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Murphy USA Inc. NYSE:MUSA

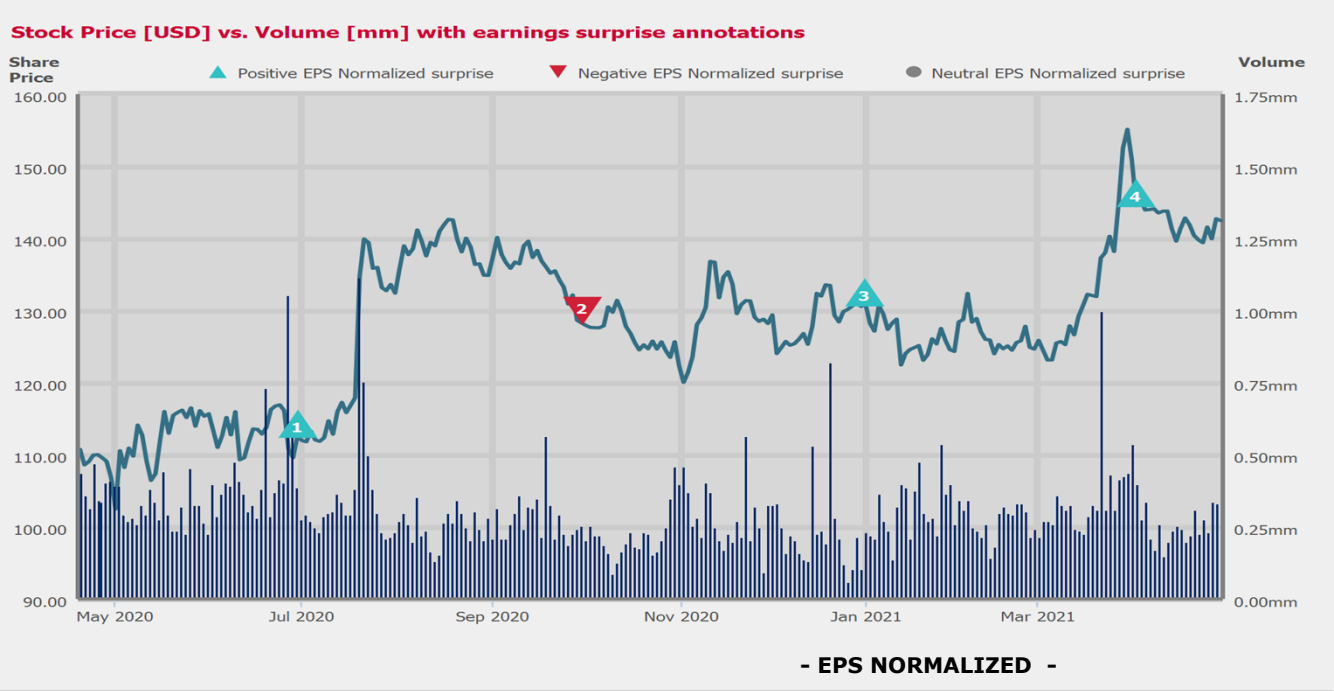
FQ1 2021 Earnings Call Transcripts

Thursday, April 29, 2021 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.52	2.26	48.68	2.08	7.77	8.69
Revenue (mm)	3380.13	3537.10	4.64	3946.21	15371.48	16185.80

Currency: USD
Consensus as of Apr-28-2021 4:09 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2020	5.16	5.73	1 11.05 %
FQ3 2020	2.55	2.27	2 (10.98 %)
FQ4 2020	2.17	2.22	3 2.30 %
FQ1 2021	1.52	2.26	4 48.68 %

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Table of Contents

Call Participants	.....	3
Presentation	.....	4
Question and Answer	.....	8

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Presentation

Operator

Good day, and thank you for standing by. Welcome to the Murphy USA First Quarter 2021 Earnings Conference Call. [Operator Instructions]

I would now like to hand the conference over to your speaker today, Christian Pikul, Vice President of Investor Relations. Please go ahead.

Christian Pikul
Vice President of Investor Relations & FP&A

Great. Thank you, Megan, and good morning, everyone. Joining me on the call today are Andrew Clyde, President and Chief Executive Officer; Mindy West, Executive Vice President and Chief Financial Officer; and Donnie Smith, Vice President and Controller.

After some opening comments from Andrew, Mindy will provide an overview of the financial results and recent financing activity, and then we'll open up the call to Q&A. Please keep in mind that some of the comments made during this call, including the Q&A portion, will be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. As such, no assurances can be given that these events will occur or that the projections will be attained. A variety of factors exist that may cause actual results to differ. For further discussion of risk factors, please see the latest Murphy USA Forms 10-K, 10-Q, 8-K and other recent SEC filings. Murphy USA takes no duty to publicly update or revise any forward-looking statements.

During today's call, we may also provide certain performance measures that do not conform to generally accepted accounting principles or GAAP. We have provided schedules to reconcile these non-GAAP measures with the reported results on a GAAP basis as part of our earnings press release, which can be found on the Investors section of our website.

With that, I will turn the call over to Andrew.

R. Andrew Clyde
President, CEO & Director

Thank you, Christian. Good morning, and welcome to everyone joining us today. We are very pleased, but not especially surprised the company delivered such strong first quarter performance during the period where our reported results may not have been fully anticipated by investors. The business was able to overcome a number of otherwise detrimental factors, including rising fuel prices, which typically compressed retail margins; a severe winter storm that came through the heart of our geographic footprint in February, impacting over 1/3 of our network; and last but not least, comping the extra leap year day in 2020. Additionally, as this is the first quarter of performance that reflects the impact of the QuickChek acquisition, we appreciate there is a bit of noise in the results, which reflect only 2 months of a QuickChek impact. But through that noise, more than ever, the resilience of our business and unique benefits of our advantaged model continued to deliver strong operating and financial performance.

I'm going to review our first quarter results with 3 key points in mind. First, higher industry fuel breakeven economics are positively impacting industry fuel margins, and we will continue to benefit. Second, we are holding on to market share gains in critical categories like tobacco and are highly encouraged from early efforts focusing on food and beverage. Third, we remain extremely excited about the QuickChek acquisition and are increasingly confident in our ability to achieve our 3-year synergy estimate of $28 million across the fuels, merchandise and OpEx G&A areas, including reverse synergies.

First, I'll talk about fuel. For the first time in company history, we earned double-digit retail margins in all 3 months of the first quarter. Even more impressive, these results were achieved during a period of rising prices from January to early March, which would otherwise compress retail margins. When factoring in the complementary elements of our product supply capability, which typically generates positive benefits

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during periods of rising prices, reflecting accounting timing and inventory gains, all-in margins of $0.225 per gallon were the same as the first quarter of 2020 despite the dramatically different price environments encountered over these 2 time periods. From these results and what we are seeing in the marketplace, it is clear to us that less advantaged industry players are being forced to price higher to offset the impact of some combination of lower customer traffic and sales, higher cost and lower gallons sold. Further, we do not believe this is a temporary response to changing customer behaviors, but rather an ongoing more enduring structural change to margins that was accentuated in 2020 that will further differentiate our performance versus the peer group given our high-volume model in the future. Fuel volumes remained lower than their pre-COVID baseline, but I will point out that volumes were higher year-over-year in March for both the Murphy core business and the combined company as we comped the initial impact of COVID on our markets last year.

When reviewing the tables on Page 9 in the earnings release, the same-store sales metric excludes the impact from acquired stores until they have been in the combined store base for 12 months, effectively showcasing Murphy USA only results. The average per store month metrics on the other hand, do capture the impact from 2 months of the QuickChek acquisition, which particularly impacts nontobacco sales and margin. As you can see from the table, volumes were down 10% for MUSA and roughly 9% year-over-year when including QuickChek. Importantly, April volumes on a per store month basis are improving to within 5% of the 2019 bank line, showing a relative pickup in demand and market share capture over the past month. However, fuel is not the only area we are taking share, so let's review merchandise results in these tables. You can see same-store sales strength in the MUSA only merchandise results, particularly in the tobacco category where we grew both sales and margin dollars about 2%, indicating we are not only holding on to, but continuing to grow share gains we experienced last year as COVID took hold, further evidenced by a 2-year stack growth of 16.9%. Tobacco performance was complemented by even stronger growth in the nontobacco business, where sales grew nearly 10% and contribution margin was up 6.5%, or 14.5% and 5.4%, respectively, on a 2-year stack basis as both attached to fuel and nonattached categories recovered and surpassed last year's COVID-impacted results. Taken together, growth in tobacco, lottery, general merchandise and packaged beverage helped drive Murphy only margin contribution dollars higher by about $5 million in the first quarter. We are delivering these results through continued innovative pricing and promotion efforts and continued consumer preference for bulk carton purchasing, which remains higher than pre-COVID levels.

Given that this is the first quarter that includes QuickChek results, I want to provide a little more color on our merchandise results. Of the $148 million of consolidated merchandise contribution, $36 million was attributable to QuickChek. Of that $36 million, roughly $29 million was nontobacco with more than $15 million of that amount coming from food and beverage at 63% gross margins. That is roughly 10x the food and beverage contribution of the Murphy core business, which generated $1.6 million in contribution. Obviously, we have a lot of opportunity for growth and improvement in this category in the core Murphy business, and we are already seeing early benefits as we focus our efforts on supply chain optimization, better store-level execution of existing food and beverage platforms and new product assortment efforts that will positively impact this category in the coming quarters.

In my final point, I want to reiterate that we could not be more pleased with the QuickChek acquisition and our initial integration efforts have validated the value creation opportunity. Engagement between both teams has been high, and the excitement around the unfolding synergy opportunities is increasing. The integration team has already capitalized on quick wins and is assuming a deliberately thoughtful and appreciative approach to longer-term initiatives, taking care not to dilute the unique value and distinct capabilities of the QuickChek brand.

As we drive opportunities across the different areas of our business, we see value through 3 different lenses of management's actions, leveraging scale, sharing best practices and accelerating critical strategy initiatives. I'll give you an example of each area to add some color around the integration process. With respect to leveraging scale, the benefits range from materially obvious to perhaps less apparent but more easily attainable opportunities. For example, we are deeply engaged in preparing to consolidate and address upcoming contract expirations in the fuel procurement area as a significant source of margin enhancement in addition to bundling some insurance coverages at lower rates provided by the scale of the combined company. Additional opportunities remain in other vendor contracts coming for renewal

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later in 2021 and 2022. Sharing best practices across both organizations has been a highly informative exercise for both parties that has helped unlock early savings and revenue opportunities. For instance, by deploying a common pace use of the calibrate fuels pricing system and how we utilize competitor data sets to develop market-based pricing tactics, we are enhancing fuel pricing performance. Further, a review of the scalability of certain back-office functions will help streamline and efficiently automate processes, eliminating redundancies and some currently outsourced services at QuickChek.

From a strategy perspective, we are focused on identifying and exploiting some of the technological achievements QuickChek has successfully integrated into their business such as computer-assisted ordering, where their expertise will help accelerate our own efforts and foster quicker development of some other customer-facing technologies such as self-checkout in the future at Murphy stores.

To summarize, the proof that our model remains advantaged, that our capabilities are agile and can deliver results in a variety of challenging economic environments are very apparent in our first quarter results. The fact that we achieved these results against an otherwise difficult price-challenged quarter with weather-driven externalities further drive home net proof and position us well to deliver on our value creation and growth strategies in the coming months and years.

With that, I will turn it over to Mindy to provide further detail on our financial results and recent financing activity. Mindy?

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

Thanks, Andrew, and good morning, everyone. We closed the QuickChek acquisition January 29, funded by the issuance of $500 million of 3.75% 10-year senior notes due 2031. We also issued a new $400 million prepayable term loan, part of which was used to pay the balance due under the previous term loan that we had in place. Additionally, to add further flexibility to the balance sheet, we replaced our ABL facility with a new $350 million cash flow revolving credit facility. With those transactions, total debt went from around $1 billion at December 31 to $1.7 billion. You will notice that we have $1.797 billion on the balance sheet under long-term debt, and this figure does include $126 million of QuickChek lease obligations that are considered long-term debt. Additionally, you will notice 2 new line items on the balance sheet that were previously included in other assets. They are right-of-use assets, which relates to operating leases and intangibles.

When our prior balances in those accounts are added to the QuickChek-related balances, they now meet the threshold for a separate presentation. Total right-of-use assets of $395.6 million and includes all long-term operating leases of the combined company and intangible assets of $141.3 million. The operating lease line item has a corresponding offset in the noncurrent operating lease liability section of the balance sheet, the net effect of the changes of those 2 items is immaterial. The incremental increase to intangible assets recorded as part of the QuickChek acquisition primarily include the value of their trade name. You will also notice goodwill of $336.4 million resulting from the QuickChek acquisition. More information will be disclosed in the 10-Q when it is filed later this week, but I did want to add some clarity to those items as this is the first time you are seeing them.

So now for a review of some standard items. Total revenue for the first quarter of 2021 was $3.5 billion, inclusive of roughly 2 months of QuickChek impact compared to $3.2 billion a year ago, which does not include QuickChek. Average retail gasoline prices per gallon during the quarter were $2.37 versus $2.14 in 2020. Adjusted earnings before interest, taxes, depreciation and amortization, or EBITDA, was $154.8 million in the first quarter versus $170.7 million in the same period in 2020. Additionally, due to additional depreciation and interest expense from QuickChek, coupled with the $8.8 million of onetime acquisition-related costs, net income in the first quarter of 2021 was $55.3 million versus $89.3 million in 2020. Total debt on the balance sheet as of March 31 was approximately $1.8 billion, broken out as long-term debt of $1.797, which includes our 3 outstanding notes issuance, our term loan B of $386 million and $126 million of those lease obligations as a result of the QuickChek acquisition. Additionally, $13 million is captured in current liabilities, representing 1% per annum amortization of the term loan and the remainder of reduction in long-term lease obligations as they are paid through operating expense.

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Our $350 million revolving credit facility had a 0 outstanding balance as of the end of this quarter and is still currently undrawn. Those figures result in a gross adjusted leverage ratio, which we report to our lenders of approximately 2.4x, and cash and cash equivalents totaled $304 million as of March 31. Capital expenditures for the first quarter were approximately $56 million, the majority of which was growth capital allocated to new store construction.

So thank you, everyone. I will now turn the call back over to Andrew.

R. Andrew Clyde
President, CEO & Director

Thanks, Mindy. Before I open up the call to Q&A, I do want to close with a quick comment on second quarter activity. As noted earlier, April fuel volumes are improving within 5% of 2019 average per store month levels and retail margins have averaged nearly $0.20 per gallon, giving us a very strong start to the second quarter and firming up our view of 2021 performance. And while a single quarter does not make a year, we are excited about the momentum the business generated in Q1 and grow increasingly confident in our ability to deliver strong multiyear EBITDA growth that will support long-term value creation for our shareholders.
With that, operator, we will open up the lines for Q&A.

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Question and Answer

Operator

[Operator Instructions] Your first question is from Ben Bienvenu with Stephens, Inc.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

I want to ask about the merchandise business. You're lapping over -- in the first quarter, you lapped over a strong start to the year and obviously bolstered results in March from COVID. I'm wondering, as you get into more deeply some of these challenging compares, it seems like, as of now, you're sustaining and maybe even growing some of your market share gains that you've accumulated over the last several years. Do you think that's the case as we move deeper into these compares? I'd love to hear your best sense of how you expect kind of the retention of that incremental market share on pretty strong numbers last year as we move through 2021.

R. Andrew Clyde
President, CEO & Director

This is a great question. I think the Q1 results demonstrate that in the initiatives that led to that and the future contracts, the funding, the promotional activity, the new products, especially some of the noncombustible product innovation are the areas that in the tobacco category, for example, we're seeing the growth. And certainly, the carton behavior continues to hold up at very high 50% level, close to 60%. So we think the fundamental changes in consumer behavior is strong. We're continuing to put the value on the street, and is more customers become price sensitive, as we start seeing some inflation, other factors that we think that will drive customers on the margin to be more value conscious and we'll be there waiting for them with the best offers and the newest products, et cetera. Certainly, with the fuel volume recovering the sort of attached to fuel categories are rebounding very nicely and encouraged by that. Certainly, some of the general merchandise around PPE will be a harder comp, but the team has done a nice job in being able to replace those items with new

categories as well. Food and beverage on the Murphy USA stores was essentially 0 during the period. So that's the easiest comp we'll ever have to go over and the resets we've done there, the new product, the new Cormark contracts, some of the incentives that we have to induce trial, et cetera, all feel really good. And so the periods will be different that we're comping to as we go throughout the year. But I think those are the main factors. I can also tell you that in the QuickChek business, their merchandise basket growth is more than offsetting some of the transaction declines that still haven't been made up. We've seen the food sales recover already in April 2019 levels, and that's been supported by their innovation during COVID developing an omnichannel capability, including delivery and pickup. Similarly, their food come along sales are driving their center store to recover quickly. We are seeing drinks and dispense beverage slowing down -- have slowed down and not as quick to recover, certainly the early morning daypart, but the delivery introduction is driving growth in the late night daypart shift. And so we're continuing to see that business recover nicely against its comp. So I think both businesses driven by different main customer drivers continue to show signs of improvement that will allow us to sustain or grow versus some of the exceptional comps we put up last year.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

Okay. That's helpful. My second question is related to the headlines this morning about the FDA's proposal to Ban Mint Pal flavored cigarettes. I'm sure this will face pushback from the industry probably is is poised to be heavily litigated. But to the extent that you could offer your opinion on it, your level of exposure to the category and how you think, if implemented, it might manifest itself in your business fundamentals, whether it's just a step down reduction in tobacco consumption or switching to other products. Just help us get a sense of hypothetical here?

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R. Andrew Clyde
President, CEO & Director

Exactly. Well, look, our experience is the announcement starts the rule-making process, which is typically a pretty grueling 2 to 3 year process. We'll expect to see challenges from manufacturers, industry organizations. Sometimes you see state and local regulatory efforts bolstered by announcements like this, so they go and implement bands ahead of the rule-making process, and you can look to Massachusetts as an example that they banned menthol cigarettes effective June of 2020. And California has passed a similar law, but it's faced some delays. And you've got about 100 cities and counties out there with some bans in place, but nowhere where we have a store. It's about 32% of our cigarette business. When you look at what happened in Canada, you had Smokers Quit. So there is a threat there. I think one of the benefits that we have is our intentional efforts to grow the noncombustible business over the past 7 years. And through Murphy Drive Awards, we can deliver differentiated value. We've got a lot of promotional resources now, growing the noncombustible products. We're allocating shelf space to those products. We're providing our customers with the most comprehensive assortment of those. So we're capturing a market-leading position in the new products along that continuum of risk and the targeted marketing efforts will allow us to be well positioned on that. So it's an important category, and I think we're as well positioned as anyone to adapt to the shift, just knowing that it takes a long time for these processes, rule-making processes to go through.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

Okay. Perfect. And my last quick question. In the first quarter, you guys did buy back stock 400,000 shares or so. Did you have any blackout windows as it related to the confirmation of the QuickChek deal? I'm wondering, were there any provisions around when or if you could be in the market buying back stock in the quarter?

R. Andrew Clyde
President, CEO & Director

No. So we typically, as we talked about, have 10b5-1 plans in place, and they have levels that once achieved, that locks you out. So if we achieved our 10b5-1 objective by the end of the year. We've been buying in the first part of the year, for example, until the next new window opened after announcing Q4 results. But certainly, we'd already closed the QuickChek transaction. I believe it was January 29, and we are announcing, I believe, the next week, and then the following week, we would have had an open window. So the only blackout we would have had really wouldn't have been a blackout, it would have been that we just finished what we started before the beginning of the new year, if that helps.

Operator

Our next question is from Matt Fishbein with Jefferies.

Matthew Jacob Fishbein
Jefferies LLC, Research Division

So a lot of noise in terms of fuel volume metrics as we march through pandemic. And all in, I guess, just a broader question further out after we lap all the pandemic volume losses, including all the macro puts and takes on long-term U.S. gasoline consumption. Interested to hear your latest thoughts on same-store fuel volume growth longer term. Is it flat? Is it up or down? Interested on what your latest thoughts are on that?

R. Andrew Clyde
President, CEO & Director

Yes. And how are you defining longer term? So I can be more precise with my answer, Matt?

Matthew Jacob Fishbein
Jefferies LLC, Research Division

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Yes. So after we lap the lingering impact of pandemic volume was. So we're still, I think you said down 5% in April. Further out, when things are back to the way they should be in terms of people going to work, et cetera.

R. Andrew Clyde
President, CEO & Director

So more than a year but less than 3 -- within 3 to 5, is my guess.

Matthew Jacob Fishbein
Jefferies LLC, Research Division

Yes. Just like the long-term run rate of fuel volume growth?

R. Andrew Clyde
President, CEO & Director

Yes. Look, I mean, I think since we spun off, we said fuel demand was going to be a plus or minus 0.5%, 1% category into the foreseeable future. And we saw a few periods that was above that, and we saw some periods where it was below that. But if you think about vehicle miles traveled coming back post the COVID recovery back to work, et cetera, the population growing big variable in there is CAFE standards. We did some work in 2017 that we shared with investors, and at the heightened CAFE standards, we said between 2017 and 2027, demand would fall 0.3% a year in Murphy markets, higher at the national level. When we had the faster growing economy over the last few years and the lower CAFE standards, the outlook switched to positive 0.3% a year. So still within that range. And so we guided that. We expected volumes by the end of 2021 to be back to kind of 2019 levels. We're within 5% of that now. We're marching up around that. I think part of the advantage is that the higher prices, people become a little bit more price sensitive, with the more value we're putting on the street or that volume comes to us and other low price, high-volume retailers. And so I think with our Murphy Drive for Works promotions, we continue to have engagement there. So is it going to be into 2021? Is it going to be halfway through 2022 when we get back to those 2019 levels? Don't really know, but I think the structural margin environment that we've talked about will favor us regardless of exactly when that takes place. I think once you get back to that level, you're kind of back into the basic model of what's driving fuel demand. It's the auto fleet, mix of cars, how the CAFE standards kind of drive that over a longer term, the introduction of electric vehicles, especially plug-in hybrid electric vehicles, all of which have been built into our projections. And then it's really fuel prices and the GDP. And so if the economy is going and people are out there driving, we think we're going to get back to plus or minus 0.5% a year environment. There's a lot of noise about electric vehicles. It gets asked all the time. We know that's a way out there impact, nationally, just in terms of shifting the auto fleet. But certainly, within the Murphy markets where there's few cars registered today, and lower adoption because of the customer preferences, we don't see that being -- having an effect was certainly within that 3 to 5-year period.

Matthew Jacob Fishbein
Jefferies LLC, Research Division

Okay. That's very helpful. And sticking to the longer term, just a second question. Given the number of new stores being built this year and cumulative amount of square footage coming online. Any color you can provide on construction costs that you're seeing? I know there's been a bunch of cost inflation for building materials owing to supply shortages. Just wondering how that impacts your newbuilds and where you kind of see that construction material supply chain right now from your seat?

R. Andrew Clyde
President, CEO & Director

Yes. So we haven't seen that yet. It's certainly something that we're keeping our eye on. Certainly, for the Murphy USA stores, they're modular built. And so we've got contracts in place around those. And it's a pretty straightforward process where a fairly large amount of the construction cost is the preparation of the site and then the tank goes in underground, a store gets brought in and set up within a couple of days and dispensers go. So our procurement efforts have established contracts, and we're certainly keeping an

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eye on that inflation. I will say that the new stores that we built last year and the year before, all continue to ramp up very nicely. Their fuel volumes still in the ramp or above the Murphy store averages. And so we remain very encouraged by the performance of those 2,800 square foot stores in the markets that we're building those in.

Operator

Our next question is from Bonnie Herzog with Goldman Sachs.

Richard Samuel Reid
Goldman Sachs Group, Inc., Research Division

This is actually Sam Reid pitching in here for Bonnie. I wanted to touch on another longer-term topic actually, and that would be wages here. We're obviously watching the political environment closely. I guess, could you just quickly update us on what you see as the potential for wage increases, especially at the federal level, and how that could play out in light of some of the commentary we might have heard in last night address the Congress? And then separately, could you remind us of your compensation structure at the store level and maybe how your employee base and wage expenses might be impacted if we were to see a concerted effort to increase wages?

R. Andrew Clyde
President, CEO & Director

Sure. The discussion about the $15 an hour national minimum wage is fraught with issues. And there's a lot of folks that start to support higher wages, but what you need in the bicoastal urban areas is different than what you need in the interior rural areas of our country. And so I would hope that we wouldn't try to go down the path again of a one size fits all proposal, that really doesn't make a lot of sense. And that would be the comment there. We are seeing at the state level and local level pressure on wages. I would say the biggest challenge we're facing right now is that between stimulus checks, the tax credits, the unemployment benefits all hitting at once, the availability of labor -- of the supply of labor is at an all-time low because your people basically taking a vacation from work because of this windfall of benefits that they've received. And I think for many of our workers, it would amount to about 20 weeks of pay that they've received in a very short period of time. It's not only affecting us, other retailers, our truck driving fuel carriers, et cetera. And so some of those challenges will have a natural pressure on wages, and you're just trying to attract people to come back to work given all the stimulus that is out there. Our wage structure at the store level are managers are on salary. They receive commissions based on incentives, which they all try to beat. We hope they do. They also have medical benefits. They participate in profit sharing in 401(k). And so just like during the period when the higher FLSA was put in place, there are abilities to shift components within that, but many of those components are valued by our workers even though they may be not counted into certain formulas. For the hourly, it's mostly a hourly wage with benefits. So those are the things we're keeping an eye on. I did reference that there's customer-facing technology that QuickChek has had as an early adopter in self-checkout for over 15 years. And so when we think about our new stores, certainly, you have to have labor for age-restricted products, but we have levers there around self-checkout. And have that technology at all the QuickChek stores to be able to do that. I think the other thing that the gasoline convenience industry has that most of the other industries don't is the ability to pass through higher prices. We do it every day with rising and falling prices. The industry demonstrated its ability to do that during the pandemic. Certainly, if we went to $15 minimum wage, nationally, it's probably a $30 million plus headwinds to our business for which we would expect to see over time, the industry pass-through those higher costs into higher prices to consumers. And because our lower labor mix in our stores, our ability to leverage technology that we already have and have implemented at hundreds of stores will allow us to once again have the advantaged cost model should the industry face that headwind. So we've got our head around it. We understand the levers. We'd like to see if we do have regulations, at least those put in place that don't try to force a one size fits all approach into a country and a business industry where that doesn't make a whole lot of sense.

Richard Samuel Reid
Goldman Sachs Group, Inc., Research Division

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That's super helpful color all around. If I could just sneak one more in on the alcoholic beverage side. You guys have given a ton of great color kind of on the merchandise business today. That said, I wanted to look into your outlook for alcohol here, particularly if we see a step-up in on premise, are you guys expecting to see slowdown in this side of your non-tobacco merchandise mix in 2021, especially given maybe some of the strength that we might have seen here across retail in 2020?

R. Andrew Clyde
President, CEO & Director

Yes. We don't -- I don't have a particular view on that at this point. I think the resets that we have done, help on that, the pricing on our singles have help on that. So there's nothing that I've seen or the teams talked about that changes our view on that at this point in 2021. And we're having more stores where we're able to provide that product. And in the stores where licenses are required, we're increasingly able to get those licenses.

Operator

Your next question is from Bobby Griffin with Raymond James.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

First off for me, Andrew, can you maybe just dive in a little bit more to the product resets that you referenced? Maybe what areas of the stores or in the product categories they are/and the margin aspect of those, are they margin accretive and sales accretive? Just anything there to help us wrap our head around some of these resets that are clearly driving some good performance in the non-tobacco side of sales -- merchandise sales?

R. Andrew Clyde
President, CEO & Director

Yes. I mean it's truly across the board in every category. We now have the data, the tools, the insights, the decision support capabilities, the people knowhow to just take every part of the store and dissect it and move product around, introduce new brands. There's a lot of innovation going on out there. Reducing facings and just core visual merchandising, space management, merchandising 101, we're able to see where we can take pricing and not lose volume, where we're seeing combinations and our promotions that makes sense. So I mean, it's not any 1 particular category, Bobby, it's really across the beverage sets, the center store sets, the tobacco sets. We talked about allocating more space to the noncombustible items and being a leader in those products and getting advantage promotional dollars to be able to do that, leveraging Murphy Drive Rewards and the insights we get from that. So I'd say it's really across the board.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Okay. And then maybe to follow-up on that, you touched on a little bit, but with Murphy Drive Rewards and some of the new data, are you able to do this on a faster, more consistent basis, so the customer now, your standard customers coming in see in new offerings, seeing new price points on a much quicker basis than maybe historically in a Murphy's model or Murphy store?

R. Andrew Clyde
President, CEO & Director

They are, and it's also just so much more targeted, and we've talked about this before, but we don't need to incentivize someone who's already buying multi packs. We want to incentivize the individual that's buying a single pack. With the data that we have and the surveys that we're able to do, so you can match longitudinal data across all the products with survey data that indicates preferences, desires, willingness to try things. It's really that combination that allows us to go in with targeted offers, especially on new products where we have those insights. And really exceed the expectations of our CPG partners. And so it's not only doing it more often, but more targeted against more new and innovative products that folks

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are putting -- more funding behind to grow these new categories which helps us in this transition towards the low risk products over time.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Okay. And then did you see any type of -- did you see a similar impact as we kind of did last year around the March, April stimulus that started to hit?

R. Andrew Clyde
President, CEO & Director

We really didn't. I think one of the things we saw last year was we saw that initial impact, but then we started looking at some of the other payroll data with the unemployment checks coming in, et cetera, for those that might not have been working. And it really kind of muffled the amplitude from just the stimulus check itself. And so that money is being spent broadly across a lot of different outlets online and bricks-and-mortar and within our store as well. So it's not as big a bump as one would think. But I think because of all the stimulus, unemployment, everything that's out there, we just continue to see repeatable business.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Okay. And then lastly for me, Andrew, is on the fuel side, and you touched on this a little bit about how the structural changes in the environment, and you guys seen higher than normal retail margins. Given some of that pressure that's to the smaller operators, are you actually seeing these above-average margins, but also seeing your price gaps versus your peers widen where you're actually at even a bigger structural advantage in terms of price gap versus the peers?

R. Andrew Clyde
President, CEO & Director

That's really a store-by-store market environment by market environment phenomenon. Where it makes sense to do that, we will. Where it doesn't, we won't. Certainly coming out of the blizzard that we had in the Southwest and Southeast. I mean we had about 400 stores at one point where we were having challenges getting inventories back up. I'm happy to say that, that is largely behind us. But you can imagine during those periods, you're not going to be more aggressive when you're trying to just replenish your safety stock level. So it's really a store-by-store decision, and that's the benefit of our enhanced retail pricing capabilities where it makes sense to widen more, where it makes sense to maintain a larger differential. We know when, where and and how to actually do that to maximize the contribution while maintaining that everyday low price position and top-of-mind customer perception.

Operator

Your next question is from John Royall with JPMorgan.

John Macalister Royall
JPMorgan Chase & Co, Research Division

So apologize if I missed this from earlier, I did have to step away for a bit, but just wanted to confirm that the $0.07 PS&W plus Marines margin, which is more than double the typical amount is not affected and net by the very strong RIN prices, where you've said in the past that strength in RINs are offset by weakness in margin. And so I just want to make sure that kind of relationship has held in place and the difference between the $0.02 to $0.03 long-term and $0.07 on inventory -- on the price -- excuse me, on the margin, were just around inventory gains with the commodity prices coming up.

R. Andrew Clyde
President, CEO & Director

John, thank you for asking it, and thanks for getting it.

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John Macalister Royall
JPMorgan Chase & Co, Research Division

I know you don't like talking about it, but I just wanted to confirm it.

R. Andrew Clyde
President, CEO & Director

No, we do have a couple of headlines that said our beat was because of RINs. And the reality is RINs and RIN prices are immaterial to our business. Historically, and you can look back over the last 3 years annual results, we've made $0.02 to $0.03 per gallon on product supply and wholesale net of RINs. And so during the quarter on the average, we generated about the equivalent of $0.07 a gallon per RIN, but net of the negative spot to rack margins of $0.04, we netted a little bit over $0.03, and some of that was due to butane blending and other things that we benefited. So call it sort of $0.03 net of the supply margin net of RINs. And we're going to see that whether RINs are at a about or they're at $0.10. If RINs are high, the refinery gate price is high and like it was in this quarter, our refinery gate spot to rack margin is negative. So you're spot on. It really doesn't matter what the RIN prices are that equally bring this held up. The reality is we don't live in a flat market environment. We have volatility. And so the benefit of the rising price environment were the trading book at the end of the month isn't reflected into the accounting until the next month. So in a rising price environment, we're getting that accounting timing variance, we're getting the inventory gains. That was worth about $0.04 in the quarter. And by the way, if you go back last year to Q1, it was negative because there was an equal and opposite effect there. So RIN prices don't matter. The product supply margin plus the RINs is going to be about $0.02 to $0.03. And the price environment, whether it's rising or falling, will explain the balance. And then this quarter, it was worth about $0.04, and the supply margin net of RINs was worth about $0.03 and some other things that we've invested in, that we've got a nice return on worth 10 to 20 points. So thanks for your question, and I hope that added clarity to everyone else.

John Macalister Royall
JPMorgan Chase & Co, Research Division

And one more perhaps related, working capital was a big tailwind this quarter, $108 million. Just wanted to talk through some of the dynamics there? And what you may see reverse in future periods?

R. Andrew Clyde
President, CEO & Director

Yes. I believe it was mostly payables, and I'll let Mindy pick that one up.

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

Sure. Jon, what you saw was that we picked up a net balance with the results of our QuickChek transaction. So that explains roughly $45 million of the $100 million or so difference. And then the remainder was just simply due to timing of a couple of our large bulk fuel payments that were located in payments and payables at quarter end. And we had no comparable bulk payments at the end of the year. So it was strictly just a timing difference there. And we're always going to see that quarter-to-quarter. It depends on what day of the week the quarter ends. It depends on when did we procure fuel during -- if we did it towards the end of the quarter. So all of those things have the ability to shift that number around actually quite a bit. But on balance, no real change to speak of.

Operator

A final question is from Carla Cosala with JPMorgan.

Carla Casella
JPMorgan Chase & Co, Research Division

Just some follow-ups on QuickChek. Can you just talk about the number of locations that have fuel? And if as you get into integrating that business, whether you're to maintain that or if that's an opportunity? And

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if you see a difference in those locations versus the ones without fuel in terms of the food and beverage, merchandise margin performance?

R. Andrew Clyde
President, CEO & Director

Sure. So out of the roughly 156 stores, I think it's like 89 that have fuel about. And we have seen some difference in the merchandise sales, the merch-only stores have in April performed very well relative to 2019. And the fuel stores had as well, but not quite to the same extent. And so I think part of that is just once a stand-alone destination, and some of it's getting traffic associated with fuel. So not a surprise there. But both have done very well in April, lapping 2019 results.

Carla Casella
JPMorgan Chase & Co, Research Division

Okay. Great. And then just given -- as you look into that business, is there any thoughts in terms of changing your fuel, nonfuel mix at Murphy overall other than growing, obviously, the food, but I mean in terms of a you're thinking or fuel?

R. Andrew Clyde
President, CEO & Director

Yes. All the new stores will have fuel. I think that was something the QuickChek leadership made a decision on back in 2005, I believe. And so we would expect to see, as leases run out and stores are closed in the QuickChek markets, a new store that would open, that would be in the same catchment area for customers would be positioned to be a high-performing fuel store. Many of the smaller stand-alone stores were about 3,500 square feet. And so there are about 2,000 square feet smaller than the current model store. So you would expect to see that number decline gradually over time. And we're certainly not looking to build stand-alone nonfuel stores at Murphy. It's an important part of our value proposition and traffic driver. And our new stores, the fuel volumes are ramping up quickly and well above our overall network average.

Operator

You have no further questions at this time. I'll turn it back to speakers for closing remarks.

R. Andrew Clyde
President, CEO & Director

Great. Well, thank you, everyone, for joining today. I hope you share our excitement as we see the business not only delivering great Q1 results in a challenging environment by carrying that momentum into Q2 and April as we discussed around a lot of key metrics. Thank you for your support. Have a great day.

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

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