Murphy USA | Goldman Sachs Global Retailing Conference | September, 2021

Bonnie Herzog:

Good morning, everyone. Thanks so much for joining us this morning. It's a pleasure to introduce Andrew Clyde, who is the president and CEO of Murphy USA, which is one of the largest C-store operators in the country. Now this past year has been very exciting for Murphy, especially as the company has broadened its portfolio with the acquisition of QuickChek earlier this year, and really has been executing very well against what is incredible volatility across this broader C-store landscape. So there's definitely a lot to discuss this morning.

Bonnie Herzog:

So I want to jump right into our Q&A session. But just a quick reminder for everyone listening, if any of you have any questions that you'd like me to try and ask Andrew, please email me and I'll try and work those in. So now Andrew, thank you again for being here this morning. And as I mentioned, a lot has changed, thinking of it in the context of COVID. At a high level, could you maybe walk through what you see are the biggest, permanent changes to the C-store landscape and maybe highlight for us some of the things that you think sets your company apart from some of your peers in this new environment.

Andrew Clyde:

Sure. Good morning, Bonnie. And thanks for hosting us today and good to see you virtually. And as we said, "It'd be great to get back in person at some point." Look, I think Murphy USA remains the advantage value player in this marketplace today. And we built that advantage over many years since our spin. And it really showed off during the COVID pandemic and all the trends we've seen as a result of that. One of the first trends we saw was the demand destruction. Because of our markets, our customers, our positioning in front of Walmart, our everyday low price offer, we weren't impacted as much as other retailers and we've seen our recovery happen faster. And I think the biggest single trend that we've seen as a trend that's been going on for many years, if you go back to fuel margins for the past couple of decades, they've been increasing as the breakeven margin requirements, cash margin requirements for marginal retailer goes up.

Andrew Clyde:

They go with inflation, they go up with labor costs, they go up with various factors. And certainly we, I think, prove that kind of theory of the case during COVID when demand fell 50% and their cost requirements doubled. And the industry was frankly fortunate that the crude oil price environment fell so sharply because of what happened in Russia and Saudi Arabia. But what it really demonstrated was that margins were sticky. The marginal players needed that higher level of thought margin for their overall profitability. And what you witnessed was the advantage value player like Murphy USA with the low cost structure, the zero breakeven requirement benefited significantly during that period. And so what we've witnessed now in 2021, and frankly, one of the most difficult pricing environments, an upward rising environment for most half the year is that phenomenon continues to play out. I think macro demand at the US level is still down, some 10 to 12%.

Andrew Clyde:

We're recovering, again, faster than that because of our markets, our customers, our value proposition or positioning. And the marginal players continues to face challenges that's keeping an upward pressure on margins just for them to maintain their overall profitability. And frankly, we've seen some firms that are only generating 90% of the same fuel profitability as a year ago. So I think that's point number one. That relationship exists. I don't know if we're on that slippery slope of demand starting to fall, like we saw with tobacco 40 years ago. But we're going to be super well-positioned as the advantage value player in that environment. I think the second trend that we saw is just this unprecedented government stimulus and what it's done from a labor standpoint, whether it's our staff and labor, whether it's the driver shortages. I'm sure you want to talk about that in more detail. But once again, I think because of our advantage, the culture, the spirit we have out in the field, the things we're able to do, we've weathered through that storm and it's not been without challenges.

Andrew Clyde:

And I've talked about our top 10 challenges last quarter in our earnings call, but the resilience of the business model able to overcome that, I think is just remarkable. And so I think we're going to continue to see labor challenges throughout. And I think those that are sitting there with that advantage are able to move from temporary to more permanent solutions to gain and sustain that advantage. And at the end of the day, no one's immune from these trends. It's really, how is your business model positioned? And are you going to be able to take advantage of them?

Bonnie Herzog:

No, that makes sense. And along those lines, as we think about this environment, what have you noticed from consumer behavior, Andrew? I'm thinking about in the context of, as the summers progressed, even sequentially. Since you reported last, have you seen any major, either improvements with consumer purchasing patterns or traffic, whether that's in July or August? I'm thinking also over the labor day weekend where maybe more consumers were on the road driving instead of flying, given the new Delta variant.

Andrew Clyde:

Sure. Look, I think during COVID, consumer behavior shifted. We talked about how it shifted for the Murphy USA side of our brand. We invested significantly to be in stock on certain items, mainly around the tobacco category. And while we're not seeing the same industry year-over-year gains that we saw with the pantry loading, our last comparison of our performance versus Nielsen data, month-to-month,

quarter-to-quarter, we are still outpacing the industry there. So consumer shifted because they wanted the product, they wanted one place to get it. They wanted value for that product, given the uncertainty in the environment. So, the COVID environment allowed firms like Murphy USA to reinforce our brand and our brand proposition. We're finding those customers are sticky on the other side of that. Similar with our new QuickChek brand, we are seeing record food and beverage sales at some of our most established stores in July.

Andrew Clyde:

The most recent period, we've got full month data on. And we saw that in the second quarter as well. And so again, strong brand, delivering value, high quality product. It just speaks to the power of staying true to your customers during the COVID period. And so I think consumers are shifting behavior. Maybe we're still not seeing some of the early morning coffee day part at QuickChek, but it's being more than made up for in the late afternoon, early evening day part with other drink products. Maybe it's getting delivered through one of delivery services versus someone coming in and picking up their first cup of coffee in the morning. So we're seeing trends, we're seeing some loyalty towards brands that stand for something.

Bonnie Herzog:

Okay. That makes sense. And maybe shifting gears, you touched on this a bit, but there's across the industry labor shortages, supply constraints. And I know in your most recent quarter, you talked about your new store openings delaying those just a little bit. So it'd be curious, I think you're targeting is at mid-30 in terms of new store openings this year. Is that still doable? And I'm saying that thinking about how difficult it's been just getting equipment, supplies. Is that something that you guys can still achieve this year? Does it need to get delayed a little bit further

Andrew Clyde:

No, we're still tracking on that number. There was only one ingredient in the entire store build process that was lacking. It's a specific acid that coats underground tanks. There are two underground tank manufacturers. We focus on one. And two of the three plants that make this coating, were down for a period. So the industry was backlogged on that front. So we're tracking on our latest guidance. We made up some of that with additional raise and rebuilds this year, and then we'll start making up some of the short fall in '21, in '22 and '23. I Feel really good about that. Feel really good about the pipeline of new stores, not just in the Murphy USA markets, but in the QuickChek markets as well. And I got to tell you, that team is really excited about the growth prospects that we have in the QuickChek markets and returning that great brand to a period of sustainable growth.

Bonnie Herzog:

Okay, that's great to hear. And then sticking maybe on expenses for a bit. Can you talk about the environment? Obviously, all retailers are experiencing stepped up operating expenses. Maybe give us an update on where you're at. Taking up some of your hourly wages, and you've been happy to do that, are you experiencing further cost increases on that front? And then just thinking about labor, how challenging has it been for you to either attract or retain? And then in terms of your store hours, are you back operating with all of your stores, kind of opening or open the same number of hours as previous year?

Andrew Clyde:

Sure. Yeah. I said, we haven't been immune to this challenge. We reduced the hours of operation at a number of stores to address the shortfall. We put in place some temporary measures, but we've also, for about half our stores, made permanent increases to our starting labor rate as well. And we're continuing to accept overtime knowing that some of it is a little bit more temporary, given the shortfalls. I think the benefit that we have is because of the productivity improvement efforts that we launched since our spin.

Andrew Clyde:

We had our have our labor model, very tight. Our supplies and other costs have been RFPed. So we feel really good about our cost structure. And so when we guided for higher costs and the second half of the year, we're not seeing anything above and be beyond that. So for right now, we're just executing against that. What I will tell you though, is the confidence that we have around the fuel margin more than making up for that in our case allows us to really, I think, shift our mindset from is this a temporary inflation, labor issue to something more permanent. And if it's more permanent, how do we identify the right labor rate sweet spot across our formats, across the variety of rural to highly urban markets that we have from our small kiosk to our large formats.

Andrew Clyde:

And by nailing that sweet spot in really being, frankly, even a little bit more competitive in those markets, we know that we have such a large advantage from a free cash flow and margin standpoint, given what the marginal players are going through, that we're able to do that. So we're actually looking at this now from, okay, is it a temporary cost? How do we manage through that to the benefits from it are permanent? So let's identify the right sweet spot and gain an advantage on labor. I hosted a call yesterday with all 1,500 Murphy USA store managers, gave them an update on the business, addressed their questions on a wide range of issues.

Andrew Clyde:

We just completed our two year engagement survey. Participation was up. Engagement was solid in the field and hadn't dipped. And I think that says a lot about the culture, the contest, the promotions, the things we've done to keep people engaged, the additional benefits that we provided in 2020 that continue over into 2021. And so I think, again, it speaks highly to brands that stand for something. It's not just your customers, but it's your employees. What do you stand for with them? We stood by them during COVID. They stood by us on the other side of that. And we're working hand in hand to win with the customers. And now looking, say, how do we capitalize on this unique advantage that we have from a financial standpoint so it can be a win for everybody?

Bonnie Herzog:

Okay. That's great, honestly. It sounds like you've made a lot of progress with that. It is challenging for everyone. And then just sticking with some of the cost pressures, thinking of about it in the context of the consumer, again, are you able to, and I'm thinking about all the freight, everything that's going on within the commodity pressures as well, are you able to successfully pass on, do you think, within your stores price increases? And are the consumers accepting those increases? And I'm thinking about that in the context of maybe right now consumer might be okay, but things are going to change possibly as a lot of these stimulus payments roll off and end.

Andrew Clyde:

Sure. So, look, we're typically a price taker on motor fuel. So it's more of following the market. And I think what we've seen is that oil and gas prices move up and down significantly. Look where we were at the beginning of the year to where we are now, close to $70 a barrel. And so, I mean, if you think about the impact of labor, and what's the worst case scenario we might see from a labor standpoint? Well, if we had a federally mandated $15 an hour for a starting wage, and then we know that we can't allow compression to take place, because then we have turnover at a higher levels, and you ripple that through the system, at the worst case scenario that we've modeled for labor pressure over the next few years, Bonnie, it might equate to 2 cents a gallon for Murphy USA. For the smaller, marginal retailer that has a quarter or a third of the gallons that we do, that number's closer to seven to 11 cents per gallon.

Andrew Clyde:

And so they're the ones that are going to be forced to say, how do we recapture that cost? Do we pass it on in tobacco? Maybe. We'll stand to benefit from that if you want to measure it on a cents per carton based this. Do we pass it on in packaged beverage or other items? Maybe. There's a lot of other competitors in that space as well. Do we pass it on in prepared food? Possibly. And you think about the quick check environment, stores doing over 300,000 gallons. Once again, our high volume, low price, everyday low price positioning just allows us to withstand whatever those pressures are so much better than the competitor who's got the lower volume or the higher roster count in terms of employees.

Andrew Clyde:

So it's not if or when those challenges persist. No one's going to be immune from them. It's going to be are you advantaged from a value standpoint when those challenges show up and in our position, we're able to do that, follow others from a pricing standpoint, and frankly 2 cents per gallon, when the industry's raising it seven to ten cents, we're going to gain advantage. And it's exactly what we've seen on the tobacco side and some of the other commodities as well.

Bonnie Herzog:

No. That's a good point. You know, talking with investors, I'm not sure they always understand that dynamic, but I think it's absolutely playing out and seems like it could be sustainable. And some of the larger store operators, such as yourself, with all of your capabilities, you're going to be in such a stronger and more advantaged position as you highlight. And then thinking about some of the key merchandise offerings that you have, you touched on tobacco, and I'm about the context of this year lapping probably some pretty difficult comps. How should we think about the phasing of that when I think about the remainder of the year for your comp growth inside sales? How are you going to be able to lap that? [crosstalk].

Andrew Clyde:

Sure. Bonnie, we're lapping so many different things. I mean, on general merchandise, we're lapping the PPE, but on the other hand, food and beverage, where some of that was down has come back, and the like. So the latest numbers I've seen is the industry is trending down some on the tobacco side, but we're doing better again than the industry, and so we've got that. We're seeing the continued transition towards the non-combustible, lower harm products. And we're a leader on that side as well, and have done extremely well with some of the introductions of those items and the promotional activity around those. So I'm not going to get into quarter to quarter comping for the rest of the year, but as the market

shifts, we do believe we're going to sustain our market share gains that we established over the past year and a half.

Bonnie Herzog:

Okay. I wanted to switch gears, and talk to you a little bit about, we talked a little offline, just hurricane Ida. Any impact on your business. You know, I'm thinking about it as it resulted in a temporary shutdown, again, I guess, of the colonial pipeline. How did that impact your business, if at all?

Andrew Clyde:

Sure. Well, look, we are very well prepared for hurricanes. This team's been challenged so many times. We've got our playbook down. And once again, our team did just a remarkable job, not only looking after our employees and being able to get a hold of every single one of our employees in the affected areas, but also being in the position to get our stores back open quickly for our customers. We had 74 stores impacted in the southeast. I can tell you that as of last night, all but seven of those are back open and six out of those seven don't have power. And where we've had other stores that we've had to reopen without power, we're able to secure generators and get them back into place. We only had a couple of stores that had severe wind damage where a few others had some mild canopy damage.

Andrew Clyde:

You know, the team's also gone out of its way to help Ochsner's Hospital and other organizations that are facing challenges getting their employees to and from work and doing special things going above and beyond to make sure those workers can get back to hospitals, first responders getting product, et cetera. From the overall business standpoint, I would say, this is no different than any other hurricane. There's pre-buying that takes place. And then there's some lower periods around that. You know, certainly didn't help having it right around the Labor Day period. The colonial disruption was not major. It did not have a major impact. And we have secured product from other sources as well. You know, our Quick Check business, because I know you and others in the northeast were impacted. We had a store in Manville, New Jersey, that you saw a lot of flooding on the news.

Andrew Clyde:

We just happened to be at one of the highest points in that town. And so no impact to our store there. I think we had to rescue a couple of employees, but yeah, that's one of the things we loved about Quick Check when we met them the first time was our cultures are aligned. Our focused on our people is aligned. Our focus on our customers and helping them out in times of needs is very much aligned, which is really helped from an integration standpoint as well. So we've weathered through it and I hope all our listeners today have as well.

Bonnie Herzog:

That sounds great. And let's talk a little bit more about Quick Check because it's been exciting to honestly, watch you go through this. I think it's been a few quarters since you closed on the transaction. So I'd love to hear from your perspective how you think you're doing in terms of executing on the integration and what have maybe been some of the biggest surprises, maybe on either the upside, and quite frankly on the downside, maybe something that you've underestimated in terms of integrating these two businesses.

Andrew Clyde:

Well, integration is moving on very well. I know you and others have noted, we don't have M&A experience, but what we have is more important than that is transformation experience. I mean what we've done to ourselves without a burning platform since 2013 from my prior consulting days, I would say, is more challenging than integrating two companies that have very aligned cultures. I think that's probably been the biggest surprise is just how aligned the spirit of the people are, the willingness to look at different things. We've taken a go slow to go fast approach to the business because we understand what the pitfalls are in integration, especially one that's around a strategic capability. You don't want to do things that destroy the capability that you sought to acquire.

Andrew Clyde:

A lot of early wins. I think what's impressed us, and you can see from the outside on QuickChek, is they've really invested in technology that benefits the customer, self-checkout, customer order screens, early adopters to that, but a business of 150 stores just doesn't have the scale of an enterprise of 1500 stores. In some ways, it reminds us every time we were up there, and I was up there this last week, Murphy USA pre-spent some of the areas that you haven't seen the automation, you haven't gotten the benefit from scale, new ways of doing things.

Andrew Clyde:

I think that's where the culture of the teams come together when people say, "Well, gee, we always wanted to do that but we needed to direct our IT budget towards this customer facing opportunity." That was the right set of choices and trade-offs. Those ideas and opportunities that we've identified are being welcomed by the team members there because there's often things they've wanted to do.

Andrew Clyde:

We've got a lot of early wins around scale, whether it's insurance, which is a big ticket item, a lot of scale benefits from that, from procurement, from other contracts, et cetera. Our fuel end-to-end supply chain has now been completely centralized where we're managing fuel supply from El Dorado. We have their fuel pricing on the same instance of Kalibrate. We've got playbooks for every store in every market.

Andrew Clyde:

I can just keep going on and on. It's just taking a very disciplined approach and we actually have a lot of that experience on our team. We just haven't pointed it as a company towards an M&A target, but I would say pointing that towards yourself, frankly, is a lot harder than pointing it towards a different business like we have with QuickChek.

Bonnie Herzog:

That sounds great. It sounds like it's been more of upside surprise and you've been encouraged by what you've been able to accomplish. Having said that, talk a little bit about your capital allocations and priorities. I mean should we assume since things have been going well with the integration of QuickChek, are you at a point where you'd be ready to pursue additional M&A? Or is this something that you'll kind of hold off on near-term? I say that because you have been buying back your stock, you're now paying this dividend. Is that more of the priority right now for your free cashflow is to buy back stock and continue to pay the dividend?

Andrew Clyde:

I would refer you back to our October memo last year to shareholders outlining our capital allocation priorities. They really haven't changed. I mean this is a free cash flow generating machine as a business. We're in that very fortunate position. Our top priority is the organic growth of our advantage business model, whether it's the advantage business model of the Murphy USA brand or the QuickChek brand. Fortunately we have plenty of growth opportunities in both.

Andrew Clyde:

In doing so, we're going to build and rebuild through our Raze and Rebuild program assets where we have the right to win in our markets. That really has been and will continue to be our first call on capital. As we highlighted last year, we noted that we would be interested in pursuing M&A if we could acquire a strategic capability that we don't have, one that would be more expensive to build than to buy. That's what QuickChek represented.

Andrew Clyde:

We said after integrating that we might consider quality midsize chains, but I would tell you having been more in the deal flow of late since we did one and surprised some people, a lot more things cross our desk. I would argue that in nine out of 10 cases, these are not the higher quality chains. They're the third and fourth quartile chains. They're often operations where operator wants to get out. They're looking at the high multiples. They're maybe forecasting higher capital gains tax rates or other issues that are causing them to want to exit.

Andrew Clyde:

It's interesting to see what's on the marketplace, but it's not something that represents a strategic capability, nor is it something where you would say, "Oh, that's the perfect shell to put a QuickChek offer in now that we have that additional capability." I think we acquired one of the most special assets out there on the market. I don't think, frankly, if you look at the top 30, 40, 50 chains out there, there's anything else quite like that.

Andrew Clyde:

With that, we continue to think about returning value to our shareholders. I would argue that the advantage value player in many of the retail segments you probably cover, Bonnie, sell for a premium and Murphy USA continues to sell for a discount. Christian reminded me of a earlier slide that we have that talked about our value formula and what we give investors. There's that feedback loop at the end. As long as our shares are discounted relative to our view of our valuation, we're going to continue to buy back shares.

Andrew Clyde:

I think going back to the very beginning of this conversation, there have been so many proof points over the last 18 months where our advantage value proposition has showed up in sustainable enduring earnings and free cash flow that the market is still slow to respond. We bought back over about $150 million worth of shares last quarter as evidence of our belief of that. I think one of the challenges when you buy back shares at that rate is your dividend, from a yield or rate standpoint, looks different.

Andrew Clyde:

At some point we're going to have to think about what's our sustainable dividend strategy given share buy backs of that level. That's something that we obviously think about as well, and it'll remain a smaller part. I think as we coined the term, we're a share repurchase plus firm versus what some people might call a dividend plus firm. Those are priorities. They really haven't changed. We're excited about all the organic growth that's still out in front of us.

Andrew Clyde:

I think the more we demonstrate two things, one, our advantage in an industry that, yes, has secular declines, right? Fuel's going to tip at some point from a demand standpoint. Tobacco already has the labor challenges. When we can show how those headwinds translate into tailwinds, I think it changes how people think about the terminal value of this business is actually higher, not lower. We are the advantage value player that should be getting the premium. We're certainly disappointed we didn't get the organic growth 50 stores this year because of the COVID supply chain issues.

Andrew Clyde:

I think when that quality organic growth gets delivered at that scale, eventually investors will look forward on that front and will say with some of that earnings I'm going to pay forward in a higher multiple as well. Frankly, that gets back to our raise the bar chart, the 700 million, the million shares a year, another turn on the multiple. That's really our focus is how do we grow total shareholder value and returns at a 15 plus percent compounded annual growth rate?

Bonnie Herzog:

Yeah, no, that's super helpful. I think you bring up some good points and just thinking about investors' perception about your business relative to peers. I mean you touched on a lot of it. I think very much in a high level or a simplifying this, maybe the greater exposure to tobacco and fuel to some extent, but as you think about, as I should, with this acquisition, and I think about your exposure to tobacco as a percentage of your mix, it's coming down. In the context of that, you have, as you pointed out, you've taken share, but you've also improved your margins. That's a key positive.

Bonnie Herzog:

Then just in terms of the fuel component, this is much more of a positive. I don't think the broader market fully appreciates yet that we are entering this period of hopefully realistically elevated fuel margins. That's what we were talking about earlier. To your point, maybe these should be viewed more favorably than maybe what the market is thinking about today. Would you agree with that?

Andrew Clyde:

Oh absolutely. Look, I think in some ways, fuel and tobacco are similar. If you look at the 40 year decline on tobacco, the industry has made more money, the manufacturers have made more money. The retailers have made more money. We've shown that at five X, the typical volume, we disproportionately benefit from that as the advantage value player. We see the same on the fuel side as well. Yeah, I think investors will get there. In the meantime, we see a value opportunity for ourselves.

Bonnie Herzog:

Yeah. You're showing that as you're aggressively buying back your stock, right? That exudes confidence. Two other topics I definitely wanted to touch on with you, if I could, is private label.

Bonnie Herzog:

It’s Increasingly been coming up, meaning, implementing that in your stores. And I'd be curious to hear from your perspective, Andrew, if you see that as a potential opportunity. You talked earlier about the strong brand equity that you have between your stores and QuickChek. Do you see this as a potential to roll out more private label within your stores?

Andrew Clyde:

I do. I think we have to be careful about what categories and how we think about that. And so we've got a body of work going on right now that is really asking the question, where does Murphy USA brand have the right to win with food and beverage and center-store items with respect to our customers?

Andrew Clyde:

And we know what we're a destination for and where do customers give us credit. And look, I think one of the areas that we have done a good job from an optimization standpoint is our open-air dairy cooler. And as Core-Mark's continued to raise the bar on its fresh items, and now with the combination of Performance Food Group, which is the supplier of fresh items to QuickChek, there's an opportunity in that part of the food and beverage platform to introduce a private label item, whether it's a QuickChek brand private label item in our stores or another one.

Andrew Clyde:

I think as you start thinking about center-store categories, we are challenged in the sense that while we're still below 50% kiosk, small formats still represent a larger portion of our mix. And there's only so much square footage there, and if we were to go really all in on private label... And 7-11 is a great example of someone who's done that. I mean their stores, the density of their stores, the supply chain that they manage, their own commissaries, how customers view that store. It may lend itself to certain retail brands better than certain other retail brands and what they stand for.

Andrew Clyde:

So, we do it with our water program today. We had done it with a energy drink, but the reality is with the proliferation of products from Monster and Red Bull and Rockstar and all the various other brands, we started thinking about how do we allocate a finite amount of shelf space in our coolers? We found that our customers are seeking the premium products for a value brand and the introduction or sustaining of a potentially higher margin, but arguably lower quality, generic brand.

Andrew Clyde:

We pulled it out to make room for the innovation that our packaged beverage manufacturers were demonstrating for us and that turned out to be a very wise choice from an economic standpoint. So we're looking at it. I just don't think, from what our brand does stand for, it may lend itself to that, to the same extent, but we're looking at that from a consumer research market research backed standpoint.

Bonnie Herzog:

That makes sense. And I know we only have a few minutes left and maybe this is too big of a topic for a couple of minutes, but I wanted to touch on EV or electric vehicles. I mean, it's interesting to me, Andrew, in the last what, year and a half, two years, the number of questions I get about this, even though the penetration of EV in our country is still incredibly low, just 2%. So remind us again your thoughts on this and what you may or may not be doing as it relates to charging stations or thinking about that for the future.

Andrew Clyde:

Sure. It's a big target, a big topic, because we hear about it so much in the press. And if I think about what the auto manufacturers are out there saying, I mean, we've tried to discern their messages and some are really clear and some are really unclear, both in terms of... Are you talking about battery electric vehicles? Are you talking about battery and hybrids and the hybrids are already built into our demand estimates? Are you talking about just Europe or are you just talking about Europe and the U.S.? And so, some are clear, some are very unclear.

Andrew Clyde:

I would say on the other axis to their communications, some are very realistic about what they're doing. Take Toyota, for example, I think they've been clear and realistic in terms of, hey, we're going to focus on hybrid. There's only so much raw material around the world to go around. We can achieve our energy efficiency and climate, other goals more effectively and efficiently for the customers through that.

Andrew Clyde:

Where others have thrown out some goals that, frankly, just seem unrealistic. So I think you have to really try to discern what folks are saying. And we've heard people make pledges before, and right now that's what they are. I think that European automakers are in a more difficult place, as regulators could push them to insolvency if they don't do something. And so it's a different environment in Europe than in the U.S.

Andrew Clyde:

Look, I always go back to what does the customer need and what are the customer demand segments? And so we talk about this lack of charging stations as being the big obstacle. It's the big obstacle for that customer demand segment that is ready to buy an electric vehicle and can afford to buy an electric vehicle. And that is typically a more affluent, more educated, higher income customer who is buying a luxury vehicle.

Andrew Clyde:

And as we said, Tesla's made a beautiful car, but they took market share from BMW and Mercedes. And as we look at our consumer research about what cars are out there, what customers are buying them, it's a luxury car. And you think about changing four $250 tires every 10,000 miles, which is what you're having to do because of the performance of those vehicles, insurance at the cost of a 911, our customer can't afford that. And so while charging stations may be the barrier for the luxury demand segment, as you've marched down, affordability is the issue for the average American and especially our customer

segment. And as I've noted before, we got a half a million of our Murphy Drive Reward respondents to come back in a week and tell us what they own.

Andrew Clyde:

And the average car in America is 12 years old, 50%, are over 11 years old. Our customer's car has 125,000 miles on it, and they bought it used for $15,000. And so that demand segment isn't going to be in the market for a very, very, very, very long time. And there's not a product in the market, even the new Mach-E and Lightning, which are great products, right? And they fit a niche. They're still luxury vehicles, being priced over $60,000. So you got to always say, what does the customer need?

Andrew Clyde:

Because we can get a half a million voice of the customer responses in a week, we're not going to lose sight of this, right? It's going to happen very slowly. But we also have our toe in the sand in New Jersey, which is a very dense market. And we've got several charging stations there. It was largely built with other people's money because that's the only way their economic today. And we're able to monitor performance there.

Andrew Clyde:

So, there is a transition. Like many products, it marches down the demand curve. Our demand segment is so far down that curve it's not going to impact us. We've got our eyes wide open, we've got consumer research. We actually have a consumer or two that show up and recharge there at QuickChek while they go in and get a great cup of coffee and a great sandwich. And it's one of those things where you can be a cautious follower and it'll be a couple of decades.

Andrew Clyde:

I mean, our mission is to provide low cost motor fuels for mobility, for Americans. And whether that motor fuel is a hydrocarbon or an electron, we're going to be there, but our customers are going to get served through our current offer for a long time.

Bonnie Herzog:

All makes sense. Thank you so much, Andrew. It was great having this opportunity to speak with you. So I appreciate your time. That's probably it for today. So thank you everyone for joining us.

Andrew Clyde:

Great. Thanks, Bonnie.

Bonnie Herzog:

Bye.