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<<Bobby Griffin, Analyst, Raymond James>>

Well, good morning, everybody. Thank you for being here. I'm Bobby Griffin, the lead consumer hardline analyst here at Raymond James. And today, we are pleased to have Murphy USA here at the conference. With us from the company, we have CEO, Andrew Clyde; and Eric Bartko, VP of Analytics and Strategy.

Today, Andrew's going to do a presentation. We might have a few minutes at the end for Q&A, if not, we can move to the breakout. So with that first, Andrew and Eric, thank you for the support. We always enjoy having you guys here. You've been long supporters, so we really appreciate it and I'll turn it over to you.

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

Thanks, Bobby. It's always great to get back to this Raymond James Conference. We actually use it to introduce our new investor presentation every year. So in some ways, we kind of think of it as our Analyst Day and it is good to be back. I remember, we were all here a few years ago when COVID was breaking out and it's just great to see investors in-person again. We'll skip past the normal cautionary statement and move on to the presentation.

If you followed Murphy USA since our spin in 2013, what you'll know is that we've had a very consistent strategy. It's been focused around organic growth. It's been focused on improving our economics, the productivity of our stores to enhance our everyday low price positioning. And it's been focused on very disciplined capital allocation. That model has allowed us to build and sustain a lot of resilience and agility over the last few years, right.

If you think about the periods where the economy is growing and then contracting and think about the pandemic, our advantage has actually grown as we see more value-oriented customers seeking affordability, which we offer. We also utilize our balance sheet when necessary, and we used it in 2021 to make the QuickChek acquisition where we bought a food and beverage capability that would've been more difficult to build on our own.

Those results showed up in 2022 when we had exceptional margins based on a lot of the dynamics that I'm actually spend a fair amount of time talking about today and why we believe they're sustainable. But it was also driven by the fact that our new stores are performing at a higher level in terms of the same-store metrics. They're benefiting from these macro factors. The investments we've made in fuel pricing, tobacco merchandising, loyalty is allow us to capture, share and sustain that share. And then the excess free cash

flow that we generated not only in 2022, but in the prior years, we did exactly what we told investors we were going to do. We would give it back in our preferred form of share repurchases.

The results in cumulative demonstrate the shareholder returns you see on the upper right here, exceeding the indices in our peers for any period over the last 10 years leading to 620% returns over that 10-year period. This is a simple business and we've focused on these value creation drivers I talked about, organic growth, improving the productivity of our stores, and being really thoughtful about shareholder distributions. And over the last decade, we've earned the credibility through these proof points, right. If you look at the number of stores we've built, we've added almost 500 stores, increasing our network from below 1,200 stores growing at almost 50%.

We've been reinvesting in the small kiosks we started with in front of Walmart Supercenters, and we've raised and rebuilt over 177 of those into small format stores. And then we made the acquisition I mentioned on QuickChek. What can you expect going forward? More of the same but better, right, continuing to build 40 to 50 bigger stores that will generate 7% to 8% square foot growth. We continue to raise and rebuild the old stores because unlike most of the older stores in the industry, our stores have reinvestment economics, meaning you can tear it down and rebuild it and have a super high performing store.

We are not in M&A, like the consolidators but we will consider M&A, if it makes sense and it's high quality to augment our growth. I'm not going to go into a lot of detail on the productivity initiatives we've done in the past. We've talked a lot about those in our earnings calls, but the point is a lot of the results that we've seen over the last few years stem from investments that we made in prior years around loyalty, around our fuels pricing initiatives, around our goal to get to our zero break-even. And I'll be mentioning a couple of the newer investments that we're making now around in-store experience and digital transformation that will pay results in the future for us as well.

In terms of shareholder distributions, we've been really thoughtful from day one about balancing organic growth with shareholder distribution share repurchases. As a result, we've bought back 53% of our shares outstanding since the spin and then also instituted a dividend that grows at a ratable pace as well. And you can expect to see more of that in the future as well.

The biggest question we get is about the sustainability of margins, fuel margins, they ran up, where are they going to stay? So this chart shows a piece of analysis our team has done, right, that helps demonstrate the sustainability. On the left hand side, what we've done here is with the help of NACs, we got the same firm data from all the firms that participate in their survey that you see in their state of the industry report. But we got the same firm data from 2007 to 2022, right.

So these are the same firms reporting every year. This probably represents, and this is the bottom half of those firms, so it probably represents the second quartile in the industry.

They're serving the top half and this is the bottom half of those. And what do you see over time, their fuel break-even. Thus, their operating expense minus their merchandising profit divided by their volume has grown steadily. Payment fees have grown steadily and increased most recently in the high price environment and their facilities cost their rent, their interest in depreciation has grown as well with inflation and the like.

What happened in 2022, that top line, their profit has gone from $0.02 to $0.04 to $0.05 and jumped up to $0.17. How is it that they were generating more profits? Let's compare what the bottom half of the top half look like versus the marginal retailer in the industry that really sets the margin for the industry. If you assume the same cost structure, what's different between the marginal retailer and this second quartile retailer, the one on the left does about 130,000 gallons per month per store. So assume the marginal retailer only does 90,000 gallons, better yet, let's assume they do 70,000 gallons, which is what the OPIS survey of 25,000 stores every month does. Or even think about the smaller branded players that we know do about 45,000 to 50,000 gallons a month.

That lower volume increases their unit cost significantly. So you could expect their break-even to be $0.10 to $0.14 to $0.18 higher, that lower traffic impacts the traffic inside their store from a merchandising standpoint. And so, you would expect a break-even for this marginal retailer to be somewhere in the $0.20 to $0.30 range before adding on top of that payment fees and their facility cost, right. And that's before their profit. And then think about their take home pay. It's subject to inflation as well, right.

This is the industry supply curve. This is how we think about the industry. And when that marginal retailer is setting sort of price in the marketplace, that's why we can price $0.10 to $0.12 under that ceiling and still earn the $0.26 to $0.30 margin that we talked about in February when we presented our guidance for the year and provided a perspective on fuel margins.

This is a vicious cycle, yet these retailers persist, right. If you think about their fuel volume going down, trading margin for volume, impacts the traffic in their store, drives their unit cost up, impacts their profitability. But what we've seen consistently over the last few years is the industry's ability to pass through a few extra cents per gallon. And when you think about prices running up $1 and coming down $1, if they only come down $0.95 or they only come down $0.90, the consumer is still excited. Gasoline prices have come down almost $1, but maybe they didn't come down $1, maybe they only came down $0.90 because the marginal player needs that extra $0.05, that extra $0.10 just to persist.

And so that is the environment that we're seeing and we're actually seeing these same operators staying in business for longer periods of time. In this world, the performance gap is just getting bigger and bigger. And if you think about the industry that's highly fragmented, single store operators make up over a 60% of C-stores, single store units actually increased last year. That may be because an independent dealer now is running a store that was part of a chain, and so it's being reported as a single store operator. Or maybe someone actually said, hey, as a single store entrepreneur, I'm going to go open a

store and build because the margin environment looks so attractive if you have a good model.

We're seeing a lot of consolidation of the medium and larger chains, but they're not buying these single store operators, right. If you think about four of the top five chains excluding us are active consolidators over 13,000 units have changed hands since 2019. And those retailers tend to price up and take margin relative to volume, which is why we continue to gain share. And then large-scale operators invest in the future, whether it's digital capability, supply chain capabilities are in their stores.

So that's a little bit about the industry structure that Murphy USA operates in. What's our secret sauce? Well, our advantage continues to expand. Our fuel break-even that merchandise relative to operating expenses over the volume was rising, right, prior to the spin. It's a spin, it was at $0.035 cents. We've taken that to zero, right. We pay higher payment fees as well, but because of our cash mix, our debit mix, our scale for debit routing and other payment initiatives that we have internally exposes us less.

We own most of our stores. We're not paying rent to a third-party, we're keeping that. We have a conservative balance sheet. We're not paying as much interest as well. So if you look at the right-hand side of the chart, you see our break-even going to zero. You see the payment fees and facilities cost, everything between that and the $0.34 we made last year is profit.

And then you compare that to the second quartile, the bottom half of NACs and then the marginal player up there at $0.38, that could be $0.40 or $0.45 or $0.50. That's the advantage our business model has and that's our view is why it's sustainable. Because as you think about what it would take for the marginal players' position to improve, their volume's not going to get better once they've seated the share, their in-store transactions aren't going to rebound without some catalyst and their operating expenses lack the opportunity to gain benefits from scale.

What Murphy has been able to do in this environment is invest that cost advantage, that everyday low cost position to further reinforce our everyday low price position. And what we're seeing in the current environment is consumers trade down, but they trade down from higher price retailers first to value retailers, and then within that they trade down within brands. And there's not a value player with a better value proposition that a consumer can trade down from Murphy USA too.

So while we're seeing some modest changes in terms of consumer demand from our existing customers, we see consumers from our panel buying 42 gallons instead of 44 gallons. The fact that our volume is up several percentage points, reflects the fact that more consumers are trading down to Murphy USA. And that's our virtuous cycle, right. The fact that we're earning this profitability, we can reinvest it into value, it grows our fuel volume, it grows our tobacco volume that drives our in-store traffic, that creates greater scale from a unit cost standpoint on our cost reinforces the virtuous cycle that allows us to continue to invest in new stores and invest in value for our customers.

We did – we didn't just sit there and capture kind of high margins in 2022. This reflected a decade of investments. If you look over the last several years, you look at the organic growth, we added nearly 500 stores. We're continuing to raise and rebuild stores. We successfully executed our first and only acquisition of QuickChek to really build food and beverage capabilities. We made investments several years ago in a number of consumer facing activities.

Murphy Drive Rewards one of the most successful loyalty programs where we have 3.8 million active users, over 60% of our merchandise transactions go through Murphy Drive Rewards. EMV upgrades. It's interesting the fact that not all of the industry has fully invested in EMV at the pump and are now incurring the credit card liability shift. We made those investments as part of being a responsible retailer. We also invested in some of our home office capabilities, namely around our retail pricing execution, which has allowed us to maximize the benefit the environment has given us.

So when we think about the future, what are we looking at? It's the same story. It's about organic growth. The new stores have higher comps. They have higher volume on the Murphy stores. The QuickChek stores are higher as well, higher merchandising performance. The high fuel margins and the environment we're seeing accentuate those new to industry store economics. We are not immune to inflation. We estimate that building costs for these new stores require an extra $0.02 to $0.03 per gallon in the pro forma to be able to get the same returns. Fortunately, we're earning over $0.10 per gallon higher than what the old pro forma were at. And so we're generating even higher returns as a result of that.

And on the bottom right here, you can see the network square foot growth of about 7% as we target building up to 40 to 50 stores a year in the raze-and-rebuilds. If you think about that activity over the next several years when those stores are ramped up, each of those years will add about $35 million of incremental EBITDA to the bottom line.

We talked about how we made capability building investments since our spin, some of this stuff isn't exciting. But if you think about taking your fuel breakeven through a combination of merchandising activities and operating cost improvements from $3.05 to zero on 4 billion gallons, that's $130 million to $140 million of EBITDA improvement. The year before we spun-off, we only did $280 million of EBITDA.

So if you were to say you can improve your EBITDA by 50% by making those type of productivity improvement investments, frankly, I think that's a lot more exciting than being a consolidator in a crowded M&A space. And the good news is those prior initiatives have set the foundation for what we're going to do in the future. When we think about our in-store experience, what we have done to date is develop a standard offer that we execute at scale with excellence.

The opportunities we have in front of us allow us to start tailoring our stores more to the local market demands, the regional market demands, our store the future takes advantage

of the lessons from the QuickChek acquisition in terms of how Murphy USA is saying, its 2,800 square foot stores participates in grab and go categories of nationally recognized packaged food items where we have the right to win. We've pulled the roller grills out of our stores. Our consumers told us, you do not have the right to win or even play with roller grills as a more fuel focused brand at Murphy USA. And so as we think about re-envisioning our stores, how we tailor the offer, its building on a foundation of excellence from standardizing it.

In terms of our digital transformation. Before you do that, you have to digitize your business. And so with 2 million transactions a day in a high present going through our loyalty program, we have unparalleled access to data and we're taking advantage of it today, but it's more brute-force, kind of one offer fits all promotions as opposed to tailoring those promotions, personalizing those promotions. QuickChek developed a loyalty program off the shelf during the pandemic. We see significant opportunities to optimize that and share a common back office.

You can also use that data for better labor planning, production planning on the QuickChek side as well. So again, we've gone from a more standardized model that's been digitized to now a model that we can tailor and really take advantage of those digital capabilities. So those are a couple of examples that we'll be talking more about, but the investments we're making now that when we're here three years from now, we're going to be talking about the payoffs no different than the examples we talked about three or four years ago, like Murphy Drive Rewards that we saw the big payoff in 2022.

And you can count on us to continue to allocate capital with discipline, right? Our strategy delivers excess free cash flow. We've demonstrated in that prior chart why margins are, what they are, why they will be sustainable, how we have an advantage and how we reinvest in that advantage in a virtuous way, while the vicious cycle will cause those margins to continue to go up in the future. Our priority, balanced organic growth and share repurchases. And we continue to do that going forward. And you can see here our shares outstanding by year from just under 47 million shares. We ended last year at 22 million shares.

Other questions we get around some macro trends, we'll just talk about a couple of them. Electric vehicle is certainly something the energy transition. And when you think about EVs and in particularly battery electric vehicles because a hybrid and a plug-in hybrid still have an internal combustion engine and it's built into all the fuel demand forecast, the cafe standards, et cetera. It's still a very small proportion of new vehicles sold in the fleet.

You see it mostly in the zero emission vehicle states, right? And you see it more with affluent customers. But if you get into the Murphy states, it's a much smaller proportion of new vehicles sold in penetration. And when you think about who our customer is, we pulled 0.5 million of our customers a few years ago and they told us they're driving a 12 year old car with 125,000 miles they bought used for $15,000. Drive through a rural part of the central U.S., drive through a poor neighborhood in one of our larger MSAs. And

you get a good sense of the type of vehicles our target consumer is driving. So the transition is real, it's happening, but it's starting in places where we're not and it's happening with consumers who are not our target consumers today. So we see decades of opportunity serving our existing customers the way they want to be served.

The other big thing we talk about is affordability and the fact that the value customer, the lower income customer is being challenged. And we saw that through the pandemic. But again, our panel of over 200,000 consumers who have bought something from us every month since 2019 tells us they view the products they buy at Murphy USA, whether it's fuel, tobacco or other items are non-discretionary, right? They don't have the opportunity to work remotely. They need their transportation fuel to get to work, and they're going to buy the things they want to buy from us because of the value.

And even though their units sales may be down slightly, our growth reflects how many consumers that are value conscious and increasingly value conscious are trading down to Murphy USA. We'd like to say that we're growing with the largest and fastest growing segment of consumers in the United States. It's people who are seeking affordability.

That leads us to how we think about sustainability as a company. And our business strategy is resilience and sustainability is anchored around five pillars. It starts with affordability, then we're going to be a responsible retailer. We do it through our engaged associates, being committed to our communities and staying aligned with our shareholders.

And how do we stay aligned with our shareholders? I think this chart sums it up. This is the high closing price, the average low closing price, and the low closing price every year since our spin. And in every one of those years it's been higher. And someone did a piece of analysis for us and said, Costco is the only other retailer who can produce a chart where the high average and low is higher every year since the spin.

We use this chart to talk about how do we raise the bar in the future. And so if you said, okay, five years from now, what are you going to be doing? Well, if you continue to add new stores at run rate $35 million, margins continue to creep up, right? You can see a $1.2 billion EBITDA, right? If you continue to buy back 1 million shares a year and your share goes down and then you earn the multiple that the advantage value player in any industry should use, you can calculate a share price there that we believe will continue this trend of share price appreciation and our excellent track record on total shareholder returns.

So I know we're just about out of time, Bobby. But maybe we have time for a question or two.

<<Bobby Griffin, Analyst, Raymond James>>

Let's see here. Maybe one or two questions, yeah. See if anybody from the audience has one? I'm a libertarian, so it pains me to ask this question. And by the way, hate EVs, but

tobacco. Is tobacco under pressure in your markets at all? I mean, what do you see in tobacco consumption? And how important is it to you overall?

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

Yeah. It's a good question. It's very important to us. It makes up about 50% of our contribution margin. Tobacco has been in decline for 40 years and in every one of those years, the manufacturers have made more profit. We over-index the market by about 4% to 6%. So when the market's down 2%, we're up 2% to 4%. If the market's down 8%, we're only down about 2%.

The manufacturers have gone from raising prices twice a year to 3x to 4x a year. The incremental penny profit that we get as a result of that at those higher volumes translates into a greater contribution. We do about 5x the industry average tobacco sales per store. What that also allows us to do, coupled with about 4x the promotion conversion rate, is our single store is the equivalent of 20 stores on average when the manufacturers want to introduce low-risk non-combustible items. So when they're promoting nicotine pouches as part of that transition, we're better prepared to help with that transition because we're going to generate a more efficient, more effective marketing return on investment. So we're better positioned to help drive that transition over time.

<<Bobby Griffin, Analyst, Raymond James>>

Yeah. With that I think we're right on time, so we'll move to the breakout. Thank you.

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

Thanks, Bobby.