



Marathon Petroleum Corp. (MPC)

Updated May 9th, 2025, by Aristofanis Papadatos

Key Metrics

Current Price:	\$150	5 Year CAGR Estimate:	-3.9%	Market Cap:	\$44.5 B
Fair Value Price:	\$94	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	5/21/2025
% Fair Value:	160%	5 Year Valuation Multiple Estimate:	-8.9%	Dividend Payment Date:	6/10/2025
Dividend Yield:	2.4%	5 Year Price Target	\$104	Years Of Dividend Growth:	3
Dividend Risk Score:	F	Sector:	Energy	Rating:	Hold

Overview & Current Events

Marathon Petroleum Corp. (MPC) was spun off from Marathon Oil Corp. (MRO) in 2011. After the acquisition of Andeavor Logistics in October of 2018, MPC has become the largest U.S. refiner, with 16 refineries and a refining capacity of 3.1 million barrels per day. It also has a marketing system that includes ~7,100 branded locations. In addition, MPC owns a midstream MLP (MPLX), which has gathering and processing assets as well as pipelines for crude oil and light products. Marathon Petroleum has a market capitalization of \$44.5 billion.

In early May, Marathon Petroleum reported (5/2/25) results for Q1-2025. Refining margins plunged from \$19.35 per barrel in last year's quarter to \$13.38. As a result, the refining segment saw its EBITDA slump from \$2.0 billion to \$0.5 billion and the company switched from earnings-per-share of \$2.58 to a loss per share of -\$0.24. The loss was partly caused by a major maintenance program but it beat the analysts' consensus by \$0.30 per share. MPC has beaten estimates in 23 of the last 24 quarters. Refining margins have shrunk towards normal levels, as the global oil market has absorbed the effect of the Ukrainian crisis. We have thus lowered our forecast for this year from \$8.20 to \$7.70.

Thanks to its blowout earnings, MPC has reduced its share count by a massive 54% in the last six years and has another \$6.7 billion for share repurchases, which can reduce the share count by another 15%. On the other hand, the recent sharp contraction of refining margins from abnormally high levels to more normal levels is a negative development for the company. We had repeatedly stated that we expected refining margins to deflate due to the cyclical nature of this industry.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.26	\$2.21	\$3.77	\$6.78	\$4.94	-\$3.44	\$2.45	\$26.16	\$23.63	\$9.51	\$7.70	\$8.50
DPS	\$1.14	\$1.36	\$1.52	\$1.84	\$2.12	\$2.32	\$2.32	\$2.49	\$3.08	\$3.37	\$3.64	\$4.04
Shares¹	531.0	528.0	486.0	704.0	653.0	650.0	609.0	465.0	377.0	321.0	300.0	260.0

MPC greatly benefits from the inland location of some of the refineries of Andeavor. Thanks to the oil supply glut under normal conditions, these refineries usually buy their crude oil at a deep discount to WTI, so they enjoy high margins. Furthermore, refiners benefit from the new international marine rules, which have come into effect since January 1st, 2020. As per these rules, vessels that sail in international waters are forced to burn diesel or ultra-low sulfur fuel oil instead of heavy fuel oil. As the former are much more expensive than the latter, they boost refiner earnings. MPC is properly positioned to benefit from the new marine rules. Thanks to a series of past investments, the refiner can upgrade about 600,000 barrels per day of low-value residue to diesel. However, due to the somewhat high earnings this year and the sale of the Speedway business, we expect earnings-per-share to grow only 2.0% per year on average until 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	9.6	18.2	14.4	10.8	11.8	---	23.6	3.6	5.6	17.9	19.5	12.2
Avg. Yld.	2.3%	3.4%	2.8%	2.5%	3.6%	6.2%	4.0%	2.6%	2.3%	2.0%	2.4%	3.9%

¹ In millions of shares

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MPC is currently trading at 19.5 times its expected earnings-per-share. This valuation level is much higher than the historical average of 12.2 of the stock. If the stock trades at its average earnings multiple in five years, it will incur an - 8.9% annualized drag in its return.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	21.7%	61.5%	40.3%	34.8%	42.9%	---	94.7%	9.5%	13.0%	35.4%	47.3%	47.5%

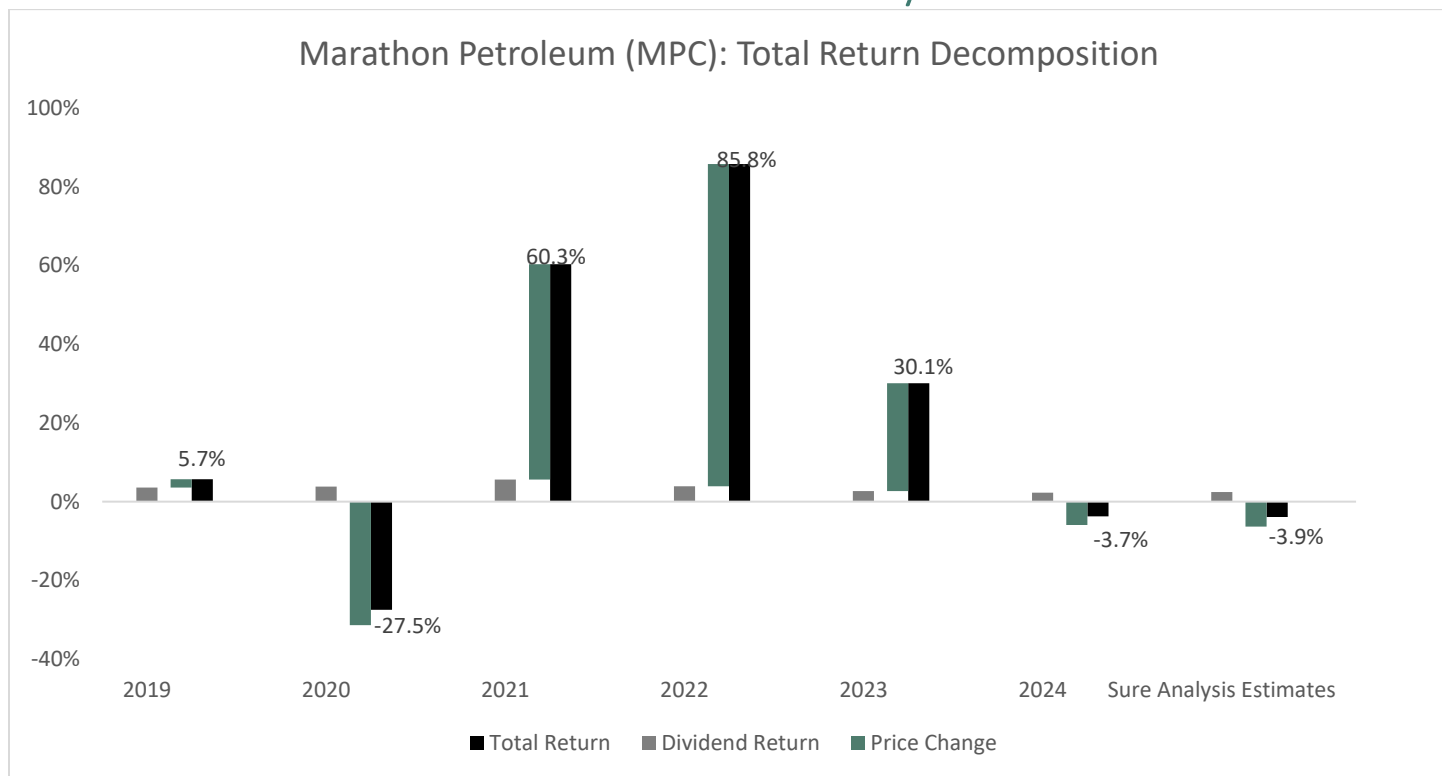
The acquisition of Andeavor has greatly enhanced the geographic diversification of Marathon and its potential to take advantage of fluctuations in price spreads among different types of crude oil and the dynamics of export markets. The acquisition will increase the earnings of the company and its resilience during downturns in the long run.

On the other hand, refining is a highly cyclical business and hence refiners are vulnerable to recessions. This was evident in the Great Recession, when the demand for oil products deteriorated and refining margins plunged. MPC was caught with a significant amount of debt in the downturn caused by the pandemic due to its acquisition of Andeavor. The company solved the problem with the sale of Speedway. Also given the ongoing recovery of global demand for refined products, the dividend has become safe.

Final Thoughts & Recommendation

Refining margins have finally moderated, after two years of sky-high levels amid the Ukrainian crisis. We consider the new level of refining margins much more normal from a long-term point of view. The contraction of refining margins has led the stock of MPC to decline -30% off its peak 13 months ago. Nevertheless, the stock remains unattractive from a long-term perspective. We expect it to offer a -3.9% average annual return over the next five years, as 2% growth of earnings-per-share and a 2.4% dividend may be offset by an -8.9% valuation headwind. We rate the stock as a hold. Investors should keep the highly cyclical nature of the refining business in mind. Whenever the refining industry faces its next downturn, such as a recession, MPC will have material downside from its current level.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	72,051	63,339	74,733	86,086	111,148	69,779	119,983	177,453	148,379	138,864
Gross Profit	14,288	4,523	5,530	6,869	8,695	671	6,611	22,567	16,506	9,287
Gross Margin	19.8%	7.1%	7.4%	8.0%	7.8%	1.0%	5.5%	12.7%	11.1%	6.7%
SG&A Exp.	1,576	1,597	1,694	2,276	3,192	2,710	2,537	2,772	3,039	3,221
D&A Exp.	1,502	2,001	2,114	2,170	3,225	3,375	3,364	3,215	3,307	3,337
Operating Profit	4,741	2,669	3,702	4,385	5,069	(2,589)	3,821	18,970	12,586	5,248
Op. Margin	6.6%	4.2%	5.0%	5.1%	4.6%	-3.7%	3.2%	10.7%	8.5%	3.8%
Net Profit	2,852	1,174	3,432	2,780	2,637	(9,826)	9,738	14,516	9,681	3,445
Net Margin	4.0%	1.9%	4.6%	3.2%	2.4%	-14.1%	8.1%	8.2%	6.5%	2.5%
Free Cash Flow	2,075	1,125	3,880	2,979	4,631	(368)	2,896	13,941	12,227	6,132
Income Tax	1,506	609	(460)	764	784	(2,430)	264	4,491	2,817	890

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	43,115	44,413	49,047	92,940	98,556	85,158	85,373	89,904	85,987	78,858
Cash & Equivalents	1,127	887	3,011	1,687	1,393	415	5,291	8,625	5,443	3,210
Acc. Receivable	2,927	3,617	4,695	5,853	7,233	5,760	11,034	13,477	11,619	11,145
Inventories	5,225	5,656	5,550	9,837	9,804	7,999	8,055	8,827	9,317	9,568
Goodwill & Int.	4,019	3,587	4,217	23,498	18,456	10,616	10,391	8,244	8,244	8,244
Total Liabilities	23,440	24,210	28,219	48,891	56,417	55,906	51,792	54,817	54,588	54,352
Accounts Payable	4,743	5,593	8,297	9,366	11,222	7,803	13,700	15,312	13,761	13,906
Long-Term Debt	11,925	10,572	12,946	27,524	28,724	31,584	25,539	26,700	27,283	27,481
Total Equity	13,237	13,557	14,033	35,175	33,694	22,199	26,206	27,715	24,404	17,745
LTD/E Ratio	0.90	0.78	0.92	0.78	0.85	1.42	0.97	0.96	1.12	1.55

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.8%	2.7%	7.3%	3.9%	2.8%	-10.7%	11.4%	16.6%	11.0%	4.2%
Return on Equity	23.8%	8.8%	24.9%	11.3%	7.7%	-35.2%	40.2%	53.8%	29.1%	12.3%
ROIC	11.5%	3.8%	10.6%	5.3%	3.7%	-14.9%	16.1%	24.0%	16.1%	6.2%
Shares Out.	531.0	528.0	486.0	704.0	653.0	650.0	609.0	516.0	409.0	341.0
Revenue/Share	132.94	119.51	145.96	163.66	167.39	107.52	188.06	343.90	362.78	407.23
FCF/Share	3.83	2.12	7.58	5.66	6.97	(0.57)	4.54	27.02	29.89	17.98

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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