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# Marathon defends strategy

Posted On Wed. Nov 23rd, 2016 By : Lou Wilin

By LOU WILIN STAFF WRITER

Though Marathon Petroleum Corp. last month announced a plan to boost its stock price, this week it is deflecting suggestions that it is not doing enough.

Hedge fund Elliott Management Corp., of New York, on Monday recommended Marathon consider separating Speedway, Marathon's refining operations, and its energy-and-logistics subsidiary MPLX via spinoffs to shareholders.

Elliott also recommended Marathon Petroleum contribute even more assets to MPLX than Marathon has committed. Elliott owns about 4 percent of Marathon Petroleum's stock, making it one of the largest shareholders.

Marathon, in a filing with the Securities and Exchange Commission, said it agrees its stock is underpriced. But it disagrees with Elliott's recommendations.

"On Oct. 27, we announced several sound, aggressive actions, including a schedule of substantial dropdown transactions to MPLX designed to support continued strong distribution growth of MPLX and drive value back to (Marathon Petroleum)," said Gary Heminger, Marathon's chairman and chief executive officer. "As discussed with Elliott, there are tax and other impediments to an immediate dropdown of all the assets to MPLX."

Marathon Petroleum, expressing frustration that its stock price is not higher, said on Oct. 27 that it plans to:

- · Offer to its high-growth energy and logistics subsidiary, MPLX, assets contributing about \$350 million to annual earnings by the end of 2017.
- . Contribute to MPLX \$1 billion of earnings before interest, tax, depreciation and amortization by year-end 2019. The contributions will support the "continued strong growth" of MPLX's cash distributions to unitholders.
- · Make other moves to "highlight and capture the value" of Marathon Petroleum's ownership interest in MPLX. t also will evaluate changes to its internal financial reporting.

"We are confident our plan will deliver substantial shareholder value and we are moving ahead expeditiously on each of these actions," Heminger said on Monday.

Marathon has lots of company in its stock price frustration. Refiners have seen their stock prices fall this year as profit margins declined, said Fadel Gheit, senior energy analyst for Oppenheimer.

Gheit said Marathon Petroleum was working on its stock price concern well before Elliott Management weighed in.

Marathon's "management has been ahead of Elliott, so I don't understand why people are giving Elliott credit for anything that they don't deserve," Gheit said.

Besides, Elliott has a "mixed track record," Gheit said.







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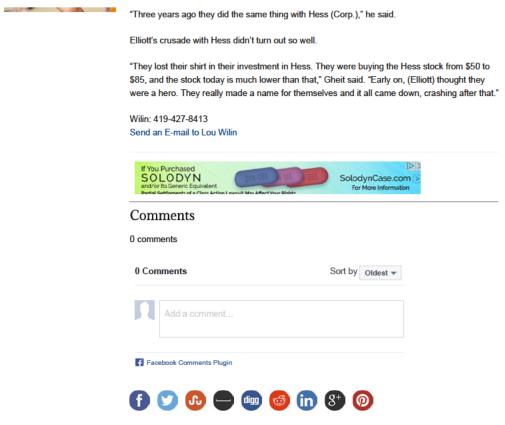
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