Marathon Petroleum Corporation

# Elliott Management's Perspectives on Marathon Petroleum Corporation

November 2016

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- Approximately $30 billion of assets under management with extensive experience in the energy and midstream sector in both public and private equity investments.
- Long-term view of investments and a focus on creating value for all shareholders.

## Elliott's Research

- We have carried out extensive research to understand Marathon's business across refining, midstream/logistics, and retail and have evaluated in depth whether any benefits to integration exist, including:
  - Conducted over 80 due diligence meetings with current and former refining, logistics, and retail executives and industry experts, including speaking at length with major refiner, midstream, and convenience store peers.
  - Evaluated 1,985 downstream M&A deals extending back to 1990 to determine the impact on crude procurement costs, refinery and logistics utilization, and margins, and spoke at length with former executives and experts involved in these transactions.
  - Mapped the physical locations of all ~2,770 Speedway and ~5,400 Marathon-branded retail locations along with ~15,000 other convenience stores in corresponding markets to analyze footprint overlap and proximity to other outlets for Marathon's refineries.
  - Analyzed liquidity in Marathon's end markets for gasoline, encompassing 87 cities across 30 major metropolitan areas, extending back 15 years to quantify challenges to placing product in Marathon's retail markets.
  - Examined OPIS pricing in each of Marathon's retail markets to evaluate frequency and magnitude of margin arbitrage opportunities.
  - Conducted extensive analysis with a top consulting firm that found there was no value lost from separating Marathon's businesses and found multiple levers of additional value if the businesses were operated separately outside its conglomerate structure.
  - Worked with multiple leading corporate law firms to confirm structuring and tax aspects of recommendations.

# Marathon's Board Can Increase Shareholder Value by ~60 – 80+%

Marathon Petroleum Corporation

- We believe Marathon's severe undervaluation **costs shareholders $14 – 19 billion (~60 – 80+% of equity value)**.
  - Marathon has **persistently traded at similar valuation multiples to low-multiple merchant refiners**, despite having rapidly grown its high-multiple midstream and retail businesses over the past five years.
  - Valuing each of Marathon's three business segments in line with public peers indicates an equity valuation ~80+% higher than Marathon today. Valuing each business at the lowest multiple or highest yield of any relevant peer indicates a valuation ~50+% higher than today.
  - Marathon's recent announcement of strategic actions around its midstream assets is an encouraging first step **but much more can and should be done to unlock value for shareholders**.

- We recommend that Marathon:

1. "Drop down" all MLP-qualifying assets to MPLX today.
   - Dropping down assets immediately will remove the cloud of uncertainty weighing on MPLX's cost of capital, increase Marathon's GP cash flow to ~$650MM in 2017, and force a revaluation of Marathon.
   - After completing the drops, Marathon will hold after-tax cash proceeds and LP units equivalent to 60+% of Marathon's current market capitalization. If Marathon exchanges its IDR for additional LP units, the resulting cumulative cash proceeds and publicly traded LP units will be 110+% of its market capitalization. Any valuation for Speedway and refining operations will result in uplift to Marathon's share price.
   - Delaying drops over three years could cost Marathon shareholders ~$750-900MM in tax inefficiencies.

2. Conduct a full strategic review including the potential tax-free separation into Speedway, RefiningCo, and MidstreamCo.
   - Given the substantial value unlock from separation, we recommend that Marathon reassess whether its current structure maximizes value for shareholders.

# I. Marathon Is Severely Undervalued

# Despite Substantially Growing Its Midstream and Retail Businesses…
# …Marathon Is Persistently Valued as a Merchant Refiner

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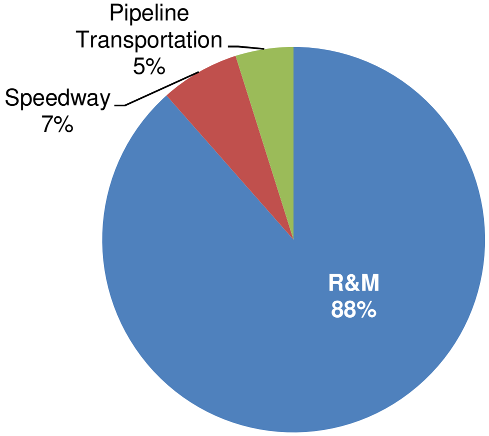
## 2011 Earnings

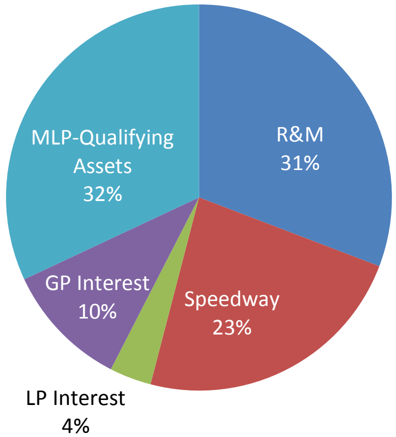
**Stable Earnings = 12%**



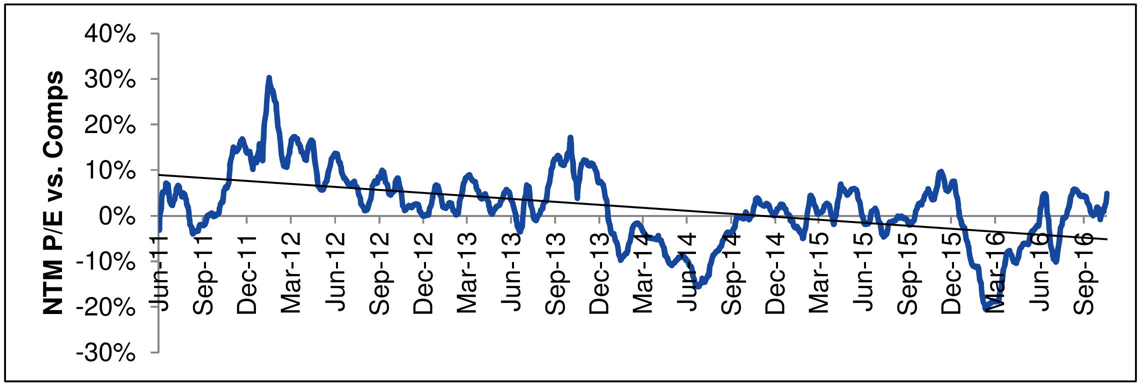

***Despite ~60% Increase in Stable Earnings…***

## 2017 Earnings

**Stable Earnings = 69%**




**…0% Increase in Multiple vs. Merchant Refiner Peers**




Source: Company filings and Capital IQ consensus estimates.

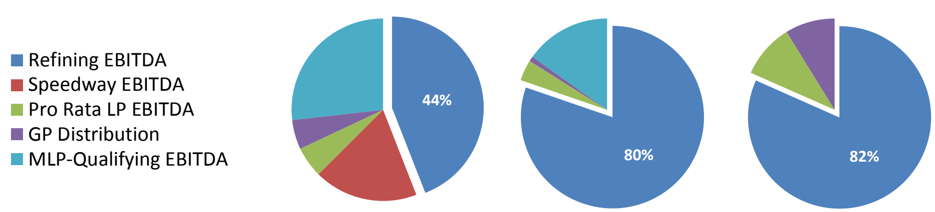
(1) 2011 earnings split allocates interest and taxes pro rata based on operating income split.
(2) 2017E earnings split based on consensus average of Barclays, CS, JPM, and MS EBITDA estimates for segments. Corporate overhead allocated proportionally to R&M (excl. MLP-qualifying EBITDA) and Speedway (per company commentary). Segment D&A based on annualizing Q3'16 segment D&A; refining D&A allocated pro rata to R&M segment EBITDA and MLP-qualifying EBITDA. MPC parent debt interest expense allocated pro rata for EBITDA contribution across segments. MPLX LP segment is also burdened with pro rata portion of MPLX interest expense.
(3) Comp average for NTM P/E comparison is 40% HFC and 60% VLO NTM P/E to account for MPC's geographic footprint.

# Marathon Trades at the Same Multiple as Merchant Refiner Peers

Marathon does not get credit for a more diversified business mix and instead trades at virtually the same multiple as merchant refiners Valero and HollyFrontier.

| | Marathon | Valero | HollyFrontier | |
|---|---|---|---|---|
| Share Price | $ 43.31 | $ 63.39 | $ 27.35 | |
| Shares Outstanding | 528 | 453 | 177 | |
| **Market Cap** | **22,860** | **28,694** | **4,828** | |
| Parent Net Debt | 5,718 | 2,675 | 696 | |
| Pro Rata MLP Net Debt | 1,050 | 572 | 405 | |
| **Net Debt** | **6,768** | **3,248** | **1,101** | |
| **Actual TEV** | **29,628** | **31,942** | **5,929** | |
| Refining EBITDA (incl. turnaround expense) | 1,440 | 4,776 | 716 | |
| Addback: Turnaround | 860 | - | - | |
| **Adj. Refining EBITDA** | **2,300** | **4,776** | **716** | |
| Speedway | 961 | - | - | |
| Pro Rata MLP EBITDA to LP | 287 | 220 | 84 | |
| GP Distribution | 272 | 53 | 77 | |
| MLP-Qualifying EBITDA | 1,400 | 900 | - | |
| **Actual EBITDA** | **5,220** | **5,950** | **877** | |
| | | | | **VLO/HFC Avg.** |
| **2017 Actual TEV Multiple (norm. for turnaround)** | **5.7x** | **5.4x** | **6.8x** | **6.1x** |

**2017 EBITDA Breakdown**




(1) EBITDA estimates are average (where covered) of Barclays, CS, JPM, and MS refining analyst models.
(2) MPC Pro Rata MLP EBITDA to LP and GP Distributions assume no drops to MPLX in 2017.
(3) EBITDA excludes turnaround expense for MPC to align accounting methodology with VLO and HFC (who capitalize turnaround costs).
(4) MPC ownership % of MPLX reflects dilution from Series A convertible preferred (excludes 2% GP interest) and Class B units treated as converted.
(5) Share prices as of 11/18/16 close.
(6) Corporate overhead allocated pro rata across Refining and Speedway for MPC.
(7) VLO Refining EBITDA includes Ethanol segment.
(8) VLO capital structure adjusted for new October 2016 capital lease obligations and debt redemptions; treats intercompany note payable from VLP to parent as cash asset at VLO.
(9) HFC EBITDA and capital structure adjusted for Suncor Petro-Canada Lubricants transaction, Woods Cross drop to HEP, and November 2016 notes offering and term loan repayment; HFC parent net debt is net of cash and marketable securities.

## Consolidated Multiples and Marathon's Expensing of Turnaround Costs, Unlike Peers That Capitalize, Obscures This Valuation Gap

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Consolidated multiples are misleading due to large minority interests in much higher-multiple MLPs. Blending MPLX and MPC valuations together obscures MPC's dramatic undervaluation. Marathon's accounting treatment of turnaround costs further hides its undervaluation.

| | MARATHON | VALERO | HOLLYFRONTIER | |
|---|---|---|---|---|
| **2017 Actual TEV Multiple (norm. for turnaround)** | **5.7x** | **5.4x** | **6.8x** | |
| <u>**Fully Consolidated Multiples**</u> | | | | |
| Consolidated Minority Interest as % of Parent Mkt Cap | 43% | 3% | 24% | |
| Parent Net Debt | 5,718 | 2,675 | 696 | |
| ***100% MLP Net Debt*** | ***4,650*** | ***859*** | ***1,073*** | |
| **Consolidated Net Debt** | **10,368** | **3,534** | **1,769** | |
| Minority Interest in Logistics MLP | 9,789 | 889 | 1,162 | |
| **Consolidated TEV** | **43,016** | **33,118** | **7,759** | |
| Adj. Refining EBITDA | 2,300 | 4,776 | 716 | |
| Speedway | 961 | - | - | |
| ***100% MLP EBITDA to LP*** | ***1,271*** | ***331*** | ***223*** | |
| GP Distribution | 272 | 53 | 77 | |
| MLP-Qualifying EBITDA | 1,400 | 900 | - | |
| **Fully Consolidated EBITDA** | **6,204** | **6,060** | **1,015** | |
| Less: Expensed Turnaround | (860) | - | - | |
| **Fully Consolidated EBITDA (not adj. for turnaround)** | **5,345** | **6,060** | **1,015** | |
| | | | | <u>**VLO/HFC Avg.**</u> |
| **2017 Fully Consol. TEV Mult. (norm. for turnaround)** | **6.9x** | **5.5x** | **7.6x** | **6.6x** |
| *2017 Fully Consol. TEV Mult. (not adj. for turnaround)* | *8.0x* | *5.5x* | *7.6x* | *6.6x* |

(1) EBITDA estimates are average (where covered) of Barclays, CS, JPM, and MS refining analyst models.
(2) EBITDA excludes turnaround expense for MPC to align accounting methodology with VLO and HFC (who capitalize turnaround costs).
(3) Minority interest in logistics MLP is taken at market value for LP units held by public. Treats Series A convertible preferred and Class B units as converted for MPLX.

# Actual EBITDA Multiple Is the True Way to Understand Valuation; Fully Consolidated Multiple Is Greatly Distorted by Including Unowned Portion of High Multiple MLP

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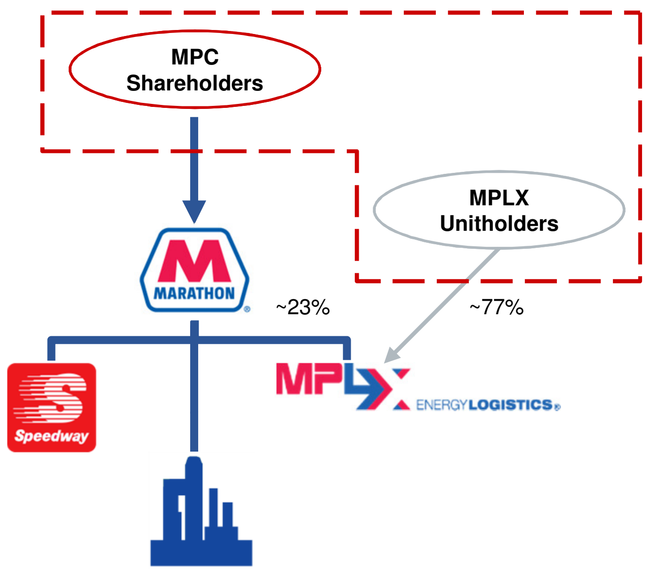
**Fully Consolidated EBITDA Multiple**
6.9x

MPC Market Capitalization
+ MPC Net Debt
+ **100%** of MPLX Public Capitalization
+ **100%** of MPLX Net Debt

EBITDA from Speedway, R&M, GP, and **100%** of MPLX

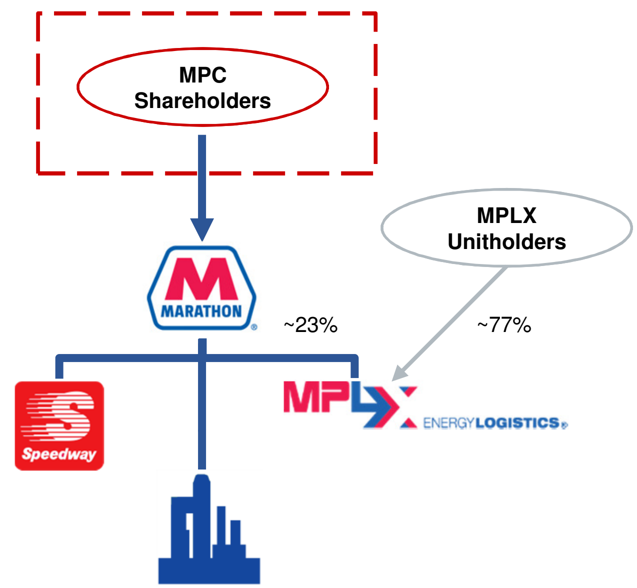
Not all owned by MPC shareholders.




**Actual EBITDA Multiple**
5.7x

MPC Market Capitalization
+ MPC Net Debt
+ **23%** of MPLX Net Debt

EBITDA from Speedway, R&M, GP, and **23%** of MPLX




(1) MPC ownership % of MPLX reflects dilution from Series A convertible preferred (excludes 2% GP interest) and Class B units treated as converted.

# II. Elliott's Recommendations to Unlock Shareholder Value

## 1 “Drop Down” All MLP-Qualifying Assets to MPLX Today

# Marathon Can Drop Assets to MPLX at a Range of Multiples That Are Value Accretive to All Parties

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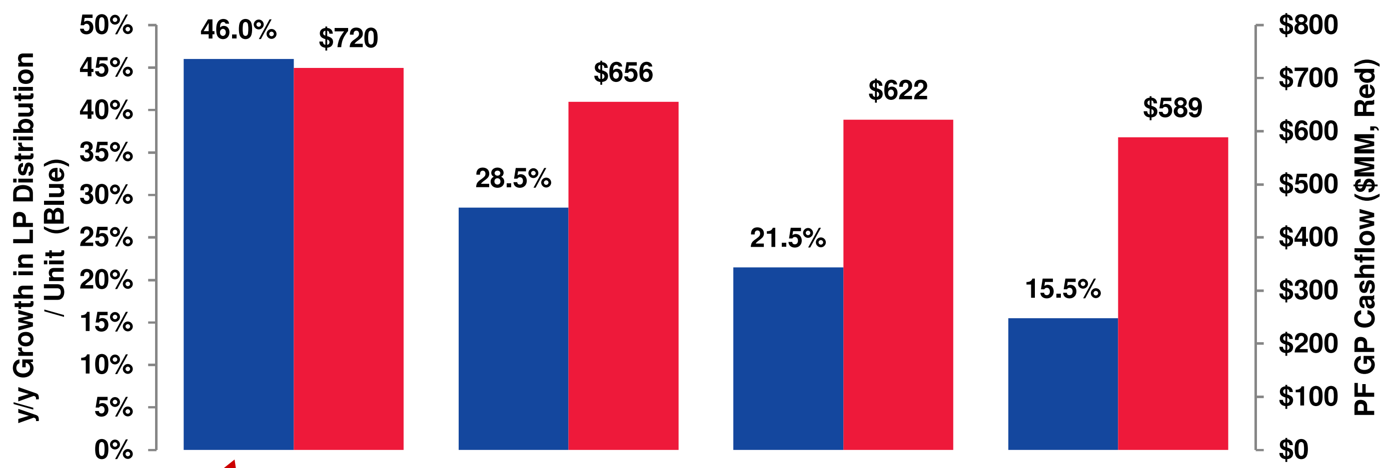
Marathon can drop assets to MPLX at a range of multiples that would still be meaningfully accretive to LP distributions per unit without increasing leverage above 4.0x or decreasing distribution coverage.

## Year over Year MPLX Dividend Accretion at Various Drop Multiples and PF GP Distributions




| Drop Multiples | 6.0x | 8.0x | 9.0x | 10.0x |
|---|---|---|---|---|
| LP Distribution / Unit | $3.01 | $2.65 | $2.50 | $2.38 |
| GP Distribution | 720 | 656 | 622 | 589 |
| Net Leverage (x EBITDA) | 4.0x | 4.0x | 4.0x | 4.0x |

Dropping at 6.0x is unnecessary.

(1) Assumes $1.4 billion of MLP-qualifying EBITDA dropped at year-end 2016 and holds DCF coverage constant at 1.11x.
(2) Relative accretion of 2017 LP distribution with full drops to 2017 distribution with no drops, holding DCF coverage constant , is 39.7%, 23.0%, 16.3%, and 10.5% for drops at 6x, 8x, 9x, and 10x, respectively.
(3) New debt financed at incremental cash interest of 4.25%; additional equity issuance done at current MPLX unit price as of 11/18/16 close.
(4) MPLX Series A convertible preferred and Class B units treated as converted.

# Marathon Can Drop Its MLP-Qualifying Assets Without Needing to Access the Equity Markets

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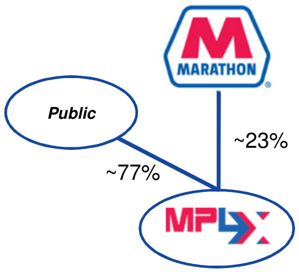
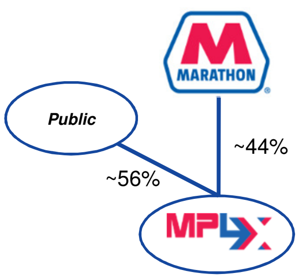



**Parent Assets Today**

- 100% GP / IDRs
- ~87MM LP units
- $1.4 billion in MLP-Qualifying EBITDA waiting to be dropped

| **Uses** | **$mm** |
|---|---|
| MLP-Qualifying EBITDA | 1,400 |
| Dropdown Multiple | 8.0x |
| **Purchase Price** | **11,200** |




**Parent Assets After Drops**

- 100% GP / IDRs
- ~239MM LP units
- $6.19 billion in after-tax cash proceeds in 2016

**MPLX Financing and Pro Forma Financials**

| Sources for Dropdown Proceeds | $mm |
|---|---|
| Debt | 6,191 |
| 3rd Party Equity | - |
| MPC Takes LP Units | 5,009 |
| Total Sources for Dropdown Proceeds | **11,200** |

MPLX does not need to access equity markets today.

**MPLX Units**

| | Today | *Dropdowns Financing* | *2017 Growth Financing* | PF 2017 |
|---|---|---|---|---|
| Public: | 297 | - | 9 | 306 |
| MPC: | 87 | 152 | - | 239 |
| Total LP Units: | 384 | 152 | 9 | 545 |
| *MPC LP %:* | *22.6%* | | | *43.8%* |

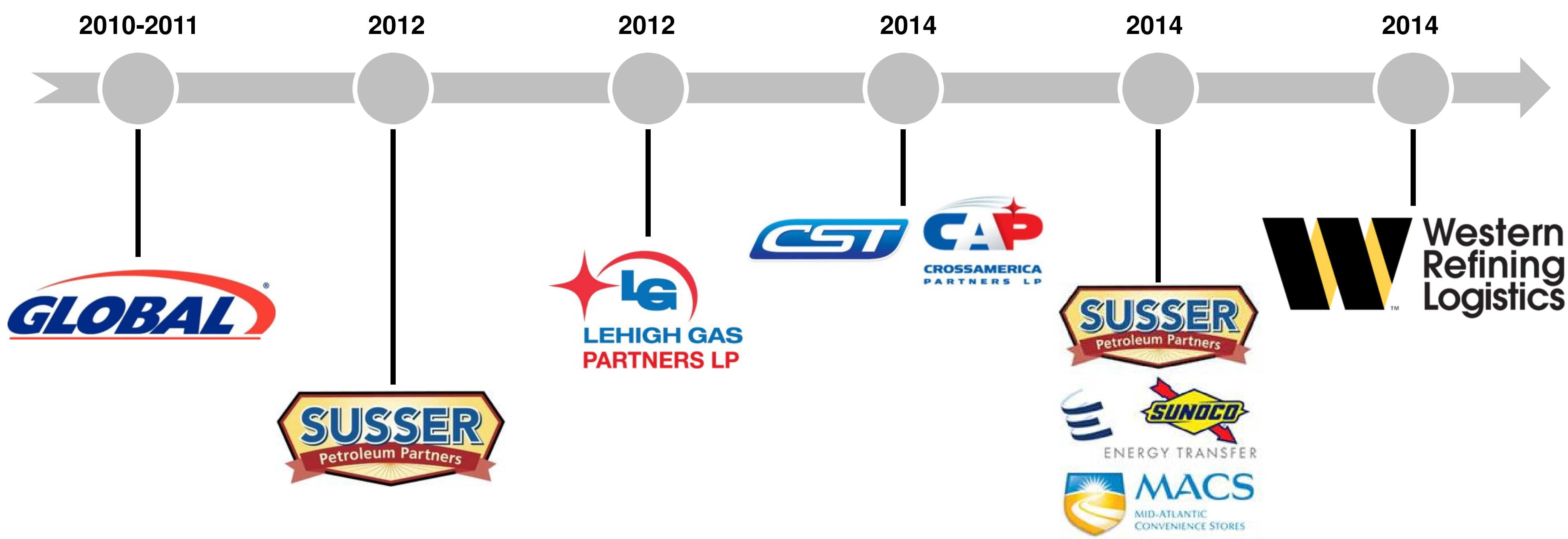
**MPLX Financials**

| | 2016 | Δ | PF 2017 | *% Chg.* |
|---|---|---|---|---|
| Organic EBITDA | 1,355 | 188 | 1,543 | |
| EBITDA from Drop | - | 1,400 | 1,400 | |
| Total EBITDA | 1,355 | 1,588 | 2,943 | |
| Cash Interest | (220) | (303) | (523) | |
| Pref Distributions | | *Treated as converted* | | |
| Maintenance Capex | (68) | (95) | (163) | |
| DCF to LP and GP | 1,067 | 1,190 | 2,257 | |
| GP | (227) | (429) | (656) | ***189.4%*** |
| DCF to LP | 840 | 761 | 1,602 | |
| Units Outstanding | 384 | 161 | 545 | |
| LP Distribution/Unit | $2.06 | $0.59 | $2.65 | ***28.5%*** |
| LP Distributions | 757 | 685 | 1,443 | |
| Net Debt | 4,650 | 7,122 | 11,772 | |
| Net Leverage (x EBITDA) | 3.43x | 0.57x | 4.00x | |
| DCF Coverage (If Pref Converted) | 1.11x | | 1.11x | |
| DCF Coverage (If Pref Outstanding Until 2019) | 1.17x | | 1.16x | |

(1) Assumes 8.0x for dropdown of $1.4 billion in MLP-qualifying EBITDA. Assumes drop transaction done in Q4'16 prior to implementation of new tax regulations in January 2017.
(2) Assumes year-end 2017 PF leverage of 4.0x after incremental debt issuance to fund 2017 growth capex and MPC takes back remaining equity issued to fund drop; incremental LP units issued at current MPLX unit price as of 11/18/16 close or 8.0% PF yield after increase in distribution.
(3) $2.06 LP distribution assumption for 2016 based on average of DB, GS, JPM, and MS analyst estimates.
(4) MPLX Series A convertible preferred and Class B units treated as converted.

# Fuels Distribution Businesses Are Common in MLPs

- There is a long list of MLPs that have contributed fuels distribution businesses.
  - Many did not get a PLR and dropped with a “Will” opinion from tax counsel.
- New proposed regulations 1.7704-4(c)(7) explicitly permit as well. Wholesale supply of gasoline and other fuels clearly constitutes MLP-qualifying income.
- Marathon can drop a fuels distribution business as currently contemplated either as soon as proposed regulations are finalized (expected this year) or could drop a simplified fuels distribution business with a “Will” opinion from tax counsel, like peers have, and then supplement when regulations are finalized.




Source: Company filings and advice from tax counsel.

## There Could Be a Material Tax Benefit from Dropping Assets Today Versus Waiting Due to New Tax Regulations

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- Marathon can capture a sizable tax benefit from dropping these assets before January 3, 2017 when new disguised sales regulations related to Section 707 go into effect. These new regulations limit the ability to do tax-advantaged debt-financed distributions.
- Marathon should drop its MLP-qualifying assets with a guarantee of collection of acquisition debt before these new regulations go into effect. Doing so would allow a deferral of ~$1.2 billion in taxes on cash proceeds from the sale.
- We calculate the net present value benefit of dropping today versus after January at ~$750 – 900MM.

| | Before 1/3/2017 | After 1/3/2017 |
|---|---|---|
| Transaction Value | 11,200 | 11,200 |
| Pre-Tax Cash Proceeds from Drops | 6,191 | 6,191 |
| Deemed Debt-Financed Distribution | (6,191) | (1,398) |
| Section 707 Deemed Sale | - | 4,793 |
| % of Assets Deemed Sold | | *43%* |
| Pro Rata Tax Basis Applied | | (1,284) |
| Taxable Gain | - | 3,509 |
| Tax Rate | 35% | 35% |
| **Taxes Due at Drop** | **-** | **1,228** |

Net present value benefit of dropping today versus after January is ~$750-900MM assuming 10-15 years of deferral.

(1) Assumes $1.4 billion of EBITDA dropped at 8.0x with debt financing up to 4.0x net leverage.
(2) Assumes $3 billion tax basis in assets, applied pro rata based on percent of assets deemed sold in Section 707 sale.
(3) Assumes 10% discount rate to taxes paid in future and 10-15 years of deferral.

# Growth at MPLX Remains Robust After Completion of Drops

Marathon Petroleum Corporation

*"As Gary mentioned, there is a lot of opportunity there. There's a legacy gathering and processing capital in MarkWest that typically run **$1.5 billion to $2 billion organic projects per year**. So that's part of the projects and EBITDA available as well as the drops. We also spoke at the time of the merger about **$6 billion to $9 billion of projects that could be done either at the MPLX or MPC level**, likely this will be done in MPC, incubated there and then dropped down to the partnership. As well with the opportunities in the marketplace today and our cost of capital, we'll continue to look at acquisitions. **So there's an enormous amount of opportunity for growth at the partnership level that will continue to support the MPC business**."*

*– MPLX CFO (J.P. Morgan Energy Conference, 6/27/16)*

**MPLX Financials**

| | 2016 | PF 2017 | 2018 | 2019 | 2020 | '17-'20 CAGR |
|---|---|---|---|---|---|---|
| Organic EBITDA | 1,355 | 1,543 | 1,581 | 1,621 | 1,662 | *2.5%* |
| EBITDA from Drop | - | 1,400 | 1,400 | 1,400 | 1,400 | |
| Growth EBITDA | - | - | 227 | 421 | 632 | |
| **Total EBITDA** | **1,355** | **2,943** | **3,208** | **3,442** | **3,693** | ***7.9%*** |
| Cash Interest | (220) | (523) | (561) | (600) | (638) | |
| Pref Distributions | | | *Treated as converted* | | | |
| Maintenance Capex | (68) | (163) | (176) | (188) | (201) | |
| **DCF Attributable to LP and GP** | **1,067** | **2,257** | **2,471** | **2,655** | **2,855** | ***8.1%*** |
| GP Distributions | (227) | (656) | (738) | (826) | (919) | *11.9%* |
| **DCF to LP** | **840** | **1,602** | **1,733** | **1,829** | **1,935** | ***6.5%*** |
| LP Distributions | (757) | (1,443) | (1,537) | (1,635) | (1,739) | *6.4%* |
| Growth Capex | | (1,400) | (1,400) | (1,400) | (1,400) | |
| Equity Financing | | 310 | 301 | 302 | 301 | |
| Change in Net Debt | | 931 | 903 | 905 | 903 | |
| **Change in Cash** | | - | - | - | - | |
| | | | | | | |
| LP Units Held by MPC | 87 | 239 | 239 | 239 | 239 | |
| Total LP Units | 384 | 545 | 553 | 560 | 567 | |
| MPC LP Interest in MPLX | *22.6%* | *43.8%* | *43.2%* | *42.6%* | *42.0%* | |
| | | | | | | |
| Net Debt | | 11,772 | 12,674 | 13,579 | 14,482 | |
| Net Leverage (x EBITDA) | | 4.00x | 3.95x | 3.95x | 3.92x | |
| | | | | | | |
| LP Distribution / Unit | $2.06 | $2.65 | $2.78 | $2.92 | $3.06 | *5.0%* |
| DCF Coverage (If Pref Converted) | | 1.11x | 1.13x | 1.12x | 1.11x | |
| DCF Coverage (If Pref Outstanding Until 2019) | | 1.16x | 1.18x | 1.10x | 1.11x | |

After the drops, MPLX will still deliver 8% EBITDA growth…

…leading to 8% growth in distributable cash flow and 12% growth in GP distributions.

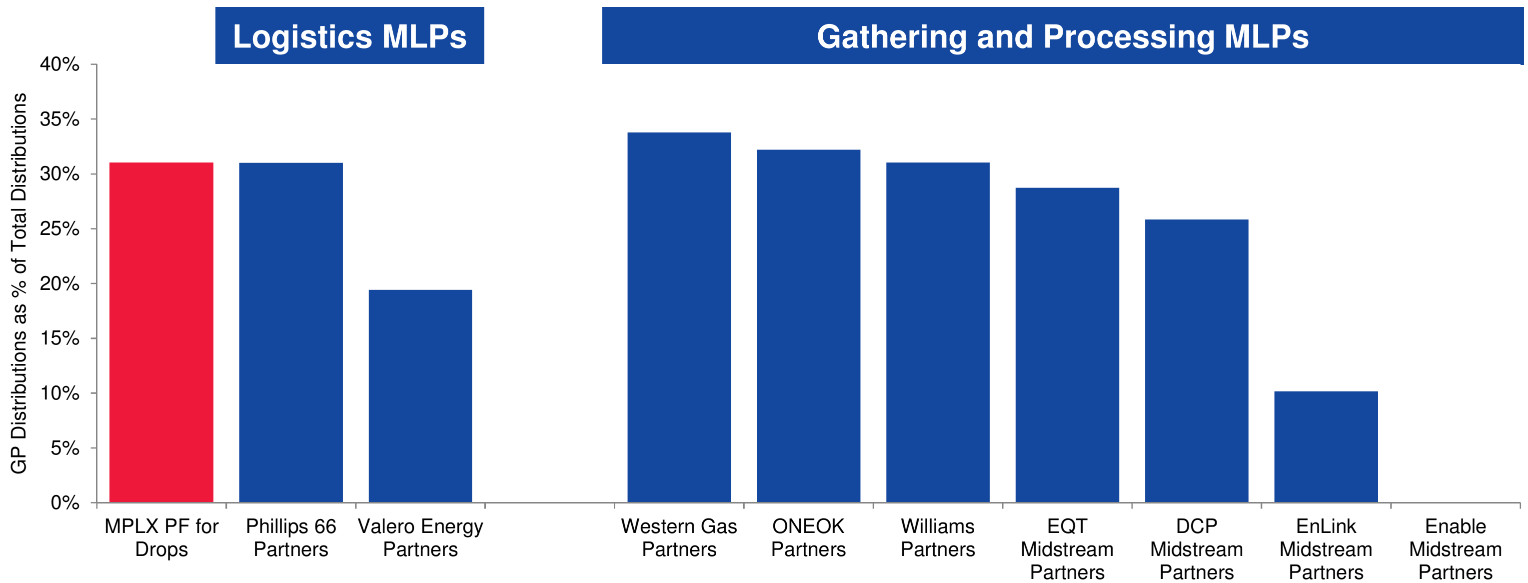
Growth is achieved with $1.4 billion of growth capex (below company guidance range of $1.5-2.0 billion).

LP unitholders will receive a 28.5% dividend increase in 2017 and 5% dividend growth per annum thereafter.

(1) Assumes $1.4 billion of growth capex spend per year through 2020 based on MPLX company guidance for growth projects at MarkWest, financed with 25% equity and 75% debt.
(2) Assumes incremental equity issuance to public market of ~$0.3 billion per year at growth-adjusted yield implied by MLP comparable companies.
(3) MPLX Series A convertible preferred and MPLX Class B units treated as converted.
(4) Assumes annual maintenance capex of 5% of EBITDA for existing and growth capex assets and blended 6.1% of EBITDA for dropped assets (based on blend of maintenance capex for fuels distribution comps and historical MPLX logistics, pre-MarkWest maintenance capex spend).
(5) Assumes 2.5% growth in current organic EBITDA and on EBITDA from growth projects once in service; EBITDA from growth capex based on company disclosed commentary for current projects and assumed 7.0x multiple thereafter on MarkWest projects.

# MPLX Will Continue to Have a Competitive Cost of Capital After the Drops, Comparable to Peers

Marathon Petroleum Corporation




| | MPLX PF for Drops | Phillips 66 Partners | Valero Energy Partners | Western Gas Partners | ONEOK Partners | Williams Partners | EQT Midstream Partners | DCP Midstream Partners | EnLink Midstream Partners | Enable Midstream Partners |
|---|---|---|---|---|---|---|---|---|---|---|
| **Top GP Split** | 50% | 50% | 50% | 49.5% | 50% | 50% | 49.8% | 50% | 49% | 50% |
| **In Top Split?** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X |
| **Current GP Split** | 50% | 50% | 50% | 49.5% | 50% | 50% | 49.8% | 50% | 49% | 0% |

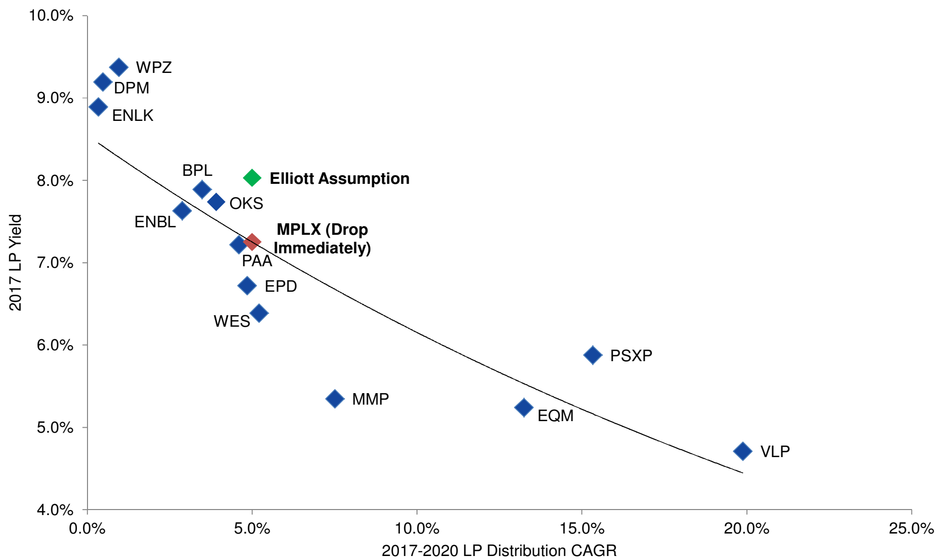
Source: Company filings.

(1) GP and total distributions are Q3'16.
(2) Includes logistics and G&P MLPs >$5 billion market cap (includes VLP, PSXP, and DPM given industry relevance).
(3) GP splits above include economic GP interest and incentive distribution rights.

# Public Comps Clearly Show the Value of the MPLX LP and GP

Marathon Petroleum Corporation

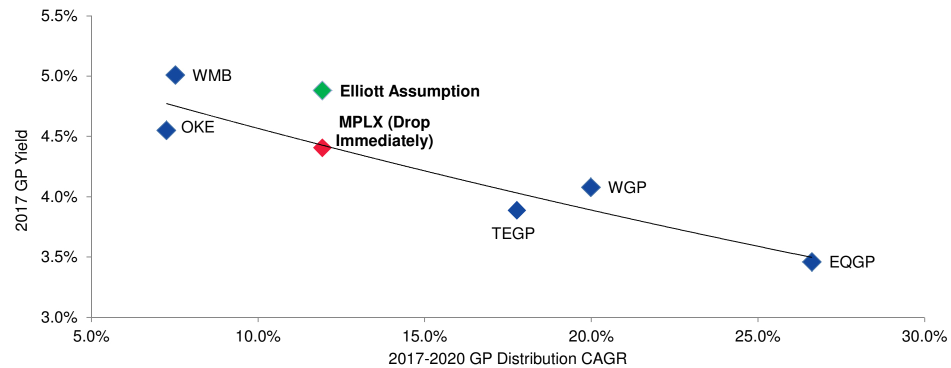
## Public MLP Comps-Implied Valuation




| | | After Drops |
|---|---|---|
| '17-'20 LP Distribution Growth | | 5.0% |
| 2017 LP Distribution | $ | 2.65 |
| Current MPLX Unit Price | | 32.96 |
| **Elliott LP Yield Assumption** | | **8.03%** |
| Comps-Implied LP Yield | | 7.25% |
| Comps-Implied Unit Price | $ | 36.50 |
| *Premium to Today* | | *10.7%* |

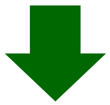
While we value LP units at the current unit price, comps-implied yields suggest upside to MPLX units.

## Public GP Comps-Implied Valuation




## DCF Valuation of GP

- We also value the GP using a discounted cash flow approach.
- Assumes ~2-3% terminal growth in GP distributions after 2022.
- Discounting this back at a ~9-10% discount rate points to a similar valuation range as public comps imply.



## Elliott Valuation Assumptions for MPLX GP

PF 2017 GP Distribution After Drops 656

| | Yield | Pre-Tax Value |
|---|---|---|
| Elliott GP Yield Assumption | 4.9% | 13,435 |
| GP Comps-Implied Yield | 4.4% | 14,879 |

(1) MLP distribution growth based on consensus estimates for 2017-2020; includes logistics and G&P MLPs >$5 billion market cap (includes VLP, PSXP, and DPM given industry relevance).
(2) GP yields are calculated as market-implied yield on GP distributions backing out market value of any LP units owned. Corporations are grossed up 15% to arrive at pre-tax GP values.
(3) GP distributions to WMB, OKE, TEGP, WGP, and EQGP based on MS estimates.
(4) Elliott Assumption for GP valuation assumes ~10% higher yield to GP comps-implied yield; Elliott Assumption for LP valuation assume no change from current MPLX unit price as of 11/18/16 close.

# Marathon Could Choose to Simplify Its GP Like Other MLPs Have Done in the Past

Marathon Petroleum Corporation

Other MLPs have swapped their IDRs for LP units at a ~250bps premium to the existing LP yield.

| | MarkWest MWE/MWP | Magellan MMP/MGG | Buckeye BPL/BGH | Enterprise Products EPD/EPE | Penn Virginia PVR / PVG | Plains All-American PAA/PAGP |
|---|---|---|---|---|---|---|
| Date of Announcement | 9/5/2007 | 3/3/2009 | 6/11/2010 | 9/7/2010 | 9/21/2010 | 7/11/2016 |
| LP Yield Implied in Transaction | 6.6% | 9.8% | 6.5% | 6.0% | 7.5% | 9.1% |
| GP Yield Implied in Transaction | 4.3% | 8.2% | 4.4% | 3.7% | 5.6% | 6.4% |
| ***GP Premium in Basis Points*** | ***233 bps*** | ***162 bps*** | ***212 bps*** | ***226 bps*** | ***192 bps*** | ***268 bps*** |
| *GP Premium as %* | 54% | 20% | 48% | 61% | 34% | 42% |
| GP as % of Total Distributions Pre-Deal | 26% | 33% | 21% | 15% | 21% | 30% |
| Value of GP as % of Total LP and GP | 36% | 37% | 28% | 22% | 26% | 38% |
| Transaction Description | MWE acquired MWP for 15mm units and $240mm of cash. MWP held a mix of LP units and 89.7% of GP. | MMP acquired MGG for 40mm units. | BPL acquired BGH for 20mm units. | EPD acquired EPE for 209mm units and assumption of $1,100mm of debt. IDR split topped out at 25% (as opposed to 50% in most common IDR structures). | PVR acquired PVG for 38.3mm units. | PAA acquired GP for 246mm units and assumption of $593mm of debt. Yields are pro forma for the simultaneously announced cut. |

Source: Company filings.

(1) Plains All-American adjusted for announced distribution cut.

# IDR Simplification Would Likely Transfer Value to LP Unitholders, But Lowers Cost of Capital and Provides Public Marker of GP Value

Marathon Petroleum Corporation

Converting the IDRs to LP units on similar terms as precedent transactions would result in Marathon taking back 360MM additional LP units. While it may transfer value to LP unitholders, merits to Marathon include:

- MPLX will have the lowest cost of capital possible which could result in a premium valuation and increased opportunities for value-creating transactions.
- Marathon will recoup a substantial amount of any value lost as it will be a large holder of LP units after the drops and the IDR conversion.
- Marathon receives no value for its GP today. The simplification provides a clear valuation marker in the form of publicly traded securities.

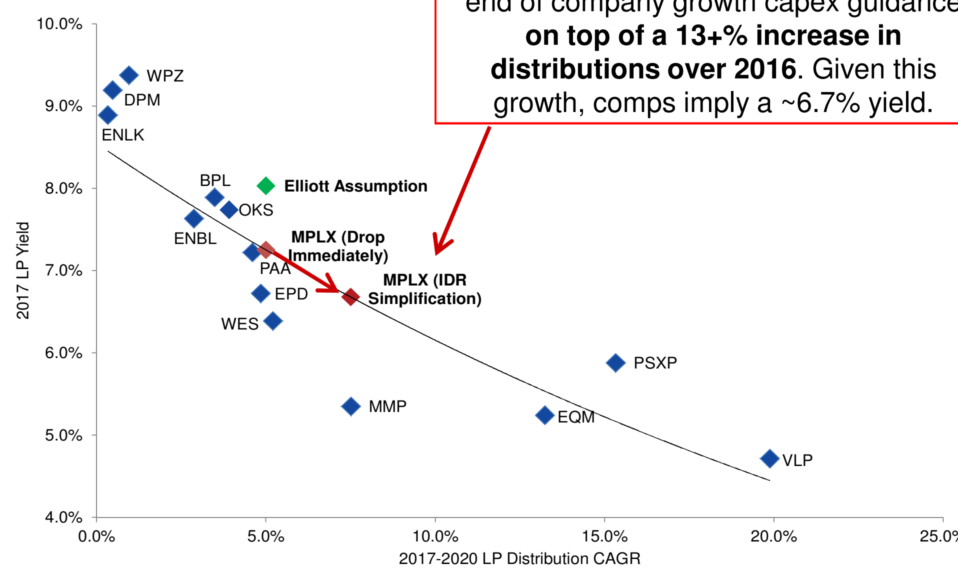
## GP Valuation for IDR Simplification

| | |
|---|---|
| LP Distribution / Unit After Drops | $ 2.65 |
| Current MPLX Unit Price | 32.96 |
| Implied LP Yield After Drops | 8.03% |
| Premium to LP Yield | (2.50%) |
| **GP Yield at IDR Simplification** | **5.53%** |
| PF 2017 GP Distribution After Drops | 656 |
| **GP Valuation in IDR Simplification** | **11,851** |
| New LP Units Issued to Marathon (mm) | 360 |
| PF LP Distrib. / Unit After IDR Simplification | $ 2.34 |
| Implied LP Yield at Current Unit Price | 7.10% |
| PF DCF Coverage After IDR Simplification | 1.07x |

IDR Simplification at a 250 bps premium to the LP yield undervalues the GP by ~$2 billion. However, there are substantial merits to the transaction.

## Public MLP Comps-Implied Valuation

IDR Simplification increases LP distribution growth from 5% to 7.5% based on the low end of company growth capex guidance **on top of a 13+% increase in distributions over 2016**. Given this growth, comps imply a ~6.7% yield.




(1) Additional MPLX equity issuance for IDR simplification done at current MPLX unit price, assuming no change from 11/18/16 close.
(2) MLP distribution growth based on consensus estimates for 2017-2020; includes logistics and G&P MLPs >$5 billion market cap (includes VLP, PSXP, and DPM given industry relevance).

# Dropping All Assets Will Force a Revaluation of Marathon as Cash and Public Securities Account for ~60 – 110+% of Market Cap

Marathon Petroleum Corporation

Dropping assets for cash and additional LP units or additionally undergoing an IDR simplification significantly increases the percent of Marathon's value that is publicly listed or in the form of cash to be distributed. We believe taking these steps reveals the glaring undervaluation of Marathon today and will drive a revaluation.

| | Today | After Drops | IDR Simplification |
|---|---|---|---|
| MPLX LP Units Held by MPC | 87 | 239 | 598 |
| LP Unit Price Today | $ 32.96 | $ 32.96 | $ 32.96 |
| LP Interest | 2,855 | 7,864 | 19,715 |
| After-Tax Cash Proceeds from Drops | - | 6,191 | 6,191 |
| **Total Value of LP Units and Cash from Drops** | **2,855** | **14,055** | **25,906** |
| LP Distributions to Marathon | 186 | 632 | 1,400 |
| **Value of LP Units and Cash from Drops as % of Marathon Market Cap Today** | **12%** | **61%** | **113%** |
| **as % of Market Cap + Net Debt Today** | **10%** | **49%** | **91%** |
| ***Not Accounted for in Valuation Above:*** | | | |
| MLP-Qualifying EBITDA | 1,400 | - | - |
| GP Distribution | 272 | 656 | - |
| Speedway | 961 | 961 | 961 |
| Adj. Refining EBITDA | 2,300 | 2,300 | 2,300 |
| **2017E Cashflows to MPC (Excl. LP Distributions)** | **4,933** | **3,917** | **3,261** |

(1) Assumes $1.4 billion of EBITDA dropped at 8.0x with debt financing up to 4.0x net leverage.
(2) Assumes drop transaction done in Q4'16 prior to implementation of new tax regulations in January 2017.
(3) LP interest after drops valued at MPLX unit price as of 11/18/16 close.

# Any Value Ascribed to Speedway and Refining Will Drive a Substantial Increase in Marathon's Share Price

Marathon Petroleum Corporation

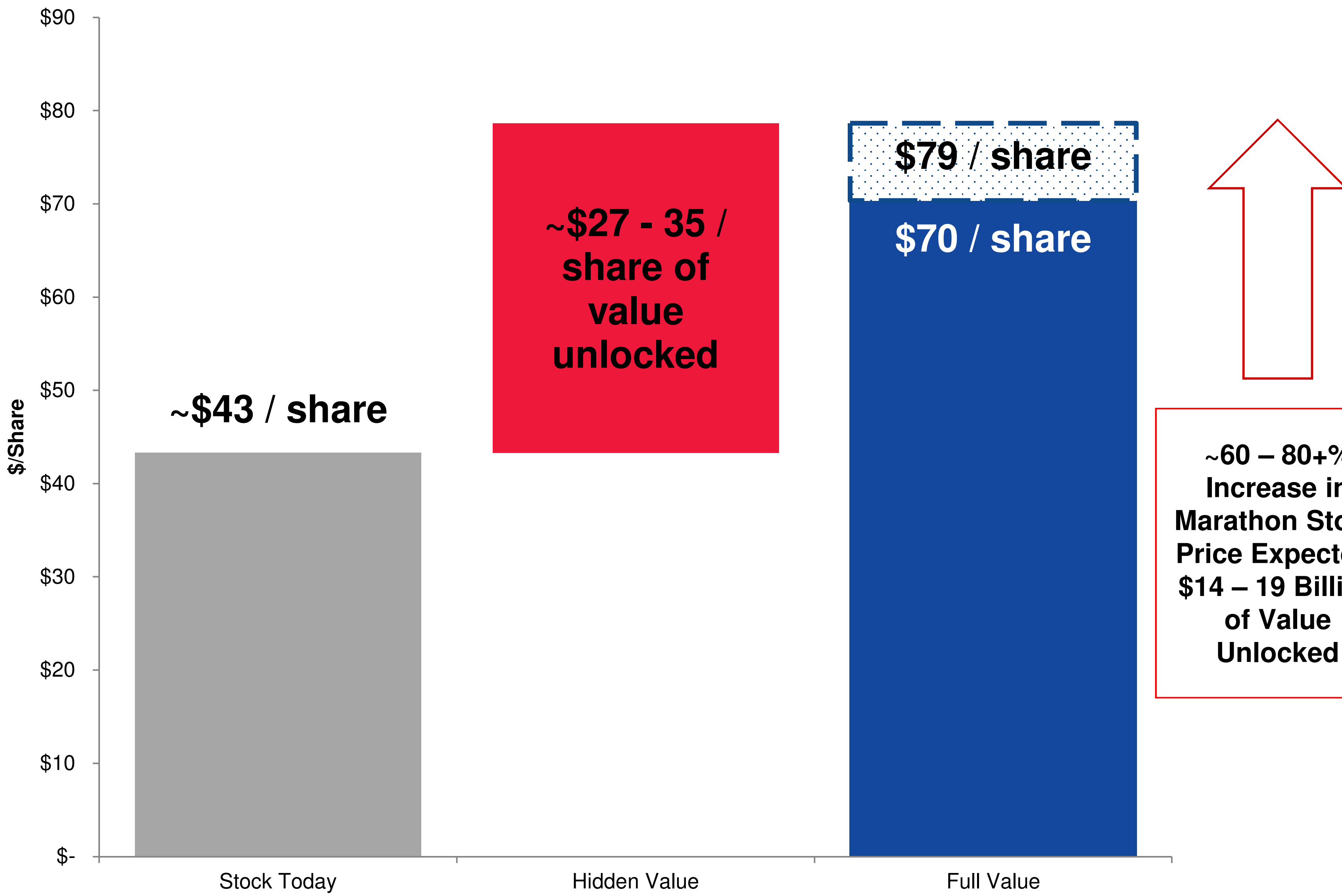
After completing the drop down transactions, Marathon's valuation will be meaningfully more transparent to investors as its midstream operations will be easily valued based on publicly traded securities. Below valuations do not include the likely price appreciation at MPLX from meaningful accretion and cost of capital reduction.

| | After Drops | | | IDR Simplification | | |
|---|---|---|---|---|---|---|
| Pre-Tax Value of LP Units | 7,864 | | | 19,715 | | |
| After-Tax Cash Proceeds from Drops | 6,191 | | | 6,191 | | |
| **Subtotal of LP Units and Cash** | **14,055** | | | **25,906** | | |
| **Total Remaining 2017E Cashflows** | **3,917** | | | **3,261** | | |
| | *If Value ~$650MM of GP Cashflow at Same Yield as LP* | | | *Multiple Applied to Remaining Cashflows* | | |
| | **4.7x** | **5.7x** | **6.7x** | **4.7x** | **5.7x** | **6.7x** |
| *0% Tax Discount on LP Units* | *39%* | *53%* | *67%* | *55%* | *69%* | *84%* |
| *15% Tax Discount on LP Units* | *28%* | *43%* | *57%* | *42%* | *56%* | *71%* |
| *25% Tax Discount on LP Units* | *21%* | *36%* | *50%* | *33%* | *48%* | *62%* |

## 2 Conduct Full Strategic Review Including Potential Tax-Free Separation Into Speedway, RefiningCo, and MidstreamCo

# There Is $14 – 19 Billion of Unlockable Value Inside Marathon

Marathon Petroleum Corporation




~60 – 80+% Increase in Marathon Stock Price Expected, $14 – 19 Billion of Value Unlocked

# A Full Separation Can Drive ~60 – 80+% Appreciation in Share Price

Marathon Petroleum Corporation

Public ~56% ~44%

| | Speedway | RefiningCo | MidstreamCo | Estimated Value of Three Separate Businesses |
|---|---|---|---|---|
| EBITDA excl. RINs | 961 | 2,583 | | |
| RINs Today | - | (283) | | |
| EBITDA incl. RINs Today | 961 | 2,300 | | |
| Incremental RINs from Separation | 217 | (217) | | |
| **PF EBITDA incl. RINs** | **1,178** | **2,083** | | |
| GP Distribution | | | 656 | |
| LP Distribution to Marathon | | | 632 | |
| **Total LP/GP Distributions to MPC** | | | **1,287** | |
| Mult. Excl. RINs | 10.7x | 4.0x | | |
| Mult. Incl. RINs | 8.9x | 5.1x | | |
| Blended LP and GP Yield ~10% Above Peers | | | 6.0% | |
| Blended LP and GP Yield In-Line with Peers | | | 5.5% | |
| Tax Discount | | | 25-15% | |
| Low Value | 10,318 | 10,353 | 15,974 | 36,646 |
| High Value | 10,434 | 10,550 | 20,051 | 41,035 |
| Cash Taken Back from MLP-Qualifying Asset Drops | | | | 6,191 |
| Net Debt at Marathon | | | | (5,718) |
| Low Value Per Share | | | | $70.32 |
| High Value Per Share | | | | $78.64 |
| Uplift | | | | 62% - 82% |

~97% increase to Marathon stock price assuming no tax discount.

(1) EBITDA estimates are average of Barclays, CS, JPM, and MS models; refining EBITDA excludes turnaround expense as EBITDA multiples are derived from HFC and VLO who capitalize turnaround.
(2) Speedway comp multiples based on average of next fiscal year EBITDA multiples for CASY, MUSA, and ATD; refining multiple is average of implied refining multiples for VLO and HFC.
(3) Speedway RINs estimate based on average of LTM RINs as % of fuel gross margin at comps CASY and MUSA; RINs today at MPC based on MPC Q3'16 LTM RINs expense of $283MM.
(4) Assumes drop transaction done in Q4'16 at 8x multiple prior to implementation of new tax regulations in January 2017. Assumes no public equity issuance and year-end 2017 PF leverage of 4.0x at MPLX after incremental debt issuance to fund 2017 growth capex; additional equity issuance done at current MPLX unit price as of 11/18/16 close or 8.0% PF LP yield after increase in distribution following drops.
(5) Tax discount of 0-15% historically observed for other C-Corp public comps with embedded MLP interests. Our use of 25% is supported by deducting value of debt shield at MPC. Our use of 15% is supported by public commentary from other C-Corps on their expected long term tax friction.

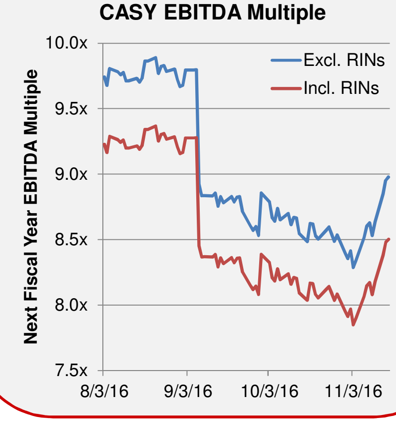
# Public Comparables for a Standalone Speedway Support a Valuation of ~$10 Billion

Marathon Petroleum Corporation

Standalone Speedway valuations are supported by public comparables. We value Speedway at an average of Casey's, Murphy USA, and Couche-Tard, on both an adjusted and unadjusted basis for impact from RINs.

| | | Next Fiscal Year EBITDA | | | Multiple | |
|---|---|---|---|---|---|---|
| | TEV | EBITDA (excl. RINs) | Est. RINs | EBITDA (incl. RINs) | Excl. RINs | Incl. RINs |
| Casey's General Store | 5,510 | 610 | 34 | 644 | 9.0x | 8.5x |
| Murphy USA | 3,099 | 268 | 178 | 446 | 11.5x | 6.9x |
| Couche-Tard | 34,489 | 2,965 | 151 | 3,116 | 11.6x | 11.1x |
| **Retail Comps Average** | | | | | **10.7x** | **8.9x** |
| Speedway | 10,318 - 10,434 | 961 | 217 | 1,178 | 10.7x | 8.9x |

Valuation uses CASY's current depressed multiple. Prior to missing Q1'17 earnings, CASY traded ~0.75x higher.




(1) Comp EBITDA estimates based on average of DB, Jefferies, GS, BAML, and Wells Fargo models for CASY; JPM, Jefferies, Wells Fargo for MUSA; and CS and Barclays models for ATD.
(2) ATD TEV pro forma for CST acquisition financing based on company presentation from August 2016; CASY TEV pro forma for October 2016 notes offering.
(3) RINs expense for CASY is average of DB and Jefferies estimates; MUSA RINs expense based on 32.0% of average of Jefferies and Wells Fargo fuel gross margin (based on MUSA LTM RINs as % of fuel gross margin); ATD RINs expense estimated based on CS estimate of $0.20 impact to EPS from RINs in 2016 (CS 7/20/16 note). Speedway RINs estimate based on average of LTM RINs as % of fuel gross margin at comps CASY and MUSA.

# Public Comparables for a Standalone RefiningCo Support a Valuation of ~$10 Billion

Marathon Petroleum Corporation

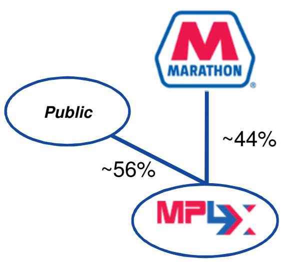
| | MARATHON | VALERO | HOLLYFRONTIER | VLO/HFC Avg. |
|---|---|---|---|---|
| Actual TEV | | 31,942 | 5,929 | |
| **Value of Non-Refining** | | | | |
| GP - After-tax | | 2,003 | 1,151 | |
| LP - After-tax | | 1,332 | 529 | |
| Pro Rata MLP Debt | | 572 | 405 | |
| Dropdown Assets - After-tax | | 5,310 | - | |
| **Implied Refining TEV** | | **22,725** | **3,844** | |
| 2017 Refining EBITDA excl. RINs | 2,583 | 5,576 | 976 | |
| Today RINs | (283) | (800) | (260) | |
| Incremental RINs from Speedway Separation | (217) | - | - | |
| 2017 Refining EBITDA incl. RINs | 2,083 | 4,776 | 716 | |
| Mult. Incl. RINs | | 4.8x | 5.4x | **5.1x** |
| Mult. Excl. RINs | | 4.1x | 3.9x | **4.0x** |

| **Fair Value for Marathon Refining** | |
|---|---|
| Low | 10,353 |
| High | 10,550 |

(1) VLP and HEP GP distributions valued at 50x and 20x respectively, with 25% tax discount.
(2) LP interests held valued at market value less 25% tax discount.
(3) VLO dropdown assets valued at 8x with assumed 25% basis. MLP-qualifying EBITDA assumption based on company disclosures and conversations with IR.
(4) VLO RINs disclosure based on midpoint of company RINs guidance of $750-850MM for 2016; HFC RINs estimate based on annualizing midpoint of Q3'16 RINs guidance of $60-70MM. RINs today at MPC based on MPC Q3'16 LTM RINs expense of $283MM; Speedway RINs estimate based on average of LTM RINs as % of fuel gross margin at comps CASY and MUSA.
(5) Refining EBITDA excludes turnaround expense for MPC to align accounting methodology with VLO and HFC (who capitalize turnaround costs).

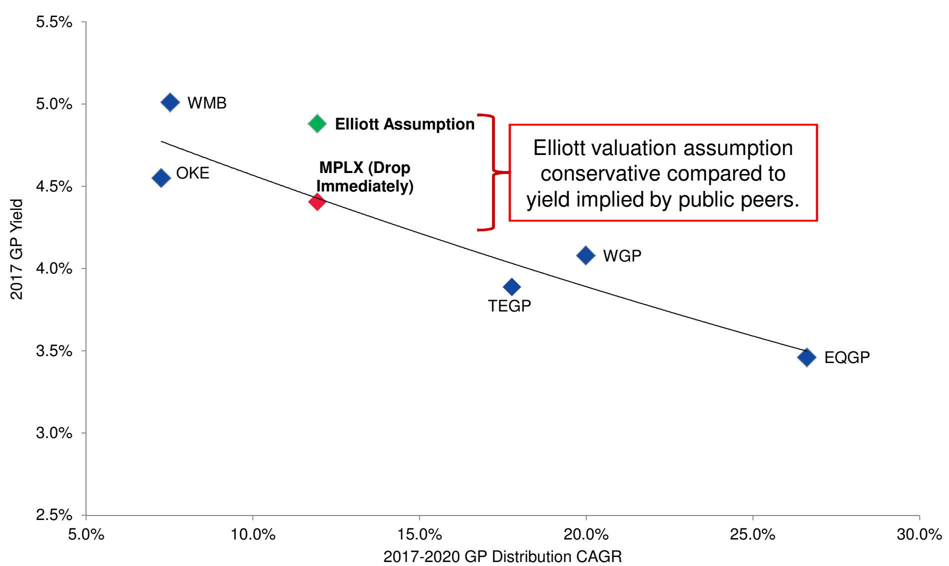
# Public Comparables for Marathon's LP and GP Interests in MPLX Support a Valuation of ~$16 – 20 Billion After Drops

Marathon Petroleum Corporation

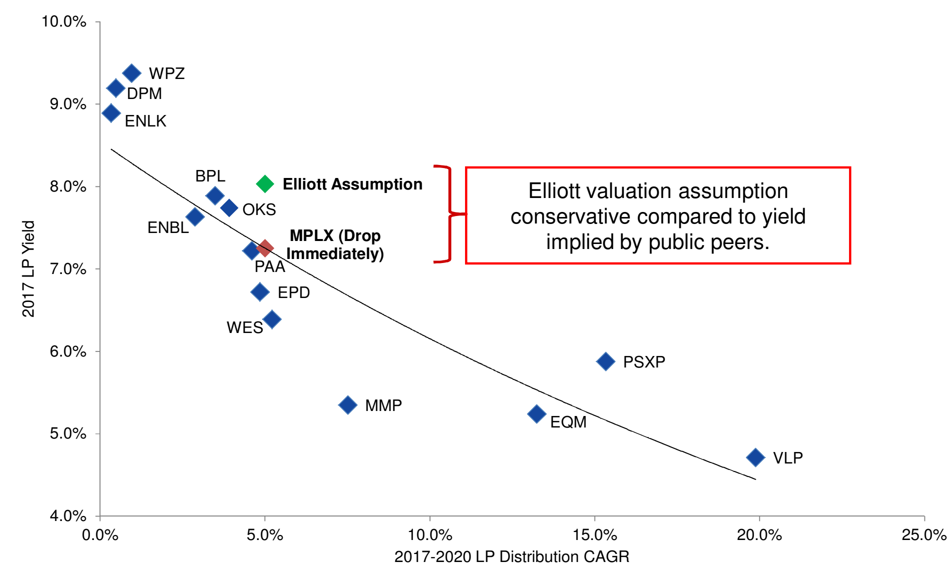



| | Held by MidstreamCo. GP | LP | Total |
|---|---|---|---|
| LP Units Held by Midstream Co. | | 239 | |
| Per Unit Distribution | | $2.65 | |
| Total Distribution | 656 | 632 | 1,287 |
| Yield ~10% Above Peers | 4.9% | 8.0% | 6.0% |
| Pre-Tax Value | 13,435 | 7,864 | 21,299 |
| Yield In-Line with Peers | 4.4% | 7.3% | 5.5% |
| Comps-Implied Pre-Tax Value | 14,879 | 8,710 | 23,589 |
| Tax Discount | | | 25-15% |
| **MidstreamCo. Value** | | | |
| Low | | | **15,974** |
| High | | | **20,051** |

## GP Comps: Distribution CAGR vs. Yield




## MLP Comps: Distribution CAGR vs. Yield




(1) GP yields are calculated as market-implied yield on GP distributions backing out market value of any LP units owned. Corporations are grossed up 15% to arrive at pre-tax GP values.
(2) GP distributions to WMB, OKE, WGP, TEGP, and EQGP based on MS estimates.
(3) MLP distribution growth based on consensus estimates for 2017-2020; includes logistics and G&P MLPs >$5 billion market cap (includes VLP, PSXP, and DPM given industry relevance).

# If Each Business Traded at the Lowest Multiple or Highest Yield of Any Relevant Peer, Restructuring Marathon Would Still Unlock ~$12 Billion (~50+% Uplift to Marathon's Share Price)

Marathon Petroleum Corporation

## Substantial Share Price Appreciation at a Wide Range of Multiples

| | | Speedway EBITDA Multiple | | | | | |
|---|---|---|---|---|---|---|---|
| | | 6.4x | 6.9x | 7.9x | 8.9x | 10.0x | 11.1x |
| Blended GP & LP Pre-Tax Yield | 10.5% | 22% | 24% | 29% | 34% | 40% | 46% |
| | 8.5% | 32% | 34% | 40% | 45% | 50% | 56% |
| | 6.5% | 48% | 51% | 56% | 61% | 67% | 72% |
| | 5.5% | 61% | 64% | 69% | 74% | 80% | 85% |
| | 5.0% | 70% | 72% | 77% | 82% | 88% | 94% |
| | 4.5% | 80% | 82% | 87% | 92% | 98% | 104% |
| | 4.0% | 92% | 95% | 100% | 105% | 111% | 116% |

6.5% = Blend of Widest LP and GP Peers

5.5% = Blend of LP and GP Yield Implied by Peers

6.9x = Lowest Peer

8.9x = Peer Average

11.1x = Highest Peer

*Note: Red shading indicates at or below lowest retail peer EBITDA multiple, or blend of LP and GP yield is at or above widest peer yield.*

(1) Assumes 4.8x multiple (based on EBITDA including RINs) for refining; GP and LP valuation assumes 20% tax discount (midpoint of 15-25% tax discount assumption).
(2) Relevant peers for refining are HFC and VLO, backing out GP and LP interests and value of MLP-qualifying EBITDA.
(3) Relevant peers for Speedway are ATD, CASY, and MUSA.
(4) Relevant LP peers for midstream are BPL, DPM, ENBL, ENLK, EPD, EQM, MMP, OKS, PAA, PSXP, VLP, WES, and WPZ.
(5) Relevant GP peers for midstream are EQGP, OKE, WGP, WMB, and TEGP.
(6) Refining valuation multiples based on EBITDA including RINs; retail valuation multiples based on EBITDA including RINs; blended GP and LP valuation based on total 2017E GP and LP distributions to MPC assuming all drops done in 2016 at 8.0x multiple with MPC taking back ~$5 billion of additional MPLX units as consideration.

# Marathon EBITDA Breakdown: Before and After Drops

Marathon Petroleum Corporation

The table below bridges sell-side estimates for 2017 to PF numbers used in valuation.

| | 2017 Estimates | Δ | 2017 PF | |
|---|---|---|---|---|
| **Marathon EBITDA** | | | | |
| Refining EBITDA (incl. turnaround expense) | 1,440 | | 1,440 | |
| Addback: Turnaround | 860 | | 860 | |
| **Adj. Refining EBITDA** | 2,300 | | 2,300 | |
| Speedway | 961 | | 961 | |
| Pro Rata MLP EBITDA to LP | 287 | 714 | 1,001 | Increase in MPLX EBITDA |
| GP Distribution | 272 | 384 | 656 | Increase in GP distributions |
| MLP-Qualifying EBITDA | 1,400 | | - | Dropped to MPLX; reflected in increased Pro Rata LP EBITDA and GP distributions |
| **Actual EBITDA** | **5,220** | | **4,918** | |
| **MPLX EBITDA** | | | | |
| MPLX EBITDA | 1,543 | 1,400 | 2,943 | Net impact from accelerated drops |
| GP Distribution | (272) | | (656) | |
| MPLX EBITDA to LP | 1,271 | | 2,287 | |
| MPC Pro Rata MLP EBITDA to LP | 287 | | 1,001 | |
| MPLX LP Interest Owned by MPC | 22.6% | | 43.8% | |
| **Distributions to MPC** | | | | |
| LP Distribution | 186 | 445 | 632 | Due to increase in LP ownership by MPC and increase in LP distribution per unit after drops |
| GP Distribution | 272 | | 656 | |
| **Total Distributions to MPC** | **458** | 829 | **1,287** | |

(1) EBITDA estimates are average of Barclays, CS, JPM, and MS refining analyst models.
(2) MPC Pro Rata MLP EBITDA to LP, LP Distributions, and GP Distributions in "2017 Estimates" assume no drops to MPLX in 2017. "2017 PF" is pro forma for drop down of all MLP-qualifying EBITDA.
(3) Assumes 8.0x for dropdown of $1.4 billion in MLP-qualifying EBITDA.
(4) Assumes year-end 2017 PF leverage of 4.0x after incremental debt issuance to fund 2017 growth capex and MPC takes back remaining equity issued to fund drop; incremental LP units issued at current MPLX unit price as of 11/18/16 close or 8.0% PF yield after increase in distribution.
(5) Assumes drop transaction done in Q4'16 prior to implementation of new tax regulations in January 2017.

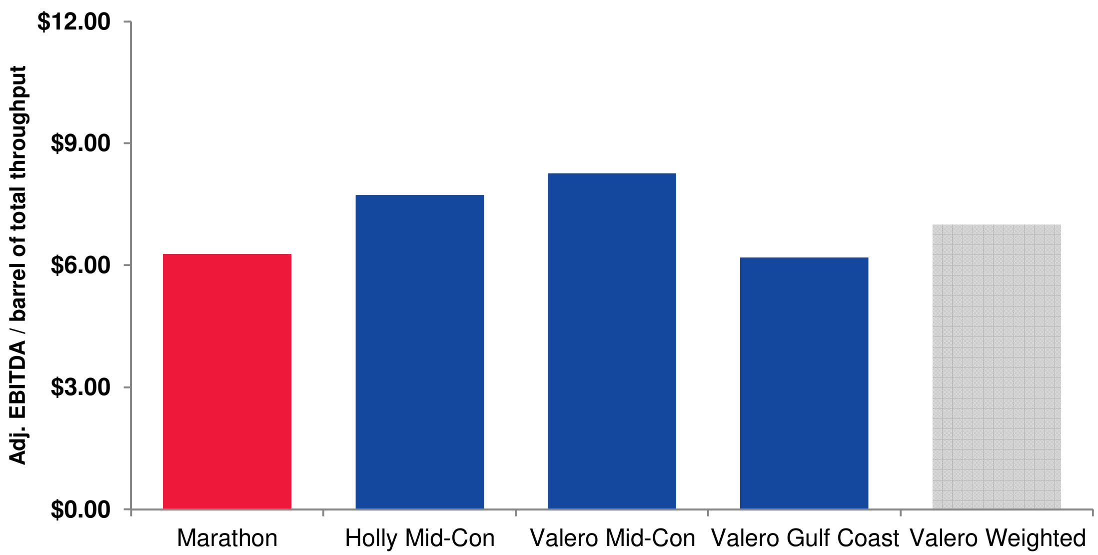
## III. Do Quantifiable Benefits of Integration Exist?

# Marathon's Refineries Are No More Profitable Than Merchant Peers

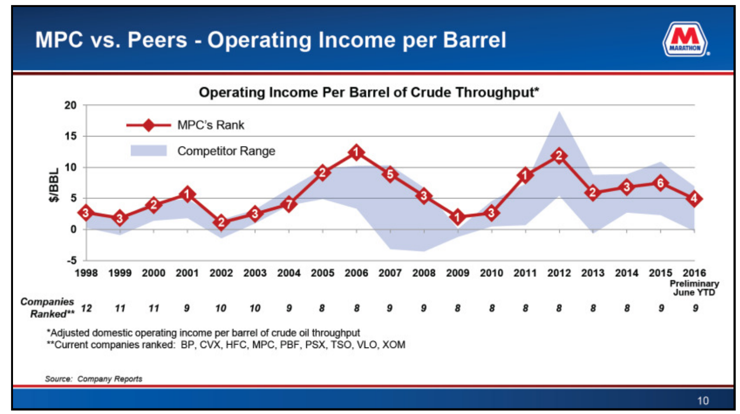
Marathon Petroleum Corporation

Despite owning retail operations that account for ~40% of Marathon gasoline volumes, there is no observed benefit to EBITDA per barrel when compared to merchant peers with similar geographic footprints, adjusted for RINs and MLP-qualifying EBITDA.

**Adj. EBITDA per Barrel of Total Throughput, 2013-YTD 2016 Average**




| | Marathon | Holly Mid-Con | Valero Mid-Con | Valero Gulf Coast | Valero Weighted |
|---|---|---|---|---|---|
| **Nelson Complexity** | 11.0 | 12.9 | 8.9 | 13.4 | 11.6 |
| **Owned Retail in PADD 2/3?** | ✔ | X | X | X | X |




Marathon's stated profitability metrics:

- Compare across **<u>different</u>** geographies;
- **<u>Do not back out ~$1.3 billion of MLP-qualifying EBITDA</u>** in R&M segment today;
- **<u>Do not adjust for RINs</u>** expenses avoided from Speedway ownership.

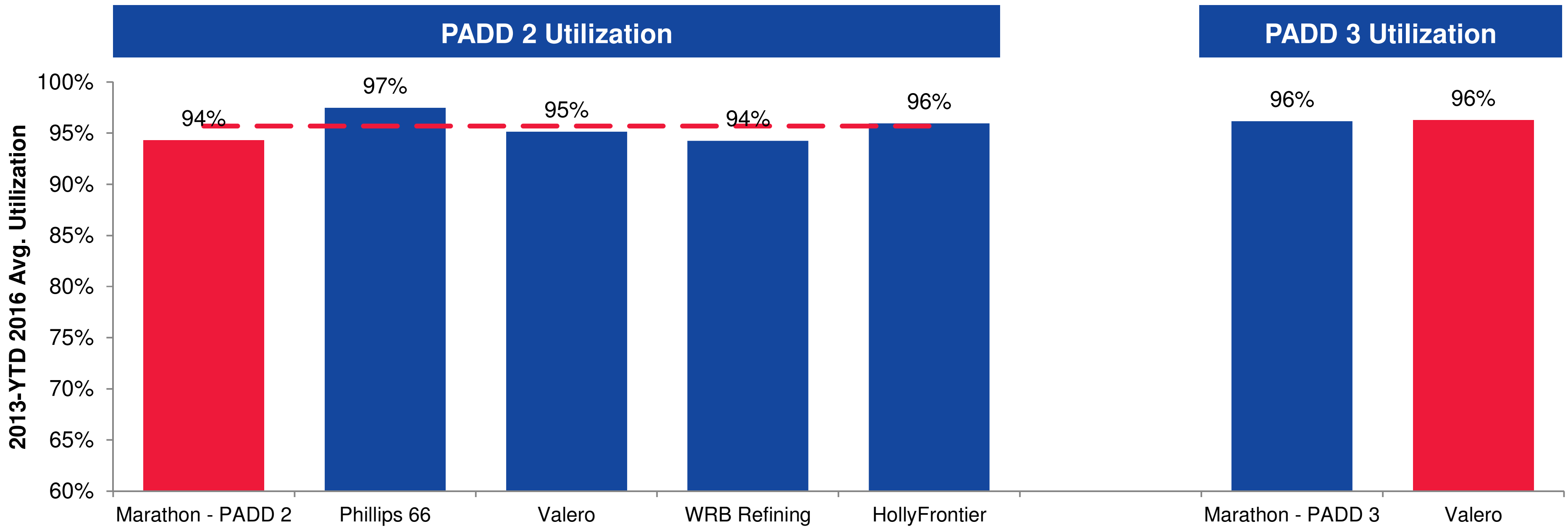
Source: MPC Barclays CEO Conference 2016 Presentation; Company financials; Earnings transcripts; IR conversations.

(1) Average of 2013-YTD 2016 EBITDA per barrel. Reported on per barrel of total throughput basis to normalize for system sizes.
(2) Adj. EBITDA per barrel is adjusted to exclude turnaround expense, reported RINs expenses, and MLP-qualifying EBITDA; includes direct and indirect refining expenses reported in R&M segments.
(3) HFC Mid-Con is Mid-Continent Region (El Dorado and Tulsa Refineries).
(4) VLO Weighted is blend of Mid-Continent and Gulf Coast regions based on MPC capacity split between PADD 2 and PADD 3.

## Marathon's Refineries Are No Higher Utilized Than Merchant Peers

Marathon Petroleum Corporation

Marathon's refineries exhibit no higher utilization than merchant refiner peers who do not own retail.




| | Marathon - PADD 2 | Phillips 66 | Valero | WRB Refining | HollyFrontier | Marathon - PADD 3 | Valero |
|---|---|---|---|---|---|---|---|
| **Owned Retail in PADD 2/3?** | ✓ | X | X | X | X | ✓ | X |
| **% of PADD 2/3 Refining Capacity** | **18%** | **13%** | **12%** | **12%** | **7%** | **11%** | **18%** |

Source: Company financials; Analyst reports; EIA.

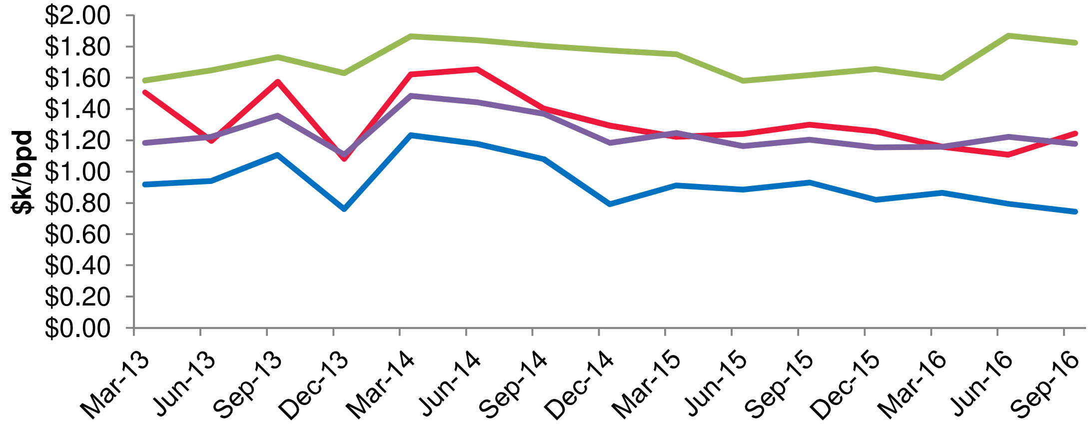
(1) Averages of 2013-YTD 2016 utilization; utilization for MPC, PSX, WRB Refining, and HFC are crude throughput divided by average of period crude capacity; VLO utilization is total throughput divided by total throughput capacity.
(2) MPC PADD 2 utilization is Midwest Region; MPC PADD 3 utilization is Gulf Coast Region.
(3) PADD 2 comps are PSX Central Corridor, VLO Mid-Continent, WRB Refining, HFC Mid-Continent; PADD 3 comp is VLO Gulf Coast.
(4) % of PADD-wide Refining Capacity based on EIA Refining Utilization and Capacity Report (9/30/16 release).

# Marathon’s Inventory Levels Are No Leaner Than Merchant Peers

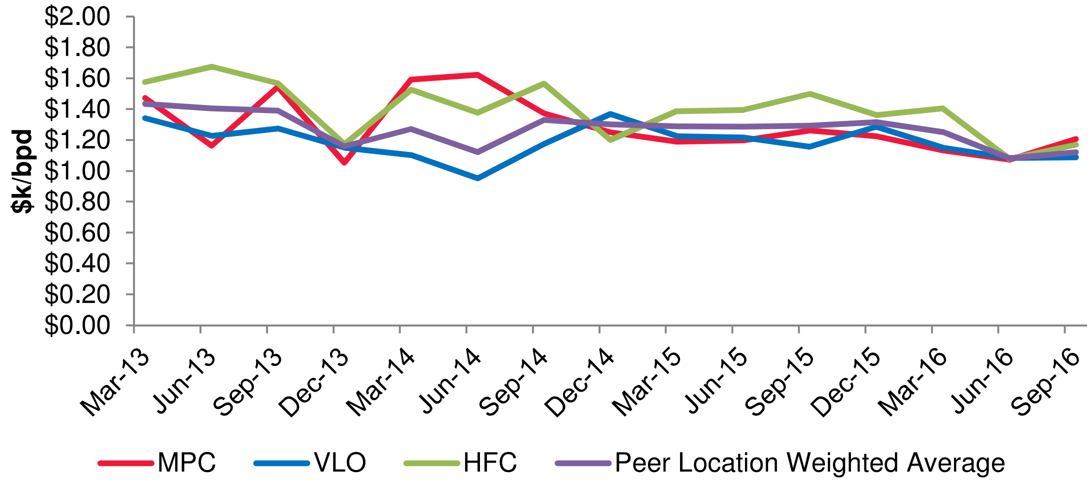
Marathon Petroleum Corporation

Crude input and refined product inventory levels are in-line with merchant peers.

## Crude Inventory per Barrel of Refining Capacity




## Refined Product Inventory per Barrel of Refining Capacity



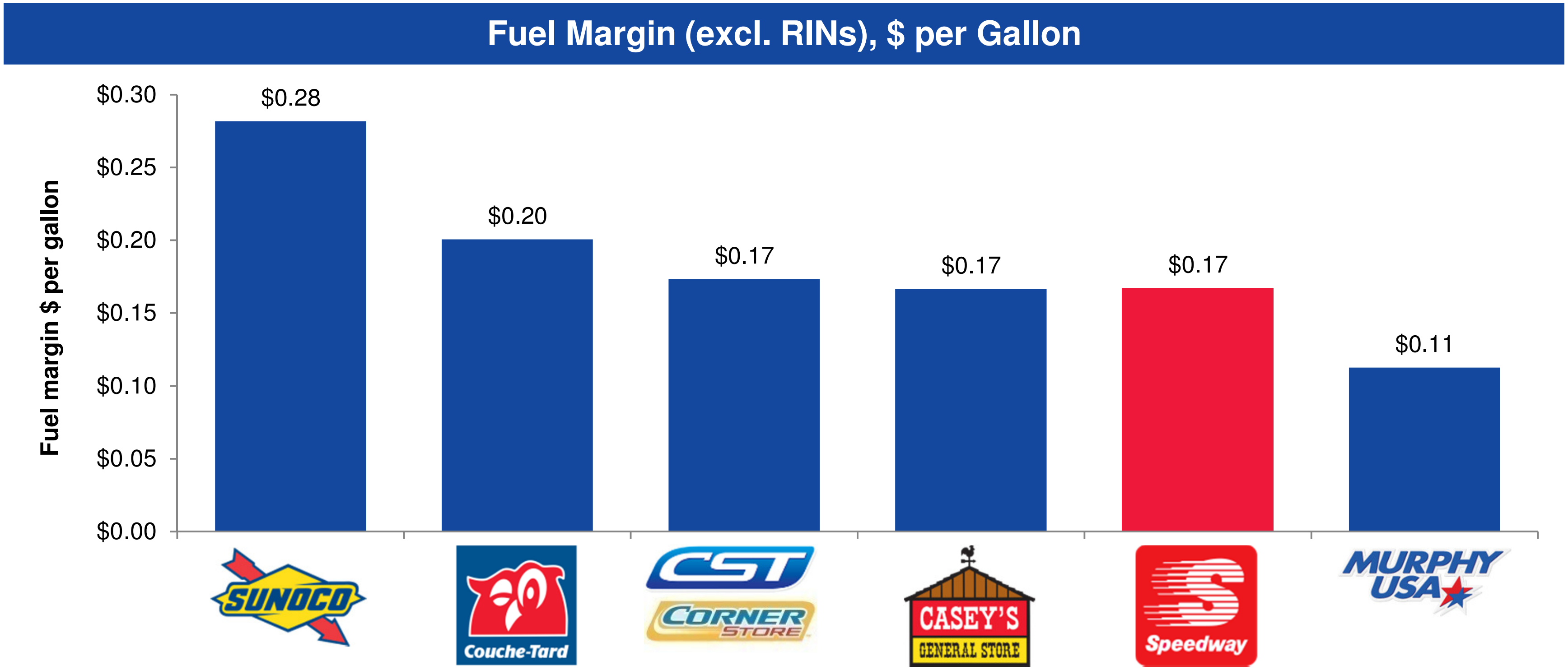

Source: Company reports.

(1) Inventory excludes inventory at logistics MLPs (MPLX, VLP, and HEP) and refined products inventory backs out Speedway inventory based on MUSA fuel inventory days outstanding.
(2) Peer location weighted average is 60/40 blend of VLO and HFC representing MPC refining capacity footprint split between Gulf Coast and Mid-Con.

## Speedway's Fuel Margin Is No Higher Than Peers

Marathon Petroleum Corporation

Speedway does not capture higher fuel margin than peers from its integration with Marathon's refineries.




Source: Company financials; SEC filings; Analyst reports.

(1) CASY and ATD averages are FY2014, 2015, 2016, and 1FQ'17; SUN average is retail segment margin from 2014-1H'16; all others are 2013-1H'16.
(2) ATD fuel margin is average of US only; CST is average of US Retail fuel margin.
(3) Fuel margins exclude reported RINs benefit for MUSA and CASY per company disclosures.

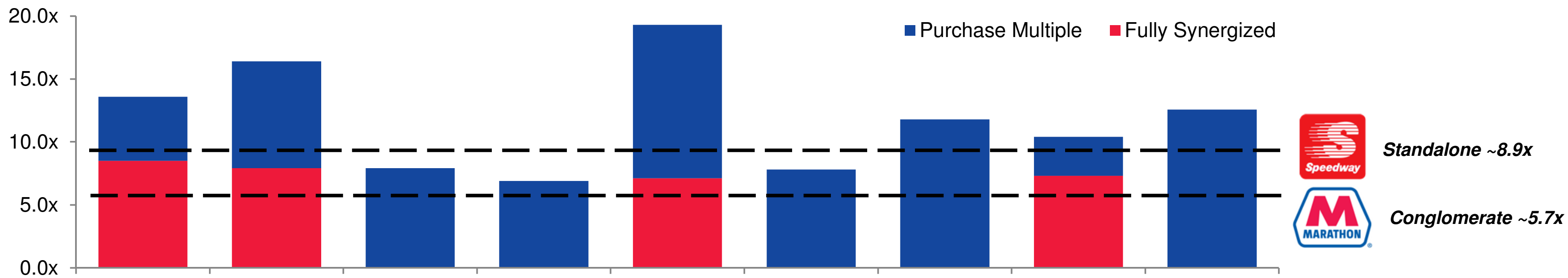
# IV. Standalone Businesses Are Better Able to Capitalize on Opportunities

## Standalone Speedway Can Capitalize on Consolidation Opportunity

Marathon Petroleum Corporation

All of the below transactions would likely have been accretive for Speedway over time after taking into account synergies. Within Marathon, every single one of the deals would have been dilutive.

**Retail Transaction EBITDA Multiples**




| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Announcement Date** | Apr 2014 | May 2014 | Sep-14 | Sep-14 | Oct 2014 | Dec 2014 | May 2016 | Aug 2016 | Aug 2016 |
| **Target** | Susser Holdings | Hess Retail | Aloha Petroleum | Pioneer Energy | Warren Equities, Inc. | Pantry, Inc. | 79 CST Stores | CST Brands | MAPCO |
| **Acquirer** | Energy Transfer Partners | Marathon Petroleum Corp. | Sunoco LP | Parkland Fuel Corp. | Global Partners, LP | Alimentation Couche-Tard | 7-Eleven, Inc. | Alimentation Couche-Tard | COPEC SA |
| **TEV** | $1.6 billion | $2.9 billion | $0.2 billion | $0.4 billion | $0.4 billion | $1.7 billion | $0.4 billion | $4.3 billion | $535 million |

***Standalone Speedway's valuation would open M&A as an accretive source of growth. Marathon's valuation multiple makes doing accretive acquisitions impossible.***

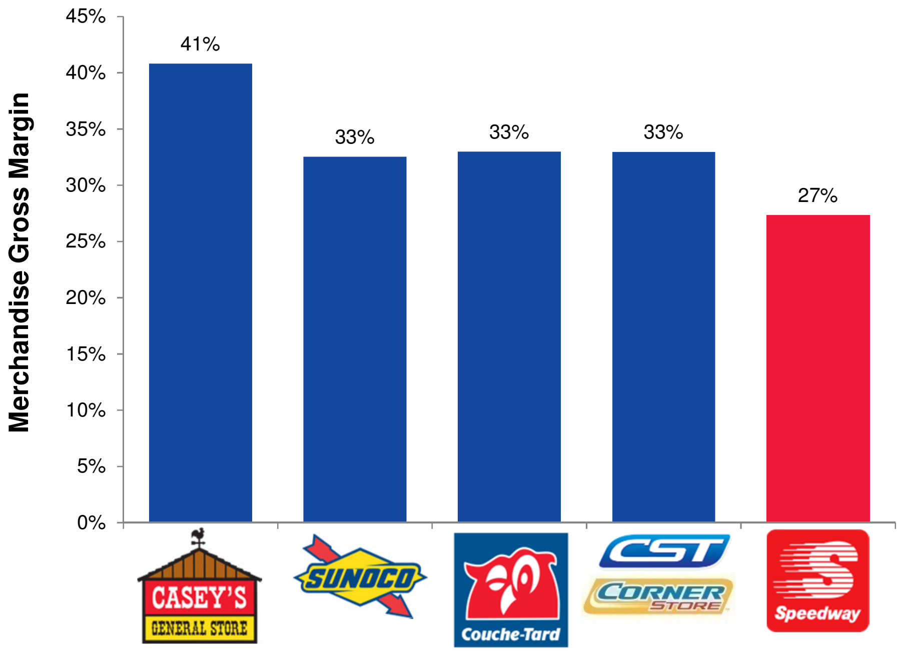
Source: Company presentations and press releases.

## Standalone Speedway Can Focus on Merchandise Opportunity

Marathon Petroleum Corporation

Speedway has a substantial merchandising opportunity that a management team focused purely on retail operations could better capture.

### Average Merchandise Margin (%)




| | Casey's | Sunoco | Couche-Tard | CST | Speedway |
|---|---|---|---|---|---|
| Merch. Sales / Total Sales | 34% | 29% | 28% | 22% | 23% |

### Merchandising Opportunity

- A separately managed Speedway would be able to focus on improving margins and merchandise mix.
- Competitors like Casey's General Store have a greater mix of higher margin, fresh food offerings (e.g., Casey's pizza).
- Developing a successful made-to-order offering is a long journey requiring focus and commitment.
  - — Susser spent 12 years developing, testing, and rolling out its Laredo Taco made-to-order offering.

***~$180-280MM EBITDA opportunity from closing merchandise gross margin delta to comps by 50%.***

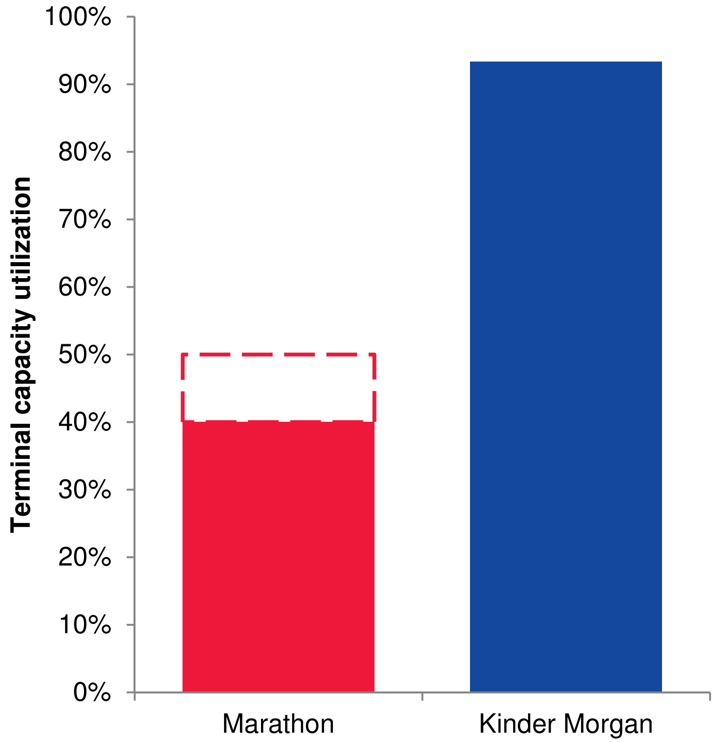
Source: Annual reports; Expert interviews; Analyst reports; NACS.

(1) CASY and ATD averages are FY2014, 2015, 2016, and 1FQ'17; SUN average is 2014-1H'16; all others are 2013-1H'16.
(2) Merchandising EBITDA opportunity based on closing gross margin delta to average of comps by 50%, assuming either cost cuts or revenue increase.

# Standalone MidstreamCo Likely Can Increase Terminal Utilization

Marathon's product terminal capacity utilization appears low relative to other midstream operators.

## Marathon Product Terminal Capacity Estimated to be ~40% Utilized




***10 pts increase in terminals utilization would drive ~$15 – 25 MM in incremental margin.***

## BP's Recent JV with Kinder Morgan Supports the Potential for Increased Terminal Utilization

- Kinder Morgan closed its acquisition of 15 refined products terminals from BP in 2016.
  - BP retained 25% interest in 14 of the 15 product terminals.
- Kinder Morgan is responsible for operating and marketing the terminals on behalf of the JV while BP serves as an anchor tenant.
- The joint venture enables BP to maintain strategic access while allowing Kinder Morgan to invest in terminal asset improvement and utilization growth.

*"Since BP sold off select product terminals to Kinder Morgan, we're **starting to see capacity utilization increase on average 10-20% at each terminal**, with some variability between specific locations." – Industry Expert*

*"At BP/Kinder Morgan's formerly private product terminals **capacity utilization has increased** for a few reasons. Previously, some refiners were hesitant to place their product there for fear of 'giving away' trade information to a competing refiner. Second, in some instances like the terminals near Chicago, BP had strategically kept competitors out. **Kinder Morgan has invited new tenants in and is focused on keeping utilization high**." – Industry Expert*

Source: Company press releases; 2015 Annual reports; Expert interviews.

(1) MPC utilization based on average daily terminal throughput and 5 days' stock assumption (industry average for volume held at terminals based on expert interviews).

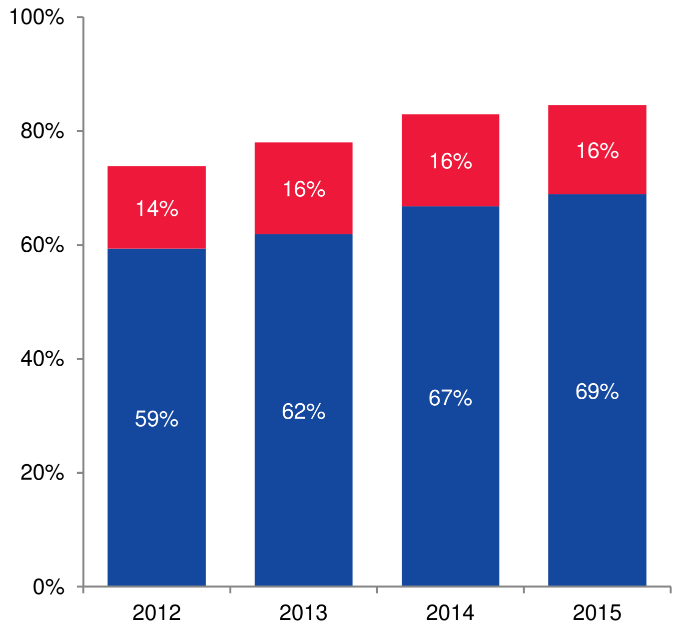
# Standalone MidstreamCo Likely Can Increase Pipeline Utilization

Marathon operated pipelines have relatively low utilization and an opportunity to increase 3rd party volumes. A focused, independent MidstreamCo management team likely can drive increased utilization.

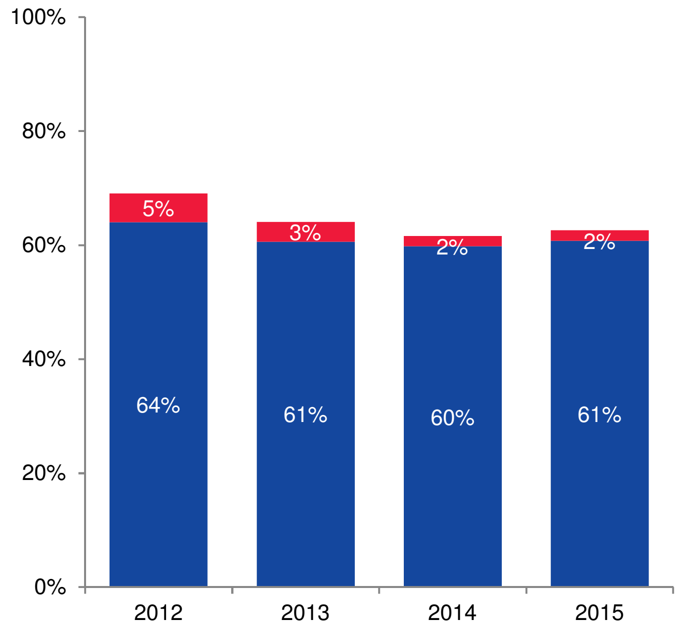
*"Compared to an independent midstream pipeline operator, **refiners want to keep more excess capacity than they could possibly use on their pipelines**. This guarantees that they won't have any system bottlenecks impacting the refinery. Conversely, when **a midstream operator owns those pipelines, they want to keep assets as full as possible**." – Industry Expert*

*"Utilization just isn't a concern for a proprietary pipeline like it is for an independent. Independent operators are **hyper-focused on maximizing utilization**." – Industry Expert*

**Crude Pipeline Utilization**




**Product Pipeline Utilization**




■ Current Marathon Volumes ■ Current 3rd Party Volumes

***5 pts increase in pipeline utilization would drive an additional ~$15 – 25MM in incremental EBITDA.***

Source: Annual reports; Expert interviews.

# V. Evaluating Marathon’s Stated Rationale for Remaining Integrated

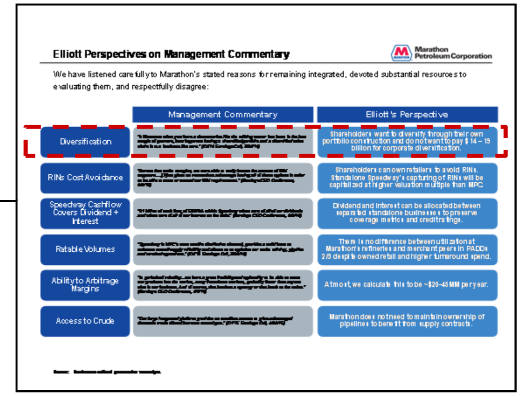
## Elliott Perspectives on Management Commentary

We have listened carefully to Marathon's stated reasons for remaining integrated, devoted substantial resources to evaluating them, and respectfully disagree.

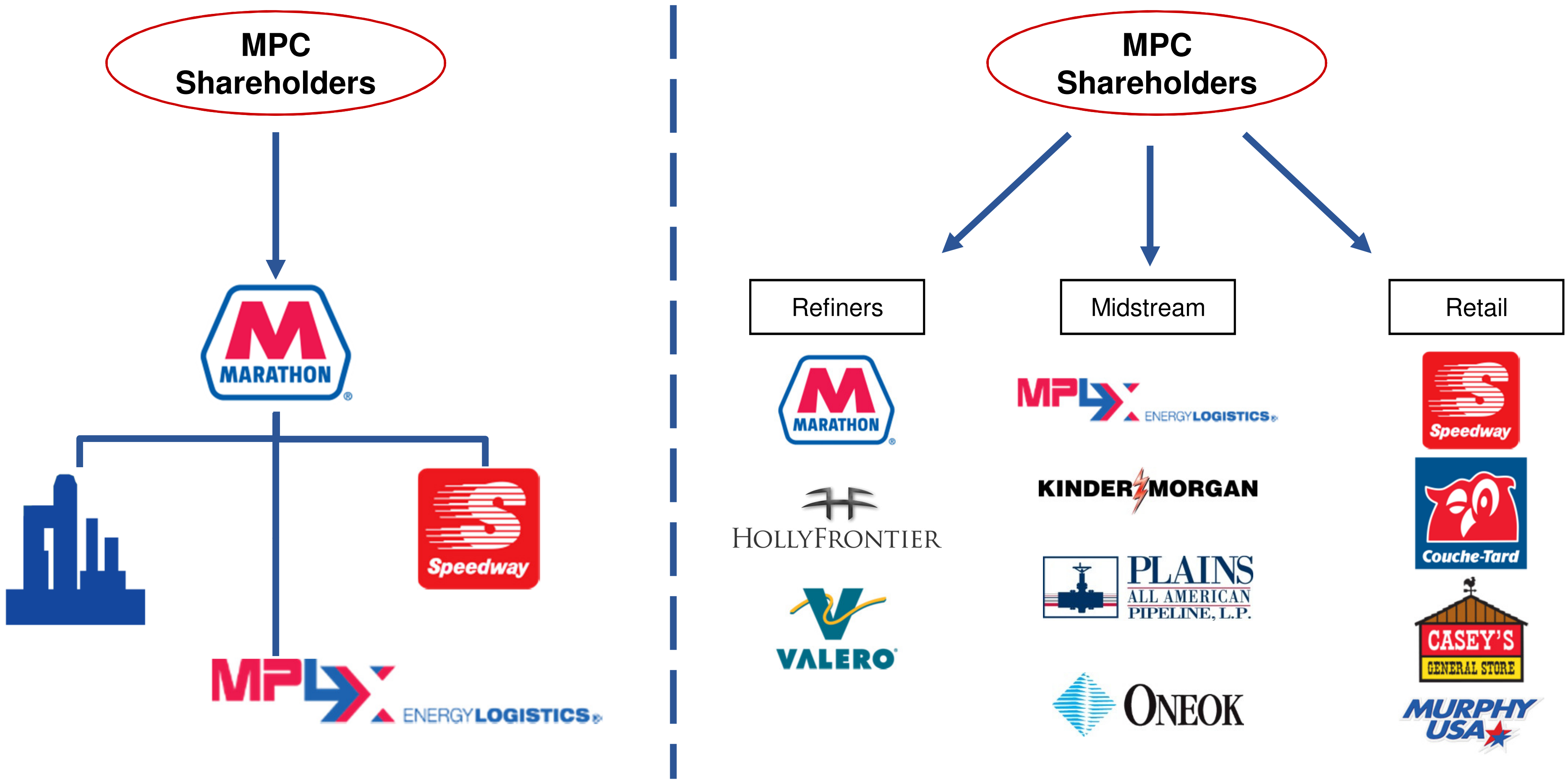
| | Management Commentary | Elliott's Perspective |
|---|---|---|
| **Diversification** | *"It illustrates when you have a down market like the refining sector has been in the last couple of quarters, how important having a diversified portfolio and a diversified value chain is to a business like ours." (Q2'16 Earnings Call, 7/28/16)* | **Shareholders want to diversify through their own portfolio construction and do not want to pay $14 – 19 billion for corporate diversification.** |
| **RINs Cost Avoidance** | *"Across that entire complex, we were able to really lessen the amount of RIN exposure….[T]hat gives us tremendous advantage having all of these options in order to be able to meet or exceed our RIN requirements." (Barclays CEO Conference, 9/6/16)* | **Shareholders can own retailers to avoid RINs. Standalone Speedway's capturing of RINs will be capitalized at a higher valuation multiple than MPC's.** |
| **Speedway Cashflow Covers Dividend + Interest** | *"$1 billion of cash flow, of EBITDA within Speedway takes care of all of our dividends and takes care of all of our interest on the debt." (Barclays CEO Conference, 9/6/16)* | **Dividend and interest can be allocated between separated standalone businesses to preserve coverage metrics and credit ratings.** |
| **Ratable Volumes** | *"Speedway is MPC's most ratable distribution channel, provides a solid base to enhance overall supply reliability and allows us to optimize our entire refining, pipeline and terminal operations." (Q2'16 Earnings Call, 7/28/16)* | **There is no difference between utilization at Marathon's refineries and merchant peers in PADDs 2/3 despite owned retail.** |
| **Ability to Arbitrage Margins** | *"In periods of volatility…we have a great flexibility and optionality to be able to move our products into the market, away from those markets, probably faster than anyone else in our business. And of course, that leads to a synergy or that leads to the value." (Barclays CEO Conference, 9/9/15)* | **At most, we calculate this to be ~$20 – 45MM per year.** |
| **Access to Crude** | *"Our large integrated platform provides us excellent access to price-advantaged domestic crude oil and low-cost natural gas." (Q1'15 Earnings Call, 4/30/15)* | **Marathon does not need to maintain ownership of pipelines to benefit from supply contracts.** |

Source: Conference call and presentation transcripts.

# Shareholders Achieve Better Earnings Diversification on Their Own

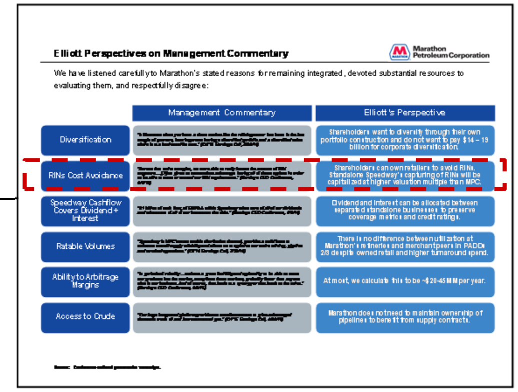



Our analysis shows that shareholders are paying $14 – 19 billion for Marathon's diversification. Marathon shareholders can achieve diversification much more efficiently through their own portfolio construction.




***MPC shareholders can own the various distinct securities to construct their own diversified portfolio: management should not be made stewards of portfolio diversification on behalf of the shareholder.***

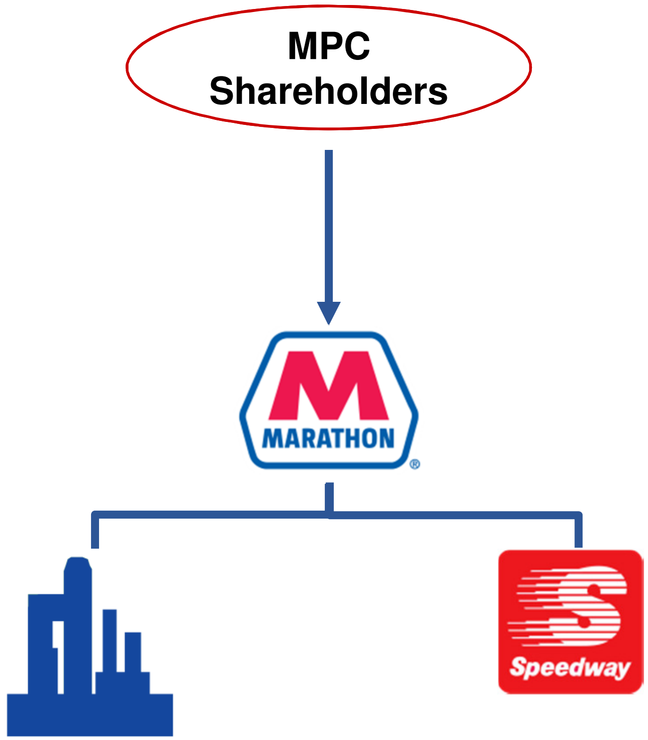
# RINs Expense Is Not a Reason to Own Retail


Elliott Perspectives on Management Commentary

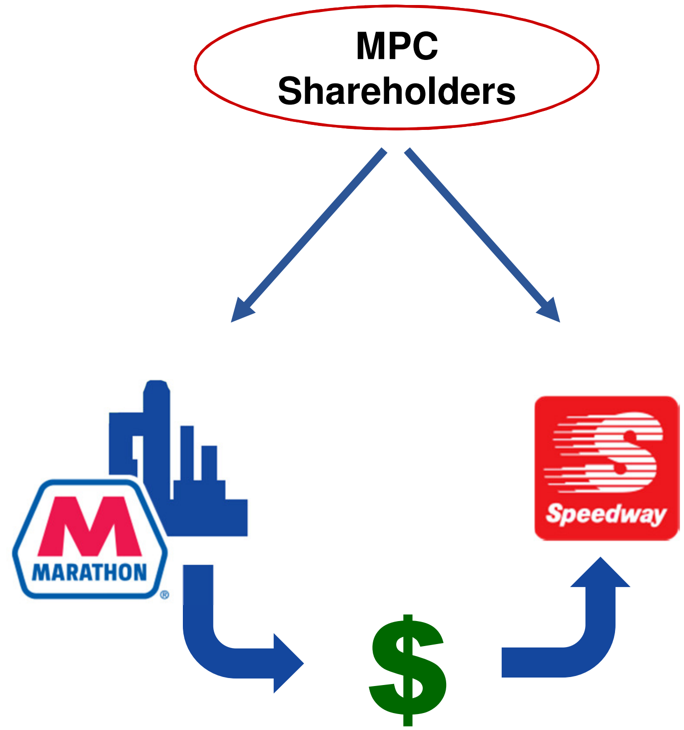
We have listened carefully to Marathon's stated reasons for remaining integrated, devoted substantial resources to evaluating them, and respectfully disagree:

| | Management Commentary | Elliott's Perspective |
|---|---|---|
| Diversification | [illegible] | Shareholders want to diversify through their own portfolio construction and do not want to pay $14 – 19 billion for corporate diversification. |
| RINs Cost Avoidance | [illegible] | Shareholders can own retailers to avoid RINs. Standalone Speedway's capturing of RINs will be capitalized at higher valuation multiple than MPC. |
| Speedway Cashflow Covers Dividend + Interest | [illegible] | Dividend and interest can be allocated between separated standalone businesses to preserve coverage metrics and credit ratings. |
| Ratable Volumes | [illegible] | There is no difference between utilization at Marathon's refineries and merchant peers in PADD II despite owned retail and higher turnaround spend. |
| Ability to Arbitrage Margins | [illegible] | At most, we calculate this to be ~$20-45MM per year. |
| Access to Crude | [illegible] | Marathon does not need to maintain ownership of pipelines to benefit from supply contracts. |

Marathon today reports lower RINs expense than merchant peers because Speedway reports no RINs revenue. If Speedway were a separate company, it would recognize higher revenue from RINs commensurate with the higher cost of RINs at Marathon's refineries.



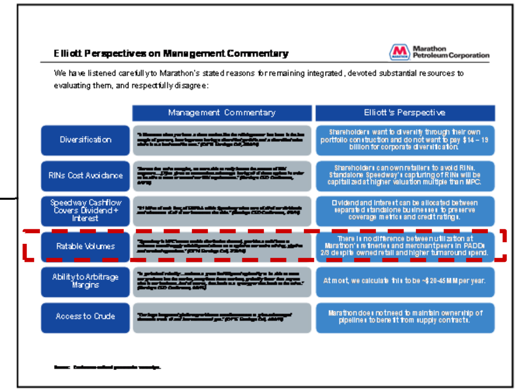

| | Refinery | Speedway | Value to Shareholders |
|---|---|---|---|
| **RINs Cost Avoided** | ~$250 | | ~$250 |
| **RINs Revenue Lost** | | ~($250) | ~($250) |
| **Valuation Multiple** | 5.5x | 5.5x | 5.5x |
| **Value** | ~$1.4 billion | ~$(1.4 billion) | $0 |



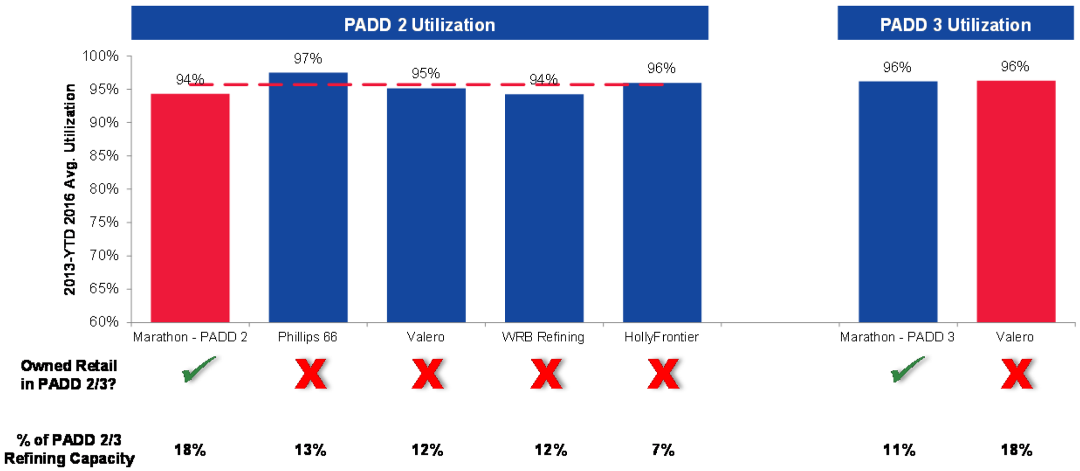

| | Refinery | Speedway | Value to Shareholders |
|---|---|---|---|
| **RINs Revenue** | | ~$250 | ~$250 |
| **RINs Cost** | ~($250) | | ~($250) |
| **Valuation Multiple** | 5.5x | 10.0x | 5.5x – 10.0x |
| **Value** | ~$(1.4 billion) | ~$2.5 billion | **+$1.1 billion** |

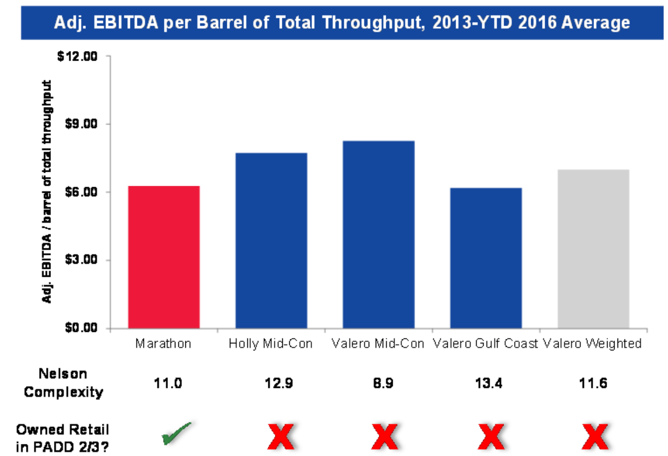
(1) RINs expense and valuation multiples are illustrative.

# Ratable Volumes Are Not a Reason to Own Retail




- Marathon refineries exhibit the same utilization and profitability as peers that do not own retail.




- Furthermore, as evidenced by CST's tax-free separation from Valero, Marathon can still always contract with Speedway after a spin to continue to place volumes through an arms-length wholesale supply agreement for some duration.

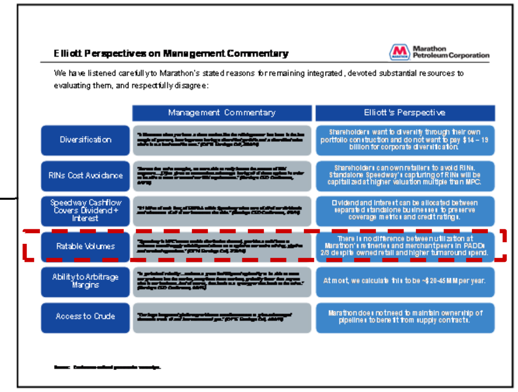
## Agreement Terms

- Valero entered into a 15-year fuel supply agreement with CST with minimum purchase obligations on CST at market-based prices.
- Valero continues to supply substantially all of CST's motor fuel.

## Takeaways

***Fuel supply agreement with CST establishes a long-term customer for ratable volumes.***

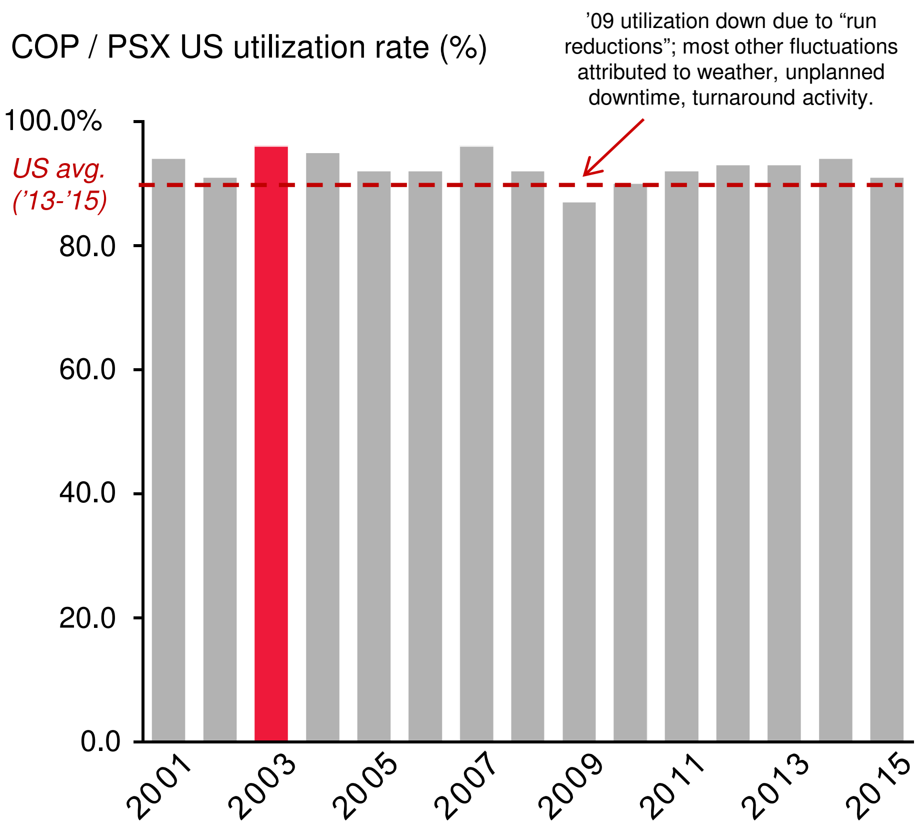
Source: Company financials.




# Retail Divestitures or Acquisitions Have No Impact on Utilization

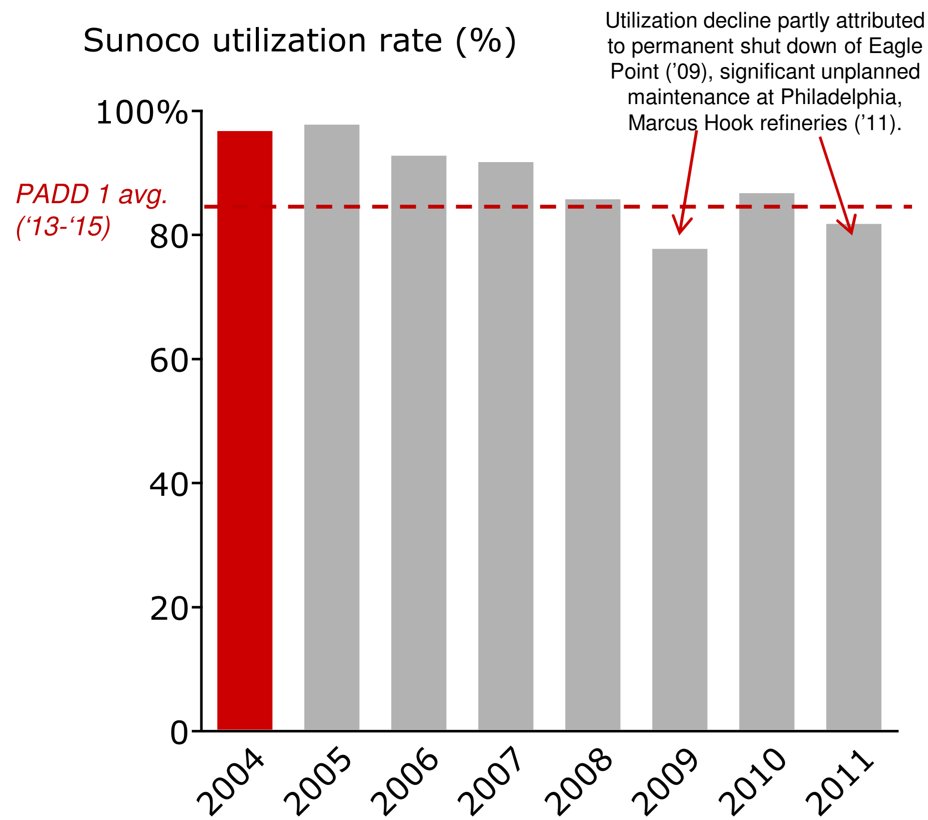
Past analogs of retail divestitures and acquisitions do not demonstrate any causal link to utilization.

## 2003 – 2004: ConocoPhillips Divests Circle K and ~700 Other Marketing Assets




***Although ConocoPhillips divested over 3,200 retail sites, we see no conclusive reduction in utilization.***

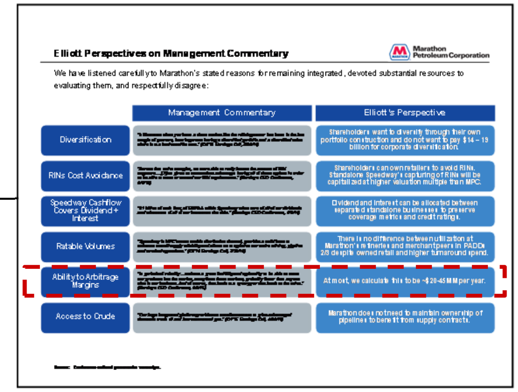
## 2004: Sunoco Acquires 340 Mobil-branded Sites from Conoco




***No indication of a causal lift in utilization following Sunoco's acquisition of 340 retail sites in 2004.***

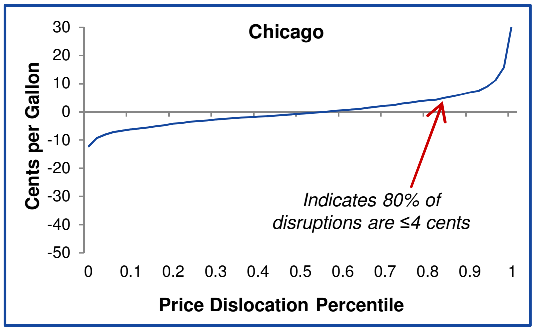
Source: Company financials; PRNewswire; Analyst reports; Expert interviews.

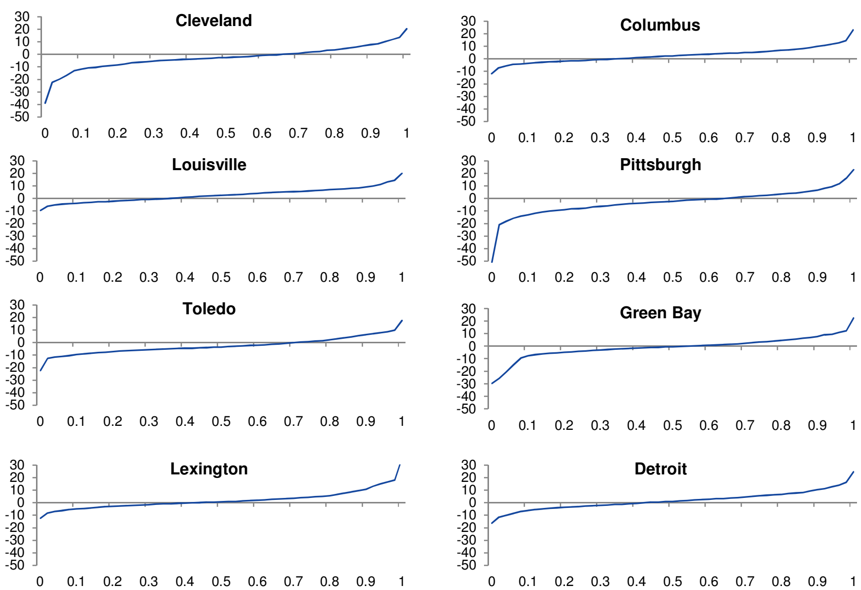
# Margin Arbitrage Is Not a Reason to Own Retail




> *"Margin arbitrage is difficult to execute. Capacity must be shifted on extremely short notice, and a **core competency must be developed internally to be successful**. Even the strongest companies know arbitrage is **only 'worth it'** in certain situations." – Industry Expert*

## While Price Dislocation Occurs in PADD 2…



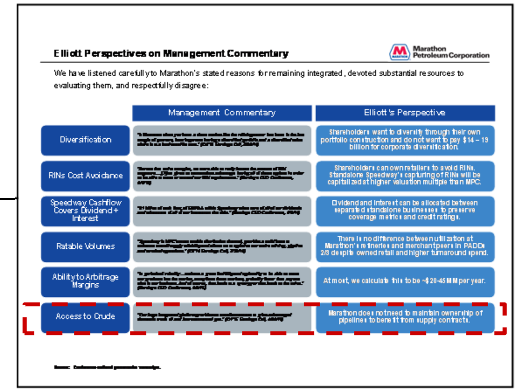

## … Benefit to Marathon is Small.

- We analyzed OPIS rack city data for 35 cities in 9 key PADD 2 markets from 2008 – 2016 to determine the magnitude and frequency of price dislocations.
- Typical dislocations range from ~4 – 7 cents per gallon and last 5 – 14 days in length. However, only opportunities ≥5 cents in magnitude tend to be actionable per conversations with experts.

***We calculate the lost margin arbitrage opportunity from divesting retail and midstream at ~$20 – 45MM per year.***

Source: OPIS; Elliott analysis; Expert interviews.

(1) Percentile plots reflect distribution of daily wholesale price delta to PADD 2 average vs. trailing 3-year average in each market for 2011-YTD 2016.
(2) Calculation based on average actionable arbitrage opportunity based on historical OPIS data and MPC volumes. We assume MPC is able to act on all arbitrage opportunities (thereby, implying no operational disruptions by MPC are the cause of the opportunity despite their being 18% of PADD 2 refining capacity).




# Marathon Does Not Need to Own Pipelines to Access Cheap Crude

- Other merchant refiners maintain access to advantaged crudes through commercial arrangements with pipeline operators without the need to own the pipelines.
- Marathon can divest ownership today given the market's failure to fairly value them within the conglomerate structure.
- Nothing stops Marathon from owning pipelines constructed in the future if necessary to secure capacity.

| | Commercial Arrangements | Elliott's Perspective |
|---|---|---|
| CVR Energy | ▪ Signed agreements with pipeline operators to source advantaged crude:<br>— Keystone and Spearhead pipelines: ~35 Mbpd of contracted capacity from Canada and Bakken.<br>— Pony Express and White Cliffs pipelines: contracted capacity to transport crude from Colorado to Cushing. | Despite a smaller overall refining footprint, CVR secured access to advantaged crude via long term agreements with common carrier operators from the Bakken, Canada, and Colorado. |
| PBF Energy | ▪ Signed an agreement with Continental in 2013 to receive crude from Continental's Bakken shale supply.<br>▪ Toledo refinery crude via three primary pipelines:<br>— Enbridge from the North<br>— Capline from the South<br>— Mid-Valley from the South<br>▪ PBF also has rail-advantaged contracts for Canadian bitumen for its Midwest and East Coast refineries. | PBF obtains crude and other feedstocks from unaffiliated sources and accesses advantaged Bakken crude via contractual agreements on common carrier pipelines. |

Source: Company financials; Analyst reports.

# VI. Conclusions

# Marathon’s Board Should Act to Unlock Value for Shareholders

Marathon Petroleum Corporation

- Marathon’s Board can increase shareholder value by **<u>$14 – 19 billion (~60 – 80+% of equity value)</u>**.
- We have had constructive engagement with Marathon to date and view their recent announcement as a step in the right direction, but **<u>Marathon’s Board can and should do much more for shareholders</u>**.
- We recommend Marathon:

1. “Drop down” all MLP-qualifying assets to MPLX today.
   - Dropping down assets immediately will remove the cloud of uncertainty weighing on MPLX’s cost of capital, increase Marathon’s GP cash flow to ~$650MM in 2017, and force a revaluation of Marathon.
   - After completing the drops, Marathon will hold after-tax cash proceeds and LP units equivalent to 60+% of Marathon’s current market capitalization. If Marathon exchanges its IDR for additional LP units, the resulting cumulative cash proceeds and publicly traded LP units will be 110+% of its market capitalization. Any valuation for Speedway and refining operations will result in uplift to Marathon’s share price.
   - Delaying drops over three years could cost Marathon shareholders ~$750-900MM in tax inefficiencies.
2. Conduct a full strategic review including potential tax-free separation into Speedway, RefiningCo, and MidstreamCo.
   - Given the tremendous value unlock from separation, we recommend that Marathon reassess whether its current structure maximizes value for shareholders.