because we concluded that it was more likely than not that we would ultimately transfer ownership of these assets to the GOA as a result of agreements entered into in June 2016 between the GOA and CITGO for the GOA’s lease of those assets to CITGO.

In September 2016 and in connection with the Aruba Disposition, our U.S. subsidiaries cancelled all outstanding debt obligations owed to them by our Aruba subsidiaries, which resulted in the recognition by us of an income tax benefit in the U.S. during the year ended December 31, 2016. We had no income tax effect in Aruba from the cancellation of debt or other effects of the Aruba Disposition because of net operating loss carryforwards associated with our operations in Aruba against which we had previously recorded a full valuation allowance. There was no other significant effect to our results of operations or cash flows from the Aruba Disposition during the year ended December 31, 2016.

(c) The variation in the customary relationship between income tax expense and income before income tax expense for all periods presented is due primarily to the higher earnings in 2016 from our international operations that are taxed at statutory rates that are lower than in the U.S. In addition, for the year ended December 31, 2016, the variation is due to the recognition of an income tax benefit in the U.S. in connection with the Aruba Disposition (see note (b) above).

(d) We use certain financial measures (as noted below) in the earnings release table>

We have defined these non-GAAP measures and believe they are useful to the external users of our financial statements, including industry analysts, investors, lenders, and rating agencies. We believe these measures are useful to assess our ongoing financial performance because, when reconciled to their most comparable U.S. GAAP 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 non-GAAP measures should not be considered as alternatives to their most comparable U.S. GAAP measures nor should they be considered in isolation or as a substitute for an analysis of our results of operations as reported under U.S. GAAP. In addition, these non-GAAP measures may not be comparable to similarly titled measures used by other companies because we may define them differently, which diminishes the utility of these measures.

Non-GAAP measures are as follows:

Adjusted net income attributable>

Adjusted earnings per common share – assuming dilution is defined as adjusted net income attributable>

Gross margin is defined as operating income excluding the lower of cost or market inventory valuation adjustment, operating expenses, depreciation and amortization expense, and the asset impairment loss. For the three months ended December 31, 2015, gross margin is further defined to exclude the portion of the blender’s tax credit related to the first nine months of 2015 (see (e) below).

Adjusted operating income is defined as operating income excluding the lower of cost or market inventory valuation adjustment, and the asset impairment loss. For the three months ended December 31, 2015, adjusted operating income is further defined to exclude the portion of the blender’s tax credit related to the first nine months of 2015 (see (e) below).

(e) Cost of sales for the three months and year ended December 31, 2015 reflects a benefit of $174 million for biodiesel blender’s tax credits attributable>

(f) The regions reflected herein contain the following refineries: U.S. Gulf Coast- Corpus Christi East, Corpus Christi West, Houston, Meraux, Port Arthur, St. Charles, Texas City, and Three Rivers Refineries; U.S. Mid-Continent- Ardmore, McKee, and Memphis Refineries; North Atlantic- Pembroke and Quebec City Refineries; and U.S. West Coast- Benicia and Wilmington Refineries.

(g) Primarily includes petrochemicals, gas oils, No. 6 fuel oil, petroleum coke, sulfur, and asphalt.

(h) Throughput margin per barrel represents gross margin (defined in (d) above) for our refining segment or refining regions divided by the respective throughput volumes. Gross margin per gallon of production represents gross margin (defined in (d) above) for our ethanol segment divided by production volumes. Throughput and production volumes are calculated by multiplying throughput and production volumes per day (as provided in the accompanying table>

(i) Adjusted operating income per barrel represents adjusted operating income (defined in (d) above) for our refining segment or refining regions divided by the respective throughput volumes. Adjusted operating income per gallon of production represents adjusted operating income (defined in (d) above) for our ethanol segment divided by production volumes. Throughput and production volumes are calculated by multiplying throughput and production volumes per day (as provided in the accompanying table>

(j) Average market reference prices for LLS crude oil, along with price differentials between the price of LLS crude oil and other types of crude oils are reflected without adjusting for the impact of the futures pricing for the corresponding delivery month. Therefore, the prices reported reflect the prompt month pricing only, without an adjustment for futures pricing (known in the industry as the Calendar Month Average (CMA) “roll” adjustment). We previously had provided average market reference prices that included the CMA “roll” adjustment. Accordingly, the average market reference price for LLS crude oil and price differentials for LLS crude oil for the three months and year ended December 31, 2015 have been adjusted to conform to the current presentation.

(k) Average market reference price differentials to Mars crude oil have been replaced by average market reference price differentials to Argus Sour Crude Index (ASCI) crude oil. Mars crude oil is one of the three grades of sour crude oil used to create ASCI crude oil, and therefore, ASCI crude oil is a more comprehensive price marker for medium sour crude oil. Accordingly, the price differentials for ASCI crude oil for the three months and year ended December 31, 2015 are included to conform to the current presentation.

In case of any regarding this article or other content needs please contact: [*editorial@plusmediasolutions.com*](mailto:editorial@plusmediasolutions.com)

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