# Marathon Petroleum Corp. (MPC)

*Updated August 21st, 2025, by Aristofanis Papadatos*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $166 | **5 Year CAGR Estimate:** | -5.8% | **Market Cap:** | $50.0 B |
| **Fair Value Price:** | $94 | **5 Year Growth Estimate:** | 2.0% | **Ex-Dividend Date:** | 8/20/2025 |
| **% Fair Value:** | 177% | **5 Year Valuation Multiple Estimate:** | -10.8% | **Dividend Payment Date:** | 9/10/2025 |
| **Dividend Yield:** | 2.2% | **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 $50 billion.

In early August, Marathon Petroleum reported (8/5/25) results for Q2-2025. Realized refining margins edged up marginally, from $17.53 per barrel in last year's quarter to $17.58. However, due to increased operating costs, earnings-per-share decreased -9%, from $4.33 to $3.96, though they exceeded the analysts' consensus by $0.73. MPC has beaten estimates in 24 of the last 25 quarters. After two years (2022-2024) of sky-high refining margins, refining margins have reverted towards normal levels, as the global oil market has absorbed the effect of the Ukrainian crisis.

Thanks to its blowout earnings, MPC has reduced its share count by a massive 54% in the last six years and has another $6.0 billion for share repurchases, which can reduce the share count by another 12%. 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*** |
| **Shares[1]** | 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 | ***21.6*** | ***12.2*** |
| **Avg. Yld.** | 2.3% | 3.4% | 2.8% | 2.5% | 3.6% | 6.2% | 4.0% | 2.6% | 2.3% | 2.0% | ***2.2%*** | ***3.9%*** |

[1] In millions of shares

*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*

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MPC is currently trading at 21.6 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 a -10.8% 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%*** |

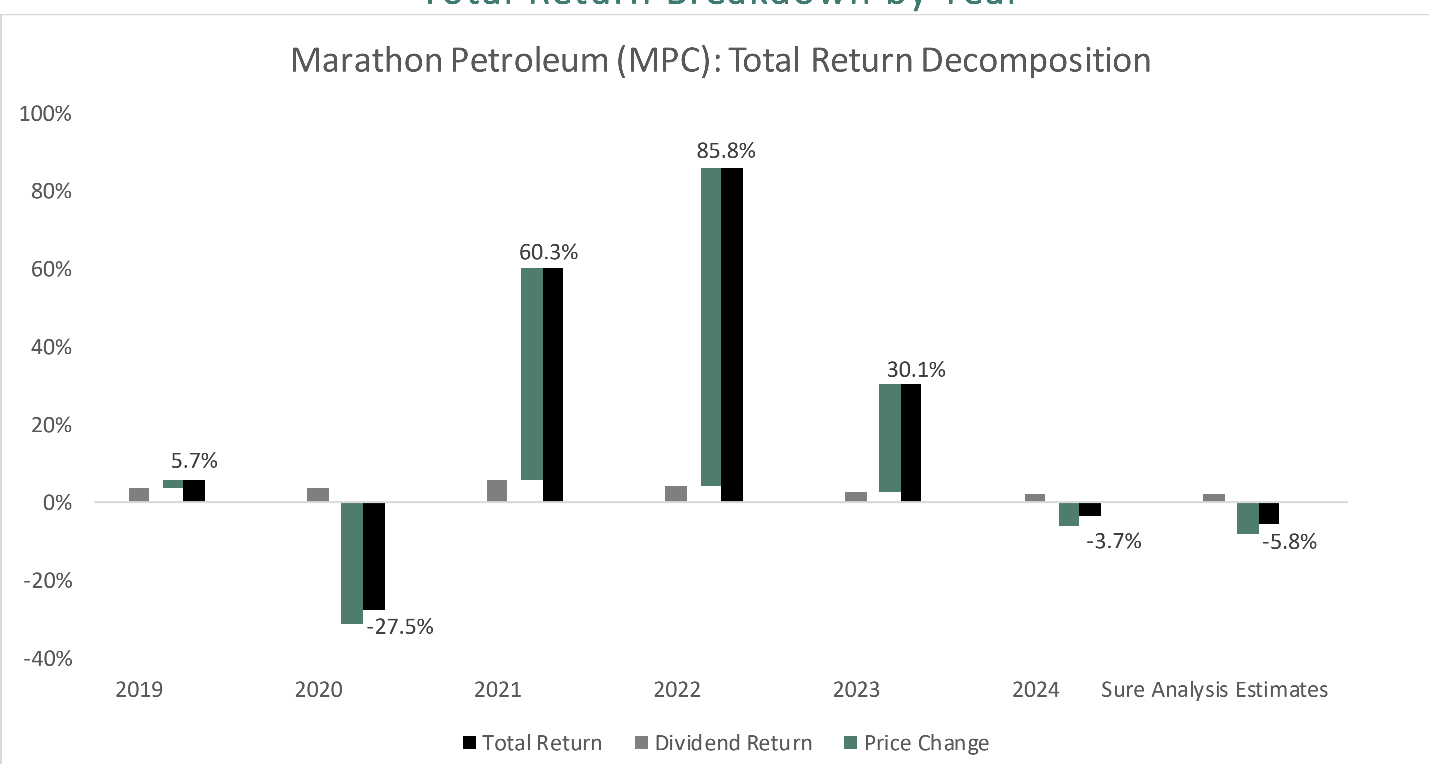
The acquisition of Andeavor has greatly enhanced the geographic diversification of Marathon and its potential to take advantage of fluctuations in price spreads among different types of crude oil and the dynamics of export markets. The acquisition will increase the earnings of the company and its resilience 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 is unlikely to be cut in the absence of a severe downturn.

## 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 -24% off its peak last year. Nevertheless, the stock remains unattractive from a long-term perspective. We expect it to offer a -5.8% average annual return over the next five years, as 2% growth of earnings-per-share and a 2.2% dividend may be offset by a -10.8% 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 | 80,353 |
| 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 | 9,947 |
| Total Liabilities | 23,440 | 24,210 | 28,219 | 48,891 | 56,417 | 55,906 | 51,792 | 54,817 | 54,588 | 55,847 |
| 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 | 28,758 |
| Total Equity | 13,237 | 13,557 | 14,033 | 35,175 | 33,694 | 22,199 | 26,206 | 27,715 | 24,404 | 17,744 |
| LTD/E Ratio | 0.90 | 0.78 | 0.92 | 0.78 | 0.85 | 1.42 | 0.97 | 0.96 | 1.12 | 1.62 |

## 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% | 6.0% |
| Return on Equity | 23.8% | 8.8% | 24.9% | 11.3% | 7.7% | -35.2% | 40.2% | 53.8% | 29.1% | 18.1% |
| ROIC | 11.5% | 3.8% | 10.6% | 5.3% | 3.7% | -14.9% | 16.1% | 24.0% | 16.1% | 8.9% |
| 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 | 406.21 |
| 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.*