

Murphy USA Inc. NYSE:MUSA

FQ3 2021 Earnings Call Transcripts

Thursday, October 28, 2021 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2021-			-FQ4 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.44	3.99	▲15.99	2.47	-	9.54
Revenue (mm)	4439.93	4600.40	▲3.61	4392.20	16758.90	18012.35

Currency: USD

Consensus as of Oct-28-2021 8:21 AM GMT

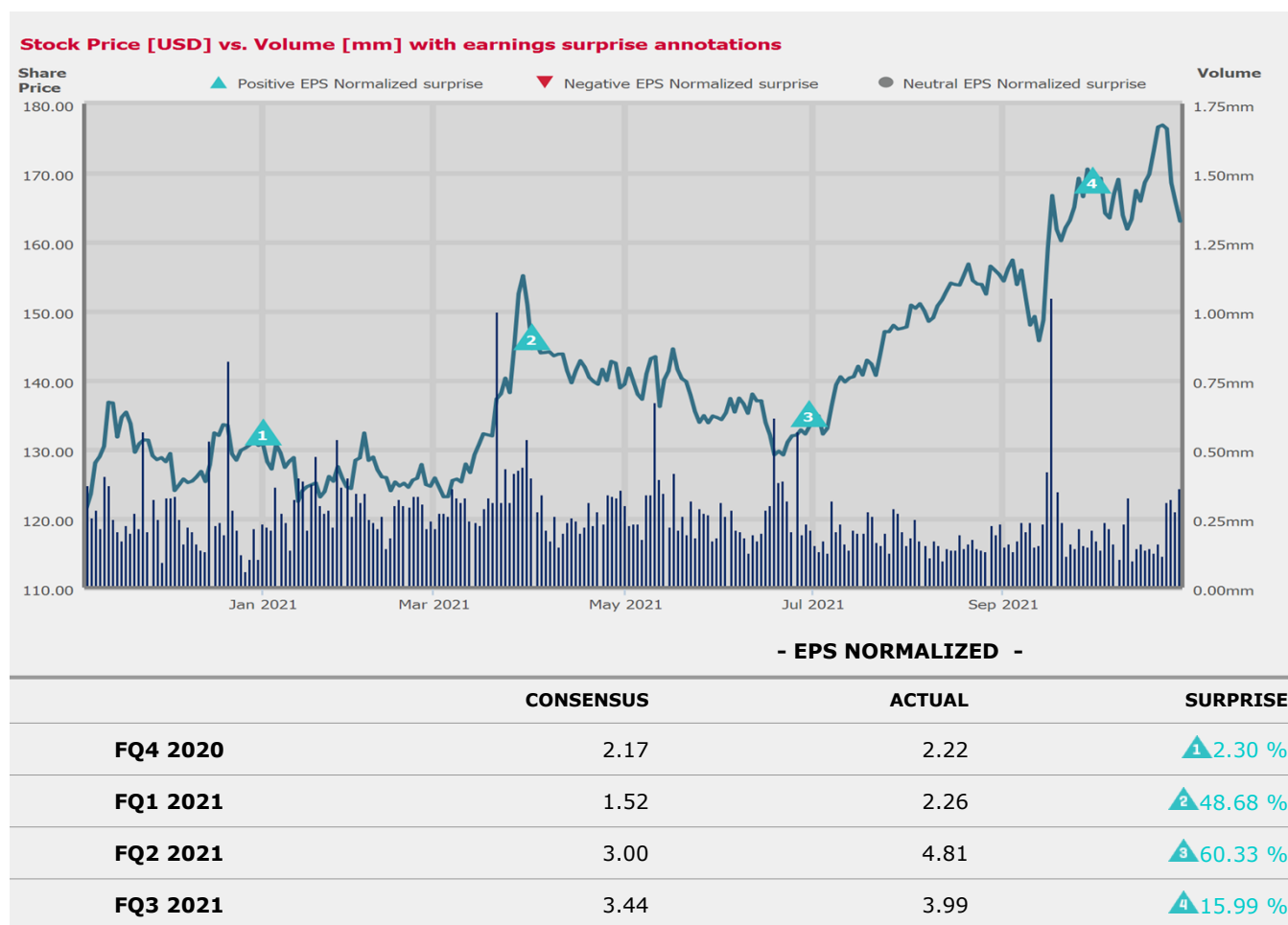


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Call Participants

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Christian Pikul

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Stephens Inc., Research Division

John Macalister Royall

*JPMorgan Chase & Co, Research
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Robert Kenneth Griffin

*Raymond James & Associates,
Inc., Research Division*

Sam Reid

Presentation

Operator

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

I would now like to hand the conference over to your speaker today, Christian Pikul. Please go ahead, sir.

Christian Pikul

Vice President of Investor Relations & FP&A

Yes. Good morning. Thank you, everyone, for joining us. As is the custom, with me today are Andrew Clyde, President and CEO; Mindy West, Executive Vice President and CFO; and Donnie Smith, Vice President and Controller. After some comments from Andrew, Mindy will give us an overview of the financial results and 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.

Andrew Clyde

Thank you, Christian. Good morning, and welcome to everyone joining us today. We were very pleased with Q3 performance, which we believe continues to showcase the reasons why Murphy USA's advantage business model is uniquely built to thrive in the current environment, and we expect our competitive advantage to continue to grow over time.

Last quarter, we discussed the top 10 operating challenges the business was facing and how the team overcame those challenges to ensure delivery of strong financial results. Third quarter wasn't really all that different. We saw higher trending crude prices, continued labor challenges, and ongoing supply chain issues. Yet, thanks to our dedicated store associates and support staff, we once again overcame those challenges and delivered another quarter of impressive financial results, further demonstrating the resilience of our business.

It is becoming more evident to us and should be to our investors that the headwinds our industry is facing are ultimately translating to tailwinds for Murphy USA. In fact, in subsequent conversations with investors at virtual conferences in September, we acknowledge that these headwinds exist and are impactful. However, we also encourage investors to ask the second and third logical follow-up questions to better understand how these pressures are ultimately manifesting in higher breakeven fuel margins for the average retailer.

While there may have been some reluctance to embrace what we have said for some time or structural changes to industry breakeven fuel margins, the narrative has begun to change from when and if to how much. So keeping with that one simple question in mind, I want to give you a slightly different view of the financial results we delivered this quarter and how we think it should impact your view of our business.

So looking at our results, if you think about the total merchandise contribution of \$187 million or roughly \$0.17 per gallon on roughly 1.1 billion gallons sold, and then back out all the store OpEx of about \$0.14 per gallon, [indiscernible] field and marketing G&A overhead of \$0.02 per gallon, you get about \$0.01 per gallon profit of roughly \$10 million. So for the sake of argument, the merchandise contribution alone has covered all the operating costs to run the stores, including all the field-related and supporting overhead.

Then if you look at the fuel margin of \$26.06 per gallon, back out payment fees of about \$0.04 per gallon, and roughly \$0.03 per gallon of corporate G&A, you get about [indiscernible] per gallon which is net of \$0.01 per rent, which on 1.1 billion gallons sold essentially gets you to our EBITDA of roughly \$212 million for the quarter.

When you think about the business that way, the fuel component of our earnings stream is essentially 100% of the profit, generating all the cash flow to service our capital structure and fund our capital allocation decisions. Most importantly, our growth in maintenance capital, the interest on our debt, taxes, the depreciation of our assets, our dividend, and share repurchases. So how do we think about our fuel business and the expected earnings stream it provides?

First, our volumes are higher than the industry average and our public peers, which is a huge advantage. Second, we have demonstrated that with the benefits of our product supply business, our total fuel margins are less volatile over time than our public peers. And with our low-cost structure, we have greater upside exposure to the structural change we are seeing in breakeven fuel margin trends. Last, with elevated prices and increasing price sensitivity across customer segments, our everyday low price position is advantaged to grow share.

And thanks to QuickChek, also a high-volume brand and other initiatives to enhance the food off across our network, we believe we are best positioned amongst our peers to continue to grow the high-margin component of our merchandise contribution that is likely to not only absorb future costs and inflation headwinds but will also lead to even higher nonfuel profits.

Going forward, we are focused on 3 overarching goals to sustain and grow our advantaged value position. First, we will continue to expand our merchandise contribution efficiently. We are not immune to the operating headwinds the industry is facing. But in our situation, these pressures have been largely offset by growth in our merchandise contribution. Put simply, we offset higher cost by just selling more stuff.

Second, we are laser-focused on sustaining and growing our fuel market share profitably. We are doing this through our new stores, which are demonstrating higher volumes, our fuel pricing tactics, and strategies, and optimizing our fuel supply. So we will continue to profitably invest in sustaining our everyday low price position to grow market share over time.

And third, we will continue to grow EBITDA and free cash flow through high-quality organic growth and building better stores, the productivity initiatives around which we have a successful track record of delivering value, and the successful integration and expansion of the QuickChek assets. These strategic priorities are our first calls on capital. Beyond these growth initiatives, we will continue our share repurchase program, given our view of the future outlook for the business and expected future valuation. And last, we are committed to growing the dividend distribution to maintain our modest yield as our shares continue to appreciate.

Ever since our spin, when our business was assigned only a 6 multiple, reflecting in part the market's perception of the more fuel-oriented business, we have demonstrated the enduring value of our resilient and agile business model. What makes our value creation formula so [indiscernible] and powerful in our minds is that the fuel piece of our business is going to likely have the largest exposure to outsized growth in the near term, given the higher trending breakeven fuel margins for the industry.

The headwinds we're seeing are magnified for less efficient operators who sell less fuel and have fewer levers they can pull to maintain profitability. By complementing our fuel exposure with efficient expansion of the merchandise business, we will continue to overcome headwinds, increase the earnings power of the business over time, and grow our multiple as the advantage value player in our retail sector.

So rather than pondering a [indiscernible] or fearing a temporary period of lower trending margins, which will happen at some point, but at higher levels than we've seen historically, we believe investors should be assigning less risk to fuel. And in fact, should be thinking about how much premium to assign this powerful driver of our earnings power.

I'm now going to turn the call over to Mindy before we open up the call to Q&A.

Malynda K. West

Executive VP of Fuels, CFO & Treasurer

Thanks, Andrew, and good morning, everyone. I'm going to review some standard items quickly. Total revenue for the third quarter of 2021 was \$4.6 billion versus \$2.8 billion in the third quarter of last year, which was not inclusive of QuickChek. Average retail gasoline prices were \$2.89 per gallon in the third quarter versus \$1.9 in the prior year period. Adjusted earnings before interest, taxes, depreciation, and amortization or EBITDA, was \$202.5 million in the third quarter versus \$141.5 million in the same period in 2020, and net income in the third quarter was \$104 million versus \$66.9 million in 2020.

Total long-term debt on the balance sheet as of September 30 was approximately \$1.8 billion, of which approximately \$15 million is captured in current liabilities, representing 1% per annum amortization of our term loan and the remainder of reduction in long-term lease obligations as they are paid through operating expense.

Our \$350 million revolving credit facility has a \$0 outstanding balance at quarter end and is currently undrawn. These figures result in adjusted leverage ratio, which we report to our lenders of approximately 2.4x. Cash and cash equivalents totaled \$301.3 million as of September 30. Capital expenditures for the third quarter were approximately \$74 million, \$13 million of which was attributable to QuickChek, and the majority of the overall capital or roughly \$64 million was directed to new store construction, where we opened 4 new Murphy Express and 3 new QuickChek stores. We opened 1 new Murphy Express and 1 new QuickChek store in October, and we currently have 18 new sites under construction, including 2 new QuickChek sites in addition to 10 raze-and-rebuild projects.

And with supply chain pressures impacting our new build program, our capital spend is likely to be much closer to the lower end of our guided range of \$325 million to \$375 million as we will push some construction costs into the next year.

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

Andrew Clyde

Thanks, Mindy. It's been another great quarter. And as I alluded to earlier, one that on paper wasn't dramatically different than the second quarter. So when we look at the financial results, we wanted to be just a little more thoughtful on how simple the business can be when we aren't digging in deep to explain variances or add color around certain performance metrics, which we detail in the release.

We are clearly delivering top and bottom line performance that should resonate with investors, and we expect to be able to continue growing these critical profit drivers in the business for the foreseeable future.

With that, operator, we will open the lines for our Q&A.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Bobby Griffin of Raymond James.

Robert Kenneth Griffin

Raymond James & Associates, Inc., Research Division

Andrew, I first want to just touch on in -- a little of Mindy's comments. Just the pipeline for stores in 2022, I know you guys do a lot of work around pipeline and projects. Is it -- is the outlook still the same or is the construction side of it got incrementally worse here where there could be some further delays in 2022?

Andrew Clyde

Yes. The numbers are very similar to what we talked about. As we look at approaching year-end, the permitting and stuff like that, there may be a handful of openings in the updated number that shift to the first or second week of January but that's not material from the standpoint of the overall plan. The pipeline looks really robust for next year. I think right now, we've got 56 Murphy stores, 7 QuickChek stores coming into the pipeline. We did -- we're looking still to do about 30 raze-and-rebuild, more than our target for '21, and we'll be between 25 and 30 between Murphy and QuickChek for next year. So the pipeline looks good. If something slips from the prior numbers we updated, it's only into the first or second week of January, and 2022 and beyond looks very solid.

Robert Kenneth Griffin

Raymond James & Associates, Inc., Research Division

Okay. Great. That's helpful. And then also on station and other OpEx, we're still getting QuickChek integrated in. So trying to clean up our models a little bit. Is the rate of \$221 million or so in the third quarter, is that kind of the right base case to maybe for us to think about and then take back into account the usual seasonality that happens in that line item?

Andrew Clyde

I think that's probably a good estimate. I mean, we'll be clear about that in the next call in terms of full year guidance for the combined business. But there were certainly some cost increases in Q [indiscernible] that took place that kind of reflect a pretty good measure of what the ongoing business runs at on a seasonal basis.

Robert Kenneth Griffin

Raymond James & Associates, Inc., Research Division

Okay. And then lastly for me, Andrew, in your prepared remarks, you mentioned the supply chain, and I also appreciate the detail of kind of breaking the business down the more simple way to with the per pennies and gallon side of things. The supply chain side, did it limit some of the inside store sales, and that's part of the smallest decline in comps or it's just a function that look, the comparisons were pretty tough to prior year and when you look at things on a 2-year stack, the business is still growing at a very healthy rate.

Andrew Clyde

Yes. That's a great question, Bobby. Look, first thing I'd say is do look at the 2-year stack, and so on a sales basis, you've got 10% on tobacco and 11% on non-tobacco. And what that essentially is saying is that we held share on the tobacco side. I mean we had really outsized gains last year in this period, and we held on to those. The second thing on the non-tobacco side is, I mean, we had all this excess general merchandise sales of PPE, so we successfully shifted the mix back. I mean, alternative snacks and [indiscernible] snacks, the increases there more than made up for the shift in general merchandise. Candy was -- increase there was half the size of the general merchandise decline. So we successfully shifted the mix. The second thing I'd say is if you look at margin on a 2-year stack, but even on a 1-year basis, that's

really impactful. So especially, we think about tobacco, we're starting to see some declines on volume. As an industry, we continue to outpace the industry on total nicotine and so [indiscernible] share there and to being successful. And I guess the other thing I'd just say from a trend standpoint, we ended the quarter really strong in September. October, we ran a candy promotion which will be record [indiscernible] sales in the month of October. And I think what that's telling me is we've got customers who are in the stores buying. We've got associates who are engaged that will earn extra commissions through a variety of promotions. And we've got manufacturers that want to deliver and sell their products. We just need a little more help and a little less interference from some of the externalities, if you will, to allow us just to see the economy recover and see things get back to normal. But we got engaged customers, [indiscernible], and manufacturers out there helping us. So hopefully, that detail helps a little bit and I encourage you to look more at the emerging growth than just the sales growth?

Robert Kenneth Griffin

Raymond James & Associates, Inc., Research Division

Absolutely. No, I appreciate it. Very helpful. Best luck here running out the year.

Andrew Clyde

Great. Thanks.

Operator

[indiscernible] Comes from the line of Bonnie Herzog of Goldman Sachs.

Sam Reid

It's actually Sam Reid, I've been sitting here for Bonnie. So I wanted to maybe pivot a little bit and talk about fuel margins here. And maybe just get a sense of how they trended during the quarter, maybe specifically in September versus August, and even in October now that the month is almost over here. Just to get a sense as to maybe how that's looking in Q4? And then separately, I know it's obviously still very early, but maybe how should we think about fuel margins for next year, especially if we do see this sort of rising fuel price environment or elevated fuel price environment continue? Just maybe wanted to get your sense of that as well.

Andrew Clyde

Sure. Well, the first thing I'd say is across the months, the margin was remarkably similar, \$0.22, \$0.27, \$0.23. So \$0.24 all in retail, not a whole lot of variability there. And then you add the \$2.06 of PS&W, you get to the \$26.06. So I think maybe there's 3 things I would say kind of in response to your question. I would separate the notion of rising prices from elevated prices. We've seen rising prices this year, and they have been as significant as the falling prices we saw last year. And as you know, margins contract when prices rise, but they really behave the same once you get to normalized but elevated levels, and it's typically higher margins because the credit card fees are higher for us and everyone else knows get passed through. Also in the recent rising price environment, as I just shared, I mean, we saw [indiscernible] double-digit retail margins. Typically, we would see mid- to high single digit margins in a similar rising price environment of that magnitude. The other thing I would say is while we have elevated prices, there's a huge difference between \$3 a gallon and \$4 a gallon. First, customers become more price-sensitive as you get over \$3. So the value brands like Murphy take share. Now we do see gallons per fill go down, but we don't see total gallons go down. And if you look back to 2008, we really didn't see a macro demand elasticity until you started approaching \$4 a gallon as consumers really had to start making choices around the utilities that they think about. And then what we saw was the prior behavior included buying smart cars, which disappeared just as quickly as they appeared. And the key point there is customers, not just low-income customers, all become price sensitive. So actually, this is teeing up for a great environment. We couldn't have had a better margin environment for such a steeply rising price environment. In the more elevated environment with the pass-through effects we're seeing, we're going to see more normalized runups and rundowns, but at a higher level. But these customers are going to be more price-sensitive, and that's going to help us with our everyday low price position. And I guess the other thing I'd add to that, when you think about it, those rising costs that we're seeing, the

average retailer isn't going to have the same levers we have to win in that environment. We have a low-cost operating model to start with, we've talked about some of the levers and scale, we have to offset the increases in the cost. And frankly, like we did this quarter, our expectation is we'll continue to offset the cost with merchandise sales. So these higher fuel margins that we're seeing for us all flow through to the bottom line.

Sam Reid

Awesome. No, Andrew. Thank you so much. That's super helpful. Maybe just to sneak another one in here really quickly. Just on the beverage side. I think you might have said something in the press release on beverages, but maybe just a little bit more detail on what you're seeing, especially in immediate consumption? And then maybe just looking at it from another perspective, are you seeing any changes in consumer behavior around the media consumption beverages, given some of those trends we are seeing in gas prices?

Andrew Clyde

We really aren't. I mean the beverage number picked up really nice year-over-year. There's obviously -- the mix within that is you see challenges and CSD being offset by energy drinks, teas, waters, other products. So the continued innovation has been a big win. They continue largely in the Murphy case to be a attached item to the fuel or tobacco or other destination to the store. And in the QuickChek side, part of the basket is part of the food destination there. And so consumers have to wash down their food with something. And so we're seeing continued growth in the beverages. And frankly, as we get into the synergy work with QuickChek, see opportunities to make some improvements on that side.

Operator

Your next question comes from the line of Ben Bienvenu [indiscernible]

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

So I want to ask a similar question to a question that Bobby asked, but about the merchandise business. We're still integrating QuickChek into our models. You noted some commentary around kind of what the new normal is for operating expenses. One of the things that stood out to us in the result was just the strength of the merchandise margin, which looks to be heavily driven by mix, which I assume is heavily driven by QuickChek. Well, is this 19.6% type of level of run rate, how much seasonality should we expect in that margin? Any sort of color you can offer there would be helpful.

Andrew Clyde

Well, I would say both on the Murphy and the QuickChek side, we saw a really nice improvement in the mix. I mean on the Murphy side, beverages, candy, salty alternative snacks all performed really well year-over-year, more than offsetting the general merchandise tailwinds we had during COVID. At QuickChek, we continue to see record food sales at a number of the stores. We've opened 4 stores just in the last few weeks, and they've all hit the ground really well. We've been able to take price to a certain extent on food items there. And so there's just a number of things that I would describe as sustainable, which I think is the essence of your question from a unit margin standpoint. So mix is getting better, pricing is attractive, there's probably a little less promotion on the margin on the Murphy side, and I think it all plays well for our model.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

Okay. Great. Perfect. My second question is about capital allocation. You guys bought back a lot of stock in the second quarter, bought back a little bit less this quarter. I know you bet spend ebbs and flows within the bigger picture paradigm of commitment with the buyback. I want to ask -- I think this question has been asked before a few quarters ago, but you're continuing to integrate QuickChek. You've got all these levers to pull on capital allocation. Is M&A still something we should consider incremental M&A going forward? Was it a one-and-done or is it just circumstantial?

Andrew Clyde

Yes. Look, it's a good question. And clearly, there's been so much activity out there on the market, and we'd looked at things before. And certainly, when you do one, all of a sudden, you find yourself seeing a lot more opportunities crossing your desk. I think we've described before how we thought about M&A. It's either something that's massively transformational, which we really don't see opportunities, we see things as strategic, building, buying a capability that would be hard to build. And I think in buying QuickChek, it's a QSR. We kind of leapfrogged brands like ourselves, other brands that do food in the C-store sector to an honest-to-goodness, quick serve restaurant. I think we also know that last October, there might be quality midsized change for which you could apply your synergy -- your capabilities and get synergies, including your enhanced synergies. And I would say as most of the assets that were sale in the market are generally weaker assets, older assets. And when I think about older 30 to 40-year assets, single-wall tanks, environmental challenges, not well-positioned for a QSR offer like a QuickChek. And so in some ways, they become somewhat undifferentiated stores. And there are plenty of retailers out there who are looking to acquire those, either to get scale or as part of a larger rollup play, et cetera. So I would never say never in terms of one and done but if you think about the intent behind QuickChek, it was to really make a strategic acquisition to buy a capability. If you saw something really unique out there that you thought you can apply that capability to or if you think about the Murphy Express model where we may be looking to enter new markets and you could get a toehold position and they were quality assets, you might do something like that. But what I can tell you is everything that we've seen and taken a look at doesn't fit that profile. So I would put that much lower on the probability list, but I wouldn't assign a 0 probability to it.

Operator

Your next question comes from the line of John Royall of J.P. Morgan.

John Macalister Royall

JPMorgan Chase & Co, Research Division

So my first question is on same-store fuel volumes. I think on the last conference call, you had talked about July being about 93% of 2019 volumes. And if I'm doing the math right here, I think you finished the quarter on a 2-year basis, somewhere around 89%. So is there any color on August and September? And if there was some degradation in demand, if I'm actually looking at that correctly? And then I apologize if I missed it in the opening remarks, but I don't think you've mentioned anything on how October and 4Q were trending. So any update there on same-store volume would be appreciated.

Andrew Clyde

Yes. John, look, every quarter is a tale of 3 months or 13 weeks if you're on the QuickChek retail, same in -- July started strong. It's hard for us to actually say without more time from a hindsight standpoint, was it macro demand, but certainly, in a rising price environment, we want to maintain our everyday low price position. But it's all -- you're always just a little bit challenged on that side. I mean, from our best near-term indicators, macro demand in our markets are still down 10% to 12%. So our view is that we held share in that period. [indiscernible] you asked, it's slightly above that, probably around 91% recovery month-to-date, which is stronger. And margins, that's [indiscernible] for 2019. Margins are significantly higher than 2019, so total contribution remains elevated. And so I think the big question is, when do you get out of that 89% to 90%, 91%, 92% range, and more into a persistent 95% range to kind of pre-COVID. And look, we see that some weeks. But often, you can look back and say, well, there was a bigger storm event or something like that, that you're comping against. So right now, it just seems very persistent in that low 90s range. But with margin, that continues to more than make-up for that. And I think for us, as we've noted and kind of framed today's call, that's all going straight online because we're able to offset all of the operating cost increases with the expansion on the merchandise side, which plays the uniqueness of our model.

John Macalister Royall

JPMorgan Chase & Co, Research Division

Great. Thank you. And then just wanted to go back to your initial view of the \$550 million of EBITDA for the year that you had several quarters ago. And I think you had sort of an illustrative \$0.18 fuel margin at that time. Obviously, now we're -- through the first 3 quarters, we're over \$600 million. And I think it's about \$0.06 fuel margin year-to-date. So I know you've tweaked some guidance figures a little bit, and it's very obvious that a lot of the drivers are around the fuel margin, and there's perhaps some pull the other way from OpEx. But just anything else you can highlight that's kind of different about this environment, more sort of along the margin other than the big headline pieces that we all know about, things that are a little bit different now than when you were looking at that \$550 million view.

Andrew Clyde

Yes. Well look, the first thing I would say is we had a view coming into the year about how demand would recover and we were wrong, right? Also in some ways, kind of agnostic as to the volume because you would make up for it in margins. Beyond the COVID recovery time period being off, I don't think that -- I mean, we certainly didn't anticipate government reaction, market reaction around labor supply, the impact on wages, the impact of labor shortages on logistics, the impact of that on supply chain, and all of those factors that have really made it extremely difficult for the typical retailer in this space. And while we always subscribe to the notion of the higher fuel breakeven as something being pass-through, I think the degree to which you saw on the labor cost inflation, the other cost inflation, the supply chain shortages that impacted this typical retailer, how quickly that would elevate their price pass-through to just maintain their profitability and in this rising period, how that impacted our business more in a positive way. So as I think about next year, again, I would say, look, is it going to be 90% or 95% or 100%? I'm not really sure. What I can tell you is that our advantage business model is uniquely built to thrive in this environment. It's about relative and advantaged competitive positioning within the industry. And I think that's going to lead to higher fuel contribution over time. We noted in one of the investor conferences that on a '21 -- 2021, 2022 store month basis, historical numbers were typically around \$750 million to \$800 million in fuel contribution. In 2020 and 2021, that number is a lot closer to \$1 billion in fuel contribution, right? In terms of where we expect next year to be, you plan for somewhere in the middle, right, but you've probably got more chips on \$100 million of upside to the business than you have \$100 million of downside to the business as you think about -- how you think about planning for the business and allocating capital for the business. So hopefully, that's helpful and we'll probably be as wrong in terms of guessing how 2022 evolves but I think we're going to be right in terms of demonstrating the advantage aspects of our business model.

John Macalister Royall

JPMorgan Chase & Co, Research Division

Yes, that's really helpful. Thank you. And then if I could squeeze one more in. It's just going to be another impossible question on 2022. So on the OpEx side, it seems like you're tracking in line with your revised guidance on station OpEx for the full year. Just any color, and I realize -- fully appreciate that you're putting out guidance in the next quarter. But any color on just the various kind of moving pieces back and forth looking into next year. I know you've got some inflation on the labor side that you're obviously handling a lot better than a lot of your competitors are. But just thinking about kind of where we are now at this sort of \$30 million level and how we should think about that going into next year?

Andrew Clyde

Yes. I'm just going to go back the way I described the quarter. And maybe this will make it really simple for you. You did a great job kind of estimating the quarter this time. You nailed the number, so congratulations. So to get your long-term number, I think, more in line with where our view is, just think about the merchandise contribution, right, from the new stores, the improvement initiatives, et cetera, are going to more than offset the labor supply, inflation, other operating cost increases that we will have. And so if you can get the gallons right and the fuel margin right, it's going to be really easy to estimate EBITDA. And then when that sustains at that higher level, I think it helps change the notion of -- this is a higher risk business, actually, a lower risk business, given we're the advantage value player in our sector.

Operator

This concludes the Q&A session. Are there any closing remarks?

Andrew Clyde

All right. Thanks for joining today. I think my last comments probably summarized how we view the quarter, also how we view next year, and the ongoing strength of our business. Thank you, and we look forward to talking to you next quarter.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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