







MURPHY USA

Investor Presentation

May 2019

Cautionary Statement

This presentation contains forward-looking statements. These statements, which express management's current views concerning future events or results, are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements include, but are not limited to, the volatility and level of crude oil and gasoline prices, the pace and success of our expansion plan, our relationship with Walmart, political and regulatory uncertainty, uncontrollable natural hazards, and adverse market conditions or tax consequences, among other things. For further discussion of risk factors, see "Risk Factors" in the Murphy USA registration statement on our latest form 10-K. Murphy USA undertakes no duty to publicly update or revise any forward-looking statements.

The Murphy USA financial information in this presentation is derived from the audited and unaudited consolidated financial statements of Murphy USA, Inc. for the years ended December 31, 2018, 2017, 2016, 2015, and 2014. Please reference our most recent 10-K, 10-Q, and 8-K filings for the latest information.

If this presentation contains non-GAAP financial measures, we have provided a reconciliation of such non-GAAP financial measures to the most directly comparable measures prepared in accordance with U.S. GAAP in the Appendix to this presentation.

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Murphy USA's strategy since 2013 – Winning at our game

Strength	Strategy
Strategic Relationship with Walmart	Grow Organically
Winning with Value-Oriented Customers	Diversify Merchandise Mix
Low Cost Operating Model	Sustain Cost Leadership Position
Distinctive Supply Chain Capabilities	Create Advantage from Market Volatility
Resilient Financial Profile	Invest for the Long-Term

Overarching Objectives

Increase productivity of existing stores to grow competitive advantage

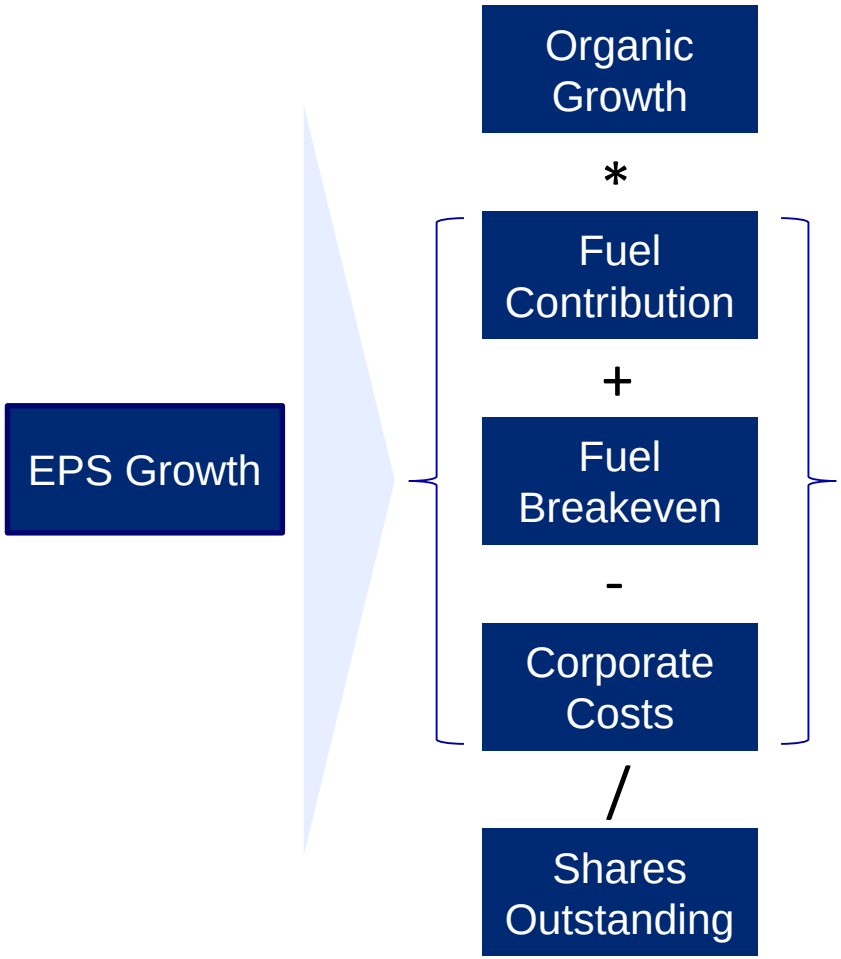
Build/rebuild assets where MUSA has the "right to win"

Steward financial resources and allocate capital in a disciplined manner to earn credibility with investors and grow company

Build differentiated capabilities and leadership to win at our game and build a sustainable company for the future

Creating value by executing a simple formula

MUSA Value Creation Drivers



2013 – 2018 Highlights

Increased total stores by 21%
- 271 new sites
- 59 Raze & Rebuilds

Grew fuel contribution margin by 10%
- 11% total volume growth
- 16.3 cpg average total margin

Strengthened competitive advantage by 2.4 CPG
- +350 bps merchandise margin %
- +42% merch contribution $
- ~ $1k reduction in APSM site opex

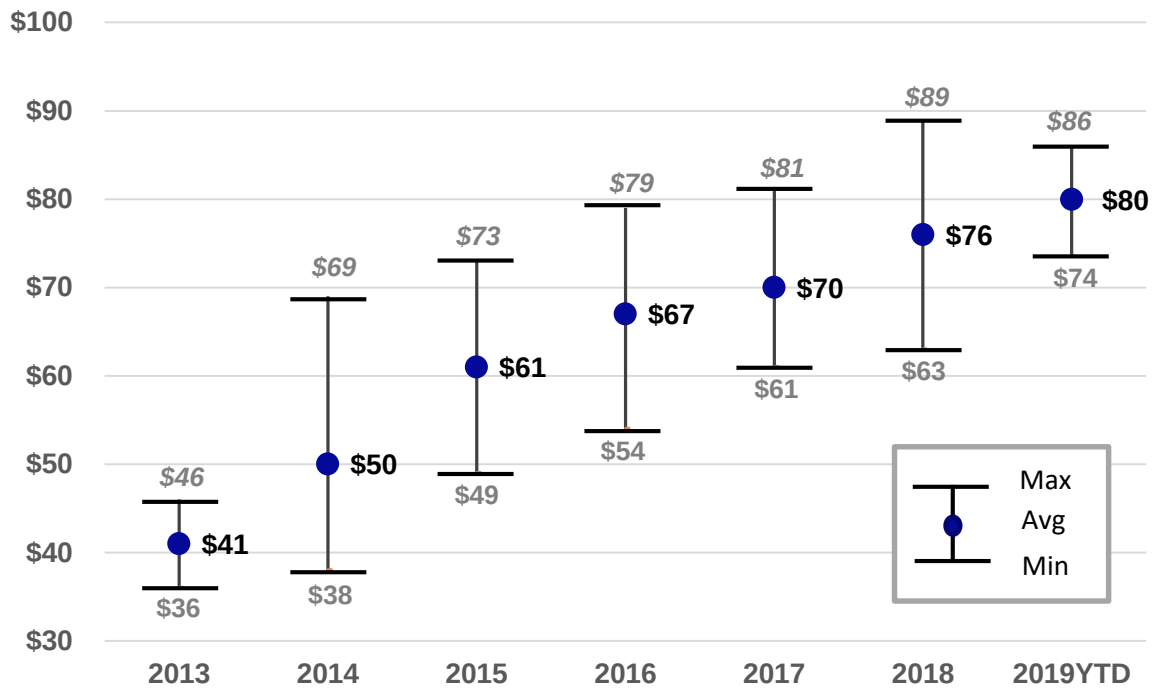
Scaled SG&A per store, lowering costs 2%
- Stood up new company; right-sized resources
- Invested in growth and new capabilities

Repurchased ~ 15M shares
- ~ $1 billion of capital
- ~ 31% of shares outstanding

**Site Opex excludes credit card fees*
***SG&A per-store excludes stock-based compensation and one-time spin costs in 2013*

Value creation translating to shareholder returns

MUSA Share Price By Year
Average, Min, Max



TSR	2013	2014	2015	2016	2017	2018	2019YTD
CAGR From Average to 2019 YTD Average	14%	10%	7%	6%	7%	5%	NA

Drivers of Share Price

	2013	2018	%Δ
EBITDA	$340	$412	21%
Shares Outstanding	46.8	32.3	(31%)
EV/EBITDA Multiple	6	9	50%

Common investor questions

Strategic Objective	Common Questions
Increase Store Productivity to Grow Competitive Advantage	• Are there more opportunities to increase store level performance? • Is it enough to offset industry headwinds and matter in the long run?
Build/Rebuild Future Assets Where MUSA has Right to Win	• Where does MUSA have the “right to win” in the future? • Will the portfolio be competitive in 10-20 years?
Steward Financial Resources and Allocate Capital in Disciplined Manner	• Why does the market value MUSA at a discount to its peers? • Given MUSA’s high free cash flow generation, how should capital be allocated to incremental growth, share buybacks and/or dividends?

Significant future opportunity to grow shareholder value

Examples of MUSA Opportunity Set for Store Productivity

	Past	Present	Future
Doing Things Differently	• CoreMark contract	• Scan based trading for general merchandise	• Item level inventory to drive computer assisted ordering
	• Store labor optimization	• Wage/cohort optimization	• Daily pay for store associates to drive retention
Doing Different Things	• Raze and rebuilds for end-of-life stores	• Market in-fill with 2,800 sq-ft-stores	• New format destination offers in non-urban sister stores
	• Maintenance refresh program	• Enhanced break/fix store support	• Preventative and predictive maintenance
Changing Customer Behavior	• Walmart summer fuel discounts	• MDR as EDLP loyalty engine to drive segment specific behaviors	• MDR with links to payment systems and various network affiliates
	• MUSA known for EDLP on fuel and tobacco	• MUSA's EDLP price optimized store by store and executed consistently	• EDLP price optimization and controls highly automated

Example: Murphy Drive Rewards



MDR Engagement as of April 29, 2019
Rating: **4.8 of 5.0**
Reviews: **45.9K**
Rank: Presently **#29 Shopping App; As high as #10**
Participants: **6.4 Million**
Enrolled members: **1.4 Million**
Age Verified Members: **850 Thousand**

Competitor Approach

General approach:
- Raise street prices to everyone in order to discount to members
- Count 6 cups of proprietary beverage to give the 7th cup free
- Generate Manufacturer coupons

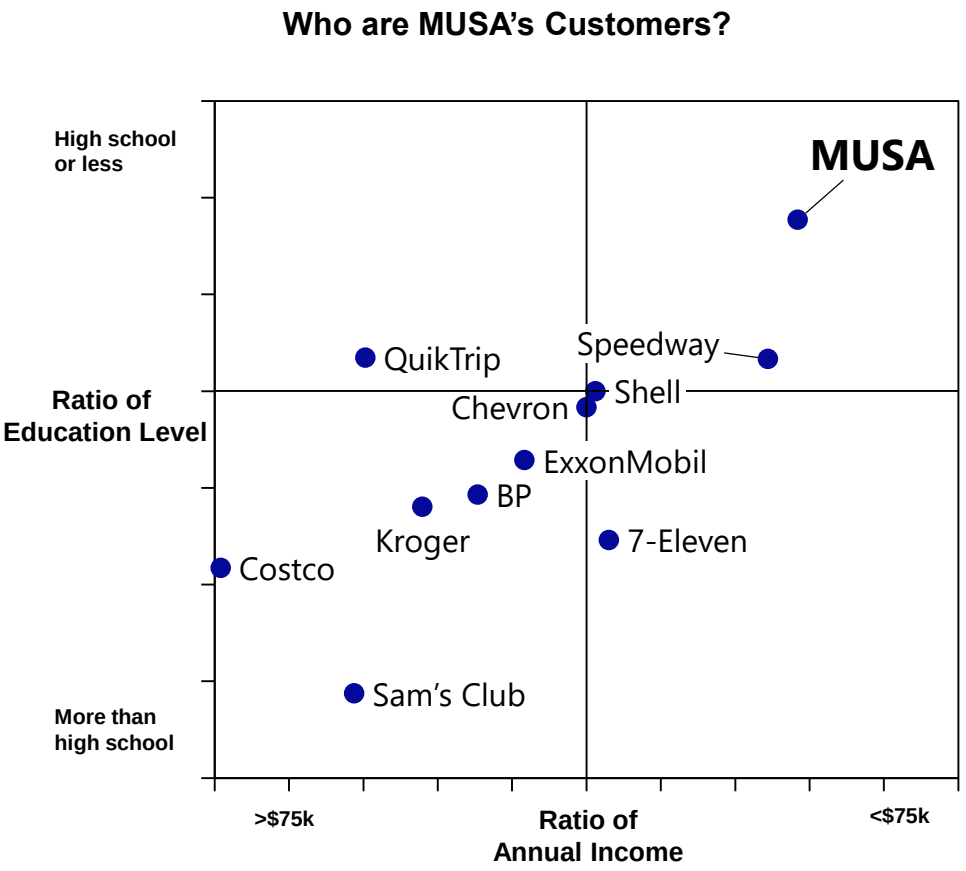
Unique features by select Apps:
- Get lowest 24-hour fuel price when prices are rising
- Pay through the app

- Static platform: hard to change

MDR Approach

- Discount pricing to specific customer segments to drive specific behavior
- Earn points on all products – including tobacco; burn on fuel and most merchandise
- Develop segment specific promotions with manufacturers for customers better targeting vendor funding/ROI
- Create weekly earn (e.g. Rev Up) and burn (e.g. sweepstakes) features to keep members engaged
- Build out an ecosystem of networks and affiliates customers value
- Dynamic platform: change limited only by imagination

Growing customer segment



What Are Their Challenges?

- Finding value with scarce disposable income; start the year under water
- Costs of household goods and services rising faster than wage growth

Where Do They Come From?

- 50% are coming to/from a trip to Walmart; Walmart is growing trips
- Seeking low priced fuel and tobacco, lottery and convenience items

They Are A Growing Segment

- Income inequality persists / growing
- Net worth of bottom 90% shrinking

Industry headwinds: regulations and substitution

	Regulatory Headwinds	Substitution
Fuel	• CAFE standards • EV mandates in ZEV states • Lowest legal state pricing	• E15/E85 • Electric vehicles • Ride hailing/ride sharing
Tobacco	• Threats to ban c-stores from e-cigs • FDA challenging menthol and flavors • Raising age Limit to 21	• E-cigs • Cessation products • Cannabis
Carbonated Beverage	• Sugar “tax” • Changing consumer preferences • Plastics ban	• Energy drinks • Sparkling water • Better for you products

More favorable markets for fuel demand

- Updates to drivers of fuel demand in the US and MUSA markets project the market for transportation fuel will remain flat to slightly improving over the next decade for MUSA
  - CAFE standards for 2021 locked in while vehicle miles travelled (VMT) growing under higher GDP economy
  - Lower mpg new vehicle fleet due to accelerating shift from small sedans to SUVs/light trucks with average age of used cars continuing to grow, offsetting in part impact of electric vehicles (EVs)
  - MUSA markets continue to see higher demand, lower fuel prices, lower mpg fleets and lower EV penetration

- EV's – both BEVs (battery only EVs) and PHEVs (plug-in hybrids) – continue to penetrate new car fleet at 1.9% of US sales but make up less than 0.2% of total US fleet, concentrated in limited states
  - Zero Emission Vehicle (ZEV) states account for 63% of EV sales with luxury segment capturing balance as original equipment manufacturer's (OEM's) required to sell in ZEV states; Tesla dominating BEV sales (80%) as major OEM BEV offers struggle
  - Expiring tax credits challenge pricing (e.g., Georgia EV sales down 80%) with legislation proposals seeking to extend credits on one hand while taxing EV's for road use on the other
  - Press surrounding OEM investments into EV's includes hybrids which adds to confusion

- OEMs, challenged by battery costs, seeking feasible BEV use cases to offset current losses
  - Lithium-ion batteries continue to improve but reaching limits; <$100KwH estimates from "surveys" as opposed to hard science that experts can point to
  - Limited range delivery vehicles could work with smaller battery without range anxiety
  - More highly utilized passenger vehicles through ride hailing/ride sharing services achieve economics vs. individual ownership; while BEV's need fully self-driving autonomous vehicle (AV) technology to work in order for ride-hailing firms to be economic long-term for that particular use case, AVs do not have to be BEVs

Fuel demand in MUSA markets – flat to increasing

Fuel Demand:

- **Vehicle Miles Traveled**
  - **Gross Domestic Product** ↑
  - **Fuel Prices** –
- **Fuel Economy**
  - **CAFE Regulations** ↓
  - **New/On-the-Road Fleet** ↑

VMT still growing:
- 2018 GDP of 2.9% higher than estimates made in 2017
- Fuel prices remain range-bound by crude

Fuel Economy decelerates:
- Recent CAFE regulation rollbacks keep new unit fuel economy lower
- OTR fleet will continue to lag the lower CAFE regulations
- Internal combustion engine (ICE) improvements continue—not a static world

2027 Fuel Demand (2017 Estimate)
(Light Duty, Indexed to 2016)

VMT Growth (%/year)	49.7	44.5	37.0
1.70%	99.3%	99.8%	103.1%
1.45%	96.6%	97.2%	100.3%
1.20%	94.0%	94.6%	97.6%

2027 CAFE Standard

Vs. 2017 Expectations, MUSA benefits from
- Higher VMT
- Lower CAFE regulations
- Decelerated improvements to fuel economy

2027 Fuel Demand (2019 Estimate)
(Light Duty, Indexed to 2016)

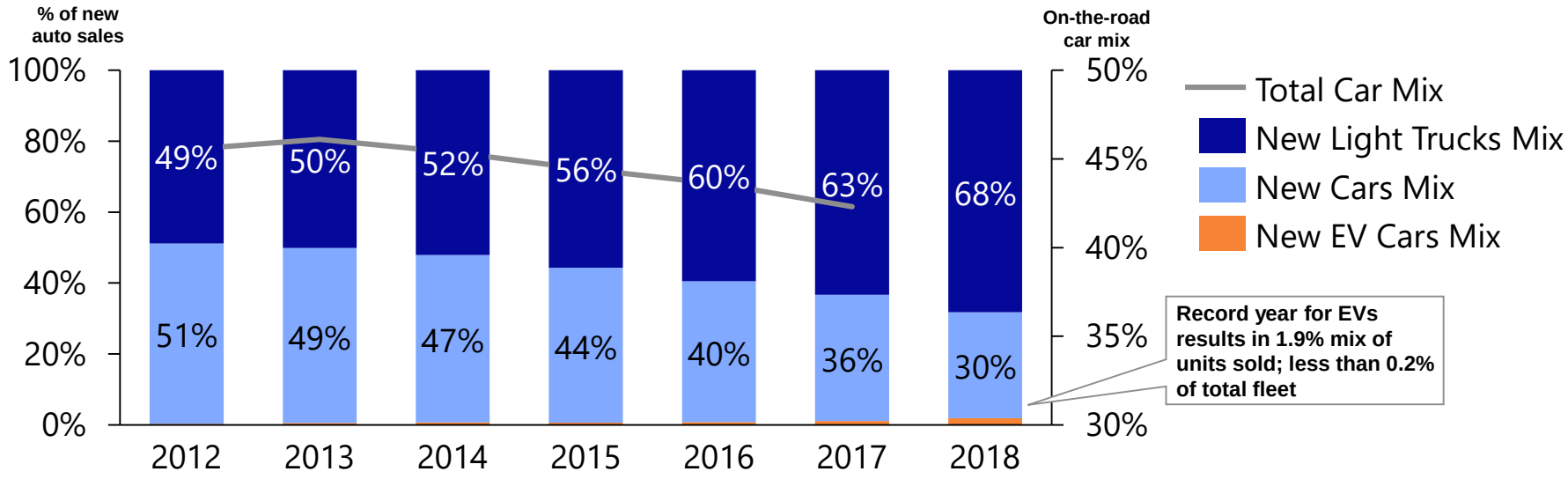
VMT Growth (%/year)	49.7 no longer reasonable	44.5	37.0
1.70%	99.3%	99.8%	103.1%
1.45%	96.6%	97.2%	100.3%
1.20%	94.0%	94.6%	97.6%

2027 CAFE Standard

MUSA vs. US:
- Higher VMT
- Lower gas prices
- Lower MPG fleets

Source: NHTSA, IHS Markit, OECD, US Census Bureau, DoT, Strategy& analysis

Light truck/SUV usage accelerating with aging fleet





Light trucks



Cars

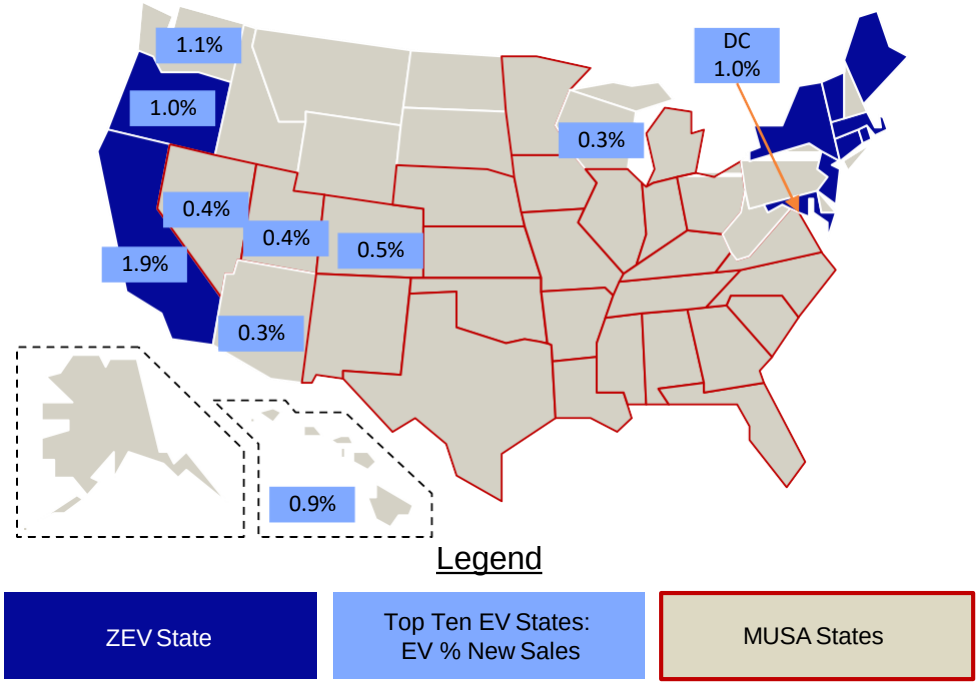
	Fuel Econ	Unit Sales	Total Fleet Mix	Increase in Used Car Age ('09-'16)
Light trucks	27 MPG	68%	58%	+1.5 years
Cars	38 MPG	32%	42%	+1.1 years

* Mix of all registered privately owned cars and light trucks; using latest available data from DoT; Fuel Econ for new models in 2016, Unit Sales 2018, Total Fleet Mix 2017

Source: DoT FHA; Automotive Industry Portal: Marklines; IHS Market through Auto Alliance; Bureau of Transportation Statistics

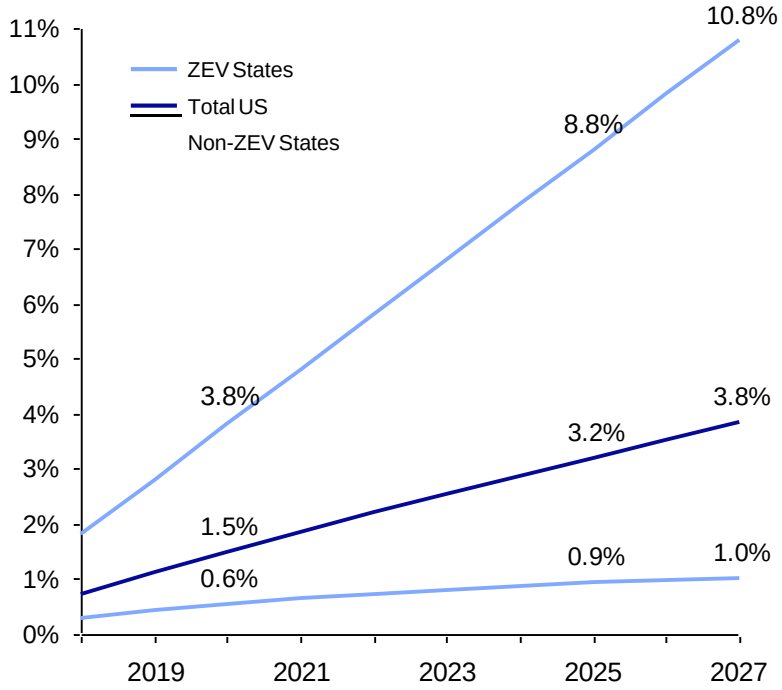
EV sales follow forecasts – ZEV "quotas" driving OEMs

ZEV States & 2016 Top Ten States by EV Sales



Forecasted EV Sales Penetration

2018-2027



- ZEV states require EVs to comprise a prescribed and increasing percentage of new vehicle sales, with that percentage adjusted for the range of vehicle. Since OEMs lose money on EV sales today, they tend to concentrate sales in ZEV states
- In 2016 ZEV states accounted for 67% of US EV sales. We expect that share to increase as federal and state incentives expire

Source: IHS Markit, CARB, Strategy& analysis

Lots of EV headlines – including Plug In Hybrids

EVs are the Future

General Motors – 20 BEV or PHEV models by 2023, profitable EVs by 2021.

Ford – $11 billion invested by 2022 with at least 16 new BEVs and 24 new PHEVs

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Volkswagen – $50 billion invested by 2023 to develop EV and AV technology.

Volvo – Will launch 5 BEVs between 2019 and 2021, will continue current ICE models but all new models will be EV

Nissan – 20 BEV or PHEV models to come from $10 billion, 5-year investment program in China

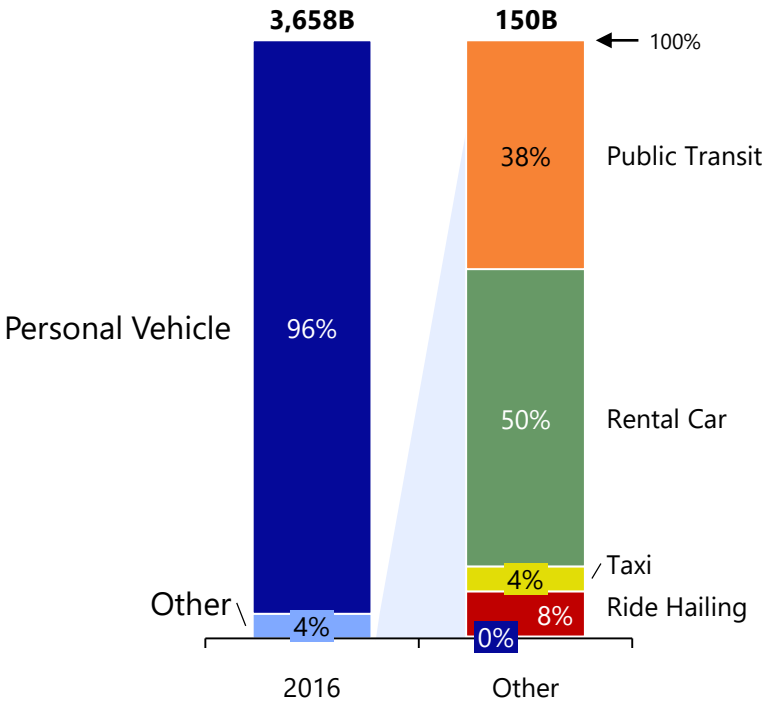
Maybe, but "it's going to be a while"

Toyota – Toyota is planning no BEV model but says hybrid's will account for 15% of total sales by 2020. According to Toyota North America CEO Jim Lentz at the 2019 Auto News World Congress in January, the company's limited battery resources are more efficiently used and will have a greater environmental impact by "selling 1.5 million hybrid cars … than selling 28,000 EVs." "It's going to be a while," Lentz said, "I think we've over-stated our belief EVs will take over the world."

Source: Various industry news sites; Toyota quoted by The Detroit Bureau

Ride hailing: tiny proportion of total passenger miles

2016 US Passenger Miles by Mode of Transport



Goldman Sachs 2017 Report

- Ride hailing could grow 8x by 2030, primarily stealing share from rental cars
- Goldman analysts don't anticipate AV cost savings being passed on to passengers, at least not soon

	Ride hailing Miles	Ride Hailing % of US Passenger Miles
2016	11.4 Billion	0.3%
2030	91.2 Billion	2.0%-2.5%*

- If ride hailing "balloons" 8x it will be just 2.4% of US Passenger Miles
- Given 24% of Uber rides occur in 5 major metros, MUSA states will likely remain far less affected than the US average

High costs make ride hailing a niche market for the foreseeable future

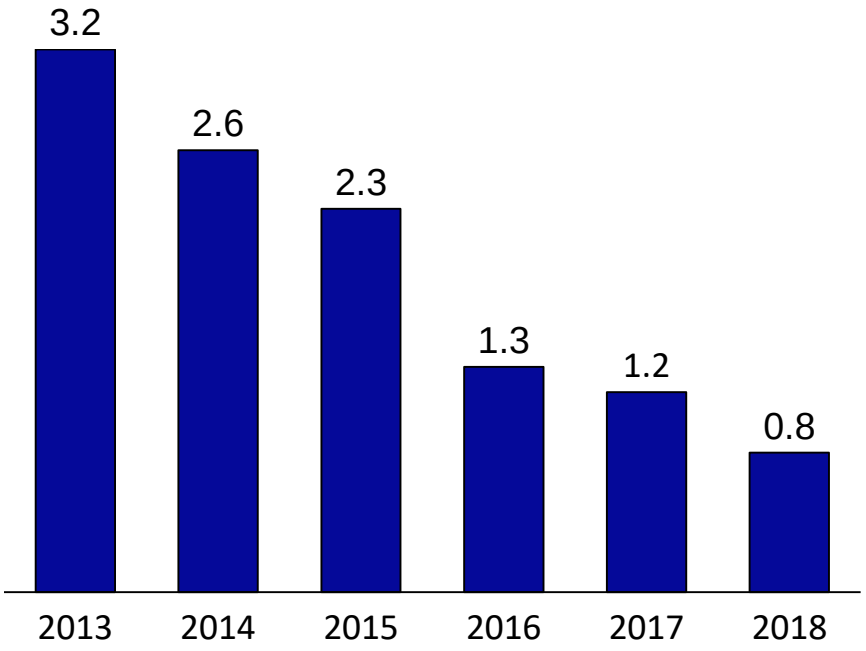
** Range based on flat to 1.5% growth in US passenger miles*
Source: IBIS, Statista, The Information, Various, SherpaShare, AAA, Taxifarefinder, American Public Transportation Association Strategy& analysis, Goldman Sachs forecasts

Growing in declining categories and their substitutes

		12-month % Change		
		Sales $	Margin $	Market Share Δ
Tobacco	Cigarettes	-1.0%	2.5%	-0.2%
	Smokeless	2.3%	1.4%	-0.1%
	OTP	4.3%	4.3%	-0.2%
	Vapor/E-Cig	40.7%	54.3%	NA
Packaged Beverages	CSDs	0.10%	-3.1%	0.0%
	Energy	14.5%	12.3%	0.6%
	Sports	15.4%	23.2%	0.2%
	Water	9.5%	14.7%	0.4%

Enhancing MUSA's competitive advantage

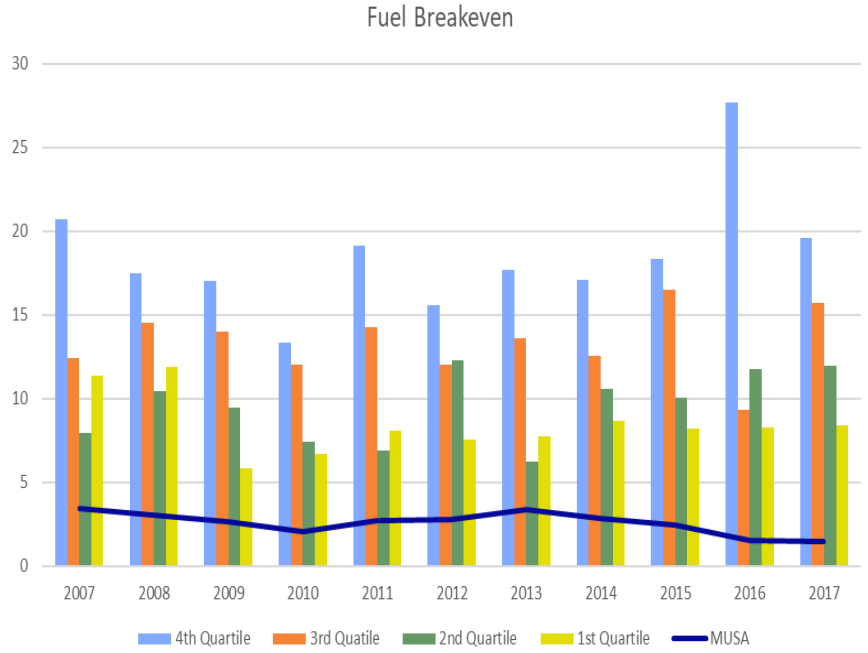
MUSA Fuel Breakeven Margin Requirement



Fuel Breakeven Cash Margin Requirement = Store Opex + Marketing G&A – Merchandise Margin / Retail Fuel Volume

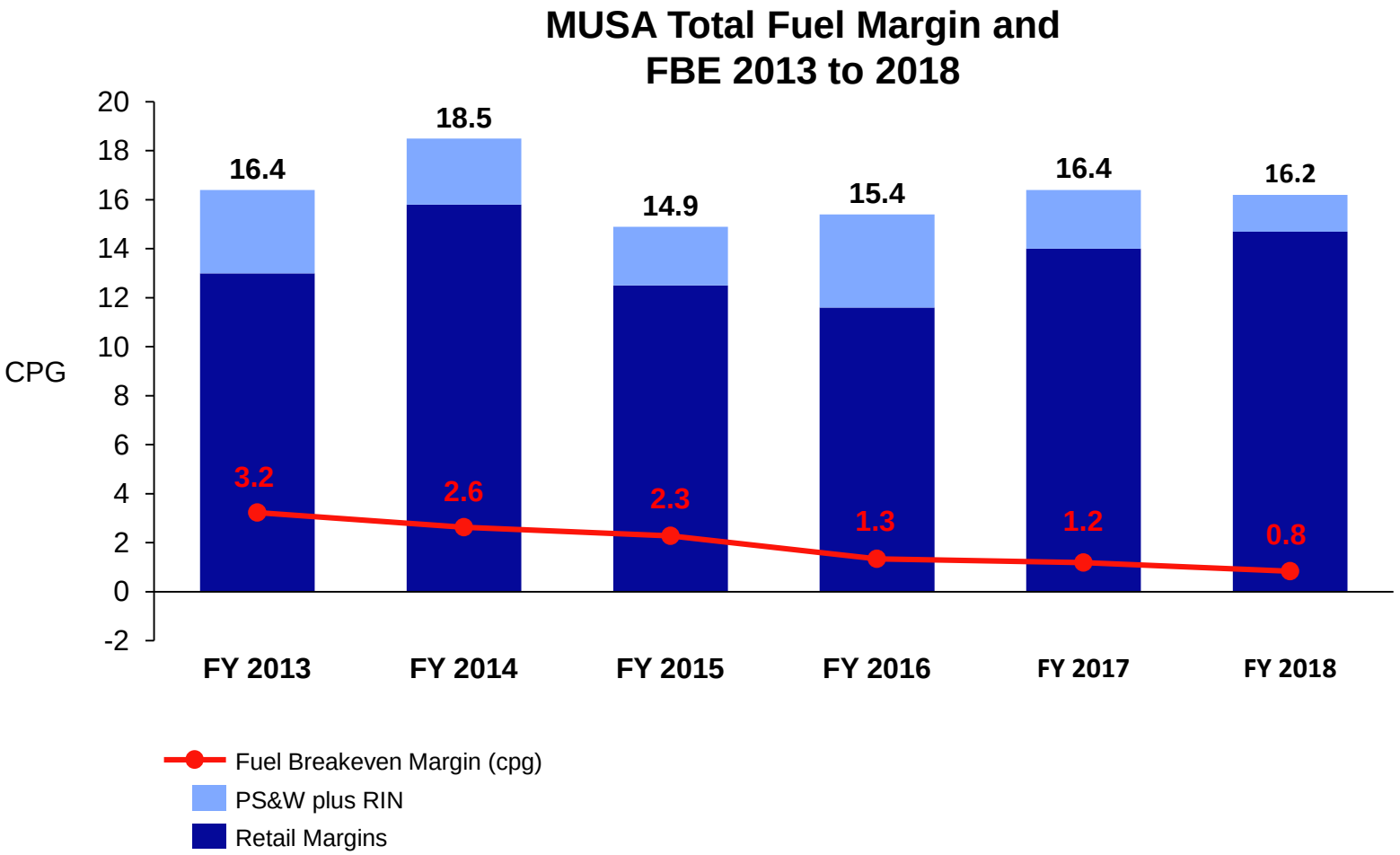
MUSA FBE declining with store productivity initiatives and investments

NACS 4 Quartiles vs MUSA FBE



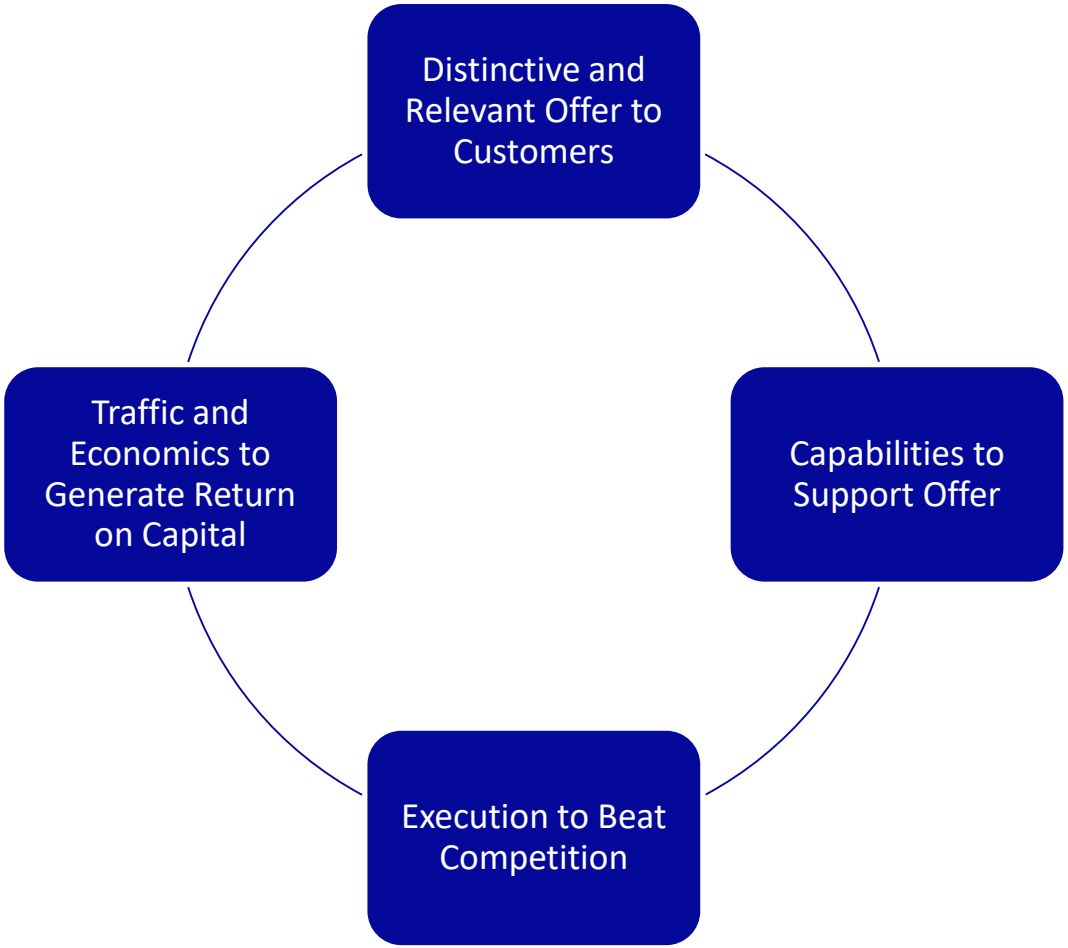
Competitor FBE increasing due to investments in food service and inflation

Increasing resilience to fuel price/margin volatility



Right to Win = Differentiation and Relevance to Customer

Keys to developing a Winning Retail Format

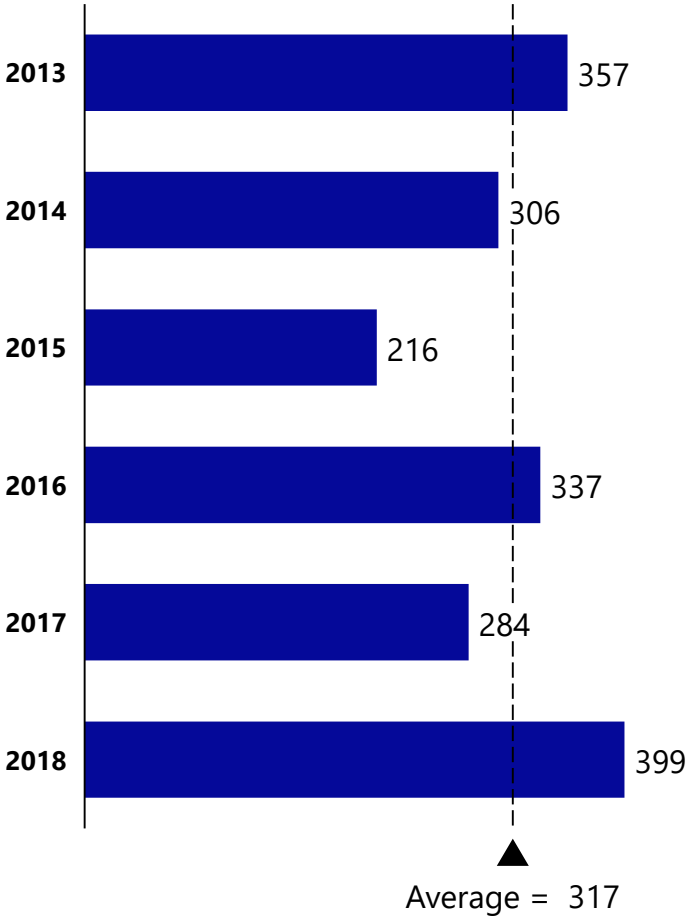


Future portfolio changes

Approach	Considerations
Walmart Supercenter Halo	• Limited good and available locations in attractive markets where we can win with small store format • Remaining states unattractive from demand or regulatory standpoint
Advantage Market In-Fill	• Building pipeline for 30-40+ locations per year in most attractive markets for larger 2,800 sq. ft. store • Targeting core customer demographics in growth areas where limited made-to-stock food offer attractive
Non-Urban Sister Store	• Exploring destination offers that resonate with customers in non-urban markets with existing MUSA store • May have to build/partner/buy capabilities for differentiated destination offer
Raze and Rebuilds	• Expanding fuel and merchandise offer at highest performing, end-of-life kiosks • Store productivity initiatives extend R&R candidate list
End of Life Exits	• Closing/selling low performing stores at/before end of life • Monetize real estate for highest/best use

High class problem – Cash Flow Machine

Operating Cash Flow



Sources of Future Growth

- Achieving Zero Fuel Breakeven
- Murphy Drive Rewards
- Retail Pricing Excellence
- Contribution from larger, higher performing new stores
- Scaling Corporate costs
- Supply cost optimization
- Leveraging scale to grow Wholesale business
- Fleet opportunities
- Others…

Net Debt (MM)

As of December 31, 2018

Term Loan	$ 72
Bonds:	
2013 6.000%	495
2017 5.625%	296
Total Debt	$863
Less Cash	< 185>
Net Debt	$678

Leverage Ratio*: 1.85x

* *As reported to lenders per debt covenant requirements*

Relative valuation drivers

2013 Multiple	Drivers of MUSA Growth	2018 Multiple	Drivers of MUSA Peer Discount	Public Peers	Drivers of QSR Premium	QSRs
6x	• Post spin credibility and consistent strategy and message • Proven reliability of earnings and FCF • Disciplined capital allocation	9x	• Less clear line of sight to earnings growth • Exposure and relative performance on fuel and tobacco products in secular decline • Lower M&A take out premium due to Walmart effect	11x	• Greater exposure to food service • No exposure to fuel and tobacco	15x

Capital allocation considerations

- Organic growth is flexible based on opportunity
  - Building In-fill NTI pipeline for 30-40+ potential stores in 2020 and beyond
  - Developing strategic alternatives for non-urban sister store where MUSA has a right to win
  - Raze and rebuilds are flexible based on capital allocation priorities

- Share repurchase remains preferred vehicle for returning value to investors
  - Most flexible means given volatility in earnings and capital commitments
  - High ROE potential with current discount

Winning at our game lets all our stakeholders win

Stakeholders	What MUSA Delivers
Customers	• Commitment to deliver exceptional value in products they choose to buy • Trusted brand to ensure guaranteed products, safe facilities and secure personal information
Suppliers	• Commitment to share growth in billion dollars categories • Highest ROI marketing spend through MDR
Investors	• Commitment to grow EPS consistently over time • Disciplined and balanced capital allocation
Employees	• Commitment to long-term, sustainable and innovative employer, for employees to grow professionally • Exceptional employee value proposition
Communities	• Commitment to sustainability to support our employee value proposition • Great partner to count on