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MPC - Q4 2015 Marathon Petroleum Corp Earnings Call

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OVERVIEW:

Co. reported full-year 2015 earnings of \$2.85b and diluted EPS of \$5.26. 4Q15 earnings were \$187m and diluted EPS was \$0.35.



CORPORATE PARTICIPANTS

Lisa Wilson *Marathon Petroleum Corporation - Director, IR*

Gary Heminger *Marathon Petroleum Corporation - President and CEO*

Tim Griffith *Marathon Petroleum Corporation - SVP and CFO*

Don Templin *Marathon Petroleum Corporation - EVP*

Mike Palmer *Marathon Petroleum Corporation - SVP Supply, Distribution, and Planning*

Tony Kenney *Marathon Petroleum Corporation - President, Speedway LLC*

CONFERENCE CALL PARTICIPANTS

Ed Westlake *Credit Suisse - Analyst*

Evan Calio *Morgan Stanley - Analyst*

Neil Mehta *Goldman Sachs - Analyst*

Brad Heffern *RBC Capital Markets - Analyst*

Phil Gresh *JPMorgan - Analyst*

Paul Cheng *Barclays Capital - Analyst*

Chi Chow *Tudor, Pickering, Holt & Co. Securities - Analyst*

Doug Leggate *BofA Merrill Lynch - Analyst*

Ryan Todd *Deutsche Bank - Analyst*

Paul Sankey *Wolfe Research - Analyst*

PRESENTATION

Operator

Welcome to the Marathon Petroleum Corporation fourth-quarter 2015 earnings conference call. My name is Katie and I will be your operator for today's call. (Operator Instructions) Please note that this conference is being recorded.

I'll now turn the call over to Lisa Wilson, Director of Investor Relations. Ms. Wilson, please go ahead.

Lisa Wilson - *Marathon Petroleum Corporation - Director, IR*

Thank you, Katie. Welcome to Marathon Petroleum's fourth-quarter 2015 earnings webcast and conference call. The synchronized slides that accompany this call can be found on our website at marathonpetroleum.com under the investor center tab. On the call today are Gary Heminger, President and CEO; Tim Griffith, Senior Vice President and Chief Financial Officer; and other members of MPC's executive team.

We invite you to read the Safe Harbor statements on slide 2. It's a reminder that we will be making forward-looking statements during the call and during the question-and-answer session. Actual results may differ materially from what we expect today. Factors that could cause actual results to differ are included there as well as in our filings with the SEC.

Now I will turn the call over to Gary Heminger for opening remarks and highlights. Gary?



Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Thanks, Lisa, and good morning to everyone. Before I begin, I want to take the opportunity to introduce Lisa Wilson, our new Director of Investor Relations. Lisa is replacing Geri Ewing, who is transferring to our finance department. Lisa has nearly 25 years of experience with the Company and was most recently our Director of Financial Services and Insurance.

We are pleased to report fourth-quarter 2015 earnings of \$187 million, ending a strong year with \$2.85 billion in earnings. These results include a \$370 million pre-tax charge to value our inventory at lower of cost or market.

We remain very encouraged by the environment for US refiners and we are pleased to see resilient crack spreads supported by attractive product price realizations and continued strong gasoline demand in the fourth quarter. We believe lower prices at the pump will remain constructive for retail demand as we move through 2016.

Crude oil prices continue to see pressure with the lifting of the Iranian sanctions, resiliency of domestic producers, and the general bearish sentiment in the market. Crude differentials have been and will likely remain volatile.

WTI has traded at parity and in fact higher than Brent recently, and we expect this trading pattern could continue in the near term. However, longer term, we believe it will revert back to a differential based on product quality and transportation costs between the grades. We believe more favorable sweet/sour spreads will continue to exist and benefit MPC's complex refinery configuration in the Midwest and Gulf Coast.

In December, the Southern Access Extension pipeline, or SAX, came online providing increased logistics flexibility and crude optionality, allowing us to more cost-effectively move Bakken and Canadian crudes into our Midwest refineries. SAX allows MPC to access additional advantaged crudes and adjust our slate based on the best economics.

Speedway continued its solid performance during the fourth quarter, finishing the year with nearly \$1 billion of EBITDA. I want to recognize Tony Kenney and his team's efforts in completing the planned conversions of our East Coast and Southeast retail locations to the Speedway brand well ahead of schedule. The team's aggressive execution strategy facilitated the realization of synergies from these locations much sooner than anticipated and beyond our original projections. The acquisition of these high-quality assets has been a tremendous value driver and has exceeded our expectations in virtually every area.

In addition to our strong financial and operational results in 2015, we also made tremendous progress on our strategic objectives of growing the more stable cash flow segments of our business and enhancing our refining margins. An example of enhancing our refining margins is the condensate splitter that came online in 2015 at our Catlettsburg refinery, which allows the refinery to process condensate produced in the region and thus improve its realized margins.

Completion of the MPLX and MarkWest merger in early December was a significant accomplishment in the Company's strategy. Through this combination, we have created a diversified large-cap MLP that positions the Partnership as a Midstream leader with compelling long-term growth opportunities.

We continue to believe MPLX will create substantial value to MPC shareholders through its general partner interest and associated incentive distribution rights. And we are eager to develop the numerous commercial synergies available to the combined Partnership.

I would also like to comment on our long-term commitment to returning capital to shareholders. Through share buyback programs and dividends, we've returned a total of \$1.6 billion of capital to shareholders in 2015, including \$362 million during the fourth quarter.

Delivering attractive capital returns to our shareholders continues to be an instrumental part of our strategy. Through year end 2015, we have purchased over \$7 billion of MPC common stock or approximately 28% of the shares that were outstanding when we became a stand-alone company.

Our approach to the allocation of capital continues to be balanced and long term in nature, taking into consideration the requirements of the business, returns to our shareholders, and our overall capital structure. As a result, we may increase or decrease the amount of share repurchase activity in any given year based on these variables.

Through disciplined strategic investments in our business and returning capital to shareholders, we remain focused on the long-term value proposition for our investors. This disciplined and prudent approach carries over to our sponsorship of MPLX.

As we evaluate the continued decline in commodity prices and the market's increasing belief that these price conditions will persist for some period of time, MPLX's producer customers are directly impacted. While MPLX's producers are in some of the best areas and continue to manage their capital and production plans very carefully, changes in volume growth will continue to impact income growth for the Partnership.

At the same time, valuations within the MLP space, including MPLX, have been severely impacted, resulting in yield levels that are substantially higher than what we anticipated at the time of the merger, even with the strong support we expect to continue to make available to the Partnership.

These factors contributed to MPLX's decision to provide new distribution growth guidance. Current market conditions warrant moderation to an expected 12% to 15% distribution growth rate for 2016, revised from the prior 25%. Even with this change, MPLX's distribution growth continues to be among the highest for large-cap diversified MLPs.

We were asked at our investor day meeting if there is a tipping point as to when higher growth guidance would not make sense. I shared then that if conditions did not improve in MPLX's valuation and resulting yield, we would likely revisit the growth outlook for the Partnership.

Based on the continued deterioration we have seen since then, we have reached that point and this change to distribution growth is necessary. The commodity and equity market conditions we are now experiencing could be temporary and we will assess the growth path for 2017 later this year, providing guidance around the Partnership's distribution growth capabilities at that time.

We will take into consideration the capital allocation needs of both MPC and MPLX, but expect to continue providing support to the Partnership as it navigates through this challenging environment. In support of MPLX's 2016 growth plans, MPC offered to contribute its inland marine business to MPLX at what we believe will be a supportive value, and we anticipate receiving MPLX equity in exchange for these assets. The transaction is expected to close in the second quarter of 2016, pending requisite approvals. This drop-down of additional logistics assets for the Partnership further diversifies its high-quality earnings stream and underscores the flexibility our sponsorship provides MPLX.

MPC is focused on strengthening the earnings power of all aspects of its business with the expanded margin-enhancing investments across the enterprise. We recently announced plans to invest \$2 billion at our Galveston Bay refinery over the next five years, an investment program collectively referred to as the South Texas Asset Repositioning Program, or STAR. The investments planned as part of the STAR program, of which approximately \$150 million will be spent in 2016, are intended to increase production of higher-value products and improve the facility's reliability as well as increase processing capacity.

These high-return investments will fully integrate our Galveston Bay refinery with our Texas City refinery, making it the second-largest refinery in the US. We expect a rapid payback on the staged investments planned for the STAR program, including an earnings stream in 2016.

By using the flexibility inherent in our refining system and optimizing our logistics and transportation network, we are able to react quickly to changing crude oil and refined product market conditions, maximizing our profitability. In addition, as our downstream earnings demonstrate, our business produces strong results in a wide variety of commodity price environments. We remain optimistic on the long-term prospects for our business and continue to believe returns will be compelling, including our sponsorship and GP interest in MPLX.

With that, let me turn the call over to Tim to walk through the financial results for the fourth quarter. Tim?



Tim Griffith - *Marathon Petroleum Corporation - SVP and CFO*

Thanks, Gary. Slide 4 provides earnings both on an absolute and first-year basis for the fourth quarter and full year of 2015. MPC had earnings of \$187 million or \$0.35 per diluted share during the fourth quarter compared to \$798 million or \$1.43 per diluted share in last year's fourth quarter. For the full-year 2015, our earnings were almost \$2.9 billion or \$5.26 per diluted share compared to 2014 earnings of \$2.5 billion or \$4.39 per diluted share.

The chart on slide 5 shows by segment the change in earnings from the fourth quarter of last year to the fourth quarter of 2015. As Gary mentioned, earnings were impacted during the quarter by a \$370 million pre-tax charge to adjust inventories to market values. \$345 million of this charge is included in the refining and marketing segment and \$25 million is reflected in the Speedway segment.

After adjusting for the charge, earnings were down \$374 million versus fourth quarter last year, largely attributable to our refining and marketing and Speedway segments, partially offset by lower income taxes associated with the low earnings. I'll talk about each of these segments and the changes compared to prior periods shortly.

Results for the quarter also include income from the MarkWest since the December 4 merger date with MPLX, which is included in the renamed midstream segment, previously known as pipeline transportation. And we'll continue to consolidate MPLX for reporting purposes.

Turning to slide 6, Refining and Marketing segment income from operations was \$207 million in the fourth quarter compared to just over \$1 billion for the fourth quarter of last year. The decrease was primarily due to less favorable crude oil and feedstock acquisition costs relative to our market indicators, largely resulting from narrower crude differentials and lowered dollar-based refinery volumetric gains resulting from overall lower refined product prices.

In addition, the fourth quarter of 2015 reflected an unfavorable LIFO accounting effect of approximately \$45 million as compared to a favorable effect of approximately \$240 million in the fourth quarter last year. All these unfavorable impacts are included in the \$784 million other gross margin step on the slide.

In addition, segment results were negatively impacted in the quarter by the \$345 million LCM charge I just mentioned, which is broken out separately here. The unfavorable impacts on segment income were partially offset by higher LLS 6-3-2-1 crack spreads in Chicago and the Gulf Coast, favorable market structure, and improvement in the sweet/sour differential in the quarter along with slightly higher sour runs. The blended crack was \$6.65 per barrel in the fourth quarter of 2015 compared to \$5.43 per barrel in the fourth quarter of 2014.

You may recall the crack spreads we provide in our market metrics on the website are calculated using prompt product and crude prices. The price we actually pay for crude, on the other hand, is established over the calendar month that we process the crude, but takes into account the market structure. This contango effect is reflected in the \$192 million favorable difference reflected as market structure on the walk and relates to this difference between the prompt crude prices we use for market metrics and the actual crude acquisition cost.

Slide 7 provides the drivers for the change in refining and marketing segment income on a year-over-year basis. Refining and marketing segment income from operations was nearly \$4.2 billion for the full year of 2015 compared to \$3.6 billion in 2014.

The LLS 6-3-2-1 blended crack spread had a \$1.3 billion favorable impact on full-year earnings, with Chicago cracks \$1.11 per barrel better in 2015 and Gulf Coast cracks \$1.88 per barrel higher based on our estimated mix of 38% Chicago and 62% Gulf Coast, which resulted in a blended crack spread of \$9.70 per barrel or about \$1.59 better than 2014.

In addition, favorable market structure, more favorable product price realizations, and lower direct operating cost, driven primarily by lower turnaround activity and lower purchased energy costs, had positive impacts on earnings year over year. These positive impacts on earnings were partially offset by less favorable crude oil and feedstock acquisition costs relative to our market indicators, largely resulting from narrower crude differentials and lower refinery volumetric gains. In addition, the LCM and LIFO impacts I described earlier also impacted 2015 full-year earnings.



The impact of more favorable product price realizations, less favorable crude oil and feedstock acquisition costs relative to market indicators, lower volumetric gains, and the unfavorable LIFO impact are all reflected in the \$1.5 billion of other gross margin in the graph. Other refining and marketing segment net expenses increased \$396 million compared to 2014 as a result of a number of items, including higher terminal and transportation costs and lower equity affiliated income.

Slide 8 shows the Speedway segment earnings walk for both the fourth quarter and full year. Speedway's income from operations was \$135 million in the fourth quarter of 2015 compared with fourth quarter's 2014 record quarterly income of \$273 million. Lower gasoline and distillate margins were significant changes in the quarter-over-quarter comparison, decreasing segment income by \$93 million.

Gasoline and distillate margins averaged \$0.1823 per gallon in the fourth quarter of 2015 compared to \$0.2451 in the fourth quarter of 2014. The non-cash LCM charge of \$25 million and higher operating expenses also had negative impacts on segment income compared to the fourth quarter of 2014.

These unfavorable impacts in income were partially offset by higher merchandise margin, which increased from \$324 million in the fourth quarter of 2014 to \$340 million in the fourth quarter of 2015. The \$16 million increase is a result of higher overall merchandise sales in addition to higher margins on those sales. On a same-store basis, gasoline sales volumes were essentially flat, decreasing 3/10 of a percent. And merchandise sales, excluding cigarettes, decreased 2.7% in the fourth quarter 2015 compared with 2014.

Speedway's same-store gasoline sales growth was lower than estimated US demand growth, as we continually strive to optimize total gasoline contributions between volume and margin to ensure fuel margins remain adequate. In January 2016, we've seen a slight increase in demand, with an approximately 1% increase in same-store gasoline volumes versus the prior year, impacted to some extent by the winter storms in the East in the last few weeks.

Speedway's income from operations for full year 2015 was \$673 million compared with \$544 million for 2014. Results for 2015 include a full year of income from the operations acquired from Hess, whereas 2014 results only include income from those locations in the fourth quarter.

Gasoline and distillate margins increased \$401 million from 2014, primarily due to higher volumes resulting from the additional locations acquired as well as higher margins. Gasoline and distillate margins were \$0.1823 per gallon in 2015 compared to \$0.1775 per gallon in 2014.

Speedway's merchandise margin increased \$393 million to \$1.4 billion in 2015, primarily due to the increase in the number of locations as well as higher margins on the merchandise sold. Partially offsetting the increases in Speedway income from operations for the year were higher operating expenses, primarily attributed to an increase in the number of stores.

Turning to slide 9. As I mentioned, we changed the name of the segments this quarter. Instead of a pipeline transportation segment, we now report a midstream segment, which continues to include 100% of MPLX's results, including income contributed by MarkWest since the December 4 merger. The addition of MarkWest is the only change to what's included in the segment.

Midstream segment income was \$71 million and \$289 million for the fourth quarter and full year 2015 compared with \$58 million and \$280 million for the comparable periods in 2014. The increase for the quarter was primarily due to the inclusion of MarkWest from the December 4 merger date and higher income from our pipeline affiliates, partially offset by \$26 million of transactions costs associated with the merger.

The increase for the full year was primarily due to the MarkWest merger and higher transportation revenue resulting from higher average pipeline tariff rates. These favorable impacts were partially offset by \$30 million of transactions costs associated with the merger and higher pipeline operating expenses.

Slide 10 presents the significant driver of changes in our cash flow for the fourth quarter of 2015. At December 31, our cash balance was \$1.1 billion. Operating cash flow before changes in working capital was a \$1.2 billion source of cash.

The \$343 million use of working capital noted on the slide primarily relates to a \$693 million decrease in accounts payable and accrued liabilities, partially offset by a \$361 million decrease in accounts receivable. The decreases in accounts payable and accounts receivable were primarily due to the significant drop in crude and refined product prices during the quarter.

We completed a \$1.5 billion public debt offering during the quarter, of which a little more than half was used to extinguish our obligation for the March 2016 3.5% notes. These new notes, net of some paydown on the MPLX revolver, resulted in the \$655 million net source of financing cash shown in long-term debt here.

Cash flow was also impacted by the approximately \$1.2 billion paid to former MarkWest unitholders as part of the transaction consideration during the quarter, which is shown separately on the graph.

As Gary highlighted, we continued delivering on our commitment to balance investments in the business with return of capital to our shareholders. We returned a total of \$362 million to shareholders in the fourth quarter, bringing the total for the year to \$1.6 billion.

Turning to slide 11, in the fourth quarter, we paid a \$0.32 per-share dividend, representing a 28% increase over the dividend paid during the same quarter last year. We've increased our dividend five times since becoming a stand-alone company in mid-2011, resulting in a 29.5% compound annual growth rate in dividend. Our continued focus on growing regular quarterly dividends demonstrates our ongoing commitment to our shareholders to share in the success of the business and we're pleased to affirm that commitment with the \$0.32 per-share dividend declared earlier this week.

Slide 12 provides an overview of our capitalization as of the end of the year. The just under \$12 billion of total consolidated debt reflects the \$6.7 billion of debt at MPC, plus the \$5.3 billion of debt at MPLX, including the \$4.1 billion of MarkWest notes assumed in the transaction.

Total debt to book capitalization was about 38% and represented a manageable 1.9 times last 12-months consolidated EBITDA. Operating cash flow for the quarter was about \$1.2 billion before reflecting the \$343 million use of cash for working capital in the quarter.

Slide 13 provides a breakdown by segment of our 2015 capital expenditures and investments, excluding MPLX's acquisition of MarkWest, along with a revised capital plan for 2016. In light of the challenging commodity price environment that Gary talked about, our focus will be to aggressively manage CapEx spending.

As part of this process, MPLX lowered its 2016 capital plan from an estimated \$1.7 billion to a range of \$1 billion to \$1.5 billion. The midpoint of the revised range represents a decrease of approximately \$450 million from the previous forecast. Throughout the course of 2016, we will continue to evaluate our capital program carefully and identify further opportunities to reduce or defer investments where appropriate, given the cash and capital constraints of the business.

Slide 14 provides updated outlook information on key operating metrics for MPC for the first quarter of 2016. We are expecting first-quarter throughput volumes of 1.7 million barrels per day, which are lower than fourth-quarter 2015 volumes due to more planned maintenance this quarter. Our projected first-quarter corporate and other unallocated items are expected to be about \$85 million for the first quarter.

With that let me turn the call back over to Lisa. Lisa?

Lisa Wilson - Marathon Petroleum Corporation - Director, IR

Thanks, Tim. As we open the call for your questions, we ask that you limit yourself to one question plus a follow-up. You may re-prompt for additional questions as time permits.

With that, we will now open the call to questions. Katie?



QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ed Westlake, Credit Suisse.

Ed Westlake - Credit Suisse - Analyst

First, before I ask my question, congrats on strong cash generation last year. I think a lot of focus is going to be on capital allocation, so I'll kick it off on that.

You've cut midstream CapEx. Can you give a little bit of guidance as to what has fallen out of the program and how the program might evolve into 2017? For example, if commodity prices stay low? And then I have a follow-on.

Gary Heminger - Marathon Petroleum Corporation - President and CEO

Don, you want to handle that, please?

Don Templin - Marathon Petroleum Corporation - EVP

Sure. Ed, this is Don. A majority of the decline in that CapEx forecast is around the money we were going to spend in Utica and Marcellus. So you will recall that our original forecast was around \$1.7 billion, and on the legacy MPLX side of the business, that money was going to be spent on Cornerstone and Robinson butane cavern and a couple of those projects that are continuing on.

The remainder was with respect to our G&P segment, and a lot of that spending is going to be matched consistent with our just-in-time capital spending program to be able to meet our producer customers' demands, but not to deploy the capital in advance of their demands or their needs.

Ed Westlake - Credit Suisse - Analyst

Okay. Thank you. And then a follow-one still on capital. Folks are worried about a recession; people have many different views on that. But you've got -- you've revised capital down to 3.7. If you did have a period where the market was stressed and you had to cut CapEx even further, maybe just talk a little bit through the flexibility that you have in the capital program to manage a downturn. Thanks.

Don Templin - Marathon Petroleum Corporation - EVP

Ed, in fact, we're analyzing that right now, Ed. And we have several areas where we can manage our capital and that's the prudent thing that we're doing here. While I know it's difficult to lower the capital guidance and lower the distribution growth guidance, we just feel it's necessary to make sure we always manage within our means.

So we have those opportunities. We can push some of the retail spending out if we had to, that we are getting very high returns and really are very pleased with the returns we're getting there. But we're going through that exercise right now and we've already identified areas that we can be flexible.

Ed Westlake - Credit Suisse - Analyst

Okay. Thanks very much.



Operator

Evan Calio, Morgan Stanley.

Evan Calio - *Morgan Stanley - Analyst*

I think that this will be the theme on capital allocation. Gary, the market is clearly concerned on the midstream CapEx and MPC's potential carry of MPLX CapEx; it's a potential expense of the buyback, given the state of the new issuance market.

Can you further elaborate how far you can go down in MPLX capital spending, given the wealth of drop-down assets that you already have?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Evan, that's our first statement here, while the entire MLP market has been under tremendous stress almost since the day we announced this transaction. But it was clear, even with our increase in distribution last week, that the market is still under tremendous stress and it's challenged not to recognize that value.

So that is why we have really ratcheted back our distribution growth, which is certainly part of the capital allocations we look at into MPLX. Don just mentioned how far we have gone. So far, we cut back the capital of MPLX, and if need be, we can even trim it back some more on the MPC -- excuse me, on the MPLX side.

What we are clearly going to do and has always been part of our strategy and part of our flexibility is that we will manage to our capital budget, whether it's out of refining, whether it's out of midstream, or whether it's out of retail. We will be able to ratchet back to maintain a strong balance sheet.

Evan Calio - *Morgan Stanley - Analyst*

Great. And how does the consideration of a buyback -- given your view of value and some of the relative underperformance of the stock, how does the view of a potential capital allocation to a buyback weigh against a potential further reduction of capital spending? Whether it be in refining or midstream?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Sure. Tim, you want to take that?

Tim Griffith - *Marathon Petroleum Corporation - SVP and CFO*

Sure, Evan. I mean, again, I think the considerations around the total capital allocation for the enterprise will continue to focus on balance. I think as we've suggested even at investor day and this morning, the amount of share buybacks that we do at any point in time is going to flex depending on the needs of the business.

But I think certainly in an environment of capital constraints, we will revisit the spending. Again, I think the intent and the plan for us is that the commitment around return of capital is really a long-term commitment. We don't get too focused in on any one particular quarter or one period, but certainly we will need to look at that across the full scope of the capital allocation of the enterprise.

Evan Calio - *Morgan Stanley - Analyst*

Thanks, guys. I'll leave it there.

Operator

Neil Mehta, Goldman Sachs.

Neil Mehta - *Goldman Sachs - Analyst*

Gary, can you walk us through the new guidance from 25% down to 12% to 15%? Is there a way to bridge or quantify how much of the delta comes from different components? For example, how much of it is a change in drop-down multiples versus a change in the margin environment at MarkWest or a change in capital spending?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Right. Neil, I'm going to ask Don and Tim to take this. I'm overseas and I need to change phones here. So can you guys take that?

Don Templin - *Marathon Petroleum Corporation - EVP*

Yes, Neil, this is Don. We were evaluating the full year and there are a number of factors that we considered. Clearly there has been pressure on volumes, but we're still seeing good volume growth and expect good volume growth in Marcellus and Utica to support our underlying business.

We're very confident in the legacy MPLX business or the pipeline business. We're very confident in the steady cash flow of the marine business that has been offered to MPLX.

I would say probably the biggest factor that we have been considering and have been analyzing and evaluating is the yield environment and the pressure that the yield environment puts on growth. As we're funding our growth and issuing new units or funding it with debt, that has put incremental pressure on that.

So I would say that a lot of our decision and our evaluation has not been based upon the underlying cash flows of the business, but it's really been a function of the way the market has performed since we announced the combination and even since early end of November when we were probably in the 4.5% kind of yield range. We're more than 200 basis points wide of that in just a couple months' time.

Neil Mehta - *Goldman Sachs - Analyst*

Right. Okay. That's very, very clear, Don. And then Gary, I'm not sure if you are back on the line, but maybe the team can take it here. As it relates to gasoline, it's the topic that's been top of mind here.

Week one, it felt like we could dismiss it -- the inventory builds due to fog or weather conditions. But we've seen a relentless build in gasoline inventory. So wanted you guys to comment in terms of what you're seeing on demand. It sounds like you are up 1% in gasoline same-store sales, so that sound fine. So why do you think we are seeing that level of inventory build and how do you think about the gasoline outlook from here?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Yes, Neil, I'm back online. As I said at your conference, we were surprised to see that big of a build and had expected it to be reversed due to a lot of operating issues. And it hasn't reversed to the area that we thought it would.

But gasoline demand continues to be strong, and when we look at our exports, we average 330,000 barrels per day in the fourth quarter of exports. Granted, we have a couple turnarounds here early in the first quarter, but -- that will reduce our number of exports. But we're also -- our total volume and capacity will be down a little bit in the first quarter due to the exports.

We see gasoline demand, as Tim stated, up 1% and we see that continuing on. And I think I stated in our analyst day meeting that we would expect first quarter to be up over first quarter last year due to the continued lower price versus same period last year.

But gasoline and octane continue to be very strong. Diesel has picked up a little in comparison to the fourth quarter across our same-store sector, and our diesel exports continue to be strong as well.

So I will turn it over to Mike Palmer to see if he has any additional comments.

Mike Palmer - *Marathon Petroleum Corporation - SVP Supply, Distribution, and Planning*

You know, Gary, the only thing that I would add is that obviously this time of year, we typically see gasoline build, especially in Pad 2. And that's what we're seeing now. We're getting ready to go into the turnaround season and part of the build that you see is in order to handle the shortfall that we're going to have when those refineries go down. So that's the only other thing that I would add to your comments.

Neil Mehta - *Goldman Sachs - Analyst*

All right, guys. Thank you so much.

Operator

Brad Heffern, RBC Capital Markets.

Brad Heffern - *RBC Capital Markets - Analyst*

So again on MPLX, I'm curious about the projects that you had discussed that had sort of more direct synergies to Marathon itself -- you know, the alkylation project and so on. Has the timeline for those projects been pushed back?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Not at this time, Brad. And when we laid out all those projects in the third and fourth quarter last year, it was always anticipated that these were longer-lead projects and we're continuing to work those very hard. We're in some engineering on a couple of those projects, but we do not anticipate at this time to move those out.

The alkylation project is very important; it's very important for the producers, very important for our octane needs, and the distribution of octane into the refining system. We're still looking at a very strong interest in a solution in order to be able to move propane either to an East Coast market or move propane down into the Gulf Coast.

So those are still continuing on and those were the two biggest synergy projects that we had outlined at the time of the transaction. And both of those, as I say, we are continuing to work on.



Brad Heffern - *RBC Capital Markets - Analyst*

Okay. Thanks for that.

Don Templin - *Marathon Petroleum Corporation - EVP*

Brad, this is Don. I might even add one more comment on the particularly on the NGL project. One of the things that we believe is really important is that our producer customers are very much in need of an opportunity to increase the netback on -- particularly on propane. We've been challenged in terms of getting it to a market where they can realize a higher price.

And so in our efforts to make sure that we are very sensitive to and focused on our producer customers, we think it's important for us to deliver a project or projects that allow them to get the highest netback they possibly can as quickly as they can. So speed is of the essence in terms of those types of project.

Brad Heffern - *RBC Capital Markets - Analyst*

Okay. Understood. Thanks for that. And then thinking about the refining business, I'm just curious around the crude slate -- how things have changed of late. How you are changing what you are running in the context of mediums and heavies appearing to be much more attractive and lights being less so?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Mike?

Mike Palmer - *Marathon Petroleum Corporation - SVP Supply, Distribution, and Planning*

Yes, Brad. This is Mike Palmer. Yes, you've hit the nail on the head. I think what we're seeing now is that when you look at the light sweet domestic production in this country, we think that those volumes are coming off and there is tightness.

But at the same time, we're seeing very good values on the sour side of the barrel. We're getting a lot of Middle Eastern crudes that are moving into the Gulf. As you know, the Gulf of Mexico itself has grown and continues to grow. And the Canadian sour -- heavy sour continues to be a good value. So I think that's exactly what you are going to see happening is there is going to be probably less sweet runs and a shift to sour.

Brad Heffern - *RBC Capital Markets - Analyst*

Okay. I'll leave it there. Thank you.

Operator

Phil Gresh, JPMorgan.

Phil Gresh - *JPMorgan - Analyst*

The first question is just a follow-up on Neil's question on refining fundamentals. Gary, you've been pretty upbeat about your outlook for the full year and obviously it's just the start of the year and January doesn't make a full year.



But I'm just curious if what we've seen thus far in any way reduces your conviction in the full-year refining outlook? Or if you still think that refining margins should be up in 2016 over 2015, or at least in the first half?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Phil, I still think refining should be strong in the first half, driven, as I said earlier, by gasoline demand and driven by octane. The crude oil prices have been quite choppy over the last three weeks here. Crude tried to get some momentum and then fell back off. So that will be a little bit of a driver and the differentials, of course, that goes along with that.

But overall demand -- again, driven by gasoline, as I said. We've seen some uptick in our diesel over-the-road demand here so far in the first quarter. But the overhang clearly in the market right now are the diesel inventories, as Mike Palmer explained.

We will look at diesel as we go through the turnaround season. Within the industry here, already started in the Gulf Coast; it will move up into Pad 2 and Pad 1, starting in the second quarter, should take care of the overhang in the diesel inventory. But if there's any overhang in the margins, I believe it's going to really be diesel-driven.

Phil Gresh - *JPMorgan - Analyst*

Okay. Thanks. The second question is on the midstream side. You guys have talked a lot about the levers available to pull, one of which is of course the support from the MPC side. And you still have this significant backlog of droppable inventory.

So I guess I just wanted to understand a little bit more how you are thinking about that support mechanism as we move forward. Are you less certain about wanting to do drops beyond marine at this point, just because of what we're seeing on valuations? Or just any thoughts around the puts and takes there would be helpful.

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Sure, Phil. We still have all the flexibility and still have all the interest in supporting MPLX, supporting the midstream business as we've stated. It's just, as Don outlined, you look at our yield from the time we announced the transaction to the date of closing until yesterday, and obviously as we speak today, the yield continues to back up.

I've always outlined that we believe that the differentiator in the MLP space is the quality of earnings and the quality of distribution growth. We've highlighted very clearly what that quality is and what the flexibility is we have. However, the market is the indicator on how that's going to be recognized. Today, the entire market is under complete stress and MLPs have backed up in that yield value.

So we just think it is prudent at this time not to chase that yield. As I said at the last question I had at the analyst day meeting, we will continue to assess, but there's no reason to chase the yield that is backing up when we have very, very high quality assets, very high distribution growth that we can make happen.

I think it's just best that we settle back; we see how the entire market continues to recognize MLP investments. And as I said in my talk, we expect this to be temporary and we expect to be able to revert to our initial distribution growth guidance down the road as markets settle down a little bit.

Phil Gresh - *JPMorgan - Analyst*

Okay. Thanks, Gary.

Operator

Paul Cheng, Barclays.

Paul Cheng - *Barclays Capital - Analyst*

Gary, I have to apologize -- first, because I was going to ask a similar question as other people on the MPLX side. I understand that once you go into a certain construction or that you have certain commitment. So it will base on the commitment and the construction that you already have today, what is the minimum -- the CapEx that you have to spend in the MPLX in 2016 and 2017?

And also what is the maximum that the MPC support on an annual basis that you are willing to do for that CapEx?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Sure. We've already outlined, Paul, that on the MPLX side, we've dropped the capital back about \$450 million from where we had initially improved the capital. And I'll let Don and Frank take it from there, if there is any -- how much more room they have. But I know we have more room to drop back from there. And then I'll have Tim cover the maximum that we would support.

Don Templin - *Marathon Petroleum Corporation - EVP*

Paul, we have not given specific guidance on sort of what the minimum is. I think that it's important to us to be able to flex in order to be able to meet the increase in volumes that our producers are experiencing and we expect them to experience.

So we will continue to monitor that. We do have a lot of knobs to pull or levers to pull and we feel like we can manage capital in a very, very efficient way. We expect, for example, that in fractionation or in processing in Utica and Marcellus, we would expect processing to increase by 20% year over year and fractionation to increase by 30% year over year. So we're expecting good volume increases and we're going to make sure we are managing our capital appropriately to be able to support our producer customers.

Tim Griffith - *Marathon Petroleum Corporation - SVP and CFO*

And Paul, with regard to what's the maximum amount that MPC would be prepared to support, I mean, again, the commitment to supporting the Partnership as the needs arise is there. That support can take a number of different forms.

We've highlighted this morning that the marine assets are being offered into the Partnership at what we believe people will see as a very supportive multiple. That's a fantastic opportunity. We would be taking back all units for it, limiting the Partnership's need to access the equity markets.

We've got options with regard to interCompany funding -- either on a loan or equity basis. We can look at potential modifications to GP cash flows. We've got a host of things that we will look at. I'm not sure that there is a hard target number in terms of what support is necessary, but we will continue to look at it in the totality of how the entities will manage each other.

And MPC is fully supportive of helping the Partnership achieve the objectives that it's got laid out. So we'll see what the environment holds.

As Don indicated and Gary highlighted, what really makes things challenging is the higher yield. Obviously for the Partnership, for every dollar of growth earnings that goes into it -- either on an organic or acquired basis -- there's just that many more units that go out.

So we'll have to assess this as we move along. The support is there and we will remain flexible with regard to what forms make the most sense, given the time and circumstances involved.



Paul Cheng - *Barclays Capital - Analyst*

Before I ask the second question, Tim, if I may. I would just say that in a market where there's a lot of nervousness and concern, I think both your shareholder in MPLX and MPC may benefit if the Company were to come with a more definitive answer in terms of what is the maximum support. And also correspondingly, what is the roadmap that MPLX will be able to sell fund the remaining. I think that your share probably on both sides probably will do much better if you would be able to come up with an answer in a more direct way for that.

My second question, Tim, is for you. When I'm looking at the refining operation, in addition to your manufacturing cost, your turnaround cost, and your D&A, as a bottom, there's always a whole -- sort of like the terminal cost and other expense on refining.

In the past couple years ago, that is roughly running at \$[215] million in a quarter. In the last several quarters, seems like they are running about in the \$350 million to \$375 million a quarter. So the question is, is that a reasonable run rate going forward? And if it is, what may have caused the increase over the last couple years?

Tim Griffith - *Marathon Petroleum Corporation - SVP and CFO*

Well, Paul. I think you are sort of referring to the elements of other gross margin in terms of how we've looked at earnings quarter over quarter and year over year?

Paul Cheng - *Barclays Capital - Analyst*

Yes. Or when we do a simple math in the model, if I look at what do we call this -- gross margin in refining and your throughput and then your -- there are three core items that you gave after we do that? There's a gap between what do we put as your profit and what model we suggest. And that gap in deposits is about \$[215] million a quarter. And in the last several quarters, it has become more like in \$350 million.

So I just want to see -- and I think that in the past one, I understand is that that is including this order the terminal cost and other that is embedded. And one is of course business inside of refining.

Tim Griffith - *Marathon Petroleum Corporation - SVP and CFO*

Again, there is certainly some seasonal factors that enter into it. But you are talking about things that would include sort of marketing transportation, other expenses that get factored in. And again I wouldn't say there's been any structural change to the sort of run rate around the expenses related.

A lot of it will move higher based on some unplanned turnaround activities. To the extent that comes in, we've certainly been impacted and benefited from the lower overall fuel costs related to natural gas. But I would say as a structural matter, there's nothing that has moved dramatically.

And the notion that there is a roughly \$200 million gap -- again, I think it's difficult to predict based on the environment, but with regard to the refining system itself, there's nothing that has structurally changed that would impact that.

Don Templin - *Marathon Petroleum Corporation - EVP*

Paul, this is Don. I had maybe one other comment or observation. That number, when prices are going up really quickly or prices are coming down really quickly, that number seems to expand or contract.

While we've had volatility in the markets, we've had sort of relative -- the prices haven't moved -- relatively haven't moved down as fast or up as fast. So we get impacted in there when RIN prices move up really quickly or move down really quickly. We get impacted when commodity prices are moving up really quickly or down quickly.

So because we've had a little bit more -- even though it's a low price environment, because we have a little bit more steady action there, I think that is probably what's moderated a little bit from some of the previous quarters.

Paul Cheng - *Barclays Capital - Analyst*

I see. All right. Thank you.

Operator

Chi Chow, Tudor, Pickering, Holt.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

My question may be a little bit derivative from Paul's here. It looks like you cut MPLX CapEx, obviously, but you kept the midstream spending at the MPC level constant, at about \$830 million, looking at your slide 13 here.

Can you talk about what projects are in that bucket and how much of that capital is earmarked for the support for MPLX in terms of incubating projects or other growth initiatives?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Don?

Don Templin - *Marathon Petroleum Corporation - EVP*

Sure. I guess some of the ones that are in the MPC bucket versus I'll call it the G&P bucket or the logistics and storage would include investments and things like -- we had some tail expenditures on Southern Access Extension, when we completed that. We have investments in Sandpiper, as we were funding that with our joint venture partner, Enbridge.

So some of those projects, Chi, are ones that are longer-lived, had some maybe bigger dollars associated with them. It was one of the reasons why we were actually incubating those up at MPC versus funding them directly at MPLX.

I might also add, we've been making some investments in Bluewater, our joint venture with Crowley; the investment in the Bluewater vessels. So those are some of the things that are sitting up in MPC and not in the MPLX number.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

So Don, is that in that -- again, looking at slide 13 -- is that in the \$351 million bucket -- the midstream R&M piece? Or is that in the other midstream bucket, excluding MPLX down below, which amounts to about \$480 million, the other bucket? From what I gather here.

Don Templin - *Marathon Petroleum Corporation - EVP*

I'm sorry; I missed your question, Chi?



Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

So the SAX and Sandpiper spending and the Bluewater, is that all in -- you've got two buckets of midstream CapEx here on page 13. You've got a midstream R&M piece: \$351 million. And if I back out the MPLX CapEx in the second midstream bucket, it gets to about \$480 million.

So I'm just wanting -- I guess the bottom-line question is is there room to cut the MPC midstream CapEx or do you still need to spend that \$830 million in support of MPLX going forward here?

Don Templin - *Marathon Petroleum Corporation - EVP*

I would say the MPC piece of it is probably a little less flexibility in terms of cutting that. The stuff that is in MPLX consolidated, there's a lot more flexibility there.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. Maybe I'll follow up with some details later. I guess secondly, on the marine asset drop, can you provide us any sort of EBITDA guidance on the contribution?

Don Templin - *Marathon Petroleum Corporation - EVP*

We expect the next 12-months EBITDA to be around \$120 million, Chi.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. And you kind of hinted at it, but any sort of drop-down multiple you can share at this point?

Don Templin - *Marathon Petroleum Corporation - EVP*

We can't share that right now because the process is going through -- it's been referred by MPC to the MPLX special committee or conflicts committee. So they are working through their valuation and we wouldn't want to get in front of that.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. Final question on the condensate splitters. Can you provide an update on the operations there and discuss the accretion and returns you might have realized in the fourth quarter?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

We don't breakout the splitters at Canton and Catlettsburg separately, but both are operating at their design capacity. Mike Palmer can talk about what the design capacity and what we've been running them at.

Mike Palmer - *Marathon Petroleum Corporation - SVP Supply, Distribution, and Planning*

Yes, Gary, I sure can. So the two splitters -- Catlettsburg has a design capacity of 35,000 barrels a day. Canton is 25,000 barrels a day; total of 60,000. We are operating those two splitters at -- the plan that we've had -- typically we don't talk about just exactly how much we're running. We've still got some room. We're not full, but that was the plan for this point forward.



I can tell you that we're buying as much condensate now as we have at any time in the past. That condensate production is holding up well. Our strategy is working well. We did have a little bit of weather issue in January, but really that's all we've seen. So it continues to work per plan.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. Mike, can I ask -- it looks like from some public pricing sources that Utica condensate prices fell below \$10 a barrel in January and still holding in the low teens. Is that the level of feedstock costs you are realizing for the splitters?

Mike Palmer - *Marathon Petroleum Corporation - SVP Supply, Distribution, and Planning*

You know, again, Chi, we don't really talk specifically about those price levels. I think all we've said in the past is what you need to do is take a look at the argon postings in that area to give you an idea of what the prices look like.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. That's good enough. Thanks. Appreciate it, Mike.

Operator

Doug Leggate, BofA Merrill Lynch.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Thanks, everybody. I know we're getting close to the top of the hour, so thanks for getting me on. But I guess we'll cancel the two question rule today. I have two questions, if I may. First one is also on the MLP -- Gary, to you.

Taking units from MPLX, when MPLX is already very, very weak -- I'm thinking about the saturation of piling on on top of existing MPLX shareholders. Why not just slow down or defer the marine drop-down like you were originally going to do rather than force more equity into the market at what's probably going to have to be a relatively low multiple for MPC shareholders?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

That's certainly -- it's one of the things that we had looked that, Doug. And let me turn it over to Tim, as Tim has done all the analysis and what we think the best options are.

Tim Griffith - *Marathon Petroleum Corporation - SVP and CFO*

I think ultimately as we scope the distributable cash flow necessary to support growth in the Partnership, adding incremental earnings into the Partnership is necessary, frankly, just to support the distribution growth, even as revised this morning. So a deferral would put the partnership in a more compromised position and obviously getting the earnings base recalibrated -- in addition to the growth of distributable cash flow, we are also sort of very carefully watching the leverage profile of the Partnership and the capacity to take on any incremental debt there is more limited.

So this is, Doug, I think really a necessary step to keep us on the path that is designed and has been shared with the investment community with regard to distribution growth. So we've looked at a number of different alternatives and I think adding the marine business into MPLX, both from a diversification and to support the growth in distributable cash flows, is what we think makes the most sense at this point.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Okay. Tim, a quick follow-up to that, Tim. Just to clarify what I'm asking. So MPLX right now is trading on about a 6.5 times multiple of enterprise value based on your guidance you've given today. And there is the legacy drop-downs for the industry -- the whole MLP argument or case was predicated on a 8 to 10-plus times multiple.

So from an MPC standpoint, are MPC shareholders going to get proper value recognition for the assets you are dropping down in this environment? That's kind of what I'm asking.

Tim Griffith - *Marathon Petroleum Corporation - SVP and CFO*

Well, we think so. Again, I think for the entirety of the MLP space, to the extent the yields have moved up, it's highly likely that multiples likely would move lower. And that's -- I think you will see evidence of that as we get through our transaction here.

But again, we think that the long-term value to MPC really again relates to the GP and the potential IDR stream and cash flows that are generated from the Partnership over a period of time. And the growth in distributions made possible by the drop of marine and other assets from MPC will help to accomplish that over time. Obviously, it slows a bit here relative to our initial expectation on growth, but we still think the long-term value proposition is very strong.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Okay. Thanks a lot. My follow-up is just a quick follow-up on gasoline, so whoever wants to take this. But Gary, as you know, I think we've been kind of a lone voice in talking about too much US gas in the supply for quite some time. It seems to be coming home to roost to some extent.

My question is a lot of your competitors are still talking about max gasoline modes and given the weakness in distillate. At what point -- what is Marathon's view on max gasoline versus max distillate in winter? And at what point do you -- it basically would just run to limit gasoline output? And I'll leave it there. Thanks.

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Well, we review that every day, Doug. And as I've stated before, we are able to flex our gasoline versus distillate make around 8% to 10%. So every day, we're making that determination on the values in the marketplace and we are just coming up now on starting to make [the low fade] for pressure gasoline getting ready for the changeover. It needs to be out in the market starting early April to make sure it's in place.

So a 8% to 10% is how we can flex, but every day we're making that decision on what is the best product to make.

Operator

Ryan Todd, Deutsche Bank.

Ryan Todd - *Deutsche Bank - Analyst*

I'll try to avoid one more shot at the horse and ask you a couple quick refining ones. Maybe to follow up on that last question, you had a relatively high gasoline yield at 50% in the quarter, which is higher generally than what we've seen historically.



Was that seasonality one-off effects? Is that kind of a maximum of process system? Is it the high end of where we can flex? And I guess any sort of -- or is that a sustainable number that you think going forward if it were necessary?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Mike, you want to cover why we had more gasoline?

Mike Palmer - *Marathon Petroleum Corporation - SVP Supply, Distribution, and Planning*

You know, Gary, as you pointed out, determining whether we are going to be at max gasoline or max distillate is something that we look at continuously. And the only thing I can say there is that with regard to the 50%, economically that was the best place for us to be at that time.

We certainly have seen a lot of strength with regard to gasoline exports in the current environment, a lot of that coming out of Latin America and even in the Far East. And that's probably one of the reasons that the gasoline make is that high.

Ryan Todd - *Deutsche Bank - Analyst*

Okay. Thanks. And then maybe one follow-up on your outlook on turnaround season. As you look at turnaround season in the first half of the year, do you think we run the -- that we will see the potential for guidance to accelerate run cuts into the weak environment?

Your outlook for a normal versus a heavy turnaround season -- it seems like in your guidance, there's a relatively healthy amount of downtime. So any thoughts around both yours and maybe the industry turnaround season into the first half of 2016?

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Yes. And clearly all of the refining industry -- we look at where the inventory situation and what the margins are. In the event -- and we continue to expect gasoline to be strong, but in the event inventories are not in balance after the turnaround season here -- it appears to be about a normal season in the Gulf Coast. Maybe a little bit heavier going into Pad 2 early in the second quarter; it remains to be seen.

But I think the refining industry as well as specifically I can speak for Marathon. We've been very cautious and very prudent in always watching the margins and if run cuts need to be made, the industry I think has been very quick to assess that.

But I'll back up, though, and say we don't see any issues today. We don't see any need for immediate run cuts. It's something that we certainly will watch going out into the second half of the year.

Operator

Paul Sankey, Wolfe Research.

Paul Sankey - *Wolfe Research - Analyst*

And it's going to be the same old subject. Just one on gasoline, Gary. Your same-store sales were negative -- very mildly negative in Q4. I was wondering why you would then think that -- how you could square the circle between being relatively optimistic on demand against what looks like quite a weak number actually to end the year.



Additionally, could you just repeat the points about you think that gasoline inventory is being built here specifically with a view to a big turnaround season about to come? Because it does seem that we are in turnaround season.

And then just to hurry things up, I'll tell you the follow-up is totally separate. Do you have a longer-term CapEx guidance for MPLX and MarkWest, given the changes since the analyst meeting? Thank you very much.

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Okay. On same store demand, I'll have Tony cover it in more detail. But let me remind everyone that a same-store calculation really takes into account two things: overall demand, but overall posture and how we're pricing into the marketplace. And as Tim had in his script, we are always going to optimize and maximize what we believe to be the pricing posture in order to be able to get adequate returns within the Speedway space.

And, Tony, I'll turn it over to you, that I believe that's exactly how you operate it. So you want to make a few comments?

Tony Kenney - *Marathon Petroleum Corporation - President, Speedway LLC*

Yes, Gary, I sure will. And you are exactly right. There's a lot of factors, Paul, that go into what really determines our same-store calculation. Speedway is on a growth profile and we're continually adding new stores, as one example. And some of the opportunity is to move volume to our new stores.

So overall for the quarter, if you looked at Speedway's total light product volume, we're actually up in total gallons. But when you do it on a true same-store basis, because of a lot of variables -- one being the movement of volume, other factors within the pad that we are seeing as well as what Gary talked about in terms of the balance between volume and margin that we take going forward.

Paul Sankey - *Wolfe Research - Analyst*

Got it. So you've got some pricing power, which gives you the knowledge that demand is pretty good.

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Right. And the other thing, Paul, we recognized here in January, early part of January, the numbers -- Tim stated in his script we are up 1.1%, I believe, so far this month. But we were up higher than that in the first half of the month and very strong same-store month on month.

But then the bump in crude prices and the quick response to the Street cost you some volume. And when you are one of the leaders in the market, that's what happens. So we still continue to be very bullish on gasoline demand going into the second part of the year.

Don, you want to take the question on the capital? And then I will follow up with a little bit more on the MPLX guidance.

Don Templin - *Marathon Petroleum Corporation - EVP*

Sure. We've not provided incremental outlook on capital spending. I guess I would say it this way, Paul: the resource exists. We are very confident it does. Our producer customers are in what we believe to be very good regions and plays. The projects exist and what we're really doing is we're managing the completion of projects to coincide with the volumes that our producer customers are producing.

And so we believe that the projects and the revenue opportunities are there. It is likely that some of those may get stretched a bit, and we will match our capital plan to deal with the potential stretching in the volumes. But we're very confident in our producer customers and the resource and their ability to long term to deliver those volumes.

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

Thank you, Don. And then -- go ahead, Paul.

Paul Sankey - *Wolfe Research - Analyst*

I was just thinking -- I mean, should we just cut some of the long-term assumption, based on what you said, and assume that even 2016 will be a relatively high year? Post the cut, but still high relative to the future?

Don Templin - *Marathon Petroleum Corporation - EVP*

I don't know. If prices rebound by the end of the year, Paul, it will be really dependent I think on sort of where prices end the year and what the outlook is for 2017 and what the producer customers' drilling program and profiles are.

Paul Sankey - *Wolfe Research - Analyst*

Okay. Thank you.

Gary Heminger - *Marathon Petroleum Corporation - President and CEO*

And Paul, to that point, and I know there are a number of questions that we had throughout this call on -- we reduced our guidance on this call. And as I stated, we've decided at this time to suspend talking about guidance beyond 2016.

We just think that is the prudent thing to do. As we look at the overall business we've been very clear: we have a temporary pullback here. I expect and my entire team expects that this is temporary. As Don just stated, if crude prices rebound like we anticipate they will in the second half of this year that could lead to volume growth. That could lead to producers being quicker to return into their producing regions, especially in the Utica and Marcellus. That is very important to our midstream.

But I want to temper any concerns about going past 2016 because it's just important that we take care of the work at hand here. And then we will look at what happens beyond 2016. Again, I think prices will recover in the second half and we'll see where we go from there. But there is no reason to get into a discussion beyond 2016 at this time.

And Lisa, I'll turn it back to you.

Lisa Wilson - *Marathon Petroleum Corporation - Director, IR*

Thank you, Gary. Thank you for joining us today and thank you for your interest in Marathon Petroleum Corporation. Should you have additional questions or would like clarification on topics discussed this morning, Teresa Homan and I will be able to take your calls.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating and you may now disconnect.



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