

Murphy USA Inc. NYSE:MUSA

FQ2 2023 Earnings Call Transcripts

Thursday, August 3, 2023 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2023-			-FQ3 2023-	-FY 2023-	-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	6.28	6.02	▼ (4.14 %)	5.98	22.72	NA
Revenue (mm)	5648.11	5585.40	▼ (1.11 %)	5638.58	21766.15	NA

Currency: USD

Consensus as of Aug-03-2023 11:25 AM GMT

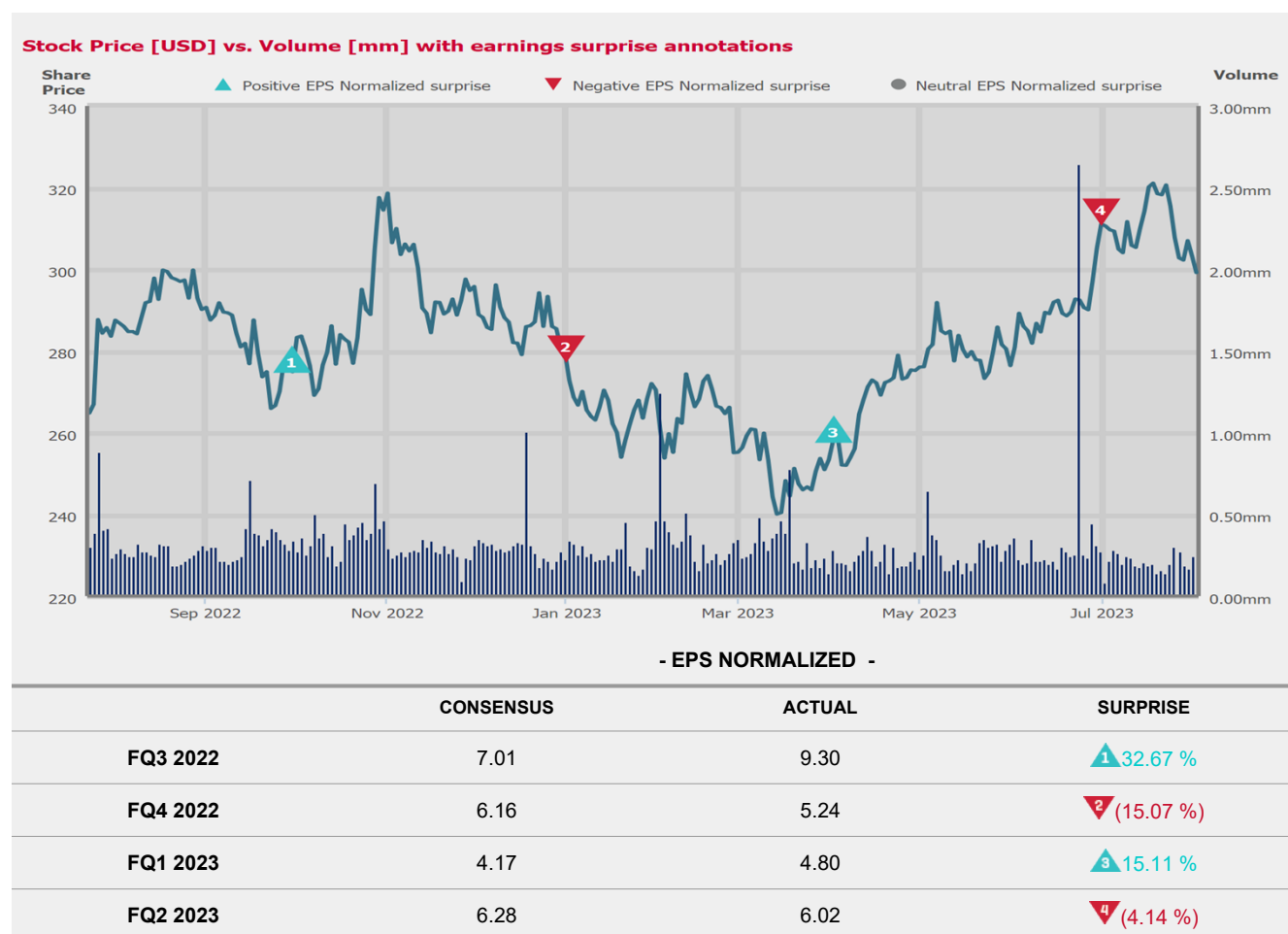


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Call Participants

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Robert Kenneth Griffin

Raymond James & Associates, Inc., Research Division

Presentation

Operator

Good morning, and welcome to the Murphy USA Second Quarter 2023 Earnings Conference Call. My name is Brianna, and I will be your conference operator today. [Operator Instructions]

I will now turn the call over to Christian Pikul, Vice President of Investor Relations. Please go ahead.

Christian Pikul

Vice President of Investor Relations & FP&A

Yes. Thanks, Briana. Good morning, everyone. Thank you for joining us all today. With me 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 then we will 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 relevant 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 Investor section of our website.

With that, I'll 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 excited to discuss our exceptional second quarter performance, which reaffirms the strength of our strategy and business model and our enduring commitment to driving sustainable value for all our stakeholders.

Murphy USA reported another impressive quarter of financial results in Q2 underpinned by continued strength across all major categories. Beginning with fuel, we achieved nearly flat APSM volumes in Q2, including positive volumes in May and June, as we held market share gains achieved last year and continued to outperform the OPUS volume survey in our geographies.

We built on merchandise sales and margin momentum, led by total volume and market share gains in tobacco, and sales and contribution growth in non-tobacco categories. Tobacco share grew across all subcategories as we continued to promote and provide affordability to our customers, while our non-tobacco category saw broad based strength led by energy sales up 21% in units up over 13%.

Food and beverage across the enterprise also accelerated in Q2 with sales and margins up 6% and 3%, respectively. Despite some of the traffic challenges that continued to impact the Northeast, our QuickChek stores posted record food and beverage sales in Q2 with record margin months in May and June.

On the cost side, our already low cost model saw per store operating expense growth of less than 4% in Q2 as we continued to leverage our scale, reduce overtime, and lap targeted wage increases from the prior year. Notably, as inflation eases, associate engagement reigns high as together we focus on our mission to help customers affordably meet their non-discretionary needs.

If I take a step back and consider the relatively benign external operating environment of the second quarter with nothing extraordinary taking place and then think about the high bar we are lapping from the prior year period, I view our results as even more exceptional.

Turning specifically to fuel margins, the past 3 years can be characterized by exogenous events, including pandemic-driven demand destruction, geopolitical instability, severe volatility, steeply rising prices, and precipitous price fall offs. Each and every quarter was

distinct in its own way. The one constant has been significantly higher fuel margins as the industry supply curve steepened due to cost and traffic headwinds for marginal retailers. Some investors and even analysts have been reticent to believe that higher margins are sustainable, and they wanted to see the results in a more normal period.

Well, following 3 years of macro uncertainty and onetime events, there was absolutely nothing remarkable about the environment in Q2. In fact, the only thing you may find remarkable about the quarter is that we are once again reporting all-in fuel margins on the high end of our range at \$0.295 per gallon. In recent months, more investors and analysts have asked me, "Are we really still debating higher fuel margins?" My answer, of course, is, no, we are not. There is no internal debate at Murphy USA. The answer to us appears quite clear.

Looking ahead, while we do not know the market dynamics that will define the rest of Q3, we do not expect a quarter as remarkable as the third quarter of 2022. During Q3 2022, we achieved significant share gains, growing total gallons over 13% and all-in margins of \$0.38 per gallon, while peers reported flat or declining volumes. As we have stated previously, these exceptional prior year gains and high margins are not repeatable in a normal quarter, but were instead the result of a prolonged period of rapidly falling prices that we only witness every 6 to 8 years.

I don't particularly like talking about 2 year stack, but we know that Q3 will be a difficult comparison and want to set expectations accordingly. As a hypothetical, flat same-store gallons in Q3 this year would result in an industry leading 2 year stack of 9%, while declines as high as 4% would still likely lead peers with a 2 year stack of 5%. Internally, we are focused on sustaining last year share gains while continuing to drive traffic to our stores through our loyalty program, in-store promotions and overall pricing strategy.

And while fully maintaining Q3 share gains would be an ambitious goal, where we would need some help from the macro environment, I do believe that any 2 year stack for fuel volumes greater than 5% would demonstrate strong execution against our long-term strategy.

Turning to merchandise. As I mentioned at the beginning of this call, we are really pleased with the second quarter performance and seeing that momentum continue into the second half of the year. I believe the strong results speak for themselves. So I want to spend a little bit more time today talking about the exciting aspects of the QuickChek integration and how synergies and other benefits are manifesting across the enterprise.

We are in the early stages of recognizing significant benefits from product and menu innovation as well as enhanced promotional and marketing activities to help improve store performance, particularly in the food and beverage category. The combined learnings of both companies are coalescing into sustainable and material performance drivers of the business, and so I want to share some examples on this call.

Starting with branded products and promotions. We are creating new opportunities to engage with our customers outside of fuel and tobacco. We think this is a significant building block upon which we can implement further improvements in store traffic and profitability. As an example, we saw strong sales from a limited time made-to-order watermelon smoothie of QuickChek, which was subsequently reimagined and introduced as a limited time offer Sour Patch Kids branded frozen slushy product at Murphy USA stores. Similarly, edible cookie dough and brownie bites cups first introduced in the QuickChek open coolers were quickly followed up at Murphy stores.

Having successfully increased the level of promotional awareness of QC's 2 for \$5 breakfast sandwiches, where we grew both sales and margins by 11% in the quarter, we have introduced similar 2 for promotions for Murphy grab-and-go items across multiple categories in day parts. We expect to accelerate the use of promotions and limited time offers across the enterprise in the second half of 2023, giving customers even more reason to come inside our stores.

Turning to innovation. The QuickChek format is the perfect test and learn environment to identify high potential products that have strong overlap with Murphy USA customers, and the QuickChek team has been leading these innovation efforts. For instance, we develop products with well known national brands, including a new and exclusive sugar-free frozen energy drink with Prime and partnered with Red Bull on both iced and exclusive to QC frozen flavored infusions, creating a new traffic driving and basket building category in store at QC. In addition to the introduction of nitro coffee at QC, these innovations are expected to lead to new dispense beverage options at Murphy branded stores.

We also continued to innovate in our growing core categories where the made-to-order menu at QC is being realigned with consumer insights and fresh product preferences. This will lead to some exciting new sandwiches -- signature sandwiches to be introduced in the second half of 2023.

Maintaining a differentiated offer is vital not only to customer engagement, but to encourage customer retention. We need to give customers more reason to come into our stores and even more reasons to want to come back. As we incubate and unleash this innovative mindset across the enterprise, we are increasingly excited about the future opportunities to impact store performance.

Turning to marketing and other customer-facing improvements. With the right products and the right amount of innovation, clearly communicating and presenting our improved and distinctive offer to customers is becoming increasingly important for both QuickChek and Murphy USA. From a visual marketing perspective, through the insights learned from our in-store experience campaign, we recently kicked off a series of retrofits on existing 2,800 square foot stores, featuring a new layout based on learnings from QuickChek.

Selling spaces optimized, allowing for easier traffic flow. Queuing lanes have been added that promote impulse sales and reduce congestion around the register. While at the same time, we improved lighting and signage. This layout is specifically designed around driving food and beverage sales at Murphy stores, enabling access to more desirable assortment of high quality grab-and-go, grab-and-reheat-and-go and self-serve dispense beverages that are more accessible, visually appealing and relevant to our customers.

With the right assets and the right places, selling the right products, managed by the right people, we are in a unique position as a company to fully realize benefits and more intentionally drive food and beverage sales through targeted marketing strategies that go beyond our most effective marketing tool of everyday low prices.

We are in the early stages of further leveraging our digital assets to unlock significant value inside the store through machine learning tests, and we are more and more excited about the potential of the combined business.

I'm now going to hand the call over to Mindy to briefly review the financial results, and then we will wrap up and open up the call to Q&A.

Malynda K. West

Executive VP of Fuels, CFO & Treasurer

Thanks, Andrew, and good morning, everyone. Revenue for the second quarter of 2023 was \$5.6 billion versus \$6.8 billion in the year ago period. Adjusted EBITDA was \$257 million versus \$317 million in the second quarter of 2022. And net income for the second quarter was \$132.8 million or \$6.02 per share versus \$183.3 million or \$7.53 per share in the prior period. Average retail gasoline prices were \$3.21 per gallon versus \$4.21 per gallon in the year ago period.

Total debt on the balance sheet as of June 30th 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 a reduction in long-term lease obligations as they are paid through operating expense.

Our \$350 million revolving credit facility had a 0 outstanding balance at quarter-end and is currently undrawn. And these figures result in gross adjusted leverage, which we report to our lenders, of approximately 1.7x.

And finally, cash and cash equivalents totaled \$93 million as of June 30, up about \$30 millions since year-end, net of \$142 million of capital spend and \$108 million of share repurchase, clearly demonstrating the accretive benefits of our positive free cash flow business.

And with that, I will hand it back over to Andrew.

R. Andrew Clyde

President, CEO & Director

Thanks, Mindy. In keeping with recent tradition, I'd like to close with some insights around preliminary July performance. As in any single month comparison, remember, performance is partially dictated by the price environment we encounter. In 2022, we witnessed steeply falling prices, which are very conducive to elevated margins, supporting our ability to create price separation versus competitors and take share.

This July, prices were actually up around \$0.50 per gallon, which historically suggest a more challenging volume and margin setup. However, despite that move in prices, I'm pleased to say that retail-only margins averaged around \$0.25 per gallon in July, moving north of \$0.30 towards the end of the month and into the first few days of August. And that is before the additional benefits we would expect to report from PS&W in a rising price environment.

Per store volumes are approximately 96% of prior year and 104% of 2021, demonstrating sustained market share gains over the 2 year period. While it is somewhat shocking to see our internal daily reports highlighting that margins on many days during July were only

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50% of the same day a year ago, we're very comfortable with the persistent structural equilibrium in the industry and the margins we are realizing.

As managers and owners of the business who are truly invested for the long term, while the exceptional 2022 results present a challenging comp, we are encouraged by the higher earnings power and cash flow generation of the business in a highly stable environment and the significant upside potential for outsized earnings and cash flow when volatility returns.

With that, operator, we can open up the lines for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Anthony Bonadio with Wells Fargo.

Anthony Bonadio

Wells Fargo Securities, LLC, Research Division

So I know we're still a couple quarters away from 2024 guidance, but as I look at the 2027 targets you've given, that seems to imply something like 7% to 8% compound EBITA growth from that \$900 million midpoint you talked about this year. Is that sort of the right way to think about the base case growth algo into next year? And then anything you can add as we think about possible benefit from strategic investments? And other puts and takes would be helpful as well.

R. Andrew Clyde

President, CEO & Director

Yes. That's great. Anthony, we really break down that bridge in 3 steps. We have new stores and raise and rebuilds and a cadence for those and with a run rate expectation of 50 plus stores, 25 to 30 plus raise and rebuilds, there's incremental EBITDA growth at higher per store comps, whether it's fuel volume, merch sales, et cetera. And that's the single largest component of that growth. We do expect this industry supply curve breakeven equilibrium to continue to see fuel margins go up year-over-year. And we've built in, in that algorithm small increases that we would expect to capture going forward.

And then the third component are the specific campaigns that we've launched for the business, whether it's around our in-store experience, whether it's around the digital transformation, the food and beverage innovation that we've talked about, the machine learning tests we're doing around promotion, the reimaged 2,800 square foot store and the retrofits we're doing, all of those things come together to complete the walk towards that \$1.2 billion goal.

Anthony Bonadio

Wells Fargo Securities, LLC, Research Division

Got it. That's very helpful. And then just quickly on volumes. APSM gallons were down, but clearly a lot less than some of us were modeling, and clearly improved from April. So I guess how should we think about the path of gallons from here now that we've lapped last year's price peak? And then can you talk about what you're seeing in terms of share retention? You seem to be hanging on to a lot of last year shared gains. So any way you can frame that in more detail would certainly be helpful.

R. Andrew Clyde

President, CEO & Director

Sure. And as we noted, Q3, certainly the latter part of Q2 was just an exceptional environment last year to gain market share, right? You've got margins that were north of \$0.50 per gallon. As prices come down, we're just in a unique position to separate in a very, very high price environment.

One of the things around share gains that we've mentioned and it's worth iterating is our customers view fuel, tobacco and many of the items they buy from us as non-discretionary purchases. And I would say with the value brand QuickChek represents, their outstanding food and beverage offer is also a non-discretionary set of purchases.

And so when you see higher prices at other retailers, whether it's high or low price environments -- and look, we're still in a relatively high price environment at \$80 a barrel crude prices. We're not back down to below \$2 a gallon. And so, consumers remain pressured and we continue to add consumers, whether it's in our fuel category or tobacco category.

And so if you take away for the once in every 6 to 8 year events like we saw in Q3 of 2022, we saw in 2014, we saw in 2008 when crude oil prices fell sharply, as long as prices remain elevated and consumers remain pressured, our everyday low price offer is going to win not just across fuel gallons, but across other categories as well. And of course, those categories reinforce each other.

Operator

Our next question comes from Ben Bienvenu, with Stephens.

Benjamin Shelton Bienvenu

Stephens Inc., Research Division

I want to drill in a bit, if we could, on the station and other operating expenses. Andrew, you noted in the quarter growth, ex credit card fees, up 4%. That's certainly a trend of moderation. It sounds like we should expect continued moderation going forward. But maybe help us think about where the continued opportunities are there and what kind of the slope of that trend line might look like?

R. Andrew Clyde
President, CEO & Director

Yes, certainly, we've talked over the last 2, 3 years about some of the challenges that we faced, also some of the onetime things we did to support our associates, who make all the differences in the world. And that was the main reason for updating guidance over the last 3 years in Q2, was to call out exceptional things that we were seeing or intentionally doing around operating expenses.

We didn't call out anything or update anything this year in Q2 on OpEx because we expect to stay within that guidance for the full year. We're lapping some of the wage increases. Staffing is improving. There are still challenges out there, to say the least. But we feel comfortable that some of those pressures are indeed moderating.

As you could expect, Q3 absolute OpEx is higher because of the driver seasons, greater transactions, et cetera. But on a relative basis, we would expect to see these trends continue.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

My second question is on merchandise and in particular on merchandise margins. I know total merchandise margins were down year-over-year, but that really seems to be a function of mix with tobacco continuing to grow at a faster rate than certainly we were expecting.

Maybe if you could talk about some of the opportunities and the growth path for margin expansion within each specific merchandise bucket versus the total? Because I know the top line growth has bearing on the total margin.

R. Andrew Clyde
President, CEO & Director

Sure. So as you rightly point out, strong tobacco performance and significant share gains versus industry declines drive that total unit margin down. Within tobacco, we continue to see improvement across all the categories as we think about the more innovative, lower-risk products. Those tend to come at much higher margins as well. So there's improvement in those categories. And certainly, with our leading market share position, we are best able to help with the transition towards those products at higher margins.

On the non-tobacco side, if you start thinking about packaged beverage, energy drink performance is really, really strong, as we noted, up 13% in units, up 21% in sales for the quarter. And so again, at attractive margins relative to some of the historical packaged beverage items. With the reset of our stores as we think about the retrofits of the 2,800s, if we think about the queuing lanes and the impulse items, there's a lot of high-margin items in that space that we would expect to see improve.

And importantly, food and beverage, not only at QuickChek and Murphy, posted really strong results. And I think the offer that we are moving towards on the Murphy side, where we've got a better position, a better setup for condiments, et cetera, for grab-and-go, grab-and-reheat-and-go, our dispensed beverage, our bean-to-cup coffee, all the self-serve items there versus the made-to-order or made-to-stock items at QC, we're really seeing that performance turnaround, and that's a source of higher margins as well.

So I think then across the board we're going to continue to see sales gains, market share gains. And the intentionality behind the efforts should start leading to merchandise margin gains. If the tobacco team gets in a competition with a non-tobacco team and we see the same mix issue, as long as total margin dollars are going up I'm not going to get in the middle of that one.

Operator

Your next question comes from Bobby Griffin with Raymond James.

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

Andrew, I guess I just wanted to kind of maybe circle back there on the merchandise side of things. It does seem like that it's starting to kind of accelerate, especially the cross learnings between the 2 concepts. Is there any further capabilities that you guys need to build

out between the 2 concepts now with QuickChek? Or is it really kind of now plug-and-play where you can move very fast and at a faster speed when you see something working in one area and move it to the other side of things?

R. Andrew Clyde
President, CEO & Director

And it's a good question. I mean we're in the early stages of that. I mean I was at the Dallas-Fort Worth store that has the 2,800 retrofit, and we had Jack Hammers going a week ago, Sunday, and we had the new offer in place this past Sunday. And the store looks great. It's visually more appealing. The grab-and-go dispensed beverage items are so much better highlighted, better positioned on the back wall. The queuing lane fantastic, the merchandise looks great. And we've got stores in 2 other regions that we started that pilot on.

At the same time, we're looking at a new concept for a 2,800 store, we call it our store of tomorrow. And that will be in 2024. But we've done the work to identify the what needs to change, how it needs to be positioned, the items that need to be in there. A lot of the learning that I mentioned on the call -- there are simple things. But having limited time offered frozen slushies at Murphy and that whole LTO concept, the marketing behind that, digitally and otherwise are all capabilities that we're building off of.

The digital transformation work we've talked about, that's not only enhancing the Murphy Drive Rewards. And kind of redesigning the QuickChek loyalty program is also taking advantage of the fact that we've digitized our business in terms of the insights from all of our transactions. But now how do we digitally optimize promotions, identify unique customer DNA strands, et cetera?

And so the machine learning tests that we're doing around a variety of promotions is another area that we're still in the early stages, but have built the data foundations, the analytical tools, the learning capabilities inside the organizations. And there's just more and more categories, subcategories, products that we can point that to.

The other thing I would say is just the new stores and how they're comping and the raise and rebuilds when they come back on, have a tremendous impact on the performance of the merchandise categories as well. And I think if you go back to Anthony's question, the biggest part of our EBITDA growth from now to \$27 billion, \$28 billion of \$1.2 billion is from innovation and growth, right?

But because we are growing and improving with such a strong cost base and business model to start with, we do expect to keep more of the industry margin that gets passed through in that time period because the marginal players in the industry are unable to make these same types of investments because they lack the scale in the team and the capabilities to be able to do that. So I really do think of these things as all coming together in a very serendipitous way over the next few years to deliver that kind of EBITDA growth.

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

That's helpful. And that was actually part of my second -- part of the question was going to be on new store productivity, but it seems like -- to take the context from your response, the new bigger store productivity in the first 12 and 24 months is ramping up well?

R. Andrew Clyde
President, CEO & Director

It absolutely is. And so we look at the ramp after 3 months. And the 12-month, 24, 36-month periods all look very good. And when you look at the build classes that have completed that 24 to 36-month ramp, they're all performing well above the same format. So it's a tribute to the better real estate locations that we've identified for those stores.

Some of our new QuickChek stores are already in the top 5 of the best QuickChek stores in the network. And so we see the similar type opportunities there.

Operator

[Operator Instructions] Your next question comes from Bonnie Herzog with Goldman Sachs.

Bonnie Lee Herzog
Goldman Sachs Group, Inc., Research Division

All right. I was hoping for a little bit more color on a comment you made regarding some of the promotions you're doing in tobacco. Just trying to think through that and just kind of looking at margins, which might have been a little bit pressured and wondering if that's played a role there.

So maybe you could talk through sort of your strategy with balancing profitability within your tobacco merchandise with the share gains that you've been realizing?

R. Andrew Clyde
President, CEO & Director

Sure. Well, look, the first thing I would say is let's just look at the results relative to the industry. Total volume was up almost 2%, and I think the industry declines have recently reported has been down 8%. And guess what? That was the exact same thing we saw last year in Q2. So on a relative basis, we're up 4% where the industry is down 20%.

And it's a lot like fuel. We're -- you noted we were down 2% on a 4-year stack. But if you look at that same OPUS data, the industry is down almost 19% over that period. So our goal is to continue to grow share, grow volume and do it profitably. And in the environment where others are focusing less on these categories, whether it's fuel or tobacco categories, it presents an opportunity for us to take share and win.

The margin rate could be a function of a number of things, right, the mix between cigarette, smokeless, other tobacco products, where we are achieving record market share performance and continuing to grow that. There could be specific promotions in the quarter that if it's introducing a new nicotine pouch, for example, it may be designed in such a way where margin is accelerated. And then when you have that next year comp against that, it looks different.

And certainly, just the mix between cigarette gains, smokeless gains and other tobacco gains can impact the overall margin rate. So what I would say is our goal is to continue to invest and grow in the category, participate in its transition, do that in a profitable way, taking share along the way.

And as the everyday low price retailer what we're not going to be doing is saying, "Well, let's go try to get another 1% or 2% margin rate," and then lose that everyday low price positioning. It's really no different in fuel either, a very similar, highly elastic category, where, if you're at the bottom of the market, you've got to be the everyday low price. We can't afford to price up \$0.01 or \$0.02 because of the volume impact that would have.

Bonnie Lee Herzog
Goldman Sachs Group, Inc., Research Division

Okay. That definitely makes sense. And then I guess my second question, hoping you could just talk a little bit about your capital allocation priorities. I think you've previously mentioned a 50-50 split between share repurchases and reinvest and back into your business. So in the quarter you definitely bought back your stock and you've maybe stepped it up a bit.

So I just wanted to check in with you on how we should think about the outlook, if you will, between your buybacks and reinvestments. And then definitely wanted to hear your thoughts on the current M&A environment and your interest -- your potential interest in future M&A.

R. Andrew Clyde
President, CEO & Director

Our algorithm hasn't changed. A lot of people will look at last year. And I would remind folks of our comment that if we generated excess free cash flow from highly elevated margins, we would direct that towards share repurchase as our primary vehicle for returning capital to shareholders. And I would say we're maintaining that broadly 50-50 allocation and you would expect to see that over any kind of 12- to 24-month period. So really nothing has changed there.

And look, if crude oil prices go from \$80 to \$100 to \$120 a barrel and then fall sharply and we get a once in every 6 to 8 year event every 2 years, we'll have the same answer, we'll direct the excess free cash flow to share repurchase.

In terms of M&A, certainly with the QuickChek acquisition, we see a lot more deal flow than we did before. I would say there's a lot of chains out there that are selling at peak margins, but they're not everyday low-priced retailers. They are formats that are old. We look at things like the age of tanks and the need to replace them after 25 years. We're a chain that's highly concentrated in a market. You wouldn't be able to move those stores to our everyday low-price model.

And so we're highly conscious, Bonnie, of looking at things that would have a fit, right, from a consumer value proposition standpoint. Is the entire enterprise going to be focused on the mission of delivering value? Having a high price and a low price retailer under the same roof with different mindsets around who the customer is and how you deliver value would be challenging.

And so there's just not very many retailers out there that are in a position to sell that kind of meet that criteria. In fact, those that share that mindset or some of the best run private retailers and -- they're growing and they're great competitors, and certainly I respect those organizations. And I don't think they're selling anytime soon.

Operator

There are no further questions at this time. With that, I will turn the call back to Andrew Clyde for closing remarks.

R. Andrew Clyde
President, CEO & Director

Great. Well, thanks, everyone, for their questions today. I think as we noted last year and we've noted throughout this year, we're heading into a period of a difficult comparison. I would just encourage folks to take the 3 to 5 year view of where this business is positioned to go, the earnings and free cash flow generation that is going to create and recognize the initiatives that we continue to demonstrate proof points around that will take us there.

So again, thanks for joining today and your continued interest in Murphy USA.

Operator

This will conclude the conference call. Thank you for joining us today. You may now disconnect.

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