



Murphy USA Q1 2026 Prepared Remarks Transcript

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Call Participants:

- **Mindy West** – President and Chief Executive Officer
- **Donnie Smith** – Chief Financial Officer
- **Christian Pikul** – Vice President of Investor Relations and FP&A

Transcript:

Christian Pikul

Good Afternoon Everyone and thank you for listening in today. With me are Mindy West, President and Chief Executive Officer and Donnie Smith, Chief Financial Officer.

After some opening comments from Mindy, Donnie will review some performance highlights from the first quarter, followed by some closing comments from Mindy. As a reminder, we will be publishing a transcript and recorded playback of these remarks this afternoon, and then we will host a live Question and Answer session tomorrow morning at 10 am Central time. Details can be found on our investor relations website and in today's earnings release.

Please keep in mind that some of the comments made during these remarks, including the Q&A portion tomorrow, 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 discussion, 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.



Mindy West

Welcome everyone and thanks for listening to our First Quarter 2026 Fireside Chat.

As you have likely seen, first-quarter results were strong. Increased market volatility beginning in late February contributed meaningfully to performance in March, building on an already solid start to the quarter. While geopolitical events were a catalyst for that volatility, our results reflect how Murphy USA's business model performs in a more dynamic market condition, something we have consistently highlighted as a structural strength. I want to point out that quarterly results were not merely the passive byproduct of higher margins during periods of exceptional market volatility. All the self-help work we undertook last year during a lack of volatility is making incremental bottom-line contributions in the first quarter, not just in fuels, but in driving merchandise margin, and further optimizing our cost structure, both at the store level and in the home office.

Importantly, first quarter results were strong despite significant and material adverse weather events across our geographies, impacting everything from fuel gallons to merchandise sales, along with extra maintenance dollars as a result of heavy snowfall.

But the most important component of first quarter results I want to ensure you understand is, in the middle of the war's impact on the global supply chain for a wide range of raw materials and the chaos of rapidly changing fuel prices, **the markets in which we operate have continued to remain rational**. Along with higher prices, we are seeing stable and well-supported floors underneath retail margins, which distinguishes the earnings power of our everyday low price, high-volume business model. This rationality fundamentally lays the foundation for our business to deliver results in a world where we know change is the only constant.

So let's dig into fuel results because it's a great place to start the conversation.

All-in fuel margins in the first quarter averaged 35 cents per gallon, comprised of 25.4 cents of retail margin and PS&W contribution of 9.6 cents per gallon. The fact that retail margins remained strong despite a rising price environment, which has historically compressed retail margins, tells us two things. First, fuel retailers remain risk-averse, quick to pass through higher replacement costs to the pump, similar to what we saw during the initial volatility during the Russia-Ukraine conflict in 2022. Second, this behavior indicates that marginal fuel retailers are less and less resilient during periods of margin pressure and are unwilling, or more likely unable, to withstand prolonged periods of compressed margins. Subsequently, they are more likely to pass through higher costs by restoring the fuel price in the market, which serves to insulate retail margins during periods of sharp upward movement.

PS&W / "Fuel Supply":

Higher prices are also beneficial to PS&W margins, although much of this benefit can be temporal, and moderate over longer periods of time, as I will explain. Although we have made repeated efforts to properly communicate the financials behind the Product Supply and Wholesale business over the years, especially during periods of relatively high and low contribution margin, we acknowledge that a lack of visibility remains, rendering this function more difficult to forecast. Nevertheless, some of you guys on the sell-side got pretty close this quarter, which tells us understanding of the underlying drivers continues to increase.

First, a comment around semantics. Although PS&W stands for Product Supply and Wholesale, I want to re-brand this function and simply start calling it our "Fuel Supply" business. When discussing Fuel Supply internally, we disaggregate the results into 3 distinct activities.



Let's start with the Controllable activities, which comprise the set of assets, expertise and capabilities we strategically deploy to provide a ratable and low-cost source of supply for roughly 50% of our retail volume. This includes securing product from the refinery, transporting it along the pipe to the terminal, blending it with ethanol, and selling it at the rack to our retail business at a market-based internal transfer price. Embedded within this function are RIN sales, which are an integrated element of the fuel supply chain and are essentially a pass-through, in that the price of the RIN is typically negotiated into the product purchase. Only after the gasoline we buy and transport is blended with ethanol at the terminal, can we strip the RIN and sell it, where it is reported in Other Revenue as a legacy accounting policy. What is not always obvious or apparent in our financials, is the additional cost recorded when we buy product, which includes a value for RINs, before we are able to sell the blended RIN in a separate transaction, typically offsetting a loss versus the internal transfer price. For that reason, we typically try to keep the timing of RINs sales closely aligned with the time in which they were generated.

While our pipeline assets and logistics capabilities can generate substantial profit during periods of physical supply disruptions, for the most part, the refined product market and infrastructure in this country remain stable and well-supplied. As such, the market conditions where we can earn abnormal profits or take advantage of price arbitrage typically exist for only a brief duration. In these normalized conditions, the Fuel Supply business has historically generated between 2 and 3 cents of margin, and we expect it to continue to do so going forward. While many factors will impact the profitability of this function over any specific time period, in the first quarter of 2026, the **Controllable activities generated roughly \$28M dollars of gross margin, or 2.4 cents per retail gallon.**

The second set of activities, and by far, the most volatile component of reported results within Fuel Supply, remains the exposure to changing prices combined with timing of inventory movements. This impact is ultimately dependent on both the magnitude of the change, up or down, and the duration of the change - (does it occur over a short or long period of time?) Given the upward move in regular unleaded prices during March, this part of the Fuel Supply business generated roughly \$100M of margin, reflecting an average price increase of roughly \$0.20/gallon on approximately 500M gallons purchased (a little less than half of our retail volume of 1.2 billion gallons). On a net basis, **after accounting for LIFO, this combination of pricing actions and volume movements generated nearly \$80M dollars of margin, or 6.9 cents of contribution margin.** In short, we effectively sold our fuel inventory for a lot more than we paid for it coming into the quarter.

The other 50% of our purchases in the quarter were contracted fuel purchases at the rack to directly supply our retail system. These volumes typically sell very quickly due to our position as a high-volume retailer, resulting in less variability within that component of Fuel Supply. While potentially material in any given quarter, importantly there is no unique financial advantage or disadvantage in this part of the Fuel Supply business over time, and consequently, we expect this component to zero out as prices move up and down, often over a several-year period.

The third set of activities is our Wholesale and Terminal function. While we do have a Wholesale arm, it is not built to be a stand-alone profit center, but rather to help us manage the logistical complexities stemming from the significant volumes we purchase for the exclusive benefit and use at our retail stores. The product we sell to third parties is largely a byproduct of our inventory management activities. The net profit or loss generated by the wholesale business is not always financially material as reported in Murphy USA results but does serve a very important function as a discretionary lever in supporting the broader set of our Fuel Supply capabilities.

Murphy USA also owns and operates seven terminals, where third-party volumes are treated, blended and processed, in addition to our own volumes and we house fuel inventory at roughly 100 other third-party terminals. The terminals and wholesale business taken together generate a relatively ratable, yet modest, margin contribution of about \$1 to \$2M per month on average over the past several years. This quarter, **the net contribution from Terminals, Wholesale, resulted in another 0.3 cents of contribution margin, which taken**



with the Controllable and Uncontrollable elements, collectively generated 9.6 cents per gallon to first quarter total fuel contribution.

Needless to say, not every quarter will warrant such a detailed explanation, but given the relative size of the contribution this period, I wanted to take the time to fully explain as best I could the key drivers of our fuel performance.

Retail Fuel Performance:

Moving onto retail fuel performance. As I mentioned, **retail margins averaged 25.4 cents per gallon**, very healthy levels given the rapid run-up in prices over the last month of the quarter, generating just over 27 cents per gallon of retail margin in March.

Importantly, while somewhat noisy, volume performance was strong as well, with same-store volumes down less than one percent, despite the severe weather and rising price environment. As volume pressure has abated somewhat into April, it's just as important to understand the challenges to first quarter reported volumes, in addition to the set of factors that are not evident in Q1 results.

First, when prices rise rapidly, market price leaders are continuously restoring markets and moving retail prices higher, it is tactically much more difficult to create price separation versus peers, and so historically not an environment in which we would expect volume growth. However, during the last week of March when prices remained relatively stable in the middle of the Iran-War rhetoric, we were able to invest in margins and put some price on the street in specific markets, and as a result, we did see a nice volume response, which helped boost overall March performance.

Second, almost all of the price increase in the first quarter occurred in March, so customers had only a couple of fill-ups and a couple of paychecks to begin to see the impact on their wallets. While we do expect higher prices to encourage more intentional price-seeking behavior over time, we wouldn't expect to see much, if any, of that behavior show up in our first quarter results. However, we did see heightened price sensitivity show up in our loyalty data, with a record 600k customers signing up for Murphy Drive Rewards in the month of March, about 200k customers higher than the already elevated run-rate of about 400k customers we saw sign up over the past year. For reference, when prices last spiked in 2022, we saw MDR sign-ups ramp from 250k to about 350K, and we eventually saw the impact in 2022 results from those customers who began to prioritize value over convenience.

And third, as I referenced earlier, it's worth reiterating that weather was a significant headwind to first quarter volumes. In the first quarter of 2026, the business experienced over 900 total temporary store closures, nearly 50% more than the 642 closures in the first quarter of 2025, a period that, in hindsight, we incorrectly interpreted as an "extreme" weather impact. For added color, in the first quarter of 2024, we experienced only 230 temporary store closures, or minimal network disruption during a period of mild weather.

So against that backdrop, we were very pleased with first quarter fuel performance.

Merch Results:

Merch results were also strong, particularly in the nicotine space where once again we continue to accrue the promotional benefits attributable to our large presence in the category and the ongoing effort of the team to make sure we maximize our participation in the pool of promotional dollars available to retailers. This quarter, on an average per-store month basis, nicotine contribution dollars were up 8.8%, with growth in both cigarette margin contribution, up 3%, and non-combustible contribution dollars, up 22%.



Total nicotine contribution dollars were up 11% year-over-year in Q1, as promotional momentum that the team generated across the category in 2025 carried over into the first quarter. We are seeing ongoing strength in sales of oral nicotine products, with pouch volumes up significantly year-over-year, offsetting cigarette volume declines, and setting us up for robust first half momentum in nicotine.

Despite relatively lackluster year over year growth in non-nicotine sales and margin, which captures more of the discretionary nature of our offer, it's important to point out the Murphy USA customer is holding up nicely, largely maintaining their in-store spend, with non-nicotine sales and margin up 2%, and 4.4%, respectively on an average-per-store month basis. QuickChek stores in the northeast region continue to face traffic challenges, offsetting the strength we are seeing across the rest of our network. In Murphy stores, we are seeing mid-to-high single digit margin-growth across many of our most important categories, including packaged beverage, candy and snacks, offset by modest growth of less than 1% in Lottery and General Merchandise, and slightly lower comps in beer, which continues to face a structural decline in demand.

Operating Expenses:

Turning finally to the cost side of the equation, we experienced only minor growth in per store operating expense, which was the outcome of some very intentional activities from our store operations team. We are evolving our maintenance functionality, shifting to a proactive managing mindset versus an administrative mindset where tickets are submitted and repair crews automatically dispatched. We are taking a more holistic view of prioritizing incoming tickets and aggregating tickets by geography to limit trip charges, and this shift is having a material benefit on costs.

We are also seeing efficiencies in our largest line item, hourly wages, as we rolled out an upgraded store labor model which is allocating hours more closely aligned with customer demand at the store level, and that is delivering early benefits.

We have made further progress around shrink, by making it a goal for all store employees and we've backed it up with monthly training. As we referenced in our investor deck, these are the small things we need to do really well to preserve our position as a low-cost operator, and we are making great progress in several of the largest line items within store operating expense.

As good as Q1 results were from an opex perspective, we do expect per-store costs to increase throughout the year as we see the impact from larger new stores and begin to comp some initiatives that provided benefits in the second half of 2025.

At this point, I'll turn it over to our new CFO Donnie for a brief financial update



Donnie Smith

Thanks Mindy

First, I'd like to say how grateful I am for the opportunity to serve as Chief Financial Officer of Murphy USA. I'm excited to continue working alongside Mindy and our entire leadership team as we remain focused on executing our strategy and continuing our strong track record of shareholder value creation.

Let me start off by providing some of the usual quarterly data points:

- Retail prices averaged \$2.89 cents per gallon in the first quarter – (\$3.46 in the month of March)
- Total debt on the balance sheet as of March 31 was ~\$2.14 billion
 - This resulted in a consolidated leverage ratio we report to our banks of 1.9 times
- Our effective income tax rate was 22.6%
 - This was slightly below the Full-year guided range of 23% to 25% due to higher benefits associated with Federal Energy tax credits partially offset by lower excess tax benefits from share-based compensation in the period
 - We would still expect our full year tax rate to fall within the previously guided range

With respect to our capital program and new store development, I'm excited to say our 2026 new store program continues to move forward. Year-to-date, we have opened 7 new-to-industry stores, 6 of them opening in the first quarter as reflected in the earnings release. We currently have 18 stores under construction, and we are steadily working new projects through the pipeline, with 25 more stores expected to break ground in the next 90 days. As a reminder, we mentioned on the fourth quarter call that the low-end of the 45-55 new store guided range was aligned with our internal organic growth plan while the higher-end was attainable with potential bolt-on locations we may opportunistically choose to pursue.

Our cash flow from operations was robust in the first quarter, at \$320M, against total capex of about \$100M, generating strong free cash flow, providing us the extremely valuable flexibility to both invest capital to grow the business, and repurchase shares to grow shareholder returns. We repurchased 169k shares in the quarter for \$71M, about roughly \$420 per share, in addition to paying a dividend of \$11.7M, or 0.63 cents per share. During the quarter we also paid down approximately \$26 million of debt on our revolver, and grew our cash balance to \$119M from \$29M at year-end.

You can expect us to maintain a balanced approach to growth and capital returns to shareholders going forward.

With that, I'll now turn it back over to Mindy



Mindy West

Thanks Donnie...

Before I wrap up the call, I want to provide a few data points around April results.

As we referenced in the earnings release, **preliminary April volumes were flat to prior year**, which remains a win given the continued volatility and upward pressure on fuel prices. **April All-In margins are expected to land between 35 and 40 cents per gallon**. However, as I mentioned previously, Fuel Supply results will always be highly levered to change in prices, and we all know those changes can be sudden and significant.

Our core Murphy USA customer remains strong with their spend inside our stores. Merchandise results continue to show strength in nicotine as we actively address opportunities to drive traffic and increase margins in our northeast region. **Preliminary results suggest that total merchandise contribution dollars grew high single digits** versus prior year.

While year-to-date results have been strong, remember the business performs even better in an environment of falling prices, providing significant optionality when prices ultimately fall. While price changes are ultimately out of our control, we continue to invest in new store growth and maintain our continuous improvement mindset, all of which we believe better positions Murphy USA for sustainable growth in the years ahead.

Thank you everyone and I look forward to the Q&A session tomorrow morning.

Question and Answer Webcast Session: 10 AM CST on April 30, 2026

Please access the webcast through the [Murphy USA Investor Relations Website](#).