Murphy Usa Inc Annual Shareholders Meeting

El Dorado May 8, 2020 (Thomson StreetEvents) -- Edited Transcript of Murphy USA Inc shareholder or annual meeting Thursday, May 7, 2020 at 1:00:00pm GMT

CORPORATE PARTICIPANTS

Christian Pikul, Murphy USA Inc. - Senior Director of IR & Financial Planning and Analysis

Gregory L. Smith, Murphy USA Inc. - Secretary

R. Andrew Clyde, Murphy USA Inc. - President, CEO & Director

R. Madison Murphy

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome. At this time, it is my pleasure to turn the floor over to your host, Madison Murphy. Sir, the floor is yours.

R. Madison Murphy,

Thank you very much. Good morning, ladies and gentlemen. I'm Madison Murphy, and I have the privilege of serving as Chairman of the Board of Murphy USA. On behalf of the company, welcome to the 2020 Annual Meeting of Stockholders. This is the first time in our history to hold an annual meeting in a virtual format.

Our Board of Directors and management decided to hold the meeting virtually this year in light of the public health concerns caused by COVID-19 pandemic. As we navigate through this time of unprecedented uncertainty, we remain focused on protecting the safety of our employees and delivering the critical goods and services that our customers need. Our strategy, our culture and purpose are well anchored to weather these turbulent times, and they remain firmly intact.

As is our custom, we'll conduct the formal business portion of the meeting first, including 3 items for our shareholders' consideration. Our CEO, Andrew Clyde, will then provide an overview of the company's business and financial performance, and we'll answer questions at the end of the meeting.

Though we may not be able to answer every question, we will address any appropriate unanswered questions on our Investor Relations website after the meeting. At this juncture, I'd like to introduce the company's Board of Directors, all of whom have joined the meeting virtually today as we follow the social distancing recommendations.

So I'll begin those introductions. Andrew Clyde, our President and CEO; Claiborne P. Deming; Fred L. Holliger; James W. Keyes; Diane N. Landen; David B. Miller; Jeanne L. Phillips; Jack T. Taylor.

I would also like to recognize Tom Gattle, who retired from our Board of Directors. Tom served on the Board from spin and provided the company with invaluable insights in the commodity business and private enterprises. And we want to thank Tom for his incredible service and wish him all the best.

I would also like to take a moment to recognize our KPMG representatives who are participating today. We have Michael Hufnagel, who represents KPMG as Murphy USA's lead Audit Engagement Partner. Also with us is KPMG's SEC reviewing partner, John Murphy. During the question-and-answer period, they will be available to answer questions concerning the company's financial statements.

Our inspectors of election, Kelly Halstead and Rachel Pickett, from the company's legal department have also joined the meeting. Our first order of business is to determine whether the shares represented at the meeting are sufficient to constitute a quorum. Greg Smith serves as the company's Corporate Secretary. Greg, do you have a report?

Gregory L. Smith, Murphy USA Inc. - Secretary

Yes, Mr. Chairman, I have an Affidavit from Broadridge Financial Solutions confirming that the meeting or the mailing of the notice of this meeting and proxy statement to stockholders of record commenced on March 27, 2020. On our record date of March 9, 2020, there were over 30.3 million shares of common stock outstanding and entitled to vote at this meeting. We are informed by the inspectors of election that they are represented in person or by proxy, 27.5 million shares of common stock or over 90% of all the shares entitled to vote at this meeting.

R. Madison Murphy,

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Thank you, Greg. Because holders of a majority of the shares entitled to vote at this meeting are represented, I declare that this meeting to be duly convened for the purposes of transacting such business as may properly come before it. Our polls were opened at 7:45 a.m. Central time this morning and will remain open until the conclusion of our CEO's presentation. Any stockholder who has not yet voted or wishes to change their vote may do so by clicking the voting button on the meeting website and following the instructions there. Shareholders who have sent in their proxies are voted via telephone or Internet and do not want to change their vote, do not need to take any further action.

I will now call on our secretary to introduce the formal matters to be voted on at today's meeting.

Gregory L. Smith, Murphy USA Inc. - Secretary

Thank you, Mr. Chairman. The first matter is election of Class I directors. The company's bylaws provide that directors shall be divided into 3 classes with Class I directors up for election at this year's shareholder meeting. Nominees for Class I directors were set forth in the proxy statement and proxies will be voted for such nominees. The following have been nominated as Class I directors of the company to hold office until the 2023 annual meeting of stockholders or until their successors are duly elected and qualified. Claiborne P. Deming, honorable Jeanne L. Phillips and Jack T. Taylor.

The second proposal is an advisory vote to approve the compensation of the company's named executive officers as described in the proxy statement. And our third proposal is approval of the Audit Committee's appointment of KPMG, LLP as the company's independent registered public accounting firm for fiscal year 2020.

R. Madison Murphy,

Thank you, Greg. I would now introduce Andrew Clyde, who will provide an update on the company's strategy and operations and how we find ourselves in this rather unusual environment.

R. Andrew Clyde, Murphy USA Inc. - President, CEO & Director

Thank you, Madison, and good morning, and thank you to everyone who is joining us for our first virtual annual shareholder meeting. I will be brief in my comments today as we provided significant detail during our Q1 earnings call on April 17 around the impact of COVID-19 on our business, for which the full transcript is available.

Similarly, I would direct your attention to our Investors Relations website for a more detailed review of our strategy, which we presented at a March 2 investor conference. Last, please note the traditional cautionary statement associated with today's presentation, which may contain forward-looking statements. I would like to emphasize a few points about our business that should impress upon you the advantage business that you own and that our prospects remain bright.

Let's start with 2 slides that illustrate our shareholder value proposition to investors, which communicate a very simple message. On the first slide, we see the annual performance of Murphy USA shares, which highlights the average share price and the closing highs and lows. As you can see, not only has our average price increased year-over-year, but so have the highs and lows. At the bottom of the left side of the chart, we have shown the compounded annual return using the average price of that year to the year-to-date average price through April 2020.

From our 2013 spend to the 2018 average price, Murphy USA shares have delivered a 14% compounded annual rate of return by achieving 3 metrics, core EBITDA grew from $340 million to over $400 million, Murphy USA repurchased over 30% of its shares and the market multiple increased from 6x earnings to 9. Last year, we set a challenge for ourselves. How do we maintain or beat that level of total shareholder return over the next 5 years? The math is simple. Put a 5 in front of the EBITDA number, adding at least $20 million per year to achieve $500 million in EBITDA by 2023, buyback 1 million shares a year, which we are well on our way towards doing, and add another turn to our multiple, in line with our peer group, based on the market recognizing the enduring advantages in our unique business model and differentiated performance results.

Those elements taken together were some other equivalent combination would continue Murphy USA's trajectory of shareholder returns into 2023. Pulling off the simple math is more challenging, and that is the job of my leadership team under the direction of Murphy USA's Board of Directors. Our second slide summarizes our strategy framed by an equally clear and simple formula for growing this business and growing earnings per share.

At the top, we have organic growth where our objectives are focused on maintaining our relevance to our customers for the long term. To build or rebuild assets where we have the right to win, in markets where we win with customers, and we have the right competitive dynamics.

Next, and key to our success since our spin, we continue to focus on improving the core productivity of our stores, maximizing our margins and minimizing our cost to gain competitive advantage in our business model, which translates into how we price fuel, tobacco and our other products to grow share. Last, we commit to remain

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disciplined with our capital allocation, where since the spin, we've invested nearly $1.3 billion in share repurchases and a similar amount of capital inorganically. Healthy and balanced approach to capital allocation in a mature and highly competitive sector. As noted earlier, more detail on our strategy can be found on our Investor Relations website.

Executing against this formula has served us well as demonstrated with our record Q1 results. Today, I would like to add some color to show how April performance continues to gain momentum, despite the challenges to retailers in the COVID-19 world we face.

On our next slide, we have organized some key metrics and results under headings that represent Murphy USA's enduring competitive advantage. First, we have a distinct footprint with the majority of our stores, either on a Walmart parking lot or on an adjacent lot, where we are sharing in the increased traffic of Walmart customers during shelter-in-place orders from grocery pickup and other essential shopping trips. As we compare the last 10 days in April to March, not only are we seeing an absolute improvement in fuel volume and transactions but our relative performance to the industry average has increased. As a reminder, while total fuel volumes are down in gallons, fuel margins remain elevated, which continues to more than offset the volume impact.

Second, we remain a low price destination for value-conscious customers. And with enhanced offers, we continue to see the significant absolute growth in relative share gains in major categories, like tobacco, where the industry is declining nationally. Traffic growth has supported non-tobacco categories, which are now up 14% in the last 10 days of April, leading to a full month year-over-year gains of 4%. While enhanced offers have been key to attracting customers, our agile and responsive supply chains have been critical to having product in stock.

Thanks to the strong relationships we have built with our supply chain partners and manufacturers, our stores have remained well-stocked with customer favorites throughout this pandemic. Similarly, our supply chains for building new stores has been resilient, and we are experiencing no major delays to our new store and raze-and-rebuild projects as we remain committed to our 2020 capital program.

At the core of our competitive advantage sits our highly engaged store associates who have performed so admirably during this period. Customer satisfaction moved higher in April as customers noticed our associates' continued friendly service, store cleanliness and other small acts of kindness that have meant so much. Speaking of our customers, they, too, were incredibly generous, rounding up 1.1 million purchases in April to the nearest dollar for the Boys & Girls Club of America, in helping us exceed a $500,000 annual commitment in a single month, which will go towards supporting the communities we serve.

April performance has enabled our cash balances and liquidity to remain healthy and strong, while the long-term bonds have recovered to levels above par as transparency and confidence in our financial position is high. These highlights call out the momentum we see in our business and the results we are capable of generating in both strong and weak environments. This momentum has even carried in the first few days of May as we are seeing both volumes and merchandise sales, tobacco and nontobacco, improve over the last 10 days of April. As noted in our Q1 call, we built this company to be resilient. As shareholders, your Board of Directors and management team have worked diligently since our spin to build a business that can endure the most challenging times. While none of us envisioned the current situation, we hope you take comfort knowing your company was built for this. This concludes my prepared remarks.

R. Madison Murphy,

Thank you, Andrew. Now that everyone has had the opportunity to vote, I hereby declare the polls closed. While the votes are being tabulated, we'll take a few minutes to answer questions. For appropriate questions that we do not get to today, we'll endeavor to provide responses on our Investor Relations website after the meeting. Christian Pikul, our Vice President, Investor Relations and Financial Planning and Analysis, has been monitoring the questions that have been submitted by stockholders.

Christian, are there any questions from our stockholders that you can relay?

Christian Pikul, Murphy USA Inc. - Senior Director of IR & Financial Planning and Analysis

No. Mr. Chairman, at this time, I'm not showing any questions. I remind our investors that any future Q&A can be directed to the Investor Relations department, and the contact information is on our Investor Relations website.

R. Madison Murphy,

Okay. Many thanks. At this time, I'd like to request the preliminary results of voting.

Greg, would you please share the results with us?

Gregory L. Smith, Murphy USA Inc. - Secretary

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Yes. Mr. Chairman, I'm pleased to report that all nominees for Class I directors have been elected, each with over 98% of the shares represented at this meeting.

The stockholders have approved, on an advisory basis, the compensation of the company's named executive officers with a 97% majority.

And the stockholders have ratified the appointment of KPMG, LLP as the company's independent registered public accounting firm for 2020 with a 99% majority.

With that, each of the items voted upon today as listed in the proxy statement have been approved by the company's stockholders and will be recorded as stated in the minutes of this meeting.

R. Madison Murphy,

Thank you very much. Thank you all for participating today. On behalf of the Board, management and the employees of Murphy USA, thank you very much for your interest, your time and your trust. We appreciate that very, very much. I now declare this meeting is adjourned. Those in favor of doing so, please hang up, but do visit our website and ask questions of management if you do have them. Thank you. Fair well in this environment. And thank you very much. We are adjourned.

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