S&P Global
Market Intelligence

Murphy USA Inc. NYSE:MUSA

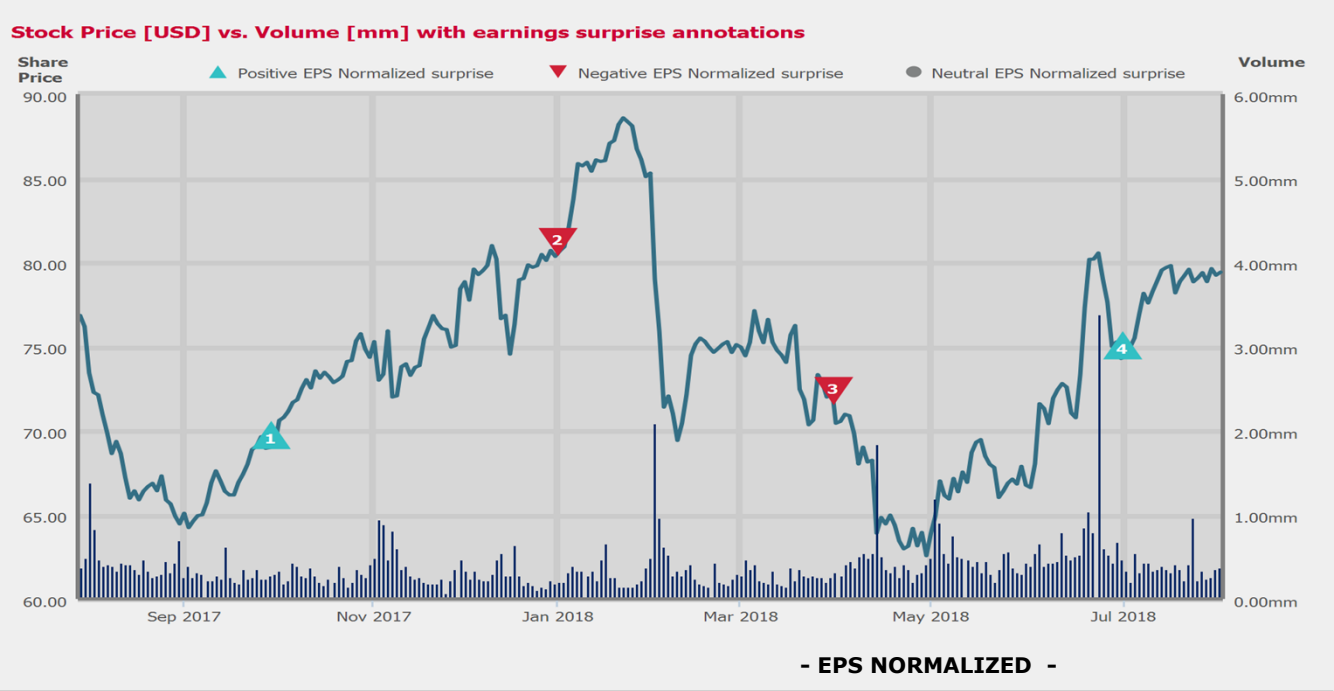
FQ3 2018 Earnings Call Transcripts

Thursday, November 01, 2018 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2018-			-FQ4 2018-	-FY 2018-	-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.62	1.41	(12.96 %)	1.35	4.49	4.95
Revenue (mm)	3620.84	3788.00	4.62	3631.70	14285.67	14812.48

Currency: USD
Consensus as of Oct-22-2018 6:02 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2017	1.39	1.86	1 33.81 %
FQ4 2017	1.29	1.09	2 (15.50 %)
FQ1 2018	0.33	0.12	3 (63.64 %)
FQ2 2018	1.18	1.52	4 27.73 %

COPYRIGHT © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Table of Contents

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

COPYRIGHT © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Call Participants

EXECUTIVES

Christian Pikul
Director of Investor Relations & Financial Planning Analysis

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

R. Andrew Clyde
President, CEO & Director

ANALYSTS

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

Bonnie Lee Herzog
Wells Fargo Securities, LLC, Research Division

Carla Casella
JP Morgan Chase & Co, Research Division

Damian Andrew Witkowski
G. Research, LLC

John Macalister Royall
JP Morgan Chase & Co, Research Division

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Good morning. My name is Kim and I will be your conference operator today. At this time, I would like to welcome everyone to the Murphy USA Third Quarter Earnings Conference Call. [Operator Instructions] Christian Pikul, Senior Director of Investor Relations, you may begin your conference.

Christian Pikul
Director of Investor Relations & Financial Planning Analysis

Thanks Kim. Good morning everyone and thank you for joining us today. With me as usual 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 give us an overview of the financial results and after some closing comments, 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 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 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 thank you all for joining our call. I'd like to start off by noting this quarter is the fifth anniversary of our first earnings release in the third quarter of 2013. And as I review the results, it's really remarkable how much our business has improved since this span. Detailing all our improvements would take too much time and put us well outside the scope of this call, but let me sum it up in 3 key points.

First, we took a strong cash flowing business and made it even better. We grew contribution margin per store from roughly 220,000 annually in 2013 to nearly 260,000 in 2018. We've added roughly $120 million of incremental merchandise margin, reduced the operating cost at the store level by 10% all while continuing to make investments in our store, our home-office capabilities and our people. We grew fuel volumes by 100 million gallons a year while sustaining through the highs and lows of fuel price and margin volatility.

Second, we started with a well-capitalized balance sheet [indiscernible] in a sense optimize our capital structure to support our strategic objectives. We extracted significant value from non-core assets totaling $365 million, we added appropriate leverage to the business supported by higher earnings and cash flow and we made a bet on ourselves repurchasing nearly $1 billion of our own stock at prices that approximated 30% return today.

Third, while past performance isn't always indicative of future results, our strategic mindset around improving the business and allocating capital sets us up nicely for the next 5 years. We are focused on winning the game we are playing. We are relentless around cost leadership. We are innovating and pursuing new opportunities to win with our customers and we will remain patient and disciplined with our capital allocation strategy as we pursue an equally rich opportunity set of objectives over the next 5 years.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

I would like to thank our team, our Board of Directors and our shareholders who have supported us on this exciting journey. I will now address third quarter performance and keep my comments brief.

Looking at fuel results, we had higher same-store volumes in 2018 owing largely to the timing and relative severity of Hurricanes Harvey and Irma in 2017 versus 2018 events. However, these volumes were not accompanied by the same margins we saw in the year-ago period. Nevertheless, retail margins of $0.142 per gallon were actually fairly resilient given the rising price environment witnessed through most of the second half of the year.

While volumes show 1% improvement over the prior year, these results do not meet our expectations. A year ago, we talked about various elements impacting fuel volumes beyond competition and market externalities. We've made good progress on some of these like dispenser uptime. We've held our ground in other areas like carrier outages despite driver shortages, but we have not made the progress expected around fuel pricing execution where we believe the largest opportunity exists.

As a consequence, we reorganized our fuel business with new leadership in pricing to address this longstanding priority and are developing a laser focused on sharpening our pricing tactics at the store level. As a result, we expect to see better results going forward as we do not believe we are fully optimizing the margin and volume opportunities within our markets.

Meanwhile the merchandise business delivered exceptional results, gaining momentum sequentially from what was already a great second quarter performance. Merchandise sales were up on a same-store basis driving higher margins and growing total contribution dollars. Average unit margins were 16.8%, a new record and a 70-basis point improvement over the prior year quarter. Results were exceptionally strong in the tobacco category where we are maximizing our participation and manufacturer programs provide the best values to our customers.

Due to the strength in our merchandise business, our fuel breakeven for the quarter continues to improve, coming in at 53 basis points, a remarkable $0.005 improvement in the year-over-year results. Importantly, this improvement more than offsets a 35 basis point increase in credit card fees which are an unavoidable outcome of the high price environment we have seen for most of the year.

Strong merchandise results also help to offset a slight uptick in site level operating expenses excluding payment fees, which were up 2.8% for the quarter. Some of the increase we saw this quarter was attributable to timing around certain maintenance expenses as year-to-date per-site costs are still just below prior year on a per store basis. While the merchandising team in our store associates crushed it, these results still do not reflect the impact we expect from our Murphy Drive Rewards loyalty program.

While it is too early to see a material impact on our financials, allow me to highlight some of the insights we are already seeing from the pilot program. First, we believe the app and technology are providing a simple, frictionless interface that customers like and it is highly scalable. Customer and SKU level data is providing significant insights for how to engage unique customer segments and target offers.

Our most loyal customers have embraced the program with great enthusiasm. We're seeing extra trips from this group. From our lower share wallet customers, we're also seeing an impact as early indication shows we're seeing about an extra gallon per month from this group. Across some of our largest merchandising categories, we are seeing more units sold per engaged customer. And across all transactions, we're seeing a larger basket-size.

Based on this encouraging data, we expect to begin nationwide rollout in the first quarter of 2019. We remain very encouraged by the high level of engagement our customers have shown for the program as we continue to evaluate the data from the pilot. We're seeing early indications of higher fuel usage and higher merchandise spend from active customers. Importantly, we're seeing this behavior pattern even before we begin to engage and communicate with our customers to deliver target value offers, an effort now underway. We are pleased that the technology works and connects us with our customers in a meaningful way. Our customers and equally our supplier partners are interested and engaged in the program and we're very excited about the opportunities as we look into 2019 and plan a network-wide launch of the program.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

On share buybacks, we had a 10b5-1 plan in place during the third quarter. However, the start price did not reach levels that trigger repurchase activity. As a result, we did not repurchase any shares this past quarter. The share repurchases remain our preferred use of free cash flow and we will continue to be opportunistic in the market going forward.

And with that, I will turn it over to Mindy.

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

Thanks Andrew. Hi everyone. Revenue for the third quarter was $3.8 billion versus $3.2 billion in the third quarter of 2017. This was largely attributable to the higher retail gasoline prices and to a lesser extent, higher merchandise sales. Average retail gasoline prices per gallon during the quarter was $2.61 versus $2.22 in 2017. Adjusted earnings before interest, taxes, depreciation and amortization or EBITDA was $105.2 million in the third quarter versus $147.4 million in 2017.

EBITDA for this quarter was lower primarily due to lower oil and fuel margins which ran $0.162 per gallon versus $0.205 per gallon in the prior year. Accordingly, the net income and earnings per share were also lower. Net income of $45 million generated diluted earnings per share of $1.38 in this quarter versus net income of $67.9 million and $1.90 of diluted earnings per share in the prior year period. The effective tax rate for the third quarter was 21.1% versus 37.5% in the prior year period, benefiting largely from the lower federal tax rates now in effect.

Total debt on the balance sheet as of September 30, 2018 was $867 million, broken out as follows; long-term debt of $847 million, consisting of $495 million carrying value of our 6% notes due 2023; $296 million carrying value of our 5-5/8 notes due 2027; and $57 million remaining on our $200 million term loan. And in addition we are carrying $20 million of expected amortization under that term loan and current liability on the balance sheet.

These figures result in an adjusted leverage ratio that we report to our lenders of approximately 2.1x. Our ABL facility remains in place with a $450 million cap subject to periodic borrowing-based terminations which currently limit us to approximately $344 million of availability as of September 30. And at the present time that facility is un-drawn.

Cash and cash equivalents totaled $75.4 million at September 30, resulting in a net debt of approximately $792 million; and then lastly there were 32.2 million common shares outstanding at the end of the third quarter.

Looking at CapEx, capital expenditures for the quarter approximately $62 million, bringing our year-to-date spend to $153 million. Given the ongoing construction at 27 stores, at this time we do still expect our capital spending to remain within our guided range of $225 million to $275 million.

That concludes the financial update. So I will now turn it back over to Andrew.

R. Andrew Clyde
President, CEO & Director

Thank you, Mindy. I'd like to wrap up the call with a few comments on fourth quarter performance and then address guidance. We're seeing an encouraging start to the fourth quarter with continued strength in the merchandise business held by several record jackpots in the Powerball and Mega Millions games which are both traffic drivers and basket builders.

In addition, the October fuel environment is solid with volumes at 99% of prior year levels and close to $0.20 retail margins as we benefit from falling crude prices. As is our custom on this third quarter call, I will wrap up with some comments on where we expect to land relative to our annual guidance provided in February of this year.

Starting with organic growth, we will likely end the year with 1,474 stores, representing 28 new-to-industry locations in addition to 27 raise and rebuild locations. Looking at fuel contribution, annual and per store volume should come in at the midpoint of our guided range with all-in fuel margins projected at

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

$0.15 to $0.155 per gallon, total fuel contribution dollars will approximate the midpoint of our range or about $625 million to $650 million.

Looking at the fuel breakeven metrics, merchandise margins will be at the high end or just above our guided range. Merchandise sales will be within our guided range. Station OpEx excluding credit cards on a per-site basis should be closer to the good side of our guided range of flat to 2% increase.

From a [indiscernible] perspective, SG&A expense, tax expense and CapEx should all be within the guided range, which brings us to EBITDA. Assuming the favorable fuel margin environment we saw in October does not persist through year-end, we're forecasting EBITDA closer to $380 million which would be below our guided range of $390 million to $440 million. If however the environment remains favorable, we would expect to end up on the low end of the range. This last point really underscores the challenges we face around investor guidance in an industry that can have a wide range of what I would call normal margins in any given 12-month period.

Despite the margin challenges we faced in the first quarter this year, it's worth noting that retail margins held up reasonably well given that the 2018 fuel environment has been largely characterized by higher trending crude oil and product prices. I also want to emphasize the headwinds we faced in the payment fee category which accompanied higher prices and explains the $15 million expected shortfall to the guidance range.

As we've said in prior calls on a go-forward basis, we will refashion our guidance in a manner that endeavors to remove some of the noise around fuel margins which need to be viewed over a longer period than a single year and focus on the aspects of the business we can control. The point is, the margin environment is not the yardstick by which we measure company performance against our strategic goals. It obviously impacts financial performance, but you'll see our commitment to continuous improvement show up consistently in different areas of the company over time, putting us in a better position to win in any margin environment.
And with that, operator, we can open up the call to Q&A please.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] Your first question comes from Bonnie Herzog from Wells Fargo.

Bonnie Lee Herzog
Wells Fargo Securities, LLC, Research Division

So I guess my first question to you is -- I think that you just touched on in terms of keeping a lot of your guidance, but changing or lowering a little bit of it given the volatility that quite frankly you always see. So could you talk a little bit more for us about your total fuel contribution and the components? You touched on this, Andrew, but I think in the quarter there was that 2 point coming from I guess your PS&W and RIN. And looking forward, do you still expect that to be in like a $0.02 to $0.03 band I guess because it was a little bit light in the quarter. How should we think about that maybe in Q4 and going forward?

R. Andrew Clyde
President, CEO & Director

Absolutely Bonnie. So our view of the margin ranges that are normal for this business over time hasn't changed. And frankly we believe they're going to continue to get better with the improvement efforts that we've put in place. And if you go all the way back to the spend, we've guided the slightly higher margins every year and some of that's based on the improvements. So the ranges we provided in the past, both for the retail bit and the PS&W component net of RIN, we don't see those ranges changing and on an all-in basis we don't really see that changing. The real point about guidance is, if we give you guys a $0.005 plus or minus, that's $0.01 overall, and that's $40 million, right? If we give you a full plus or minus $0.01, that's an $80 million-plus range. And frankly that's too wide a range to be constructed from EBITDA. And then if we say, you know what, we think we're going to be range-bound by crude at that this level this year and we tried to tighten that and then crude prices do like they did this year and go up much higher, right, you're going to be outside of that, it shows up in the payment fees and then some of the other metrics. And so at some point in time we're confident this business over the long run is going to generate margins at the ranges that we provided in the past and those numbers will continue to improve with improvement efforts. But trying to narrow in a tighter EBITDA range that's useful and then getting all the angst about missing it by $10 million when it's less than a $0.005 plus or minus, I just don't think is productive conversation as we need to have.

Bonnie Lee Herzog
Wells Fargo Securities, LLC, Research Division

No, I agree. And trust me, from our perspective it's very challenging to say the least. So then I guess my second question would be more on the consumer. I'd love to hear from your perspective what you're seeing just by broad coverage, we're hearing from a lot of companies that there is certainly some signs of strengthening across the consumer and wanted to hear if you too are seeing that? And gas prices remains somewhat elevated, but wondering if you're seeing again any notable improvements also in your in-field -- to the in-store conversion I should say in terms of your rate, that would be helpful.

R. Andrew Clyde
President, CEO & Director

Sure, yes. I think for the last 2-3 quarters now we've seen a strengthening consumer showing up in the numbers. We talked about tobacco and both cigarette, smokeless, other tobacco products were all strong. We saw beverages really nice during the quarter despite the price increases. General merchandise through our scan-based trading was another nice addition. Certainly the lottery was solid and started the quarter off strong. So that's really good. In our view, higher fuel prices at these levels don't really impact consumer demand, but it's just their price sensitivity. And so we were a benefit in 2007 and '08 of higher prices, high-volume low-price retailers are beneficiary of that now. And we didn't [indiscernible] as much during very low price environment for some consumers on the margin on as price sensitive. And so I think

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

you see some shifts in behavior on where people go, but we haven't seen that dial back from a demand standpoint. So overall we feel like the customer is healthy and we're seeing it in the transactions and margins across the products.

Bonnie Lee Herzog
Wells Fargo Securities, LLC, Research Division

And I guess my final question, I want to circle back on something you mentioned earlier about the tobacco categories for you, or your business there. You mentioned some of the new contracts or retailer programs you've probably signed with some of these manufacturers. So I'm just trying think through from a timing perspective will you be lapping those or when will you be lapping those? Or do you foresee strength continuing based on these new arrangements? And then maybe just in general trends with the tobacco category given you've got a lot of exposure to it, especially considering the FDA's potential actions in terms of impacting the [C-Star] channel you had there, really trying to get a handle on the e-cig crisis or I guess epidemic in their words. Any thoughts there would be helpful?

R. Andrew Clyde
President, CEO & Director

Yes, look, I think from a unit standpoint as you know, there are declines in cigarettes, there will continue to be and so with the systematic price increases and the margin realization that comes from that, it continues to be a category that grows on a gross margin dollar basis. We're able to deliver through the programs and we're able to participate through digital and another activities in a meaningful way, allows us to provide more value to the customer at these higher prices that translates into differentiated share growth which in turn positions us even more favorably with the manufacturer, so as we lap maybe a program they had the prior year, they look back on the results, they see our associates knocked it out of the park and they were able to have more differentiated impact as a result of that. So I don't see anything as we head into next year that would say, hey, this is going to lap and stall is actually quite the opposite with our differentiated performance from that standpoint. In terms of the FDA, it's too early to get a sense of what they're going to do. Altria absolutely made some very strategic decisions and how they're looking at it, we have an exemplary record as a company around age verification and so we really don't think that is going to impact us materially if the age changes to 21, the flavor elements of the paper product represent a small subset of the total vapor products, so we don't see that. There's no evidence that says tobacco shops and vapor shops are any better at age verification or dealing with any of the issues on the FDA, so I expect the industry will fight pretty hard any efforts to try to take products out of the convenience store channels, so still too early to tell on that front, but don't see a material impact at this point based on what we think the rational outcomes of that would be.

Operator

Your next question comes from Ben Bienvenu from Stephens.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

I wanted to ask about the tobacco APSM contribution continues to be really strong, I know you had an easier compare this quarter, but could you talk about what's driving that, how sustainable that might be? And I know we had a pricing increase in the quarter. To what extent do that impact that result? And then panning out more broadly, just total merchandised APSM contribution has been really strong in margins go up across the merchandised categories, so just any color you can provide there, helpful as well?

R. Andrew Clyde
President, CEO & Director

When I said the merchandise team crushed it, I tried to use that as evidence of a little bit of color, but they're really doing a great job in terms of promotional effectiveness. We've got a set of initiatives around space management, visual merchandising, product assortment et cetera, that's just going to continue to add merchandise margin contribution to the bottom line. We're really positioned even as the destination around lottery and the baskets associated with that are really strong. The store associates are the ones

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

that crush it on the tobacco, cigarette side when we get the value-added promotional dollars from the manufacturers, they're the ones who have this incredible ability to up-sell at the store and to translate that into the bottom line. And then just success begets more opportunities from the manufacturers as we deliver on their programs. As Rob Chumley said at our Analyst Day a couple of years ago, they're going to move away from paying for participation and paying for results and when the stores and the associates deliver result, you get paid for it and that just allows us to give more value to customers in our differentiated basis. So gain share even in some declining categories.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

And then on the buyback, you talked about the 10b5 program didn't have a price that triggered a purchase of shares. You guys have been really good at buying back your stock historically and to compare your work opportunistically, I wonder how the improvements that you make in the cents per gallon breakeven of your business and presumably the long-term value unlock of your business influence those price demarcations and your 10b5 program over time such that those price breakpoints move higher over time? And how dynamic is that metrics, if you can offer any color on that?

R. Andrew Clyde
President, CEO & Director

Oh, absolutely. Well, we have a very robust shareholder value model and so -- and there's always going to be some arbitrage in terms of our outlook over the next 3 to 5 years in terms of what we think this business can deliver and what the market thinks. And certainly with the short-term view around margins and volatility that are in our mindset, is just further amplified as the stocks gets oversold if you have a weak margin environment as opposed to the point we're making with Bonnie over the long run this business is going to generate a level of margins that's going to support the underlying business. And so we do think about that. If you go back over time that demarcation has gone up, so if the early share buybacks were in the 40s, then they were in the 50s, they were in the 60s you're going to continue to see that, but if you're going to be a savvy buyer, you can't be in the market every day buying at every price, you pick and choose some points and we don't always get it right, but we like to think that we saved tens of millions of dollars and shared some analysis with our board on how we've done that within the quarters and which we've done that and then over the longer period of time. And so we're going to continue to be opportunistic, but we're going to be strategic about it and what this business is going to be worth 3 to 5 years from now is a heck of a lot more than it's worth today plus or minus $10 a share.

Operator

Your next question comes from John Royall from JP Morgan.

John Macalister Royall
JP Morgan Chase & Co, Research Division

I was wondering if you could give a little more color on the new pricing strategy and the reorganization you guys mentioned in the fuel business?

R. Andrew Clyde
President, CEO & Director

Absolutely. So I'm always going to be hesitant on a public call to get into pricing strategy just given the nature of that, but what I would say is we had a very clear vision around how we want to optimize store by store. We've implemented some new systems to be able to do that, but what we haven't really had is the leadership in focus and the ability to really just do the heavy lifting necessary to fully implement that vision and strategy. And so we've taken one of our best regional VPs who used to run strategy, who has a background in this, out of the field and he's now taken on that full-time role, we've added resources to the team. This is all under Mindy's great leadership overall in the fields. And so it's less about what we know we need to do, it's about just rolling up the sleeves and the heavy lifting of getting it done within the context of store-by-store optimization playbooks, the systems that support that et cetera.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

John Macalister Royall
JP Morgan Chase & Co, Research Division

And then I had a question on 2019 CapEx. I know you'll give a formal guide at some point, but just thinking directionally given your new stores and your raise rebuilds are going to be about the same, should we think about maybe a similar growth number and maybe a slightly higher maintenance number year-over-year or is there any puts and takes that I'm missing there?

R. Andrew Clyde
President, CEO & Director

Yes. You want to cover that one, Mindy?

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

Sure. John, I would expect that our range will be very similar next year versus this year. We will be including a component for EMV certification, so installing new dispensers and kits in our network to be fully compliant with that regulation. But I would still expect even with that included that we would still have more or less the same range as we do this year of $225 million to $275 million.

Operator

[Operator Instructions] Your next question comes from Damian Witkowski from Gabelli & Company.

Damian Andrew Witkowski
G. Research, LLC

We've talked about credit card fees and how they've gone up with the price of fuel per gallon. The loyalty program that you're testing currently, would that help you in any way to -- is there a debit card that's attached to the -- to your loyalty cards that may help you in the future in terms of bringing those costs down?

R. Andrew Clyde
President, CEO & Director

Yes, absolutely, Damian. So that is not part of the sort of the minimal value proposition that we put into the pilot, but Rob and his team have a set of additional offers and enhancements to the program over time and so having a lower cost payment option tied to the program is one aspect of that and we would like to see some improvement there. I'd also say Mindy and her team did a nice job this year also, evaluating our payment fees, our costs, our - the debit rails and the routing and everything that goes on. And so even despite the higher prices we're going to see some improvements on that next year from those efforts. So it's just another area of our business that we've now focused on and found savings opportunities there. So there's two or three things we think we can do in a high price environment to offset some of those costs.

Damian Andrew Witkowski
G. Research, LLC

Has utilization of credit cards declined over time or is it actually - is it moving up or is it pretty stable?

R. Andrew Clyde
President, CEO & Director

It's really been remarkably stable. Our mix of cash, debit, and credit, really hasn't changed a whole lot and I think part of that if you just think about who our customer base is â€" we've got a fair amount of unbanked customers with cash et cetera. And so we really haven't seen any material change across our network.

Damian Andrew Witkowski
G. Research, LLC

What's the adjusted gear â€" I mean do you don't remember what the cash-to-credit breakdown is?

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

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

Damian, the credit card breakout is roughly 40%, debit usage is in the 30% range, and then the rest of that is the cash component.

Damian Andrew Witkowski
G. Research, LLC

And then for the quarter what was your average RIN price as you realized and how many millions of RINs you sold but what was the average price?

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

We sold roughly $57 million RINs at an average price of $0.20. So marked difference from last when they were $0.83.

Damian Andrew Witkowski
G. Research, LLC

Yes, now on they're below 10 now.

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

That is correct.

R. Andrew Clyde
President, CEO & Director

Exactly. And here's an incredible thing. So when we presented our outlook for kind of the full year to the board, when we looked at sort of our supply margin, it was up by $80 million versus the prior year and RINs were down $80 million, right. We looked at a weekly outlook this last week on our supply margin in the Gulf Coast, it was a positive $0.03; RINs were back down to about $0.07-$0.08. And so we've been saying for a really long time these things are going to offset each other and every time we turn around despite a little lag or maybe a little uncertainty in the politics or the regulatory environment or one of the other, they are largely doing that. So I would encourage people to just continue to look at that and not get over energized around $0.10 RINs. It just is remarkable as we hit the kind of 50 year anniversary when I started the company, RINs were at about $0.10 or $0.11, and our supply margin was $0.02 to $0.03 all-in and it stayed kind of remarkably at the same throughout that period.

Damian Andrew Witkowski
G. Research, LLC

Is the [Snap] program a big part of your business the old food stamps?

R. Andrew Clyde
President, CEO & Director

There are not. As part of it Damian, you think about our kiosk, we're not able to have the full selection of products there historically that would allow us to do that.

Damian Andrew Witkowski
G. Research, LLC

Yes, I mean is there - I mean just by not allowed to qualify for Snap purchases and you can' buy â€"

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

We have a few 100 stores on the Snap program, but that's all.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Operator

Your next question comes from Carla Casella from JPMorgan.

Carla Casella
JP Morgan Chase & Co, Research Division

Just a couple of clarifications. First on the store, I think you mentioned 27 stores are under construction right now. How many of those should open in the fourth quarter? Are you still expecting to get to 30 for the year and is that still a good run rate to use going forward?

R. Andrew Clyde
President, CEO & Director

Yes, so we expect to have 28 new-to-industry locations for the full year. 27 raise and rebuilds, and of those under construction we'd expect all of those to be open but you could have timing, permitting, weather, power turn on issues et cetera that could impact that. But if they do it's just a matter of days or weeks.

Carla Casella
JP Morgan Chase & Co, Research Division

And then you mentioned the hurricanes. Last year fourth quarter was a big hit from the hurricanes. This year it sounds like it's less of impact. Can you just give us a more color there?

R. Andrew Clyde
President, CEO & Director

Yes it was less of an impact from a volumetric basis. You also got to remember last year, I mean, Harvey took out the entire U.S. Gulf Coast refinery complex. I mean it was down, and the colonial pipeline was down, right, delayed. And so we did not have anything like that from a fuel supply outage standpoint that had those kind of ripple effects across the country. And so that that was something that really impacted demand. You went from negative margins to higher margins last year. So it's just a different type of environment. I would say the flooding from Florence was pretty severe, and our store associates did amazing things to help our customers and help out their team mates; the same with hurricane Michael, we do have one store that is still down that was essentially leveled. That store along with another one were already on our 2019 raise and rebuild list and so good high volume stores that will be back up serving those communities. And again, I think our teams did remarkable things pre-staging generators. I think over 50% of our stores were the only ones were the first to open based on our preparedness and all the learning's that we put in place from the hurricanes last year and so. Really proud of what the team and our leadership has done to serve our customers and our associates on that front.

Carla Casella
JP Morgan Chase & Co, Research Division

And then on the gas pricing front, you mentioned - I think did I hear correct $2.61 a gallon in this quarter? Have you said where it's trending in the fourth?

R. Andrew Clyde
President, CEO & Director

Turn the prices?

Carla Casella
JP Morgan Chase & Co, Research Division

Yes.

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

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

In terms of overall price structure, it continues to fluctuate and we expect it to be volatile all during the quarter. Although I will say there's a lot of supply in our key marketing areas which is exerting some pressure on us from a product supplying and wholesale standpoint. And as even despite low RIN prices, there's a lot of incentive to discount product at the rack. But we don't really have a view on precisely what prices are going to do in the fourth quarter. We have a lot of room left till the end of the year.

Operator

There are no further questions at this time. I now turn the call back over to Andrew Clyde for closing remarks.

R. Andrew Clyde
President, CEO & Director

Great. Well, I think we set a speed record for this call. Thank you for your questions. We look forward to the - any follow-ups, and look forward to talking to you again in February, when we deliver full year results and provide our guidance for 2019. Thank you.

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

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2018 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2018 S&P Global Market Intelligence.