S&P Global
Market Intelligence

Murphy USA Inc. NYSE:MUSA

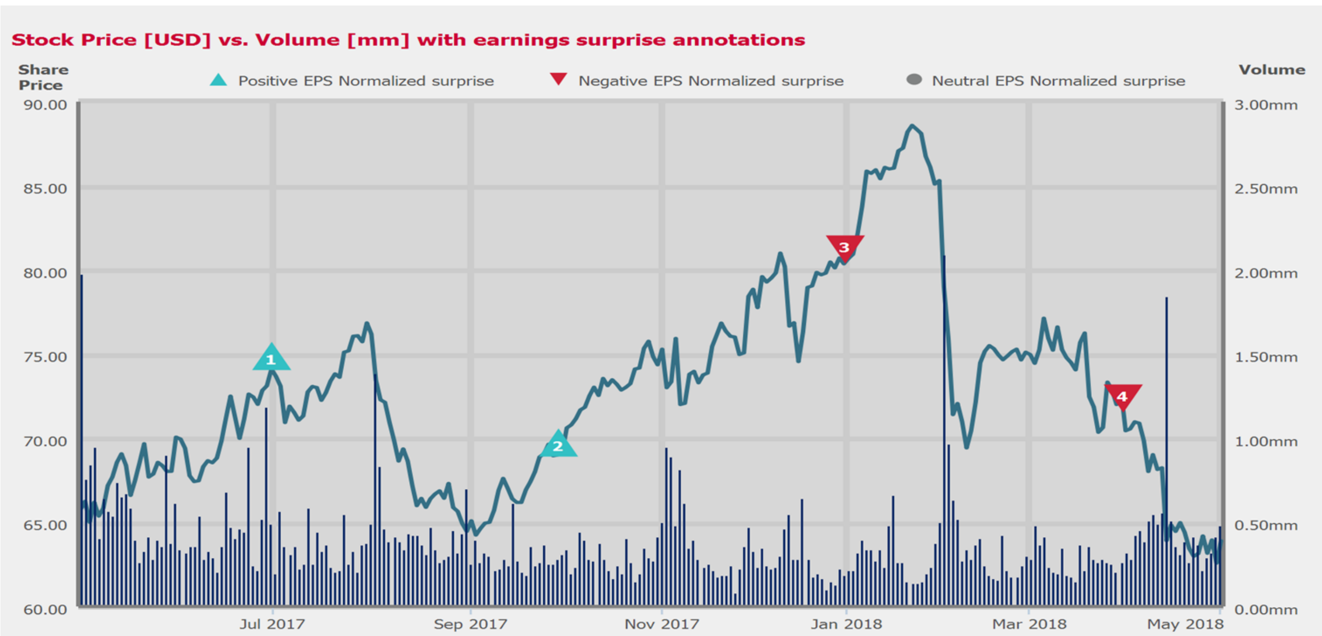
FQ2 2018 Earnings Call Transcripts

Thursday, August 02, 2018 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2018-			-FQ3 2018-	-FY 2018-	-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.18	1.52	▲27.73	1.75	4.46	5.03
Revenue (mm)	3408.00	3829.00	▲12.35	3522.32	13744.03	14083.75

Currency: USD
Consensus as of Aug-01-2018 10:20 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2017	1.09	1.51	▲1 38.53 %
FQ3 2017	1.39	1.86	▲2 33.81 %
FQ4 2017	1.29	1.09	▼3 (15.50 %)
FQ1 2018	0.33	0.12	▼4 (63.64 %)

Table of Contents

Call Participants	....	3
Presentation	....	4
Question and Answer	....	7

Call Participants

EXECUTIVES

Christian Pikul
Director of Investor Relations & Financial Planning Analysis

Malynda K. West
Executive VP of Fuels, CFO & Treasurer

R. Andrew Clyde
President, CEO & Director

ANALYSTS

Benjamin Preston Brownlow
Raymond James & Associates, Inc., Research Division

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

Bonnie Lee Herzog
Wells Fargo Securities, LLC, Research Division

Christopher Mandeville
Jefferies LLC, Research Division

John Macalister Royall
JP Morgan Chase & Co, Research Division

Ryan John Domyancic
William Blair & Company L.L.C., Research Division

Unknown Analyst

Presentation

Operator

Good morning. My name is Sheryl, and I will be your conference operator today. At this time, I would like to welcome everyone to the Murphy USA Second Quarter Earnings Conference Call. [Operator Instructions] Christian Pikul, you may begin your conference.

Christian Pikul
Director of Investor Relations & Financial Planning Analysis

Thank you, Sheryl, and good morning, everyone. Thanks for joining us today. With me, as usual, are Andrew Clyde, President and Chief Executive Officer; Mindy West, Executive Vice President and Chief Financial Officer; and Donnie Smith, Vice President and Controller. After some opening comments from Andrew, Mindy will give us an overview of the financial results and after some closing comments, we'll open up the call to Q&A. Please keep in mind that some of these comments made during this call, including the Q&A portion, will be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. As such, no assurances can be given that these events will occur or that the projections will be attained. A variety of factors that exist that may cause actual results to differ. For further discussion of these risk factors, please see the latest Murphy USA Forms 10-K, 10-Q, 8-K and other recent SEC filings. Murphy USA takes no duty to publicly update or revise any forward-looking statements. During today's call, we may also provide certain performance measures that do not conform to Generally Accepted Accounting Principles or GAAP. We have provided schedules to reconcile these non-GAAP measures with reported results on a GAAP basis as part of our earnings press release, which can be found on the Investor section of our website. With that, I'll turn the call over to Andrew.

R. Andrew Clyde
President, CEO & Director

Thank you, Christian. Good morning, and welcome to Murphy USA Second Quarter 2018 Conference Call. I trust you have all reviewed the earnings release, so I will start by reviewing the key themes for the quarter, before Mindy provide some additional financial details, and we open the call out to Q&A. From both an operational and financial perspective, the company delivered solid results in the second quarter. This followed the fairly benign first quarter, which it's hard to extrapolate performance for the rest of the year. Q2 results showed broad-based improvement across all our major performance metrics, both on a sequential and year-over-year basis. So given that backdrop, I would like to focus my comments on 4 themes. First, we are seeing strong fundamental performance from the business even in a higher fuel price environment, which can typically create challenging headwind. The continued line up in crude oil in product prices we have seen for most of the year continued in the first half of the second quarter, but reversed in the second half of the quarter, leading to volume improvement as evidenced by our same-store sales decline of only 1.5% versus the prior year. These volume trends have continued into July and importantly, are also having a positive impact on merchandise sales. The product supply and wholesale business continues to perform as expected, as higher supplying margins offset the decline in RIN value, and positive timing and inventory variances offset weakness in retail margins caused by rising product prices. Wholesale and bending margins have been incrementally additive to fuel margin on a year-over-year basis as well. And together, this led to $0.037 per gallon of contribution for the quarter and $0.034 per gallon year-to-date. Murphy USA is well positioned to win in higher price periods, as customer on the margin become more price sensitive and weaker competitors have to price up to offset industry headwinds, pushing their breakeven cost even higher, making the less competitive and ultimately less appealing to consumers. Second, we continue to successfully execute and improve our core business. Merchandise contribution dollars are higher by nearly $5 million in the second quarter, led by nontobacco same-store sales growth of 4.1% and margin growth of 2.2%, while tobacco margin dollars grew 1.9% leading to total unit margins of 16.6%, a new record for the company. Store level OpEx declined 2.5% on a per store mark basis, due largely to efficiencies we have implemented in field level support functions and also improvement in maintenance and supply cost. As a result, our fuel breakeven metric both on a quarter-to-date and year-to-date perspective has improved nearly 50 basis points from 2017 levels.

Another reason we win in a high price environment is our lower fuel breakeven, which continues to come down, while ongoing initiatives provide line of sight to further top and bottom line improvements. This enhances our competitive positioning in the face of higher credit card fees and potential wage and cost inflation. As such, with the $0.01 per gallon fuel breakeven level year-to-date, we are $0.04 per gallon more competitive than the first quartile benchmark from the 2017 X data on the apples-to-apples basis. Third, we have successfully executed the first stage of our loyalty pilot, which launched on June 1 to 200 stores in North Texas and Tennessee. The pilot is intended to determine, if we can create a value proposition through the distinct and dynamic program that engages both current and prospective customers in an economically viable way. While we cannot yet answer that question, there are several important milestones we can celebrate. The first and most notable achievement is that we have delivered successful proof-of-concept from both the technical and consumer adoption perspective. The loyalty program is an organization-wide effort that sets fuel dispensers and in-store point-of-sale system, back office systems, legal oversight accounting functions, and of course, mobile app and web functions as well as multiple vendor partners. And after months of intensive planning and development, the platform works as intended, and for that, I would like to thank our marketing and technology services team for their tireless efforts, who has got this up and running and ready for a potential national launch. The second accomplishment is, customers are signing up. To-date, nearly 1 million customers have participated in the Murphy drive program, including approximately 6% of the population of the State of Tennessee. The vast majority of whom are influenced by our greatest marketing asset, our team of friendly and engaged store managers and associates. Finance per store per day were an order of magnitude higher than our internal expectations and well above other companies according to our third-party technical partners. But what's even more exciting is customers who're participating in the program with 15% of customer transactions earning the burning fuel rewards and 40% earning or burning merchandise rewards. This technology platform will help us develop tremendous insights about our customer behavior and how we can improve our offer and their experience at our stores. These early result allows to quickly move on to and focus on stage 2 of the program, where we seek to change customer behavior in a mutually beneficial way. We've always said, an everyday low price loyalty program must be distinctive, since we would not be able to raise prices to some customer than to discount to our members. We can now see through Murphy Drive that our members are more engaged and their behaviors have shifted in a positive manner, which is an encouraging step towards creating greater share of wallet and changing the customer journey to a fully experience and participate in our low-price value offers. The beauty of being an everyday low price retailer is your customer feedback is pretty straightforward. Price-sensitive customers seek the lowest prices and share that knowledge with their friends and family. In a world of potentially higher prices and inflation creating additional value for customers is a winning formula. In fact, we have customers in markets adjacent to our pilot asking us when it will be coming to their store, which is very encouraging. The fourth and final theme, I want to discuss is our ongoing commitment to shareholders. During the quarter, we repurchased 1.1 million shares at an average price around $68 per share for a total investment of $73 million. This brings our year-to-date total to about 2 million shares at an average price of about $71, representing an investment of $144 million. This continues our track record of buying shares at a discount when multiples are well below our expectation, evaluation that does not affect our view of Murphy USA's business model advantages, or our view of the further potential of our business. Ongoing crude and fuel price volatility will continue to occur in an unpredictable manner and lead to shifts in short-term margin outlook, which will inevitably result in share price volatility. With strong fundamentals and sustained distinct execution innovation around our core business, we will continue to pick our spots and be opportunistic around share repurchases to win with our long-term shareholders. And with that, I will turn it over to Mindy.

Malynda K. West
Executive VP of Fuels, CFO & Treasurer

Thanks, Andrew, and hi, everyone. Revenue for the second quarter was $3.8 billion versus $3.2 billion in the second quarter of 2017. This was largely attributable to higher product prices and to a lesser extent higher merchandise sales. Average retail gasoline prices per gallon during the quarter were $2.61 versus $2.14 in 2017. Adjusted earnings before taxes, depreciation and amortization or EBITDA was $112.7 million in the second quarter versus the $129.2 million in the same period last year. EBITDA for the quarter was lower primarily to lower fuel margins, which ran $0.0167 per gallon versus the $0.0181 per gallon in the prior year. Accordingly, net income was also down slightly to $51.8 million from $55.5 million. Earnings per share of $1.58 however, were higher than a year ago's earnings per share of $1.51 and that's due to fewer shares outstanding. The effective tax rate for the second quarter was 25% and that was in line with our guidance, and a lower rate than prior year due to the lower federal tax rate now in effect. Total debt on the balance sheet as of June 30, 2018, was $870 million, broken out as follows: Long-term debt of $850 million, primarily consisting of $494 million carrying value of our 6% notes due in 2023; $296 million of carrying value of our 5 and 5 8 note due 2027; and $60 million remaining on our $200 million term loan. In addition, we are carrying $20 million of expected amortization under the term loan in current liabilities on the balance sheet. These figures, results and adjusted leverage ratio, which we report to our lenders of approximately 1.9x. Our ABL facility remains in place with a $450 million cap, subject to periodic borrowing base determinations, currently limiting us to approximately $310 million as of June 30. And at the present time that facility is undrawn. Cash and cash equivalents totaled $71.9 million as of June 30, resulting in net debt of approximately $798 million. During the quarter, we repurchased 1.1 million common shares for $72.7 million at an average price of about $68. Echoing Andrew's comment, we do remain committed to share repurchases, and we expect to conduct future repurchases in the same disciplined way, framed by our shareholder value model as opportunities allow subject to course, to available cash balances and other demands on capital as well as price sugars, which may not be activated. There were $32.2 million common shares outstanding at the end of the first quarter. Turning to CapEx. Capital expenditures for the quarter were approximately $47 million, bringing our year-to-date spend to roughly $91 million. And at this time, we do expect our capital spending to remain within our guided range of $225 million to $275 million. That concludes the financial update. So I will now turn it back over to Andrew.

R. Andrew Clyde
President, CEO & Director
Thanks, Mindy, and operator, with that, we can go ahead and open up the call to Q&A please.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Christopher Mandeville of Jefferies. Our next question then will come from Ben Bienvenu of Stephens.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

I want to ask about the gallons in particular, that was the single strongest standout metric relative to our expectations for the quarter. Just any color you can provide around what might have shifted in the operating backdrop for your company-specific initiatives, whether it's a raising rebuilds or general positioning within the market that might have helped lead to strength in that metric particularly on a 2-year stack basis, it was pretty strong?

R. Andrew Clyde
President, CEO & Director

Yes, I think we've noted before that some of the competitive intensity has had its effect and tempered, and so not expecting to see the same level of year-over-year impact of that. Just continued execution our end from a pricing standpoint. Certainly, the second half of the quarter was positive, falling price environment. 2017 was a pretty flat price year, and so we're starting to -- with the run-up in prices, you get more of that downside volatility, which is beneficial. So I think that coupled with decent macro factors, all contributed there. So like those probably explain the majority of it.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

Great. And then on the merchandise side, margins continue to outperform, but what are the key drivers in this period and then year-to-date, what have you seen? And then what do you think the longer term opportunities looks like? I think, you've seen it well beyond what we would have thought possible relative to the mix of the business had been pretty impressive execution thus far.

R. Andrew Clyde
President, CEO & Director

Sure. So tobacco category, the other tobacco products and some of the electronic vapor products performed very strongly in the quarter. And really help offset the just normal decline we see on the cigarette side, although we got some better cigarette promotional manufacturing dollars on some of the products there as well. Beverages had a very, very strong quarter. And then some of that is pricing and promotion related well as we continue to optimize our offers there. So those are probably the 2 biggest components. Lottery with the large jackpot just continues to add incrementally as well. So as we said, we still see further opportunity as we optimize our center of store and really start implementing some of our visual merchandising and space management capabilities that we've been working to build.

Operator

Your next question comes from the line of Bonnie Herzog of Wells Fargo.

Bonnie Lee Herzog
Wells Fargo Securities, LLC, Research Division

I had a question about pricing. So a lot of consumer companies are needing to take price increases, given commodity inflation and rising transportation cost. So curious to hear your thoughts on how willing you have been to accept these higher prices? And whether or not you think they'll fit? In other words, do you think consumer is strong enough to accept these higher prices right now? And then just think about it from your perspective and your strategy of being the low-cost provider. How do you think about your position in this environment as other retailers may be facing greater pressure to raise prices?

R. Andrew Clyde
President, CEO & Director

Sure. I would say, we look at pricing through 2 lenses, customer-facing and competitor facing. And so where you have categories like fuel and tobacco, we have got to be always positioned in the consumer's mind as that everyday low price offer. And we need to do it responsibly from a competitive standpoint. And so we have to look at those 2 hand-in-hand closely to maintain that position. So as I said, in the higher price environment with inflation and so forth, the weaker players tend to price up more quickly and create the environment where the bottom of market prices can increase pricing and preserve margin there. But we're always going to be focused on maintaining that distinct positioning. There are other categories like beverage that are more kind of impulse are associated with the trip. We've seen the carbonated soft drinks move from $2 to $3 to $2 for $3.29 and those price increases have happened and consumers have not behaviors any more dramatically than the normal shift away from CSDs to other products. And so I think we're going to continue to see those kind of increases, but hopefully, will be innovation across the categories and we'll still be able to create value for the customers. But imagine, you'll see a lot of typical CPG products moving up. We in the past with some of our center store items didn't do as good a job of moving up our prices in line with those, where holding a lower price really didn't add any value from a volume standpoint. So some of the gains that we've seen have come from being smarter about which ones we can take price increases on versus once we have to be just razor-sharp on.

Bonnie Lee Herzog
Wells Fargo Securities, LLC, Research Division

That helps. And then just my second question is on your full year guidance. It still implies a decent ramp in the back half. So what gives you the confidence, you're going to be able to hit your guidance ranges may be specifically for net income and EBITDA possibly absent, I don't know, a natural disaster? And then I just want to understand how much visibility you have right now, given everything that's going on?

R. Andrew Clyde
President, CEO & Director

Yes. On the things that we can control, we've good visibility on, but as you know, Bonnie, the bottom line is going to be a function of fuel margins. And we have absolutely,0 visibility on that. I think Dan and maybe couple of other analyst, "You can hit your guidance, if you have seasonally normal margins." And how we build our plan, that's how we set our guidance. We don't look for seasonally abnormal events to happen. And so I know there's a lot of angst about, are we going to hit our guidance or not. And we have to have seasonally normal numbers to achieve that. If we do, we're going to achieve it. If we don't, we may have a follow up like 2014 and below our guidance out of the water, or we can have a continued run-up in prices and miss our guidance. And so we're going to consider the angst analyst, investors have around this guidance as we think about 2019 guidance, because if we gave you guidance plus or minus a cent per gallon, which isn't an unreasonable range, you would find it completely unproductive and uninformative about the business, right? If we try to narrow it to $0.005 per gallon, we get a lot more angst and anxiety around it. So in a normalized margin environment, which we have no line of sight on a year in advance, we do know we're going to continue to make significant improvements to our business, top line, bottom line, margin dollars, cost, et cetera, and that's how we're going to grow this business. And normal and abnormal effects from weather, storms, regulations, et cetera, that impact our business, frankly, are just bumps along the road to driving long-term shareholder value. So we're going to think hard about how we provide guidance next year, but it might look different, given the ongoing angst that we continue to get, given the question. I hope that's helpful. But I have visibility into the rest of the year, what margins are going to do. And if you have got better, we'd love to hear it.

Bonnie Lee Herzog
Wells Fargo Securities, LLC, Research Division

That's really helpful. And yes, I think we all completely understand what you just expressed as we try and build our models for your company. Appreciated.

Operator

Your next question comes from the line of John Royall of JP Morgan.

John Macalister Royall
JP Morgan Chase & Co, Research Division

So you drew down cash this quarter, which appears to have essentially funded the buyback, given that you are near 2x on net debt to EBITDA, and the cash balance seems to be at relatively low levels, is this fair to expect that buyback should be roughly in line with free cash

Malynda K. West
Executive VP of Fuels, CFO & Treasurer

That's kind of model, John, we've always talked about, when we feel we have extra free cash flow, we will allocate that to share repurchase, subject to price conditions obviously. So what I would say is, we have wound down our cash balances from asset sales that we did previously, which allowed us to buy big chunks of stock in the past. So right now, as we are nearing more of a CapEx cash flow clarity, we're not going to have as much free cash flow left to do share repurchases. So we're going to be judicious with those. Taking into account quarter-by-quarter what available cash we have, what are other costs on capital as well as instituting thsoe disciplined price triggers as we always do, and those may not, in fact, be activated. So we may have some quarters, where repurchase quite a few shares and then there may have some where we don't. We are still committed to share repurchase. And in fact, we're nearing that $1 billion of share repurchase right here at our fifth anniversary of being a public company. And I think that's really a testament of the strength of the business and also reflects our balanced approach as we have also opened over 250 new stores during that same period. So we're continuing with the same emphasis that we have in the past. We just are not going to have those large floods of cash that we enjoyed when we had those big asset sales, earlier in our public company life. But we are still committed to doing that.

John Macalister Royall
JP Morgan Chase & Co, Research Division

Great. That's helpful. And then can you talk about the strength that you guys have had last couple of quarters and the PS&W margins, even the face of falling RINs and obviously, very strong PS&W margin. So is there any structural going on the entire levels or is there anything may be more transitory?

R. Andrew Clyde
President, CEO & Director

So John, I don't want to sound like a broken record, but it's the same thing we said on the call, the same thing we said to the EPA, the same thing we talk to investors about is that price of the RIN is built into the price of gasoline at the refinery gate. And so as you go towards lower RIN prices, the spot-to-rack margin increases and that's exactly what we have seen happen. Our big concern about changes in point of obligation wasn't that, that relationship didn't exist, but that you could have distortions in the market as you move towards the different regulatory scheme. So we have no idea of what RIN prices are going to do, but given the are baked into the refinery gate price, we expect to see the spot-to-rack margin to improve and that's exactly what we've seen happen. Now there are other factors that impact the spot-to-rack margin, whether the market is long and loose or short and tight colonial allocated, et cetera, and so those things do continue to move independently of each other, but political and regulatory uncertainty that affected RINs disproportionately in Q1 last year and positively may be in Q3 of 2013, we're seeing less noise in the system from that standpoint. And so that margins within the range. But to be clear as well, in a rising price environment, the timing and inventory variance that was reported within the PS&W does provide an improvement of the business and it offsets the decline in the retail margin that you see in price period and conversely on falling price environment, where we have stronger retail margins that timing and inventory variance resulting from the difference in the training cycle and the accounting cycle work against the retail margin. So in a rising price period, some of that benefit that we had was associated with that. We also made improvements to our terminals over the years in terms of biodiesel, ethanol expansion and butane blending and we continue to get more value out of those windows of opportunities arise. And so there's a whole set of things on the margin that are also contributing towards that.

Operator

Your next question comes from the line of Ryan Domyancic with William Blair.

Ryan John Domyancic
William Blair & Company L.L.C., Research Division

So my first question build on John's last question a bit regarding capital structure. And it's 2x the rate leverage for this business, would you ever consider taking higher?

Malynda K. West
Executive VP of Fuels, CFO & Treasurer

We've been consistent in what we said and that we think this business needs to be within 2.5x leverage and that also coincides with some of the covenants we have within our bank agreements that, if we are below that, we can unrestrict on an unrestricted basis buy back our shares. But we also think that ties nicely to where we actually need to be from a leverage standpoint. Taking into the account that there is some volatility in this business quarter-to-quarter, so we need to be able to withstand periods of rising prices, which can cramp our margin. And still remain consistent with the way that we do business and the way that we spent our capital, deploying it in new stores. So we would not want to be above 2.5x, but we will be comfortable being slightly higher than what we are now. And as we go into next year, we're just beginning to have discussions with our CapEx budget for next year. And so we're going to be looking at a group of things, various calls on capital furnished stores, raise and rebuilds, our various initiatives and then we will look at what kind of share repurchase seems reasonable to us. And then look at what we are expecting from a cash flow basis. And then decide from there whether we need to, for instance, top of our term loan or leave the leverage where it is. But we're still in the early days of that, so we don't have any fully baked plans for next year, but those are some of the things that we're going to be working on in the coming months. But for right now we're happy being at 1.9x, but if we were at 2.5, that wouldn't bother us at all either.

Ryan John Domyancic
William Blair & Company L.L.C., Research Division

Mindy, that overview is very helpful. And then the next question would be, in the past, on the retail side, you talked about using software and maybe getting a bit sharper on pricing and even at the expense of gallons. So as you look at the second quarter of this year versus last year, is any of the better retail fuel margin parse it out as a result of kind of that sharper pricing on that more logical pricing units come to the expense of gallon growth?

R. Andrew Clyde
President, CEO & Director

I would say, yes, and then some specific areas, we focused on, it came also with volume growth, where we got both higher volumes and margins from being sharper about it.

Operator

Your next question comes from the line of Ben Brownlow of Raymond James.

Benjamin Preston Brownlow
Raymond James & Associates, Inc., Research Division

On the loyalty program, thanks for the initial data points that you gave. Can you tell us what the kind of the ballpark total number stores that are on that program now? And the timing around the national rollout as well as that step into the Stage 2, could you just comment around the timing of that and kind of elaborate on the strategic initiatives that will entail?

R. Andrew Clyde
President, CEO & Director

Sure. So it's roughly 200 stores in North Texas and the entire State of Tennessee. What's been amazing is the customer response to this, to get almost a 1 million customers, who signed up and registered in 2 months. And as we said before, 6% at the State of Tennessee has signed up. We know that it's a platform that works that are great sales associates can sell it and our customers want it. The key is to create value from it, right? This isn't just a raise your price and discount offer like many have out there or buy 6, get the 7th for free on proprietary items that have 50%, 60% margins. And so what we've got to feel very confident is that we can drive incremental gallons and incremental trip inside the store and bigger baskets from our existing loyal customers, who have come out and drove to support this, right? Because we're giving them an additional value on top of the value we've already given them. And then we need to then create more new customers and get greater share of wallet from the customers who don't visit us as often. And the way we set up the platform, the background information we're able to get -- we're able to kind of uniquely segment customers and then create these unique journeys for the different segments, so that we can then see, are we driving the desired behaviors that create more value for them and then make it economically viable for us. So it's too early to say, hey, we're going to have a national launch in October or national launch in January, but what we have done at the faster rate and a better rate of execution then expectations was standing of the technical platform, engaging the customer and then seeing the level of sign-up associated with that. So those are the sort of issues that often challenge programs like this. We're not experiencing those challenge, so we're now getting to the heart of how do we make the economics of this work and with the platform we've got, we have tremendous insight into that and I'm very encouraged by the early results. We can see just from June to July that the loyal members are increasing their gallons and increasing their baskets, et cetera. So it's still very early days, but we are seeing shifts in behavior that we know were needed to make this economically viable.

Benjamin Preston Brownlow
Raymond James & Associates, Inc., Research Division

That's helpful. And just one quick one. On the same-store sales within the cigarette and tobacco category, can you give any color around the unit movement there in pricing?

R. Andrew Clyde
President, CEO & Director

Yes, so on -- that you want to talk about cigarettes or overall tobacco?

Benjamin Preston Brownlow
Raymond James & Associates, Inc., Research Division

Both actually, if you have it.

R. Andrew Clyde
President, CEO & Director

Yes, so smoke was volumes and other tobacco volume products were both strong and the other tobacco products is where you see some of the new vapor products out there and we've got that now rolled out across all of our stores. And so we'll continue to see strength in there. The cigarette volume declines are within that through the normalized ranges that we've seen, but we continue to saw -- see margin dollar growth from that because of pricing or promotion effectiveness activity.

Operator

Your next question comes from the line of Chris Mandeville of Jefferies.

Christopher Mandeville
Jefferies LLC, Research Division

Andrew, can you hear me?

R. Andrew Clyde
President, CEO & Director

I can.

Christopher Mandeville

Jefferies LLC, Research Division

Apologizing if I repeat anything that's had an answer. May be starting what you're seeing in consumer demand for fuel and your comments on the second half of Q2 seemed positive trend, actually first half. Was the latter an absolute or relative comment versus the first half quarter?

R. Andrew Clyde
President, CEO & Director

Sorry, could you repeat that last part, again?

Christopher Mandeville
Jefferies LLC, Research Division

Just in terms of you having reference that second half of Q2 saw positive trend, was that an absolute or relative statement?

R. Andrew Clyde
President, CEO & Director

So with the falling price environment, we had kind of extended periods where volume on a same-store basis were 100% or greater on a year-over-year basis. So with new stores, it was kind of 100% on a same-store basis. With new stores, we actually grew total volume. And so I think from a broader macro standpoint, we're not seeing the level of fuel demand growth that we saw 2 or 3 years ago at the 3% range. But we are seeing steady growth at the 1%, 1.5% to 2.5% type range, with improvements we're making in getting reasonably abnormal effects, we believe we're going to perform well in that environment. As prices go higher, consumers get more price sensitive, so we'll start getting back share that we lost in the extended low price environment that we've seen over the past few years as well. And that's why it's so important to continue to focus on metrics like our fuel breakeven metric, which more than offset the credit card fees increase associated with higher prices. It was announced this morning that they're going to freeze the vehicle efficiency standards that were projected for 2025, 2026. So if you go back to our Analyst Day presentation from 1.5 years ago, where we showed what did we think macro fuel demand was going to do over the next 10 years, that's all positive from that standpoint as well. So despite the higher price environment, we think we're actually well positioned in that as consumers get a little bit more price sensitive.

Christopher Mandeville
Jefferies LLC, Research Division

And so I assume that given the really quite easy compared going into Q3 on the fuel comps, given what type of impact you have seen from prior year's hurricane that could kind of continue the actual positive same-store sales momentum and that would presumably also bode well for in-store sales?

R. Andrew Clyde
President, CEO & Director

Yes, as I said, at your conference in if we can't beat our third quarter comp, we're going to have a different discussion.

Christopher Mandeville
Jefferies LLC, Research Division

Okay. And then turning to OpEx per store less credit card fees. You're really well ahead of your current guidance that was originally calling for flat to up 2% year-on-year. So how should we view that line item going forward? Are you ahead of your internal expectations or are you on plan and we should just see pickup in second half?

R. Andrew Clyde
President, CEO & Director

Yes, so on the internal expectations, we've got a team of leaders now that are just consistently building up on prior initiatives and just honing in further and further in terms of site-level execution of prior initiatives and looking for the next set of initiatives. So we consolidated 1 division. We consolidated some districts, as we brought on more experienced people and current staff are taking on greater responsibility. So we're probably a little ahead on some initiatives year-to-date, but we already have line of sight into initiatives for next year as well both from a margin standpoint as well as a cost standpoint. So I think we just had to step back and say look, there's an ongoing trajectory for which we're going to improve this business, top line and bottom line. We're just continuing to focus on that, and as we go through 1 set of initiatives, we're immediately positioning ourselves for the next wave of opportunities.

Christopher Mandeville
Jefferies LLC, Research Division

And the last one from me. Just with respect to some of the recent vintages of raising builds. Any comments on performance or returns there?

R. Andrew Clyde
President, CEO & Director

The raise and rebuilds continued to perform very well. These are again some of our highest volume stores that are often spilling out of 4 gas and 1 diesel dispenser, so when you get 6 to 8 gas and 6 to 8 diesel dispensers on a -- with a 1,200 square foot store, you're just increasing the benefit to the customer, increasing greater access to diesel products, which we have at over 90% of our stores and publicly industry from a convenient store standpoint. So we continue to see the positive improvements from them.

Operator

[Operator Instructions] Our next question comes from the line of Matt

Unknown Analyst

So just an understanding the shifting PS&W margin, which I guess, was stronger than lot of us expected, but positively. If we look at the midpoint of your guidance range for this as well as for the retail margin, does that give us a sense of what do you think we sort of normalized through-the-cycle margin is at the current cost structure? Or is your view of normalized different than the midpoint of the range?

R. Andrew Clyde
President, CEO & Director

I think as we have talked about $0.02 the $0.03 for product wholesale net of RINs, $0.12 to $0.13 -- $0.0125 to $0.0135 for retail at that midpoint is a probably good sense of what that normalized range is. And you can get to that range in a lot of different scenarios from a market structure or price structure standpoint. But thinking about the business longer term, despite the short-term fluctuations, we built the business that's going to perform very well at $0.15 to $0.0155 margin levels. And believe that's a long run sustainable level. And then we continue to make improvements on that. So we talked about some of the investments at the terminal, some of the wholesale improvement, some of the carrier optimization performance that we have. And I think the challenge sometimes is the improvements get massed by rising or falling short-term margins where it just makes it difficult to see the underlying structural improvements we make, conversely you can say, well, it makes harder to see some of the structural improvements that one might project. So it's people talk about colonial pipeline. It that advantage going away or staying. We saw earlier this year with that advantage play down in a very important way for us. But I think, if we're using those kind of midpoints that's a good queue for long-term value.

Unknown Analyst

And so then if you're trying to understand that improvement that you've made over time, I guess, if we go back and we look at several years of what your guidance has been, that kind of can you give us a sense of what your internal view is at least of the sort of structural improvement you've been able to make in your margin structure?

R. Andrew Clyde
President, CEO & Director

Yes.

Unknown Analyst

And then last question on this, so the excess in PS&W this quarter versus that midpoint in fact day versus that midpoint is generally attributable to the movement in commodity prices mostly then, is that a fair interpretation?

R. Andrew Clyde
President, CEO & Director

Yes, more than 50% reflects the inventory and timing variance associated with the trading cycle and the accounting cycle. We've been -- if you net that against the retail margin, which would be wider in a rising price environment, you can almost think about those 2 together, they move hand-in-hand with price structure. But there is other improvements from selling more wholesale gallons at a higher margin. The butane blending we talked about in the first half of the year, which is only a seasonal play, higher levels of throughputs at our existing product terminals and the renegotiated supply agreements where we have got more favorable netbacks. And those are the sort of things that will then offset positively or enhance positively or impacted negatively by market structure, if market's oversupplied and the rack prices are depressed and our proprietary system may not perform as strong as we're just buying everything at the lower rack price.

Unknown Analyst

Right, right. Actually one last follow on. So if we go back and look at that history of structural which I think is, we're going to find it's really impressive. To what extent, do you think that, that can continue? Is the low-hanging fruit sort of that down at this point or do you just continue to see opportunities kind of commensurate what you've been able to do in the last several years?

R. Andrew Clyde
President, CEO & Director

Yes, I would say across-the-board, across every part of our business there are more opportunities to improve our top line margin structure and bottom line cost structure. Whether you describe things as low-hanging fruit or not, I mean, none of this is easy or everyone would be doing it.

Unknown Analyst

Sure, sure.

R. Andrew Clyde
President, CEO & Director

The opportunity set just starts looking different. It's less about spending capital for blending or the like, and may be more optimization that's requiring capabilities, systems and tools. Some of the breakeven opportunities around the Core-Mark contract. And the first round of labor, you pull a different type of lever then saying "Okay. Here's the distribution of 1,454 stores. How do we get the bottom quartile on 20 metrics up to the average performance," which is about district managers working with store managers and their walk for excellence and their performance discussions to get them there. So none of it's easy. Or just -- the levers are just different, but we don't see any kind of our ability to improve and enhance this business over the long term.

Operator

There are no further questions at this time. I would now turn the call back over to presenters for closing remarks.

R. Andrew Clyde

President, CEO & Director

Great. Thank you, operator. Thank you, everyone for joining in this quarter. And look forward to talking to you soon. Thank you.

Operator
This concludes today's conference call. You may now disconnect.