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<<Bobby Griffin, Analyst, Raymond James>>

Good morning, everybody. I'm Bobby Griffin, one of the consumer analysts here at Raymond James, I cover the C-Stores. Thank you for joining us today at our conference. I have the pleasure of introducing Murphy's USA. With us from the company, we have Andrew Clyde, CEO; also Mindy West, CFO; and Mitchell Freer from Investor Relations.

And with that, I'll turn it over to Andrew, who is going to go through a deck and then we'll save a little time at the end for a little Q&A. Andrew, thanks for being here.

<<Andrew Clyde, President and Chief Executive Officer>>

Yes, thanks Bobby, and thanks Raymond James for hosting us, we are webcasting this. So we will get started. So we've got the usual cautionary statement and we've made the introductions.

So last year at one of our conferences, we introduced this slide with a real simple message. We had grown since our spin in 2013 our total shareholder return by a 14% compound annual growth rate. And we did that by doing three things. We took our core EBITDA from low $300 million to $400 million. We bought back over 30% of our shares in that time period and we grew our multiple from a six to a nine. And we set forth kind of a challenge for ourselves. How would we be able to maintain or beat that same level of total shareholder return over the next five years? It's pretty simple math, right? We needed to put a five in front of the EBITDA number, grow EBITDA $20 million a year to $500 million. We needed to buy back 1 million shares a year, since we had already bought back over 30% of the amount of share buybacks that continued to do that wasn't as great and we needed another turn on the multiple to be able to do that. One of the proof points we came out shortly thereafter was our Board authorizing a $400 million share repurchase program to be executed over two years and the math was really simple. We'd rather buy back 1 million a year for four-year equivalents in the first two years and front load it and get more impact out of that as we grow our core store EBITDA and we build up the pipeline for larger numbers of larger format stores in the out years.

And so that's our basic premise is to continue to grow the core earnings of the company through productivity gains, new stores, continue our disciplined capital allocation model. And as we saw when the shares were rerated after our Q3 earnings last year, our multiple was at a 10 at that point and we expect to be able to continue that or grow that.

So that's the easy math. How do you actually pull the math off? And for us, it's a really simple formula for growing this business and growing earnings per share. At the top, we have organic growth. And our strategy is really simple: to build or rebuild assets where we have the right to win, in markets where we win with the customers and we had the right competitive dynamics.

Key to our success since our spin has been improving the productivity of our stores, top line, margin line, bottom line costs, to gain a competitive advantage. And that competitive advantage in low cost then gets translated into how we price fuel, tobacco and our other items to be able to grow share in our markets.

And then last, continue to be disciplined with our capital allocation. And since the spin we've invested over $1 billion in share repurchases and capital growth for our business, maintaining a balance equation there.

So this is our framework for how we think about it and we have a new presentation deck that we're introducing today and we're going to go through each of these levers in turn to show you how we aim to do that. In the past, we just showed the proof point from prior years. This year, we're going to talk about these levers and why we believe the opportunities exist.

So let's start with the productivity gains and start with fuel, which is our largest category, and what we're going to do there. There are really three things that underpin our views around growing fuel contribution. First is our initiative around retail pricing excellence. It is something that Mindy and her team really took hold about a year and a half ago and it started with just reasserting our customer value proposition. We're going to be the lowest price or matching the low competitor in the markets that we participate in. Our customers seek us out largely in front of Walmart super centers, or in demographic areas that look and feel like that, where you've got these value conscious customers aggregated.

We then have now developed a playbook for every store and every product on how we should price relative to our competitors, and we're leveraging data and technology through our systems better than we ever have to be able to be more efficient and responsive in how we price every day in the marketplace. There's also some marketing competitive dynamics that help our business. We're currently seeing crude prices falling over the last month or so. That's really good for our business. Street prices lag on the way down. They also lag on the way up, but we're seeing volatility continuing from a variety of different factors and sources out there. And the bottom line is volatility is good for our business.

Another key factor that impacts our margins and our volumes are the competitive dynamics. And if you look at the NACS annual report, which is a survey that only includes about 40% of the industry participants, the fuel margin requirements for the second, third, fourth quartile retailers continue to go up. That means the amount of merchandise margin they are earning isn't keeping pace with their cost increases. And when you couple that with volume losses, they need more margin and cents per gallon this year than they needed the year before and the year before that. That creates upward pressure on prices, right, at the top of the market.

And as a bottom of market player, we can then choose to say, we're going to take it in margin, we're going to take it into volume, or we're going to do what we did in 2019 by being really sharp in terms of how we price. We're going to grow volume and margin. And that's our objective is to grow market share and volume profitably.

We also, because of our growing volume position, selling over 4.5 billion gallons, we have something that's very valuable in a world of excess refined product: we have a short. And so refiners compete for that short so that they can sell out their refineries in an attractive way.

And then we have a supply and distribution capability where over 50% of our barrels are secured directly from the refineries, we ship them through pipeline systems where we have positions on those and are able to deliver at the lowest costs. We continue to optimize our store level supply costs. So if you think about every store has a desired terminal that it pulls from and a trucking cost to get from that terminal to our store, we continuously look at those to find the right mix.

We spent a lot of time last year talking about Murphy Drive Rewards. It was our unique way of engaging our customers from a loyalty standpoint. And as an everyday low-price retailer, we recognized that we couldn't have a me-too-late model where you just buy six proprietary coffee or beverage items and get the seventh for free, because with 50% of our stores being kiosk, we didn't have that product. And so we figured out the calculus on what we'd have to do to make everyday low price loyalty work and we pulled it off. We have today over three million active members. We have over 11 million participants, many of those who participate in the tobacco programs. And so rather than talking about all the members we signed up, we want to share some examples of the impact that we're seeing from the program.

And so this chart on Slide 6 actually shows how we've created stickiness through this program. When we had our national launch back in March/April last year, you can see that 58% of our fuel transactions from Murphy Driver Reward members, they only came one time, right. You can see 17% came twice and a combination of 25% came three or more times.

Fast forward to the end of the year, only 42% of the fuel transactions are members who only came one time, right. You can see a significant growth in the number of members, 39% now, that are coming three, four, five, six, seven times. These aren't people that are buying more gallons in total, they're buying more gallons from Murphy USA at our stores through that program. We took share from competitors who had loyalty programs and brought them over, and as you can see their trajectory, that stickiness is staying.

One of the other benefits we have is we are the only retailer where you can earn points on tobacco items and burn those rewards on fuel and other items in the store. And so we're able to work across the categories in an efficient way.

So the second thing we're going to do in terms of productivity gains is accelerating merchandising sales across the categories. Tobacco has been a phenomenon over the last couple of years because we're actually growing same-store units while the industry is seeing declines of six plus percent in total. And you say, well, how are you able to do that? Right, because of Murphy Drive Rewards, our ability to be a more effective use of manufacturers' marketing dollars where they can get a higher return on investment through us, our pricing precision in the marketplace, we're able to have and sustain a differential as a low cost retailer to our competitors in that space. And the stickiness of Murphy Drive Rewards, as the only program you can earn and burn on tobacco, is a key objective.

The manufacturers continue to introduce new products, nicotine pouches, cessation products. We are able to align our growth objectives with their growth objectives in terms of how we introduce new products.

On non-tobacco, this is an area of real improvement in 2020. There's opportunities to reinvest in some categories like candy, which is the most promotionally elastic product that we have. But in the first six months of last year, we focused our associates' time on getting customers to sign up for Murphy Drive Rewards. So there's an opportunity to go back and promote those items like candy that took a little bit of a hiatus last year.

Our larger formats, the 2,800 square foot stores, we are reinvisioning how our food and prepared beverage items are sold in those stores, as well as optimizing labor and focusing on execution there.

In our supply chain, we actually have our contract with Core-Mark coming up for its five-year renewal this year. We do have opportunities to extend that contract, but that's been a very strong partnership and we're looking at evaluating how we renew that program with them. We also have initiatives with our DSD vendors around optimizing our in-stock inventory as well.

The Murphy Drive Rewards example here shows how we create value for customers and manufacturers across the product life cycle. So, like any categories you have new products that are coming in, we're able to target specific customers who we think and the manufacturers think would be a target for a particular product, in this example, nicotine pouches and target them. And then we can monitor their use longitudinally, not just over other nicotine products, but over the other manufacturers' offers as well to see where you want to target investment.

On the end of product life, and you're always going to have those in an industry where your categories are changing rapidly, you can in essence be a liquidator of products at the end of their life. And with a regulatory example here around flavored vapor pods, we had to sell through inventory by a certain date to be in compliance, but because of our high velocity of sales, we're a better partner for the manufacturers to sell through those items at a higher rate. And those opportunities come across multiple categories, multiple times a year to be able to do that. MDR allows us to target customers who we already know buy those products and allow them to come in and get those.

Cost leadership has been a hallmark of Murphy USA since the spin. It was already a low-cost model. We made it more lean and efficient, optimizing labor and cost in our smaller format. And for a number of years, we were able to see sizable reductions in our per store operating cost. With a lot of those big wins behind us, we're still maintaining guidance of beating inflation on an annual basis. There are still opportunities as you dig in below the averages, site-by-site, market-by-market in different categories to optimize. There are new areas like asset protection, loss protection, that we still haven't achieved our potential in.

But we're going to do this in a way that maintains integrity in areas like age verification around tobacco products. And Murphy USA was not one of the retailers called out by FDA Chief Gottlieb when they were calling out convenient stores. We have one of the highest age

compliance success rates in the industry. And so we're going to continue to be lean, but we're going to do it with high levels of integrity given our product mix.

SG&A is another opportunity where we can scale our investments. Murphy Drive Rewards was certainly a significant investment that we made over the last couple of years and we're looking for new and different ways to monetize that investment with our partners. But we're also going to sustain our investments in PCI compliance and data security, where we've seen now breaches in the convenience store industry, and we've invested significantly to ensure that we are not only keeping up with the PCI standards, but exceeding those from a data security standards. That's something our audit committee takes a great pride in.

And then maintaining a flat agile organization for change. You say, well, how can Murphy Drive Rewards actually help you from the cost side? This example speaks to digital coupons. And you can imagine, we accept millions of coupons at our stores, often it's in tobacco where the manufacturers are sending those out, but by having the coupons digitally enabled within the Murphy Drive Rewards app, all the customer has to do now is enter their unique number, it recognizes that they've already accepted the coupon from the manufacturer, uploads in the point of sale system, goes all the way to the back office. So it's less friction for the customer, the store operator, we're not counting paper at our home office and it's also expanding our margin and eliminating fraud from that standpoint. So another example of how we've been able to leverage Murphy Drive Rewards to gain productivity at our stores. So lots of opportunities to still make productivity gains to increase our competitive advantage.

Let's turn now to organic growth and what we're building. So for years, we are building these small kiosks in front of Walmart Super Centers. And at the end of 2019, we actually achieved an important milestone, less than 50% of our stores are now kiosk. And we got there by building new, bigger stores but also raising and rebuilding those old kiosks at the end of the useful life.

So what are we building now? We're now building 2,800 square foot stores that are still modular versus the stick built 3,450 square foot stores that we had before that and only on rare exceptions building a new greenfield, 1,400 square foot stores, like the ones we put in front of the Walmart Super Centers. We're going to have 30 NTIs this year, that's coming off of 15 last year and we have a pipeline set up to do 50 in the years thereafter.

So they are bigger stores. They are also opening faster. So we've took 22 days out of the build cycle time. So from an NPV standpoint accelerating that. We're optimizing the merchandise mix and optimizing labor within these larger stores, and we're accelerating the ramp up on these bigger stores. And part of this is a cross functional task force working with our pricing team to create the right awareness when we open a new store in a market to gain customer traction and awareness of the store for the fuel and the in-the-store items.

And so you can see some of the key metrics here versus the Walmart 200 program. We're getting significantly more square feet added even with fewer stores, the 22 days and a reduction in our build time. And if you look at the initial 12-month performance of these new stores in 2018 and 2019 versus the 1,400-square foot stores we were building in 2017, gallon growth is up

significantly almost at the full run rate perform after 12 months. Merchandise sales is something that ramps up over 36 months, but again, significantly higher performance here.

The kiosks that we have, rebuilding them at the end of the useful life is really important. It's a hit on EBIT because of the D&A. You're taking a fully depreciated asset that's 20 years old and you're basically ripping up the tanks, the pumps and putting a new store out there that's able to serve more customers. And the key point here is if you look at the fuel gallons, these are high performing stores to start with of our chain average is 250,000 gallons a month. These stores that we've raised and rebuild are doing 336,000 gallons to start with. I mean, many competitors would love to have those old worn out stores, but when we raise and rebuild them for our customers, we're seeing 16% increase in gallons we're adding diesel at every dispenser, we're often adding an ethanol free or a higher ethanol grade component depending on the market conditions.

Merchandise sales up 29%. So we're going from the kiosk and the super coolers to indoor coolers, selling beer and alcohol and a larger center-of-store. And the merchandise margins up 20%.

Around portfolio management, we're really fortunate as a company to have not had many stores over 20 years old. We don't have one of these large tails of the bottom 10% like many chains do. We're going to have an occasional end of life exit. We have a lease renewal at one store this year that it doesn't make sense after 20 years to do a raze and rebuild, and we'll let that lease lapse. But those are low, low single digit type individual store numbers that we would expect that to happen with.

So new stores, raze and rebuilding old stores, productivity gains on a large asset base that's already generating a lot of free flow, not surprisingly, our adjusted operating cash flow continues to increase year-over-year, which is a high-class problem. And we've maintained a very conservative balance sheet as well. We took the opportunity to restructure our 2013 6.00% bonds last year. We went to the market, got more favorable covenants for share repurchases and refinanced those at 4.75%, so we were able to take advantage of that. So high free cash flow business, very conservative balance sheet, that allows us to allocate our capital very strategically. And as I said before, in the last few years, we've invested well over $1 billion in growth and $1 billion in share repurchases as we've maintained that balance.

And so again, going back to our objectives. Growing EBITDA to $500 million by 2023: we've got line of sight to do that through our core stores, higher performing new stores. We're already well into the $400 million share repurchase program the Board authorized, front-loading that. And I think the market's acceptance, especially after the Q3 results last year, solved the proof points that allowed us to grow our multiple by one.

So I think with that ends the prepared remarks and we've got about seven minutes for Q&A.

<<Bobby Griffin, Analyst, Raymond James>>

We'll take Q&A from audience first.

Q&A

<Q>: Thank you. Hi. Could you discuss the sustainability of the gasoline margins or how you view that or? Thank you.

<A – Andrew Clyde>: Sure, so gasoline margins are effectively set by the margin requirements of the competitors in the industry. And what we have seen over time is somewhere around the 75th percentile player, so someone who's at the –between the third and fourth quartile, their margin requirements sets the market margin for an industry. So that's typically going to be a single-store operator with a small convenience store that has a pretty high fuel breakeven margin requirement. And if you look at the NACS data for the last five years, their margin requirements had been going higher, and higher, and higher, which is why you've seen growth in the margins for the public companies and others.

And so your question about sustainability, what would you have to believe for their lives to fundamentally change and that margin requirement goes down versus going up? So what's happening to them on fuel? They're having to invest significantly in EMV at the dispensers, they are seeing gallons going down, a lot of those smaller operators serve more convenience oriented customers as well, and so if there's going to be any shifts to electric vehicles it is going to be to those type of retailers. Their merchandise sales and margins aren't keeping up with their cost increases, right., and so that's weighing on them as well.

The best private companies are investing in food and doing well with it, right. The worst retailers that are investing in that, they are not seeing a return for it. You've got minimum wage increases, other headwinds around labor, that's going to put more pressure on the smaller operator as well. And so if you think about these single-store operators, they are effectively setting the prices in the market, in their large numbers, right.

And their conditions frankly aren't getting better, which is why you've seen now the second year in a row reported by NACS, the number of store closures. The reality is those are 150,000 of them, so it's going to be a long time before they close. So there's a lot of pressure for the margin requirement to go up. And I think what that means for a bottom of market price is we can choose to take it in price and get volume, or we can get it in margin, or as we did last year, you can get both volume and margin. So we feel it's pretty sustainable.

<Q>: Great, thank you.

<Bobby Griffin, Analyst, Raymond James>: We have time for one more if there is one.

<Q>: Explain the short, I don't understand that…

<Q – Bobby Griffin>: Explain the short.

<A – Andrew Clyde>: The short, yes, so if we have retail link that's a benefit for us. And so the refiners are largely net short outlets to sell to. So we basically become attractive to them from that standpoint. So it's just an industry term. They're long on refinery, they're short on retail. We feel that short for them.

<Q – Bobby Griffin>: I guess also, Andrew, can you maybe talk about how much runway is left in the rise and rebuild? Some pretty impressive numbers in terms of the lift you get out of each side of the category.

<A – Andrew Clyde>: Right. I mean, there's a long runway if we do 25 a year. I mean really we're looking at age, economics and land. Certainly these stores have great economics and they were at the end of their life 20 years. And there was the land available to do that. There are some locations that have age and economics, but the parcel that we ultimately got from Walmart is too small to do that. So we'd have to negotiate with them to get that. But if we're doing 25 a year, we've got a 10-year plus runway. It's one of the questions we ultimately look at as well. At some point it may make sense to do a few more of those and less share repurchases if the dynamics suggest that.

<<Bobby Griffin, Analyst, Raymond James>>

Great, I think we'll go to the breakout.

<<Andrew Clyde, President and Chief Executive Officer>>

Great. Thank you, all.

<<Bobby Griffin, Analyst, Raymond James>>

Thank you.