

# [***Valero Energy Reports First Quarter 2017 Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5NDS-XRD1-DXCW-D23R-00000-00&context=1516831)

Plus Company Updates(PCU)

April 28, 2017 Friday

Copyright 2017 Plus Media Solutions Private Limited All Rights Reserved



**Length:** 1044 words

**Dateline:** New York

**Body**

San Antonio, TX: Valero Energy has issued the following press release:

Valero Energy Corporation (NYSE:VLO) (“Valero”) today reported net income attributable to Valero stockholders of $305 million, or $0.68 per share, for the first quarter of 2017 compared to $495 million, or $1.05 per share, for the first quarter of 2016. Excluding adjustments shown in the accompanying earnings release tables, first quarter 2016 adjusted net income attributable to Valero stockholders was $283 million, or $0.60 per share.

“Our team finished another quarter with solid operating results despite a heavy maintenance schedule,” said Joe Gorder, Valero Chairman, President and Chief Executive Officer. “Our focus on safe, reliable operations continues to underpin Valero’s ability to deliver distinctive financial performance even in a soft margin ***environment***.”

Refining

The refining segment reported $647 million of operating income for the first quarter of 2017, compared to $915 million for the first quarter of 2016. First quarter 2017 operating income is in line with first quarter 2016 adjusted operating income of $652 million. The 2016 refining segment results have been retrospectively revised for the effect of reflecting the operating results of Valero Energy Partners LP (NYSE:VLP) as a separate segment consistent with Valero’s current segment presentation, and those revised results have been adjusted to exclude the lower of cost or market inventory valuation adjustment, as shown in the accompanying earnings release tables.

Valero’s refineries achieved 91 percent throughput capacity utilization and averaged 2.8 million barrels per day of throughput volume in the first quarter of 2017, which was in line with the first quarter of 2016.

“Our refining team safely executed turnarounds at the Benicia, Texas City, St. Charles, and Meraux refineries,” Gorder said. “With the bulk of this year’s planned maintenance behind us, our refineries should be well positioned to capture available margin opportunities.”

Biofuel blending costs were $146 million in the first quarter of 2017, which was $15 million lower than the first quarter of 2016, mainly due to lower RINs prices.

Ethanol

The ethanol segment reported $22 million of operating income for the first quarter of 2017, compared to $39 million for the first quarter of 2016. Excluding the lower of cost or market inventory valuation adjustment, as shown in the accompanying earnings release tables, adjusted operating income for the first quarter of 2016 was $9 million. The increase in operating income in the first quarter of 2017 compared to the first quarter 2016 adjusted amount was due primarily to stronger ethanol prices. Ethanol production volumes averaged 4 million gallons per day in the first quarter of 2017, which was 301,000 gallons per day higher than the first quarter of 2016. Strong demand for ethanol exports is expected to continue, and domestic ethanol consumption is projected to improve as gasoline season approaches.

VLP

As disclosed in Valero’s 2016 Form 10-K, management created the VLP segment effective January 1, 2017, which reflects the operations of VLP, to align Valero’s segment reporting with the way its chief operating decision maker manages and allocates resources to the business. For the first quarter of 2017, the VLP segment reported $70 million of operating income, compared to $43 million for the first quarter of 2016. The increase in operating income was driven primarily by contributions from the McKee Terminal Services and the Meraux and Three Rivers Terminal Services businesses, which were acquired by VLP from Valero in the second and third quarters of 2016, respectively.

Corporate and Other

General and administrative expenses were $190 million in the first quarter of 2017. The effective tax rate of 26 percent in the first quarter of 2017 was lower than expected due to a reduction in the statutory tax rate in Quebec and from the favorable resolution of several state income tax audits.

Investing and Financing Activities

Capital investments totaled $641 million in the first quarter of 2017, of which $245 million was for turnarounds and catalyst.

Valero paid $315 million in dividends and purchased 4.7 million shares of its common stock for $314 million, resulting in total cash returned to stockholders of $629 million in the first quarter of 2017. The company continues to target a total payout ratio of at least 75 percent in 2017. Valero defines total payout ratio as the sum of dividends plus stock buybacks divided by adjusted net income from continuing operations attributable to Valero stockholders.

The company generated $988 million of net cash from operating activities. Included in this amount is a working capital benefit of $151 million for the quarter. Excluding working capital, net cash generated was $837 million.

Liquidity and Financial Position

Valero ended the first quarter of 2017 with $8.5 billion of total debt and $4.5 billion of cash and temporary cash investments. The debt to capital ratio, net of $2.0 billion in cash, was approximately 24 percent.

Strategic Update

Valero remains on track to invest $2.7 billion of total capital this year, consisting of $1.1 billion for growth projects and $1.6 billion for sustaining the business. Included in the company’s growth investments are the Diamond Pipeline, the Diamond Green Diesel capacity expansion, the Houston alkylation unit, and the Wilmington cogeneration plant. Sustaining investments include turnarounds and catalyst in addition to Tier 3 gasoline compliance projects.

“U.S. refined product inventories have declined and are within their five-year ranges,” said Gorder. “Demand for gasoline and distillate remains strong both domestically and internationally. Combined with expectations for continued sweet crude oil production growth and relatively low prices for crude and refined products, consumer demand should be robust this year.”

The company exported a total of 365,000 barrels per day of gasoline and diesel during the first quarter.

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.

**Load-Date:** April 28, 2017

**End of Document**