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Murphy USA Inc. NYSE:MUSA

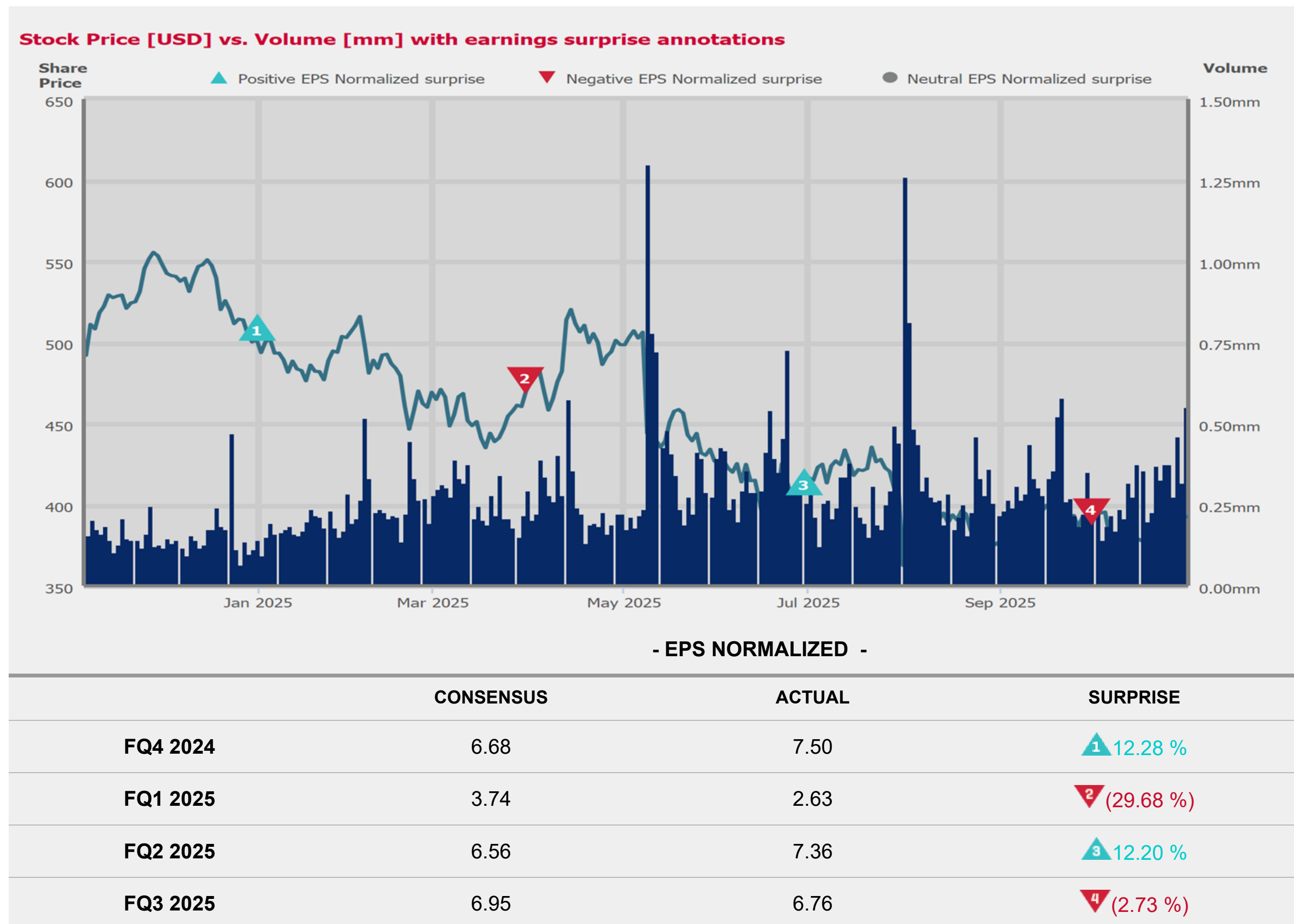
FQ3 2025 Earnings Call Transcripts

Thursday, October 30, 2025 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	6.95	6.76	▼(2.73 %)	6.52	23.42	NA
Revenue (mm)	5077.75	5110.00	▲0.64	4883.23	19486.61	NA

Currency: USD
Consensus as of Oct-29-2025 9:50 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2024	6.68	7.50	▲1 12.28 %
FQ1 2025	3.74	2.63	▼2 (29.68 %)
FQ2 2025	6.56	7.36	▲3 12.20 %
FQ3 2025	6.95	6.76	▼4 (2.73 %)

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Table of Contents

Call Participants 3
Presentation 4
Question and Answer 9

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Presentation

Operator

Thank you for standing by. At this time, I would like to welcome everyone to the Murphy USA Third Quarter 2025 Earnings Conference Call. [Operator Instructions]

I would now like to turn the call over to Christian Pikul, Vice President of Investor Relations and FP&A. You may begin.

Christian Pikul
Vice President of Investor Relations & FP&A

Hey, good morning. Thank you, everybody. Thank you, Jeannie. With me are Andrew Clyde, Chief Executive Officer; Mindy West, President and Chief Operating Officer; and Donnie Smith, Chief Accounting Officer and Interim Chief Financial Officer.

After some opening comments from Andrew, both Mindy and Donnie will provide an overview of the financial results, operating performance and a review of our 2025 guidance metrics before we open the call to Q&A.

Please keep in mind some of these 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'll turn the call over to Andrew Clyde.

R. Andrew Clyde
President, CEO & Director

Thank you, Christian. Good morning, and thank you all for joining today's call. I'm quite positive. This is a call I will always remember as I expect it to be my last earnings call as Chief Executive Officer of Murphy USA. It has been an incredible honor to serve as Murphy USA's leader, and doing so has been the pinnacle of my professional career.

For those joining live today or reading the transcript later, I would encourage you to take away 3 things from today's call: continuity; resilience; and momentum.

In terms of continuity, yesterday's announcement signaled both continuity in Murphy USA's leadership and continuity in our long-term capital allocation strategy. Having foretold this day to investors as a hypothetical in the past, we certainly appreciate the need to be as clear about future strategy and capital allocation as we are about future leadership. And as both our 50-50 strategy, and Mindy are well known to investors, we believe this announcement sends a clear message about what Murphy USA will continue to deliver and what investors should continue to expect.

At the end of our Murphy USA Board meeting last Thursday, I officially notified the Board of my intent to retire as President and CEO at the end of the year. The timing reflects a very thoughtful, intentional and multiyear CEO succession plan, which led to Mindy's appointment as Chief Operating Officer back in February of 2024. And after almost 2 years in the current structure, we are ready to make the final transition.

As you saw in yesterday's press release, Mindy becomes President of Murphy USA immediately and will become CEO and a member of the Board of Directors on January 1, 2026, and I'll remain as adviser to the company through February 2027.

Mindy and I took this company public in 2013, and she has been by my side every step of the way through the peaks and the troughs, through the campaigns that made the business better, through the major inflection points like COVID and the Walmart transition that shape the business we run today, leading by example in establishing a winning culture. In short, she is well positioned to lead Murphy USA into its next chapter, providing the continuity that all our stakeholders will value from a successful transition.

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In terms of continuity in our capital allocation strategy, the Board took this opportunity to authorize a new $2 billion share repurchase program as we were about 80% through the existing $1.5 billion program, while at the same time renewing our dividend policy at its 4-year anniversary where we have naturally increased the cash pool for dividends. Having repurchased about 60% of the share since the spin ahead of target dates and increasing dividends at a compounded annual growth rate of 20% since inception of the dividend, Murphy USA is committed to the continuity of its capital allocation approach to reward long-term investors.

Complementing our 50-50 approach is the Board's commitment to new-to-industry store growth and reinvestments within the existing network, and Mindy will touch on both sides of the 50-50 strategy in her remarks as she will carry this very bright torch into the future.

In terms of resilience, Murphy USA's third quarter results speak for themselves. Despite earning $0.02 per gallon and less on fuel margins, we generated the same EBITDA as Q3 a year ago due to the underlying improvements made to the business and the enduring strength of our core category capabilities that yielded outsized results. Updated guidance metrics for the full year highlight the team's efforts as merchandise contribution is expected to be in the upper end of the guidance range as exceptional Q3 results and Q4 momentum more than offset first half temporal effects. And OpEx and G&A expenses are both expected to finish positively below the low end of our guidance due to ongoing initiatives in our previously announced staff restructuring.

With regards to fuel, in our most recent investor meetings, we described the low price, long supply and consequently low volatility environment is a trough, the most challenging for an EDLP fuels retailer and contrasted it to the 2022 peak. Ultimately, how a firm responds in a trough speaks to its true resilience and whether it can sustain its commitment to an EDLP strategy and emerge a winner on the other side when the cycle normalizes. And Murphy USA has done just that. Through capabilities that strengthen its competitiveness and enhanced customer stickiness, we are performing significantly better than in the prior trough environment, and we continue to lean into value.

Most importantly, we continue to see the structural component of the retail fuel margin grow as the marginal retailer remains challenged and passes through to customers its higher breakeven requirements. This does not only supports Murphy's ability to lean into price in the current low price environment, but highlights the upside potential for when margins normalize, and we certainly expect the cycle to normalize. In fact, over the life of any 25-year store investment, one should expect 3 peaks every 6 to 8 years and 3 troughs based on the last 25 years experienced with normalized periods in between. And when we invest, we are basing our economics on mid-cycle factors, noting there is significant upside over time from the consistently increasing structural component of the margin.

In terms of momentum, while Q3 merchandise results are exceptional, we would argue that on an annualized basis, the performance reflects ongoing trends that we expect to continue. For example, nicotine promotional dollars have grown at an impressive 12% CAGR since 2020. While we will never be able to predict exactly what products are being promoted in which quarter, our capabilities to engage consumers in the category are unparalleled. In other areas, QuickChek reported its fourth successive quarter of same-store food and beverage sales growth, and total center store categories grew by 5%, while same-store operating expenses moderated, increasing by only 2.8% for the quarter, and ongoing campaigns are designed to further this momentum.

New store openings are now projected to be over 45 for the year with a strong pipeline supporting 50-plus stores in 2026 and into the future. Currently, nearly 40 stores are under construction that will open in Q4 and early Q1 of 2026. While the newest stores ramping do not have the same subsequent year EBITDA impact of stores further into the ramp, getting this first group of about 50 stores under our belt creates a line of sight to future earnings growth as new build classes come on board.

Before handing over the call to Mindy and Donnie for additional remarks, on a personal note, my announcement comes with a great sense of accomplishment for what the Murphy USA team has achieved together in the past 13 years and a deep appreciation for an opportunity one can only dream about. As I noted in our internal announcement yesterday, the most resilient for us in our business is our team members, the people who make it all happen each and every day. I cannot begin to express my appreciation for their leadership and followership as we have strived to make the business better.

Their efforts and sacrifices are too numerous to name, and provide the inspiration and energy for future initiatives to keep on making the business better. They define the winning spirit culture at Murphy USA, and I believe it is one of the greatest hallmarks a company can have. And for that, I'm both internally grateful and exceptionally proud. So it is with confidence of an enduring business model, a robust growth and capital allocation strategy and a winning Murphy USA spirit reflected in our future leader and leaderships and team members that I'll look forward to in my next chapter, both personally, professionally and as a Murphy USA shareholder.

I'll now turn the call over to Mindy to review some highlights around our capital allocation strategy and third quarter results. Mindy?

Malynda K. West
Executive VP & COO

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Thank you, and good morning, everyone. But before I start, it has been a great ride, Andrew, with a lot of ups and downs. You built the foundation of this very successful public company and have improved it in every type of environment, which is just remarkable. And I want you to know, I truly appreciate your wisdom, your mentorship and your friendship. You will be missed. But it is not goodbye because you know that I'm going to be calling you.

For those of you who don't know much about me, I joined Murphy Oil, the same year in which we opened our very first Murphy USA store. I was also here by Andrew's side as we launched this company as a public entity. And at that time and since, we highlighted 5 key value pillars still relevant today, one of which investing for the long term has been illustrated through our continued commitment to our 50-50 capital allocation, balancing growth and share repurchase. So with our new Board authorization, as you said, I am happy to carry the torch into the future.

Now let's talk about third quarter results. As Andrew alluded to, we are pleased with the third quarter. As mentioned, third quarter EBITDA was $285 million, virtually flat to the prior year despite all-in margins running about $0.02 lower. This is a significant achievement and is representative of our philosophy that especially during challenging times, we dig in and make the business better. So when the next peak environment presents itself, the earnings power and operating leverage will be that much stronger for longer-term investors.

Let me break down fuel performance just a little more, which remains strong despite that low price, low volatility environment. Average per store month volumes were down 1.8% in the third quarter and down 0.7% on a 2-year stack. However, all-in margins of $0.307 including retail margins of $0.283 are stronger than one might expect in this environment. If we compare to peak all-in margins of $0.343 that we experienced in 2022, that included roughly $0.04 of impact attributable to that once and every 6-year falloff in prices in the third year of 2022, coupled with about $0.015 to $0.02 of margin attributable to the tight supply and high volatility environment, and then further adjust for the $0.02 we are now investing to short volumes in the current low price environment. Given all that, we might expect all-in margins to be in the $0.26 to $0.27 range.

So to reiterate, we firmly believe the current margin structure includes $0.03 to $0.04 of structural uplift since 2022, which would translate to materially higher fuel contributions in a return to normal environment for Murphy USA. Important to note, fuel margins are highly correlated with the environment in which we are operating. While investors frequently ask why margins are lower year-over-year, why can't they see more of a structural uplift, our answer continues to be that current results are largely attributable to the low volatility and low price environment, which is masking the potential of our business in a normal environment where we believe we would experience several pennies of incremental margin opportunity.

Turning to merchandise. Total margin contribution dollars were up $24.4 million or 11.2% in quarter 3. There are 2 key drivers of these exceptional results. First, nicotine categories are up over 20%, driven by strong promotional activity and center of the store categories grew approximately 5%. Through the continued evolution of Murphy Drive Rewards and other capability building initiatives, Murphy USA has dramatically increased the efficacy of our promotional efforts across the store, especially when it comes to executing needle-moving product offers to support our vendor partners. While promotional opportunities of this size do not show up every quarter, when they do, manufacturers recognize our ability to execute.

We don't always know when or how these opportunities will arise. But when combined with our team's innovative and creative approach to optimizing promotional impact, it's important to recognize the third quarter margin benefit is not onetime. For instance, while not a data point we would otherwise go out of our way to provide, in the third quarter, we also saw strong promotional activity in the traditional smokeless products that drove double-digit margin growth in that category. So taken together across a wide variety of products over time, the collective impact of nicotine promotional dollars has been both significant and sustainable. In fact, since 2020, nicotine promotional dollars have grown at a very impressive 12% CAGR, as Andrew mentioned, and performance that we would expect to replicate going forward.

Turning to center of the store, where total margin dollars were up about 5%. We saw strength across the board, driven by mid-single-digit gains in our largest categories, packaged beverages, general merchandise, candy and lottery, where the $1.9 billion Lotto jackpot did help to drive traffic and transactions. Total food and beverage sales were up 2.7% in the third quarter. Margins remained pressured, though, down 2.2%.

At QuickChek, we continue to focus on price and value for our customers, which is propping up sales and traffic and translating to better performance across the rest of the store. Excluding food and beverage, total non-nicotine sales and margin at QuickChek were both positive for the first time in 2025, up 3.1% and 5.8%, respectively. Of course, merchandise sales do not happen in a vacuum. To grow sales and effectively execute promotional opportunities, the store has to look good, be well stocked and in functional working order, in addition to being properly staffed. Yet per store operating expense was only up a modest 2.8% in the third quarter or 5.6% on an absolute basis, 2/3 of which is attributable to new and bigger stores.

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So we continue to enforce restraint in our expense profile, controlling what we can control to ensure the network is running as efficiently as possible. We are making significant strides in reducing loss prevention year-over-year and holding labor expense study, which is helping to reduce our overall cost structure. Bottom line, Murphy USA is performing at a fundamentally different level than it was in the prior trough due to the capabilities we have built and our ability and commitment as a management team to make the business better.

As a result, we are improving our competitive position through best-in-class promotional execution and relentless discipline around maintaining a low cost structure, both at the store level and the home office. I am highly confident in the resilience and durability of our business model. And as noted in the capital allocation update we released in conjunction with our third quarter earnings, we are taking action to strengthen shareholder distributions and help maximize shareholder value as we navigate towards the next peak in the cycle. First and foremost, we remain steadfastly committed to new store growth, primarily through our acceleration of our new-to-industry store program to 50-plus stores and opportunistic supplementing organic growth with small-scale M&A opportunities as they arrive.

Second, we have received board authorization to begin executing against a new $2 billion repurchase program through 2030 once we close out the remaining $337 million on the existing $1.5 billion authorization.

Third, we expect to continue to grow the dividend payout 10% annually, starting with an additional 10% increase or $0.63 per share for the dividend payable on December 1 of this year.

Lastly, we will explore other reinvestment opportunities in the network to help improve the customer offer and reinvigorate the same-store base, while maintaining a leverage ratio at or below 2.5x for the long term.

I'll close out my comments with a little color around October's performance. Preliminary October fuels results continue to reflect the strong fundamentals I mentioned earlier, despite the transitory impact of low prices and low volatility. Average per store month volumes are running 98% of prior year at retail-only margins approximating $0.32, exhibiting resilience amidst an otherwise lackluster price profile. Here is another important takeaway for October. Even at these lower absolute price levels, when we saw prices fall early in the month and margins ran up to the mid-$0.30 level, we were able to put some of that on the Street to create separation against our peers, and in that environment, we saw volumes at about 100% of prior year.

The run-up in prices towards the end of October mitigated some of that impact, resulting in slightly lower volumes. But the point is, the team is executing extremely well against our strategy and the fundamentals are supportive when a little volatility in margin shows up even if only for a brief period. So that business is behaving as we would expect and October results reflect underlying strength that would be even more apparent in a higher price, higher volatility environment.

With October largely behind us, we do have a higher degree of confidence in our 2025 guidance metrics, which we updated in our earnings press release.

So I will now turn the call over to Donnie.

Donald R. Smith
Interim CFO, VP, Chief Accounting Officer & Treasurer

Thanks, Mindy and Andrew. Starting with our new store development program. We are continuing to make excellent progress. During this quarter, we brought 8 new stores into service, along with another 11 raze-and-rebuilds, bringing the year-to-date total as of September 30 to 22 and 20, respectively. In Q4 2025 and Q1 of 2026 combined, we expect to open roughly 40 new stores, all of which are currently under construction. This figure includes a small package of 4 stores we purchased in the Denver market that should be opened by year-end, an example of an opportunistic small-scale real estate play in an attractive market where we want a bigger presence. This gives us line of sight to at least 45 new store openings in 2025 as we continue to grow the new store pipeline, positioning us for 50-plus stores in 2026 and beyond.

For fuel volume, we expect 2025 volumes to come in below the low end of our original guided range, which was 240,000 to 245,000 gallons per store month. Year-to-date through the third quarter, average per store volumes are approximately 236,000 gallons per month, reflecting both the Q1 storm impact and the lower relative price sensitivity of customers in a low absolute price environment as we have discussed in previous calls. Based on current trends and our expectations for the remainder of the year, we're adjusting our full year fuel volume guidance to between 235,000 to 237,000 gallons per store per month.

For merchandise contribution dollars, as previously discussed, third quarter results highlighted the strength of our promotional engine, causing us to tighten our full year guidance at the upper end of the range to between $870 million and $875 million. On the expense

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side, if you've seen us on the road over the last 6 months, you've probably heard us talk about self-help and how we're actively managing our costs and driving savings across the organization to help improve performance amidst the challenging fuel environment. Our efficiency initiatives continue to demonstrate benefits as evidenced by the new labor model we rolled out in the spring that has helped ensure we have the right people in the store at the right time, which is also controlling labor costs and reducing overtime.

Similarly, we are seeing benefits in loss prevention where in-store training and other investments have paid dividends through reduced shrink. Collectively, these efforts are making an impact, resulting in a lower projected monthly per store operating expense range of $36,200 to $36,600 per store month, down from our original guided range of $36,500 to $37,000 per store months.

On the home office side, as noted in the press release, we completed an organizational restructuring during the quarter, which will help streamline our workflows and processes and eliminate technical redundancies while preserving our agile, data-driven decision capabilities. As such, our 2025 SG&A guidance range is being adjusted lower to $230 million to $240 million for full year 2025, which is exclusive of the restructuring charge.

From a tax perspective, year-to-date income taxes have come in lower than planned due to some discrete state tax refunds we received and acquisition of some federal energy tax credits. As such, we are tightening the all-in expected effective tax rate to between 23.5% to 24.5% for the full year. When you input all this into the models and use $0.30 per gallon as a fuel margin placeholder for the full year 2025 versus the $0.295 year-to-date through Q3, you should end up somewhere pretty close to $1 billion of adjusted EBITDA, which likely shouldn't surprise anyone, given how we framed our original 2025 guidance in January. At that time, the midpoint of our ranges suggested adjusted EBITDA of about $1.06 billion at $0.315 a gallon. At $0.30 and about 5 billion gallons, $0.015 variance in margins would generate plus or minus $75 million, all else being equal.

As we look at year-to-date performance, we have more than offset the impact of lower volumes with improved merchandise performance, OpEx efficiencies and G&A cost savings.

With that, I'll hand the call back to Andrew.

R. Andrew Clyde
President, CEO & Director

Thanks, Donnie and Mindy. And let me close out the call by thanking the analyst community and our investors for your support, your challenge and your candidness over the last 13 years. Your questions early on about a business that wasn't necessarily well understood when we spun off really pushed us to think more deeply about our unique way of creating value, allocating capital and building a flywheel that played to our strengths, helping us win with all our stakeholders. Your challenges around future potential headwinds and the sustainability of fuel margins pushed us to think more analytically about industry structure and the behavior of the marginal retailer. I can probably point to less than a handful of slides over 13 years across all our conferences and meetings where over 90% of our discussions focused around.
I would like to thank our conversations that helped to shape the broader narrative, not just for Murphy USA, but for the convenience industry as a whole. Thank you for being a catalyst, a partner with us and keep pushing us in the years ahead. We'll now turn the call over to questions.

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Question and Answer

Operator

[Operator Instructions]

Your first question comes from the line of Ed Kelly with Wells Fargo.

Edward Joseph Kelly
Wells Fargo Securities, LLC, Research Division

Andrew, congrats on your retirement. So I wanted to start just on fuel margins. It sounds like the quarter is off to a good start on the margin front, rack prices have been down. But the data would suggest that's -- and I think you're telling us that maybe that's fading a bit. Any color on the cadence in terms of fuel margins so far in the quarter and maybe what you're seeing in the last week?

And then I just wanted to follow up on something that you mentioned about investment to drive volume. Obviously, you've seen some elasticity on more of the recent work. So what is that telling you about your plans moving forward in terms of putting some money on the Street to drive better volumes in this environment?

Malynda K. West
Executive VP & COO

Thanks, Ed. I'll take that question. Yes, as I said for the month of October, we did see a run-up in prices towards the -- we did see a run up in margin at the beginning of October. That spike kind of normalized itself as we ended the month. So while the impacts were short lived, the market did behave exactly as we would expect during that time.

And so when you talk about your questions about investing for traffic, we absolutely know on a site-by-site basis where we need to be versus our key competitors and where the right pricing position is. And so really, our margins are more a function of the low -- and our volume are really more a function of just this low price environment where our customers are just not as price sensitive and are going to go to a more convenient location. It doesn't mean we leak off every trip, but assuming we may leak off 1 of every 3, 1 of every 4, that certainly starts to have an impact.

When I look over this last quarter, the thing that sticks out to me most was it was remarkable for its flatness, which really resulted in little volume or margin creation opportunities. And just to illustrate the lack of volatility as I looked at this with my analyst group a couple of days ago, post-COVID, we have never seen a quarter where every month's retail margin was pretty much exactly the same. And in fact, you can add May and June to that list because they weren't that different either. So essentially 5 consecutive months of flat margin.

So when we look at the margin side, despite very low volatility, fuel margins are remaining strong at $0.30 all in. So that's showing that even in an environment entirely unproductive and value capture opportunities or volume capture opportunities, what we managed to do was actually pretty impressive and really speaks to that structural component still being in there. And then as I said, in October, when we saw that brief price run-up, we executed, we generated the margin and volume recovery you would expect.

So what I would say is the fuel engine isn't broken. It just needs to jump start to get things moving. We saw them in October. It wasn't long lived, but we will see it again, and we will be there to capitalize on that.

Edward Joseph Kelly
Wells Fargo Securities, LLC, Research Division

Great. And just maybe a follow-up on the ZYN promo in the quarter. Obviously, a nice event for you. Can you just maybe talk about your execution of that event and what differentiates you there, the traffic benefit that you saw? And then looking out the potential for additional similar promos or events that you might see that I think you're indicating that you don't see it as a one-off. So just more color there.

Malynda K. West
Executive VP & COO

Yes, great question. And we don't get into the details of any particular promotion. I'm sure you can appreciate, in any given quarter, as we say, there are dozens that contribute to our results. Some are more material than others. Obviously, this one was material. So

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I do appreciate your question because I think what's important about this one is it really does showcase the strength of our ability to execute for our vendor partners.

This is really more about a strategic partner investing to drive share, utilizing our large and very loyal nicotine customer base. It also provided the added benefit for us growing awareness in an already growing category and driving traffic to the store and utilizing our operations, just outstanding ability to execute and deliver on a promotion.

We will expect that to continue as manufacturers are going to continue to invest and reduce risk products. And Murphy USA can be an important catalyst to that because when you think about it, we sell 5x the industry average volume. Our promotions also have about 4x the industry average upsell. So that makes us 20x more effective using their money. And we also are able to measure that halo effect of promotions because of our loyalty engine that really major in nicotine.

So when the promotions come, and they will, we're happy to execute on their behalf, and we have the engine in the store with the sales culture that is very strongly reinforced, our manufacturers know that we can deliver. So while this one, yes, was maybe a one time this year and really material impact, we certainly expect there to be other promotions throughout the sweep of time and continue to propel that CAGR of promotional dollars going forward.

Operator

Your next question comes from the line of Bonnie Herzog with Goldman Sachs.

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

Congratulations to all of you. Andrew, you're going to be missed. So stay in touch, but happy for you in this next chapter. I had a quick follow-on question on ZYN. You guys just raised your merch contribution guidance for the year after, I guess, pointing to the low end of the range last quarter. So obviously, expectations improved and you had good performance in the quarter. Should we assume most of that's driven from this ZYN promotion in September? Or were there other drivers that give you the confidence to kind of raise your merch contribution guidance for the year?

Malynda K. West
Executive VP & COO

Bonnie, I'll take that one. It does definitely include ZYN. When we think about the first half of the year, the timing of cigarette promotions and also the Lotto jackpots resulted in comps kind of below our expectations, which we talked to in the last call. Those did turn around in the second half. Obviously, this one promotion was part of that. But also one key data point I'll share. Nicotine pouch volumes were growing around 45% in promotion. In October, we have seen that jump to 120% of prior year volumes, and we will likely see that halo effect continue on into November.

And also, just as importantly, noncombustible nicotine products have fully offset our decline in cigarettes, but it's also not just a nicotine story. We have seen growth in the center of our store categories, as I said, up 5% in margin dollars, and importantly, also saw strength across the board. It wasn't just in one place. It was in packaged bev, it was in general merch, it was in candy. So I think that highlights the underlying strength of our offer in addition to the nicotine.

R. Andrew Clyde
President, CEO & Director

Bonnie, one thing I will add here is if you think about some of the investments we talked about a year or so ago, our digital transformation initiative and the expected impact on sustainable center of store growth, we're seeing all that benefit, and we've been seeing it for the last few quarters. The relaunch of QuickChek Rewards driving food and beverage same-store sales growth there and investing in value through that advanced program suddenly driving the food and beverage, but also the center of store. So these are some of the investments that we've highlighted over the last couple of years that in this environment are really flowing through across categories. So it's just coming together in a really nice way.

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

Okay. That's helpful. And if I may, I wanted to ask about capital allocation. You raised your quarterly dividend by an impressive 19%. And the Board also authorized a new share repurchase program. So it does seem like you're increasing returns of cash to shareholders. So how should we think about that relative to your ability to grow the business? I mean, should we assume growth moving forward

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might be more moderate and maybe you're seeing a bigger opportunity to return more cash to shareholders versus reinvesting? Just any color there would be helpful.

R. Andrew Clyde
President, CEO & Director

Yes, Bonnie, let me take this one. When we say our 50-50 capital allocation, I mean, we mean 50-50. We've done strategic work over the last couple of years to test the bookends of that. And we're really confident at that level of balanced capital allocation that makes sense.

If you remember, when we initiated a dividend 4 years ago, we benchmarked it against peers at about a 0.67% yield. We haven't kept up with that yield because of the outstanding share price performance. And so with this auto pilot program, where the cash pools raised 10% every year and the quarterly dividends simply then a function of the shares outstanding, we simply took this as an opportunity to increase that, to bump up the yield for long-term investors who are holding the stock, especially when the stock is a little bit in a trough. If you think about the incremental $4 million from that extra 10% in the pool, that's one store, right? And we're going to more than make that up given the growth pipeline that we have in front of us.

The other thing I would note, the bonus depreciation benefits that we're going to get from the One Big Beautiful Bill is over 10x that amount, and that's going to go back into reinvesting in the stores, whether it's remodels, maintenance programs with dispensers or future raze-and-rebuild growth in out years. So the dividend is just simply a way to recognize long-term shareholders holding the stock.

When we model out the business at the 50 store a year growth in a normalized environment, we're generating significant excess free cash flow in years in the future that more than allow us to do that, take care of the balance sheet, take care of the share repurchase program. And so as we complete the end of a $1.5 billion program, we heard loud and clear from investors, it's really important as you think about the transition to be just as clear about future strategy and capital allocation. So it's really important to send this message at the same time that we're committed to this balanced growth and returns to shareholders, and we'll continue to maintain that balance as well as our conservative balance sheet.

Operator

Your next question comes from the line of Irene Nattel with RBC Capital Markets.

Irene Ora Nattel
RBC Capital Markets, Research Division

I'll echo the congratulations, Andrew, and it's been great. Just a couple of follow-up questions, if I may. You talked about the halo effect on in center of store of the ZYN promo. If you kind of dissect out the transactions from those -- from the customers that benefited from the promo versus those that maybe didn't because they just don't use nicotine, was there any difference in consumer behavior? I guess in other words, how much was the growth really just a halo from the promotion versus the rest of the customer base?

Malynda K. West
Executive VP & COO

I'm not sure, Irene, that we're fully able to parse that out. But what I will tell you is that the uptake for the ZYN offer were largely customers that were already coming in there to purchase another nicotine product anyway. So it wasn't necessarily an extra trip or incremental traffic that we were driving. It was just kind of an and to a visit they already had.

So I think that, that speaks well to the center of store because I think that, that category was increasing on its own, and we would have seen that even despite the nicotine promotion. Obviously, the Lotto jackpot helps us as well because we know that, that also is a factor that can drive an incremental trip into the store. But for the ZYN only, I would say that there may have been some secondary impact on center of the store, but I think it would have been very small as those customers were in the store to buy nicotine anyway.

R. Andrew Clyde
President, CEO & Director

Yes. And one thing to add to that, Irene, is we talked about the temporal effects of the lottery and the nicotine promotion in the first half of the year, we are reporting a really strong Murphy-only center of store activity in the first half of the year. So this as many says, this maintains that momentum. It offsets the temporal effects for the first half of the year. And when you look at it over any 12-, 24-month period, it's a really steady cadence despite some lumpiness from quarter-to-quarter that we saw this year.

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Irene Ora Nattel
RBC Capital Markets, Research Division

That's great. And then coming back to the whole capital allocation discussion. I'm wondering what level of EBITDA or free cash flow underpins that $2 billion program if you want to keep your leverage at around 2.5x because if we kind of look at current consensus numbers and we assume that 50-50, the $2 billion implies about $400 million a year over 5 years, let's say. And it's a little -- you're kind of getting a little tight there.

R. Andrew Clyde
President, CEO & Director

Yes. So we'll lean into the balance sheet, as we've talked about, in '26, '27 with the cadence of the new stores and the expectations from those which are ahead of our projections in terms of returns. We expect that to turn the other side. So just like we did with the $1.5 billion program, we gave ourselves 5 years to do it. We're completing it in just a little over 3, given ourselves 5 years to do the $2 billion at current equity prices. We can see ourselves doing that quicker as well.

So you're right, it gets a little tighter. We've always said we can go over 2.5x. Our covenants aren't hit until 3x, 2.5x is a longer-term target that we expect to stay within. So if we bump above it for a short period of time to take advantage of some downward pressure, we'll absolutely lean into that and the balance sheet that we've established.

Operator

Your next question comes from the line of Pooran Sharma with Stephens Inc.

Pooran Sharma
Stephens Inc., Research Division

Just wanted to say, hey, congratulations, Andrew. I know we'll probably interact a few more times here, but wanted to say it's been a pleasure working with you and wish you nothing but the best in the future.

My first question, maybe just for Mindy. Mindy, you've talked about how you've been with the company really from the beginning. And I just maybe wanted to focus on your prior positions. I mean I think you held the CFO role. You were put into the COO role. Can you maybe talk about how that kind of prepared you or how that has prepared you to take on the CEO role coming this new year?

Malynda K. West
Executive VP & COO

Great question. And you're the first one that's asking that. So I'll be thinking through my response here. I think I have a great background for this role. One, I grew up in this business, so very familiar with our culture and the way that we do things and the way that we work.

Through the CFO lens, especially at spin Andrew and I got to take this company public. And so we're taking public a company that existed within a subsidiary of a subsidiary of what used to be a fully integrated oil and gas company that was investment grade. So it kind of got to incubate under that environment in a very entrepreneurial way, which was fantastic.

But obviously, when you think about taking something public, suddenly you need to have a lot of discipline. You need to have guardrails in place. You're now no longer investment grade, so every penny matters. Everything that wasn't material in that business before, now suddenly became material. So that gave me a great basis for what does it take for a public company? What do we really need to care about? How do we manage our performance? How do we make commitments to our shareholders and keep those and at the same time, balance our growth prospects and ambitions with maintaining a very solid and resilient balance sheet?

So I think from the financial aspect, I have that pretty much down. I don't remember exactly what year it was that Andrew decided to add fuels to my CFO role. I want to say it was around 2017, 2018. And so that got me a real feel for one of the main engines of growth within this company, one of the main drivers of EBITDA fuels. Obviously, a very complex department as well. And so that gave me some exposure to some of the more commercial aspects of the business, especially the main commercial aspects of our business. So I got to season in that for a while.

But then when you think about, okay, what was missing, it was really that connection with the customer because I had never done anything that was business to customer. It was only business-to-business from the commercial side. So bringing the COO role underneath me gave me one exposure to what we sell inside the store, so the merch category for the first time, but also a real

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understanding of the mission that we are serving for those value-conscious customers, how much they really count on us to be able to get through their lives on a month-by-month basis.

And so that experience really rounded me out because now, I understand absolutely the financial discipline side, I understand the commercial aspect side, but I also understand that connection with the customer and also the connection with the staff that is actually serving that customer and how much we absolutely expect from them and how we need to make sure that whatever we do, we're simplifying their ability to serve our customers every day.

So hope that answers your question. That's the first time anyone has ever asked me that, but I think that, that all 3 of those roles really did serve to round me out and prepare me in this journey to become CEO.

Pooran Sharma
Stephens Inc., Research Division

Yes. No, absolutely. I appreciate the color there. I guess on my follow-up, maybe just wanted to focus on costs. I think in the past, we're following a peak margin environment. You've been known to focus on costs and take them out. And so with this earnings release, we saw a reduction in store OpEx and SG&A. Just wanted to get a sense of how much opportunity is there ahead? Do you see like a good amount of opportunity to take out cost in 2026 and 2027 if you need to? Just wanted to get a sense of potential magnitude there.

Malynda K. West
Executive VP & COO

Obviously, this onetime restructure with order of magnitude far above what we would be able to do in the future because this was intended to be kind of a onetime reset of SG&A costs. But look, we're going to continue to optimize our business. So what you saw at this restructure, we streamlined our operations to scale the business properly and to force us to do more with less. So we've now made us leaner, but I think now we're uncovering opportunities, identifying what are those other opportunities for automation, for consolidating resources where it makes sense to streamline the workflow, to look at some of the overlaps in the business where we're not as efficient as we could be. So now that we've become leaner, I think the next step is how do we get more efficient. And so I do think that there is more to come there.

And then we're going to continue to optimize the performance of our existing store network. I think we're off to a great start with our store productivity excellence initiative and other ones. And so we will continue to hold the line on costs. It's obviously really important now when the external macro environment for fuels is a bit of a challenge. But it also will reap benefits for us in the future when that does turn around and does normalize because we will be able to bank more of that extra margin because of the efforts and diligence that we're applying now.

So do I think that it's going to be order of magnitude in a one time, one sell swoop, what it was in this quarter? No. But there are certainly plenty of opportunities that we already do see, and I'm sure we'll uncover new ones as we go forward.

Operator

Your next question comes from the line of Bobby Griffin with Raymond James.

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

My congrats to both of you guys as well on the new roles. Andrew, it's been a pleasure to work with you and get to know you over the last years. And Mindy, I look forward to continuing the relationship.

I guess, first, I wanted to circle back. It was a comment in both of you guys' prepared remarks, and it's the nicotine promo CAGR over the last 5 years, I believe, 12%, which is pretty notable on a 5-year basis. And during that time, we start to see the evolution of the nicotine category with alternate nicotine.

So I'm just kind of curious, as you think about that type of environment over the next 5 years, what does the change of the category and the composition of the category would alter nicotine due to that type of opportunity from promo dollars? Is altering nicotine going to, in your view, be accretive to that, make it look even better or less? Or just kind of curious how you think about that changing of the category.

Malynda K. West
Executive VP & COO

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Absolutely, Bobby. Yes, we look at that as an opportunity because we own that customer. We know that customer better than anyone. And so again, just to our knowledge and ownership of that customer, along with our ability to execute, along with our loyalty program which majored and nicotine, we are ideally suited to help the manufacturers move those customers down the risk spectrum and incidentally moving them into what are higher-margin products. So we would absolutely expect that to continue because they get a great ROI. They know what they are getting when they invest with us.

R. Andrew Clyde
President, CEO & Director

Yes. Bobby, I think back over the last 13 years, and some of the things that have surprised me the most and someone who pays attention to industry structure and how that influences performance and competition, If you think about the tobacco category, it's a fairly concentrated industry amongst the manufacturers. And you can put the packaged beverage companies in the same category, yet the amount of innovation we've seen over the last decade is phenomenal from what you would expect to see in a concentrated industry, right?

So you're seeing this continuum of risk introduce new products. You're seeing the different players making investments. Some working, some not working as well. Making acquisitions, some working, not working as well. And there's actually pretty good competition amongst those players. And as they introduce new products, new brands within those products, et cetera, part of their go-to-market strategy has to be through retailers who can get their product in front of customers. And on the nicotine side, as Mindy noted, we're the only retailer in the space who intentionally build a loyalty platform around the nicotine category. And so the benefits that we're able to provide to these manufacturers who continue to innovate, which we are very thankful for, I think is just going to continue to evolve.

There's also a lot of upstarts in the category, right? So as others try to get a toehold into nicotine pouches where the top 3 players might control 90%, there's companies out there that want a shot, and they just have to look at packaged beverage like energy drinks to see well, Celsius was one of those small players. And you know what, they finally got a toehold in the category. So there's a lot of Davids out there looking at the Goliaths, and they, too, realize the only way they can get the customers' attention, right, is going to be through the broader capabilities we have, especially the store upselling capabilities because they're not going to get the preferred shelf space where the customer can see it in the back bar, they're going to get it because of the upselling.

So I'm really excited about the future of these categories, but even more excited about our capabilities as we continue to hone them for both packaged beverage and nicotine providers.

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

Very good. That's helpful. And I guess lastly for me, when you think about the $0.02 that you guys referenced, a margin on the Street to help drive volume, and the potential of that going away where you could keep it or not have to do that, is that purely just a volatility pricing environment returns to "more normal," or is there also a competition aspect in certain key markets for you guys that is basically independent of the underlying commodity environment? So that would actually have to behave differently, too, for you to be able to get those $0.02 back.

Malynda K. West
Executive VP & COO

Probably I would say yes and yes, kind of. So when I think about your first scenario, it's really more a function of just this low price environment, especially given that we're sub-$3 because prices do matter. People just, for whatever reason, are just not as price sensitive, are not willing to go across -- drive across town to save $0.02 a gallon when prices are below $3 versus above $3. So really, the phenomenon that would need to change would be the overall price profile being higher.

With regard to competition, that obviously has an impact, especially in key markets where we're seeing competitive intrusion because really good competitors are going to act the same way that we do when we go into a new market, which is the price load to gain share. That's not actually irrational, that's a very rational thing to do. And what happens is when everybody gets their share, then everybody raises prices and plays nice.

So over the sweep of time, that doesn't have an impact, but in certain key markets during certain months, absolutely. But we disrupt the market in the exact same way when we open our site. So that's why I say, yes and yes, kind of because, yes, there will be a competitive response for those new-to-industry sites, but it only lasts for a few months for just a short period of time.

R. Andrew Clyde

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President, CEO & Director

And Bobby, the only two cents I would add there, no pun intended, is -- and we've always seen competitive entry. And I think what we're seeing now is just kind of more isolated in locales, as Mindy said, that dissipates. It's not like there's the big play like where Walmart rolled out so many neighborhood markets in a period, and you saw that effect more at scale.

I think another thing when we talk about peak to trough, fundamental difference between, I would say, kind of the low price trough we're in now versus the one post 2014 is when we had $0.16 all-in margins and you had significantly lower margins after your variable cost, putting $0.01 or $0.02 on the Street was a significant, much more significant part of your available gross margin. And so if you go back to those periods, the volume impact that we witnessed is significantly more impactful than what we're seeing now. And so in this type of environment, you can put $0.02 on the Street because partly, you're getting a couple of cents every year from the structural dynamic that happened then, but not at the same level of inflection.

And at $0.30 margins, the variable margin that's left is significantly greater. And so it's much more beneficial to maintain that volume, even if it's at 98%, 99%, no one in the higher price, more normalized environment, the customer goes back to their more normalized behavior and you get that back.

So those are the kind of trade-offs, and I'd say this trough, we're doing much better than the prior one for a whole set of reasons. But part of it is the fact that the higher structural margins we're enjoying allows us to make some different decisions with respect to price-volume trade-offs.

Operator

Due to time constraints, our final question comes from the line of Jacob Aiken-Phillips with Melius Research.

Jacob Aiken-Phillips
Melius Research LLC

I guess congrats is in order to all 3 of you given the next -- you've taken a new step in your professional journeys. So I guess to start off, a little bit more on fuel. I'm curious. The run-up in early October, were you also putting a couple of cents back on the Street? And can you give a little more color on what drove the increase in October?

Then also the updated guidance seems to imply that you'll have positive fuel gallons and maybe positive same-store fuel gallons in 4Q. So any thoughts generally on that?

Malynda K. West
Executive VP & COO

Yes, I'll take that question, Jacob. Thanks for your question. The tightness in the market was due to a refinery that was briefly offline for a week or 2. But in a well-supplied environment, it all normalized pretty soon. The pipeline was reversed in order to get product back up into the Midwest. And so it ride itself quickly.

But during the course of those couple of weeks, that was literally the most sustained run-up that we had seen in a while. So that allowed the market to completely restore. We restored with it, which then allowed us to create some separation and essentially achieve some really nice margin and get 100% of our volume.

Carrying that forward, I can't extrapolate that into the rest of the fourth quarter because we really haven't seen that yet. I was just giving that as an example of when we do see that happen, we are able to respond. The market is also responding in the way that we would expect it to, which will then allow us to create time periods in which we can get outside margin and as well as volume. But this past quarter was just essentially flat, which we've always said is the worst environment for us from a fuel standpoint. We did see some pickup in October. I hope we see it going into Thanksgiving. That would certainly be nice to carry some high margins over the holiday period. But not ready to extrapolate the rest of the quarter that we're going to be at 100% of last year's volume.

Jacob Aiken-Phillips
Melius Research LLC

Got it. That's helpful. And then sorry to ask another question on capital allocation. But you reaffirmed the 50-50 and the share buybacks and increased the dividend. I'm just curious, it seems like you're trying to accelerate new store growth to 50 plus next year, maybe some accelerated R&Rs and perhaps some other remodels or other smaller projects. So I'm just curious how we should think about CapEx next year? And if that number is elevated, should we expect repo to be up or is that more balanced over the next few years?

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R. Andrew Clyde
President, CEO & Director

We haven't given our CapEx guidance for next year, we're finalizing our plan on that, certainly as part of our ramp to get to the 50. This year, we had real estate that goes into that. So one of the things we're clearly looking at is the trade-off between more raze-and-rebuild versus remodels and maintenance programs. We do expect significant bonus depreciation benefits from One Big Beautiful Bill, that can actually address a lot of that incremental capital that we're talking about and using those tax benefits for reinvestment. And as we said on the share repurchase, we'll continue to be disciplined and also opportunistic on that given we've got the balance sheet we can lean into should we want to take advantage of particular opportunities.

So we look at this like anything over a 3- to 5-year period, not just the next 12-month period. And that's why we remain very bullish about the business as we think about where we're going to be, '28 to 2030, where we view the fuel margins to normalize, where we look at our store count, where we look at EBITDA and look where the outstanding share count is. So we expect to see attractive returns, both on new stores to reinvestment capital as well as the share repo over that period. And we'll be back -- actually, Mindy will be back in February with the guidance for 2026, which will include that capital.

So I think this wraps up today's call. I've enjoyed these earnings calls. I talked to CEO peers, they kind of speak to me, my gosh, we got our earnings call coming up or we've got the investor meetings or whatever.

Spending time with the analysts and investors has been one of the most fun parts of this job. We've had an incredible story to tell. We've had incredible people to tell the story with. We have an incredible talented group of team members that actually live the story where we get to be the chief storytellers, and we're really proud of that, but also the capital allocation discipline that we know investors care about.

And I think this message coupled with continuity of leadership with Mindy succeeding me and clearly knowing the business and the people and the team and how we create value and our capital allocation approach positions this company in excellent shape for the near term as well as the longer term.

I look forward to seeing some of you on the road or one-on-one calls as we kind of wrap up some year-end investor discussions. And thank you again for supporting Murphy USA and me as CEO during this tenure. Thank you very much.

Operator
Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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