

Marathon Petroleum Corp
Form 10-Q
August 06, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-35054
Marathon Petroleum Corporation
(Exact name of registrant as specified in its charter)
Delaware 27-1284632
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

539 South Main Street, Findlay, Ohio 45840-3229
(Address of principal executive offices) (Zip code)
(419) 422-2121
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes No

There were 451,004,632 shares of Marathon Petroleum Corporation common stock outstanding as of August 1, 2018.

Table of Contents

MARATHON PETROLEUM CORPORATION
 FORM 10-Q
 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018
 TABLE OF CONTENTS

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)</u>	
<u>CONSOLIDATED STATEMENTS OF INCOME</u>	<u>3</u>
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	<u>4</u>
<u>CONSOLIDATED BALANCE SHEETS</u>	<u>5</u>
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>6</u>
<u>CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTEREST</u>	<u>7</u>
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>8</u>
<u>ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>33</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>55</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>56</u>
<u>SUPPLEMENTARY STATISTICS (UNAUDITED)</u>	<u>57</u>
 <u>PART II – OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>61</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>61</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>65</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>65</u>
<u>ITEM 6. EXHIBITS</u>	<u>66</u>
<u>SIGNATURES</u>	<u>67</u>

Unless otherwise stated or the context otherwise indicates, all references in this Form 10-Q to “MPC,” “us,” “our,” “we” or “the Company” mean Marathon Petroleum Corporation and its consolidated subsidiaries.

GLOSSARY OF TERMS

Throughout this report, the following company or industry specific terms and abbreviations are used:

ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATB	Articulated tug barges
barrel	One stock tank barrel, or 42 United States gallons liquid volume, used in reference to crude oil or other liquid hydrocarbons.
bcf/d	One billion cubic feet per day
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization, a non-GAAP financial measure
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
GAAP	Accounting principles generally accepted in the United States
IDR	Incentive Distribution Right
LCM	Lower of cost or market
LIFO	Last in, first out, an inventory costing method
LLS	Louisiana Light Sweet crude oil, an oil index benchmark price
mbpd	Thousand barrels per day
MMBtu	One million British thermal units, an energy measurement
MMcf/d	One million cubic feet of natural gas per day
NGL	Natural gas liquids, such as ethane, propane, butanes and natural gasoline
OTC	Over-the-Counter
ppm	Parts per million
RIN	Renewable Identification Number
SEC	United States Securities and Exchange Commission
TCJA	Tax Cuts and Jobs Act
ULSD	Ultra-low sulfur diesel
USGC	U.S. Gulf Coast
VIE	Variable interest entity
WTI	West Texas Intermediate crude oil, an oil index benchmark price

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MARATHON PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share data)	2018	2017	2018	2017
Revenues and other income:				
Sales and other operating revenues ^(a)	\$22,118	\$18,033	\$40,812	\$34,167
Sales to related parties	199	147	371	301
Income from equity method investments	80	83	166	140
Net gain on disposal of assets	3	7	5	12
Other income	45	84	75	127
Total revenues and other income	22,445	18,354	41,429	34,747
Costs and expenses:				
Cost of revenues (excludes items below) ^(a)	19,517	16,101	36,887	31,047
Purchases from related parties	138	150	279	272
Depreciation and amortization	533	521	1,061	1,057
Selling, general and administrative expenses	424	485	826	875
Other taxes	122	115	225	223
Total costs and expenses	20,734	17,372	39,278	33,474
Income from operations	1,711	982	2,151	1,273
Net interest and other financial costs	195	158	378	307
Income before income taxes	1,516	824	1,773	966
Provision for income taxes	281	250	303	291
Net income	1,235	574	1,470	675
Less net income attributable to:				
Redeemable noncontrolling interest	20	17	36	33
Noncontrolling interests	160	74	342	129
Net income attributable to MPC	\$1,055	\$483	\$1,092	\$513
Per Share Data (See Note 8)				
Basic:				
Net income attributable to MPC per share	\$2.30	\$0.94	\$2.34	\$0.99
Weighted average shares outstanding	459	513	467	519
Diluted:				
Net income attributable to MPC per share	\$2.27	\$0.93	\$2.31	\$0.98
Weighted average shares outstanding	464	517	472	523
Dividends paid	\$0.46	\$0.36	\$0.92	\$0.72

^(a) The 2018 period reflects an election to present certain taxes on a net basis. See Notes 2 and 3 for further information.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MARATHON PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net income	\$1,235	\$574	\$1,470	\$675
Other comprehensive income (loss):				
Defined benefit postretirement and post-employment plans:				
Actuarial changes, net of tax of \$2, \$4, \$5 and \$7, respectively	7	7	14	11
Prior service costs, net of tax of (\$2), (\$4), (\$4) and (\$8), respectively	(7)	(6)	(14)	(13)
Other, net of tax of \$0, \$0, (\$1) and \$0, respectively	—	—	(2)	—
Other comprehensive income (loss)	—	1	(2)	(2)
Comprehensive income	1,235	575	1,468	673
Less comprehensive income attributable to:				
Redeemable noncontrolling interest	20	17	36	33
Noncontrolling interests	160	74	342	129
Comprehensive income attributable to MPC	\$1,055	\$484	\$1,090	\$511

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MARATHON PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share data)	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents (MPLX: \$3 and \$5, respectively)	\$4,999	\$ 3,011
Receivables, less allowance for doubtful accounts of \$10 and \$11 (MPLX: \$370 and \$299, respectively)	4,919	4,695
Inventories (MPLX: \$73 and \$65, respectively)	5,485	5,550
Other current assets (MPLX: \$36 and \$29, respectively)	145	145
Total current assets	15,548	13,401
Equity method investments (MPLX: \$4,042 and \$4,010, respectively)	4,838	4,787
Property, plant and equipment, net (MPLX: \$13,642 and \$12,187, respectively)	26,931	26,443
Goodwill (MPLX: \$2,460 and \$2,245, respectively)	3,586	3,586
Other noncurrent assets (MPLX: \$472 and \$479, respectively)	833	830
Total assets	\$51,736	\$ 49,047
Liabilities		
Current liabilities:		
Accounts payable (MPLX: \$728 and \$621, respectively)	\$8,113	\$ 8,297
Payroll and benefits payable (MPLX: \$2 and \$1, respectively)	432	591
Accrued taxes (MPLX: \$46 and \$38, respectively)	713	670
Debt due within one year (MPLX: \$1 and \$1, respectively)	26	624
Other current liabilities (MPLX: \$222 and \$130, respectively)	431	296
Total current liabilities	9,715	10,478
Long-term debt (MPLX: \$11,874 and \$6,945, respectively)	17,241	12,322
Deferred income taxes (MPLX: \$11 and \$5, respectively)	3,144	2,654
Defined benefit postretirement plan obligations	1,156	1,099
Deferred credits and other liabilities (MPLX: \$246 and \$230, respectively)	659	666
Total liabilities	31,915	27,219
Commitments and contingencies (see Note 22)		
Redeemable noncontrolling interest	1,003	1,000
Equity		
MPC stockholders' equity:		
Preferred stock, no shares issued and outstanding (par value \$0.01 per share, 30 million shares authorized)	—	—
Common stock:		
Issued – 735 million and 734 million shares (par value \$0.01 per share, 1 billion shares authorized)	7	7
Held in treasury, at cost – 279 million and 248 million shares	(12,093)	(9,869)
Additional paid-in capital	13,688	11,262
Retained earnings	13,589	12,864
Accumulated other comprehensive loss	(233)	(231)
Total MPC stockholders' equity	14,958	14,033
Noncontrolling interests	3,860	6,795

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Total equity	18,818	20,828
Total liabilities, redeemable noncontrolling interest and equity	\$51,736	\$ 49,047

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MARATHON PETROLEUM CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

(In millions)	Six Months	
	Ended	
	June 30,	
	2018	2017
Operating activities:		
Net income	\$1,470	\$675
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs and debt discount	35	30
Depreciation and amortization	1,061	1,057
Pension and other postretirement benefits, net	65	(59)
Deferred income taxes	2	23
Net gain on disposal of assets	(5)	(12)
Income from equity method investments	(166)	(140)
Distributions from equity method investments	217	