







MURPHY USA

Raymond James

40th Annual Institutional Investor Conference

March 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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Today's presenters



Andrew Clyde, President and Chief Executive Officer

- Appointed President and Chief Executive Officer of Murphy USA Jan 2013
- Leads development and execution of strategy for creating long-term shareholder value
- Oversees corporate-wide strategic initiatives enabling Murphy USA's growth, margin expansion and cost leadership
- Spent 20 years at Booz & Company leading downstream and retail organizations on strategy, organization, and performance initiatives



Mindy West, Executive VP and Chief Financial Officer

- Joined Murphy USA at spin; previously VP and Treasurer of Murphy Oil Corporation with 17 years of experience in Accounting, Planning, IR and Treasury roles
- Oversees key resource allocation programs, including site builds, network re-investment and shareholder distributions
- Leads corporate-wide strategic initiatives driving operational efficiencies and systems/processes enhancements

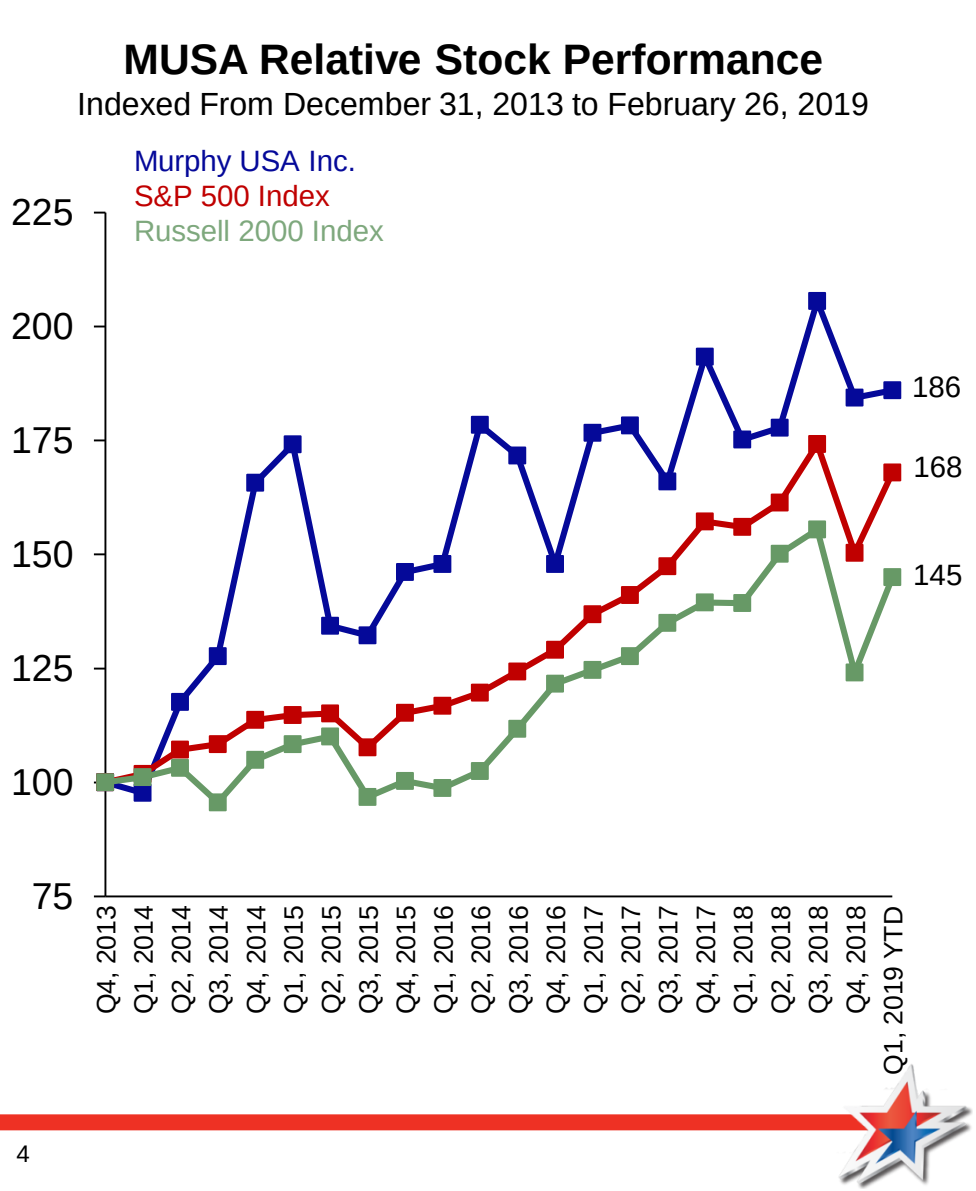


Christian Pikul, Senior Director of IR and FP&A

- Joined Murphy USA in 2015 after a 20 year career in equity research and corporate finance
- Leads the investor relations program and oversees the corporate budgeting and forecasting functions
- Masters in Finance and a Chartered Financial Analyst

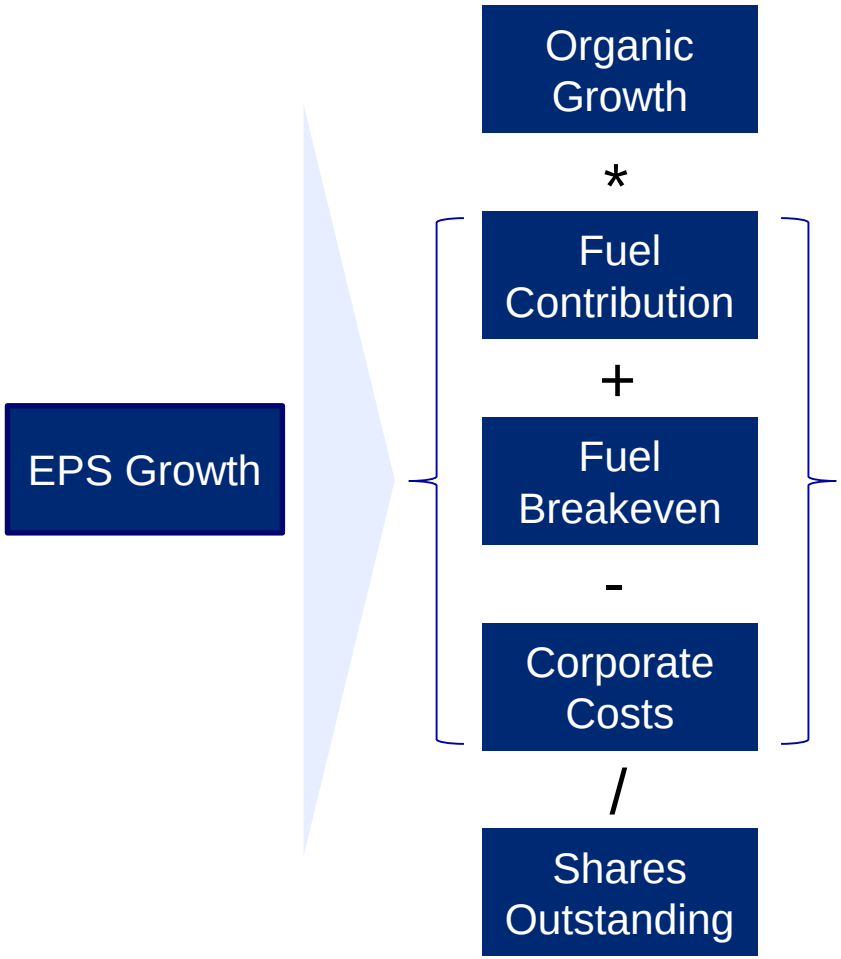
Murphy USA continues its proven and differentiated strategy

- Murphy USA is uniquely positioned as a low-cost fuel and convenience retailer
- Our strategy to compete has five coherent elements:
  - Grow Organically
  - Diversify Merchandise Mix
  - Sustain Cost Leadership Position
  - Create Advantage from Market Volatility
  - Invest for the Long-Term
- Our business model is resilient to, and takes advantage of, volatile market conditions
- Our independent growth plan combines efficient unit-growth and shareholder-friendly capital allocations
- Murphy USA has a proven track record of execution since our 2013 spin-off
- We believe 2019 will be a transformational year where execution of key initiatives will drive higher baseline performance for years to come



MUSA creates value through a simple formula – and executes

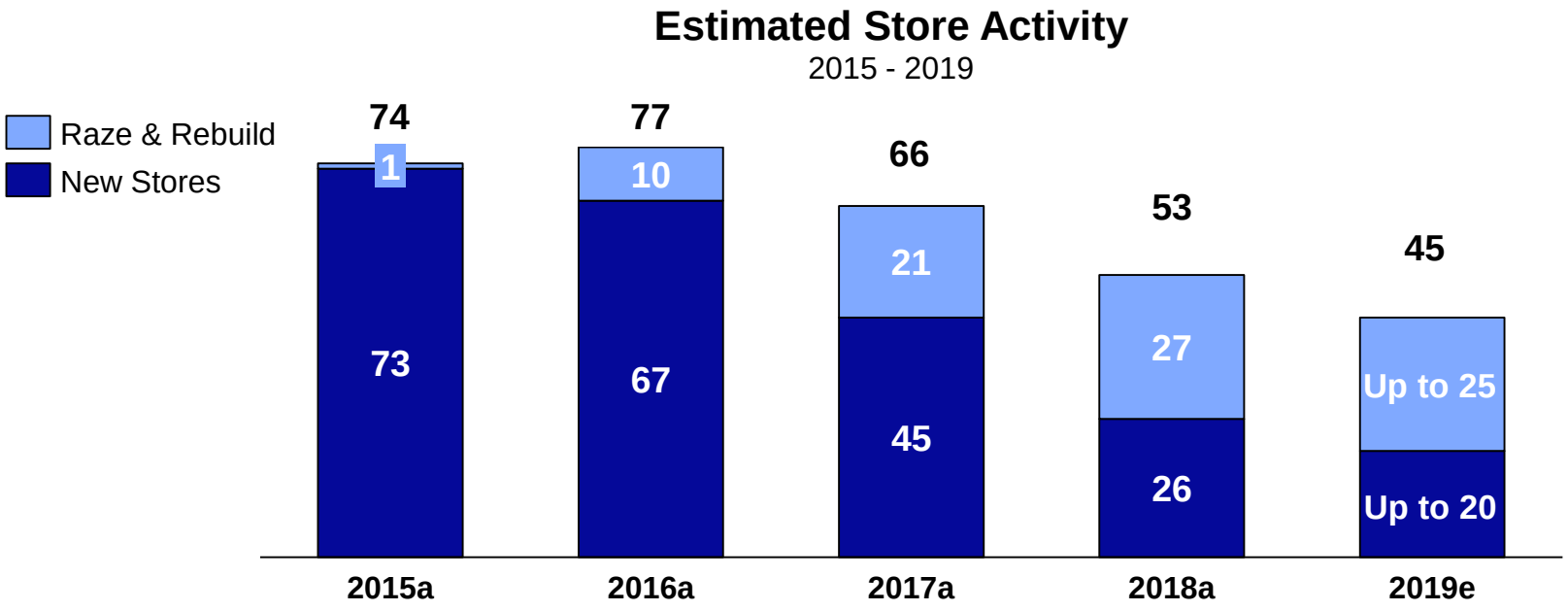
MUSA Value Creation Drivers



2013 vs 2018	Go-forward
<u>21% total unit growth</u> • 271 new sites • 59 Raze & Rebuilds	<u>Modest Unit Growth</u> • 40-50 high-return projects per year • Format optimization
<u>10% total contribution $ growth</u> • 11% total volume growth • 16.3 cpg avg total margin • ~ 2.5 cpg from PS&W/RINs	<u>Fuel Leadership</u> • Recapture local market share when economic • Enhance supply cost advantage
<u>Reduced by 2.4 cpg to 0.8</u> • +350 bps merch margin % • +42% merch contrib $ • ~ $1k reduction in APSM site opex	<u>Journey to Zero Breakeven</u> • Merch margin expansion • Leverage 2800 sq. ft. sites • Maintain disciplined focus on costs
<u>SG&A per store -2%</u> • $22 million increase in annual SG&A** • Investing in growth and new capabilities	<u>Leverage SG&A Investments</u> • Scale and enhance MDR • Leverage top leadership
<u>Repurchased ~ 15M shares</u> • ~ $1 billion of capital • ~ 32% of shares outstanding	<u>Capital Allocation</u> • Maintain balance • Maintain discipline

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

Organic growth moderates ahead of shift in format strategy



Total Units	**1,335**	**1,401**	**1,446**	***1,472***	***1,492***
Raze & Rebuild	**1**	**11**	**32**	***59***	***84***

Reinvestment programs enhance existing network quality

Raze and Rebuild Program

- 59 sites completed through 2018
- Kiosks replaced with 1200/1400 sq ft stores along with more dispensers and increased fuel offer
- Given the premium locations, we estimate per site unlevered IRR's between 15% and 35%



APSM Fuel Gallons*



APSM Merchandise Sales $*



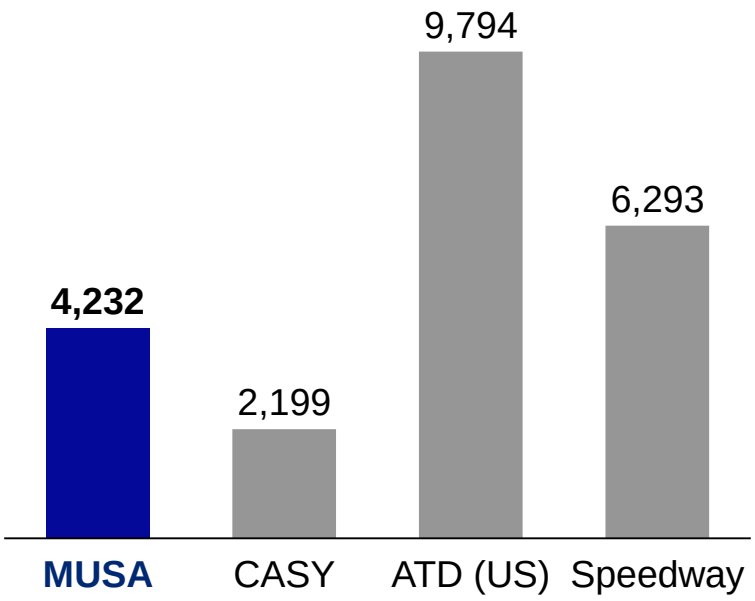


(1) Pre-R&R period reflects FYE15 for 2016 class (10 sites), FYE16 for 2017 class (21 sites), and 2H17 for 2018 class with sufficient data (9 sites)
(2) Post-R&R period reflects FYE17 for 2016 class (10 sites), FYE18 for 2017 class (21 sites), and 2H18 for 2018 class with sufficient data (9 sites)
Notes: All averages are weighted by months of operation, first partial months removed

Fuel differentiates MUSA from its peers

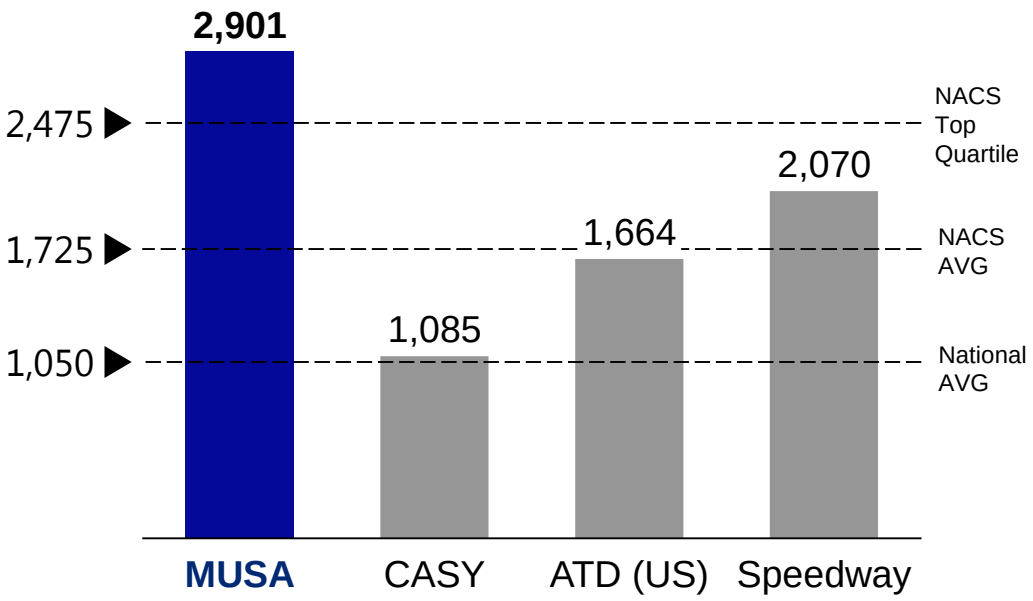
Total Chain Fuel Volume (MMgal)

Last Fiscal Year



Annual Fuel Volumes (Kgal) / Avg Store

Last Fiscal Year



Average U.S. Store Count By Chain*

Last Fiscal Year

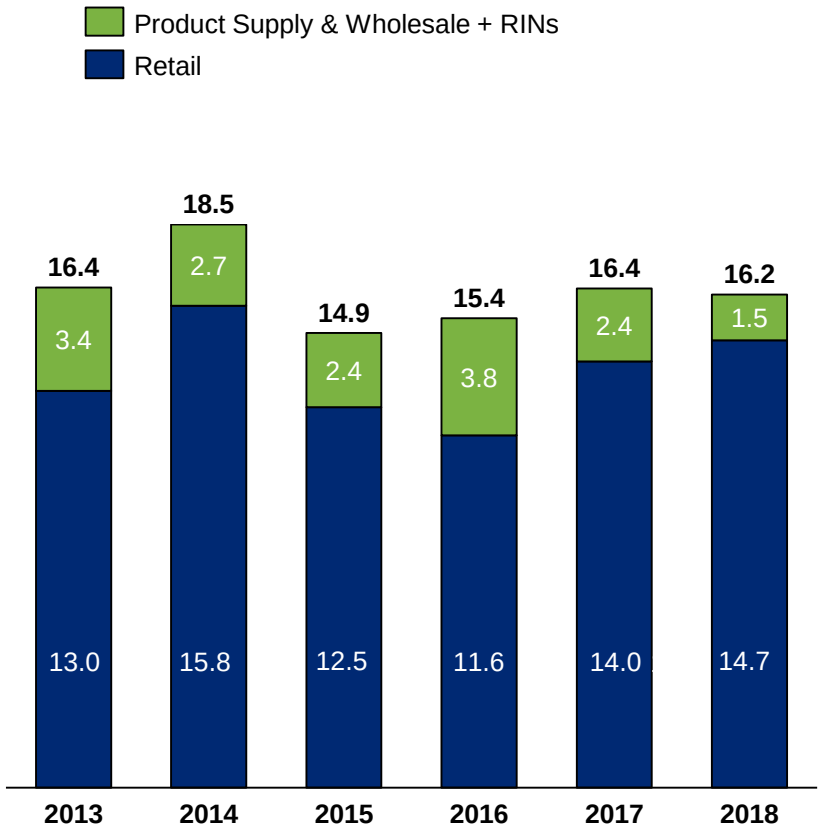
MUSA	CASY	ATD (US)	Speedway
1,459	2,026	5,885**	3,039***

** Average stores is midpoint of beginning and ending store count*
*** ATD average store count estimated at 5,885 after adjustment for c-stores not selling fuel*
****Proportionately includes 1,200 Andeavor sites not included in sales until 4Q '18*

Total fuel margins consistently generate 14-16 cpg since spin

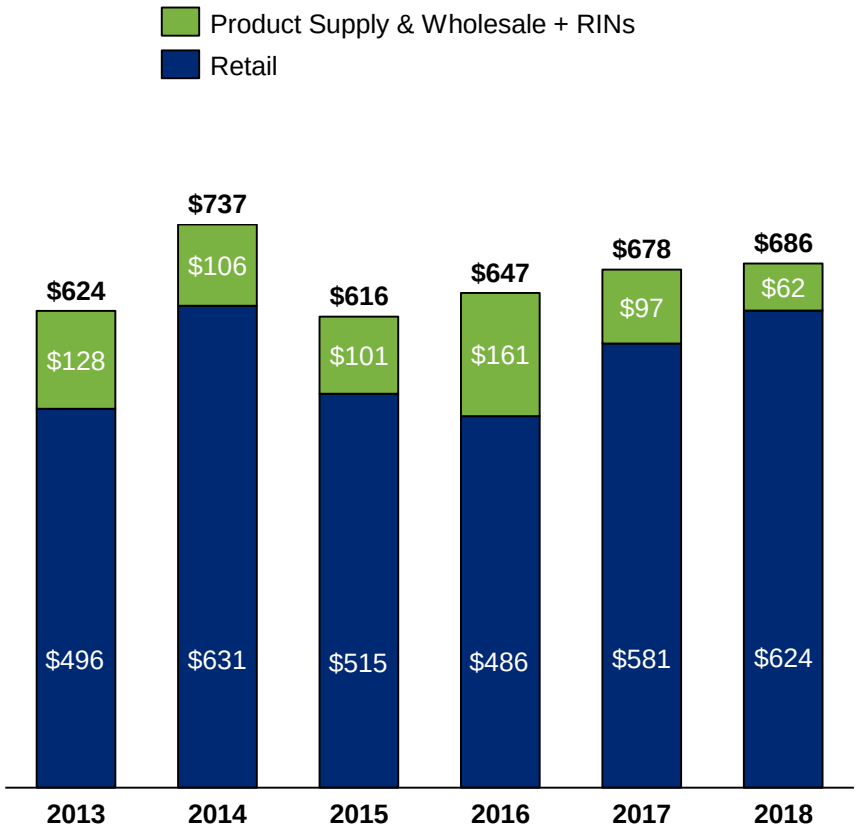
MUSA Total Fuel Margin

CPG

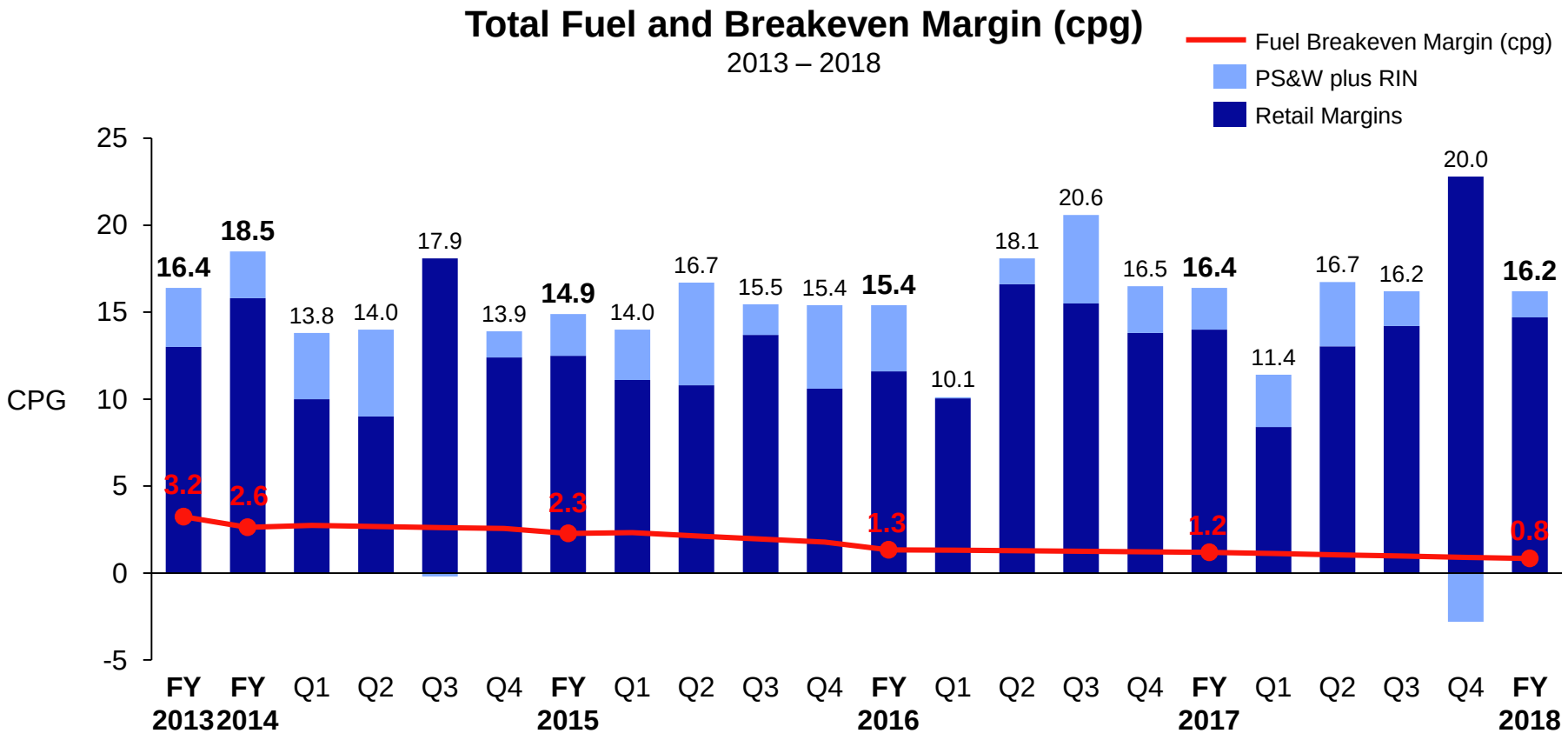


MUSA Total Fuel Contribution

($MM)



Volatility favors our low-cost business model

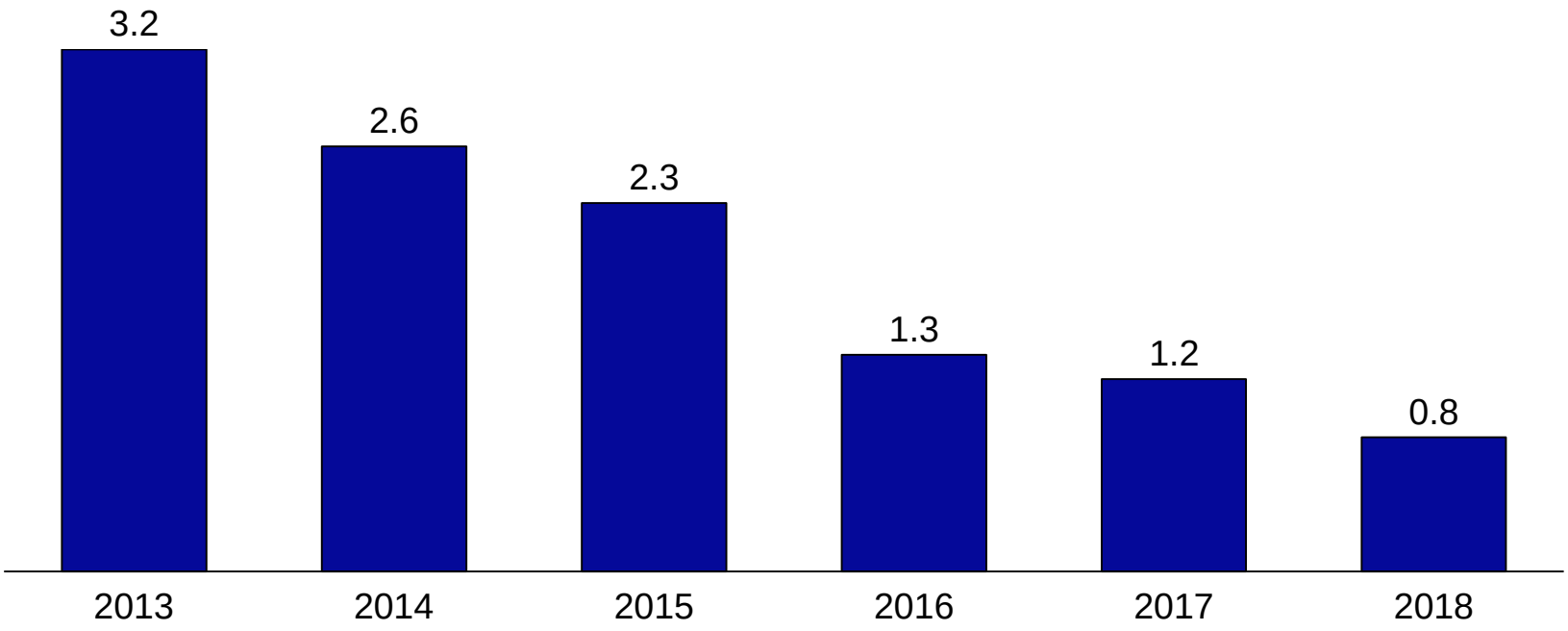


PS&W + RIN	**3.4**	**2.7**	3.8	5.0	-0.2	1.5	**2.4**	2.9	5.9	1.8	4.8	**3.8**	0.0	1.5	5.1	2.7	**2.4**	3.0	3.7	2.0	-2.8	**1.5**
Retail Margin	**13.0**	**15.8**	10.0	9.0	18.1	12.4	**12.5**	11.1	10.8	13.7	10.6	**11.6**	10.1	16.6	15.5	13.8	**14.0**	8.4	13.0	14.2	22.8	**14.8**

We actively make our business more competitive

Fuel Breakeven Requirement

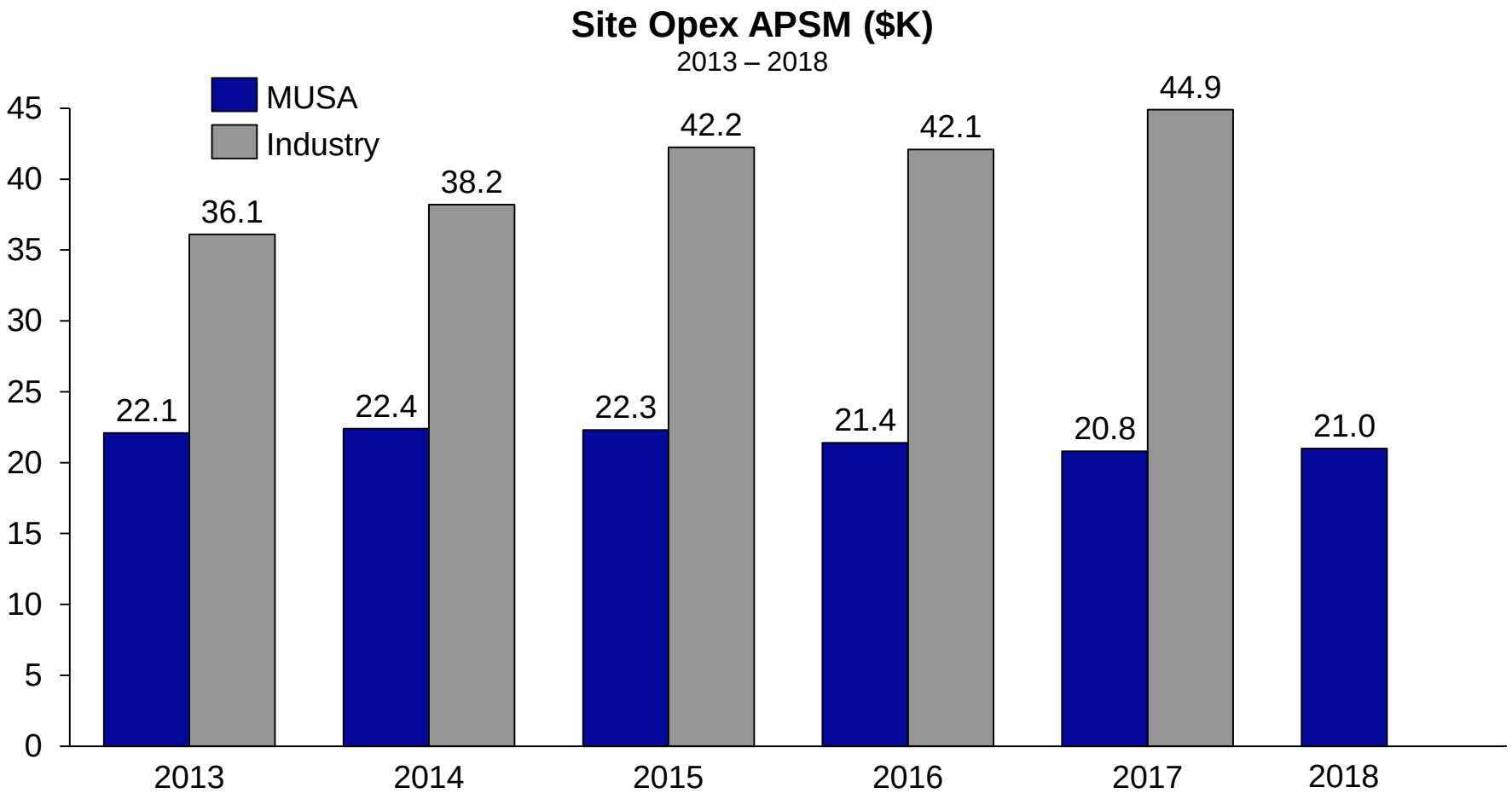
CPG (2013 – 2018)



$$\text{Fuel Breakeven} = \frac{\text{(Operating expense less payment fees and rent – merchandise margins)}}{\text{Fuel Gallons}}$$

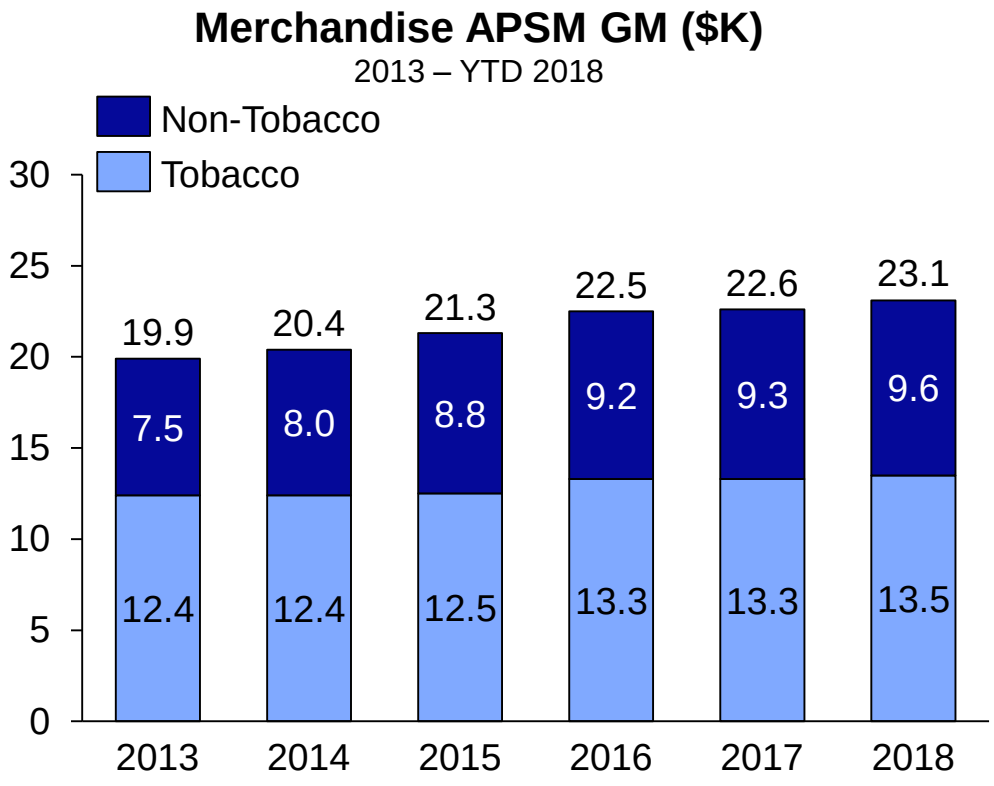
Note: Operating expense includes allocated G&A and other income/expense

Operating costs declining, bucking the industry trend



Note: MUSA Site OPEX excludes credit card fees; Industry Site Opex sourced from NACS: State of the Industry reports (2017 data not yet available)

Merchandise margins and contribution expanding



Merchandise Margin %	13.1%	14.0%	14.4%	15.6%	16.1%	16.5%
Non-Tobacco % of GM$	38%	39%	41%	41%	41%	42%

Drivers

Continuous Improvement Initiatives

- Price optimization
- Promotion effectiveness
- Product assortment by format
- Visual merchandise by geography
- Inventory and demand management

Organic Growth Improvements

- Building larger stores
- Raze and Rebuild
- Loyalty initiative could be a game changer

Murphy Drive Rewards: A unique and distinctive capability

Murphy Drive Rewards is a customer appreciation program that:

- Engages and motivates current customers to change behavior
- Attracts new customers
- Profitably incentivizes all customers to buy more fuel and more merchandise

Murphy Drive Rewards

Capabilities:

- Murphy Drive Rewards is a modern, highly flexible and adaptable platform to engage with our customers in a meaningful way
- Provides insight into customer behaviors and shopping preferences
- Segmentation delivers behavior specific value for our customers

Pilot Results:

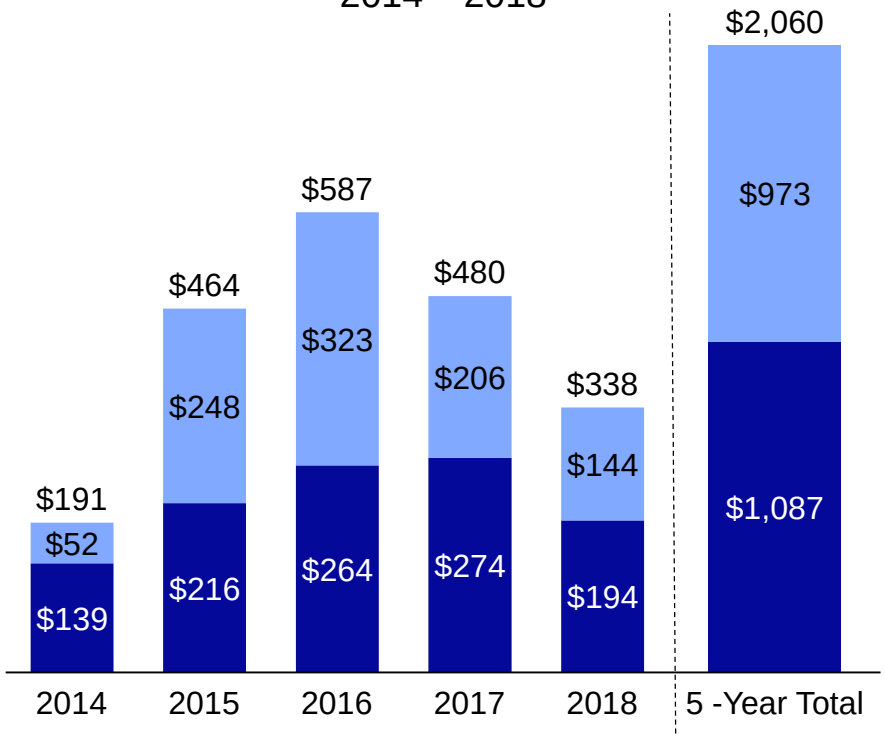
- Over 1.4mm registrants at 206 stores (14% of network) since pilot launch in June 2018
  - 400k Members
  - 240k Age-verified
- National Launch will kick off March 1

Future Potential:

- Mobile wallet
- Linkage to partner programs

Capital allocation balances growth and capital returns

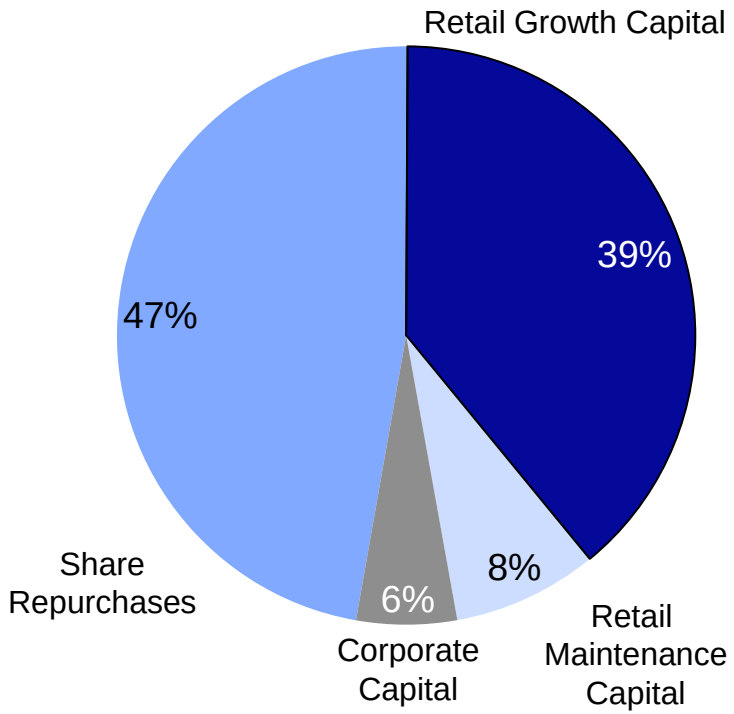
Capital Allocation ($MM)
2014 – 2018



NTI	60	73	67	45	26	271
R&R	0	1	10	21	27	59

Share Repurchases Capital Expenditures

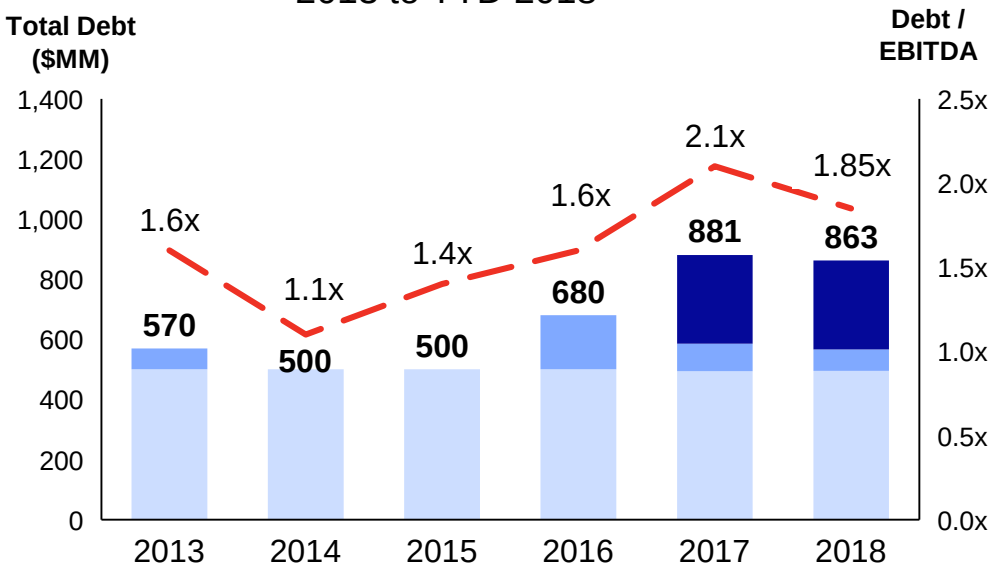
Capital Allocation
2014 – 2018



We have strategically added leverage to boost equity returns

Leverage Structure and Ratio

2013 to YTD 2018



	2013	2014	2015	2016	2017	2018
Total Debt	**570**	**500**	**500**	**680**	**881**	**863**
Senior Note Due 2023	500	500	500	500	494	495
Term Loan	70			180	92	72
Senior Note Due 2027					295	296
Cash Balance	295	327	102	154	170	185

- Adding appropriate debt to the balance sheet allows us to leverage business improvements for the benefit of long-term shareholders
- Incremental debt has been opportunistic and cost-efficient
  - Advantaged rate term loan
  - 10 Year Senior Notes @ 5.625%
- Term loan pre-payment flexibility allows for active management of leverage ratio to remain within 2.5x restricted payment covenant
- Buying back shares at advantaged prices will benefit long-term investors given continuous improvements we are making in the business and our view of long-term value creation potential

Through our formula, we continue to build a bright future

MUSA Formula for EPS Growth

EPS Growth

Organic Growth

*

Fuel Contribution

+

Fuel Breakeven

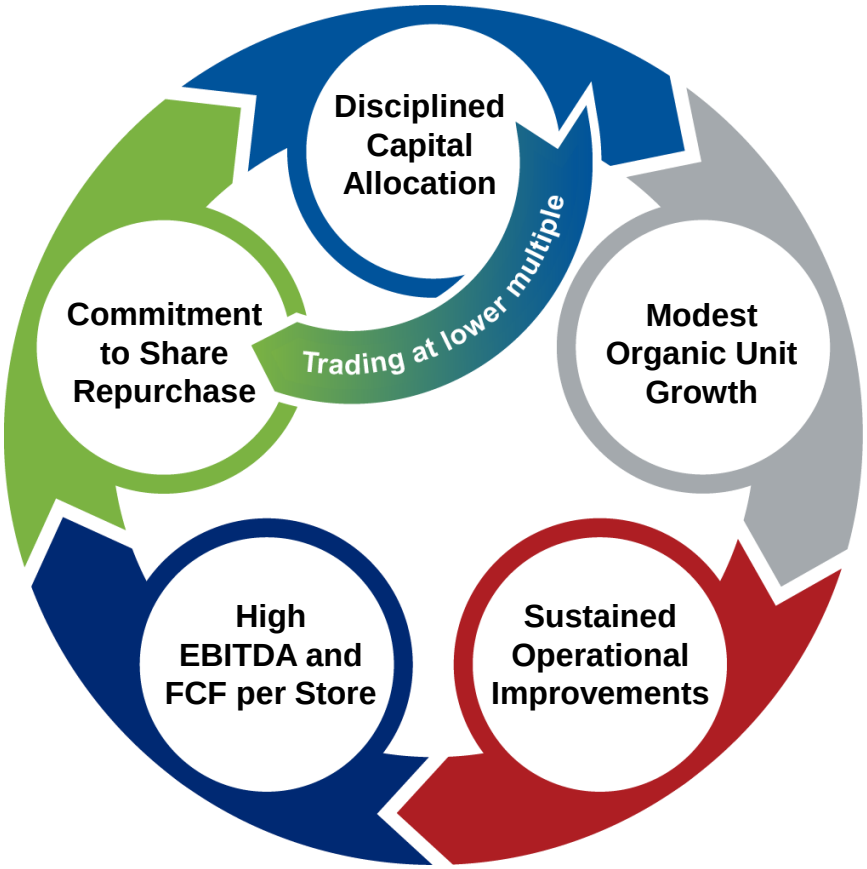
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Corporate Costs

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Shares Outstanding

MUSA Value Creation Drivers



Appendix

2019 guidance

	2018 Guidance Range	2018 Actual Results	2019 Guidance Range
Organic Growth			
New Stores	Up to 30	26	15-20
Raze and Rebuilds	Up to 25	27	20-25
Fuel Contribution			
Total fuel contribution ($ Millions)	$575 to $700	$686	Not provided
Annual retail volume (Billion gallons)	4.1 to 4.3	4.2	Not provided
Retail fuel volume per store (K gallons APSM)	235 to 245	244	240 to 245
Total fuel contribution (cpg)	14 to 16.5	16.2	Not provided
Fuel Breakeven			
Merchandise contribution ($ Millions)	$390 to $400	$400	$410 to $415
Total merchandise sales ($ Millions)	$2,400 to $2,450	$2,423	Not provided
Retail station OPEX excluding credit cards (APSM % YOY change)	Flat to +2%	1.1%	Flat to +2%
Corporate Costs			
SG&A ($ Millions per year)	$135 to $140	$136	$145 to $150
Effective Tax Rate	24% to 26%	22.0%	24% to 26%
Capital Allocation			
Capital expenditures ($ Millions)	$225 to $275	$194	$225 to $275
Net income ($ Millions)	$155 to $195	$214	Not provided
Adjusted EBITDA (non-GAAP) ($ Millions)	$390 to $440	$412	Not provided

Non-GAAP Adjusted EBITDA Reconciliation

(Millions of dollars)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
Net income	$ 77.5	$ 124.8	$ 213.6	$ 245.3
Income tax expense (benefit)	23.0	(73.6)	60.3	(5.2)
Interest expense, net of interest income	12.6	12.3	51.4	45.4
Depreciation and amortization	35.0	33.5	134.0	116.9
EBITDA	$ 148.1	$ 97.0	$ 459.3	$ 402.4
Net settlement proceeds	—	—	(50.4)	—
Accretion of asset retirement obligations	0.5	0.5	2.0	1.8
(Gain) loss on sale of assets	0.4	0.5	1.1	3.9
Other nonoperating (income) expense	(0.1)	1.0	(0.2)	(2.2)
Adjusted EBITDA	$ 148.9	$ 99.0	$ 411.8	$ 405.9

2018 and 2019 Full Year Guidance - GAAP to non-GAAP Reconciliation

(Millions of dollars)	Calendar Year 2018	Calendar Year 2019
Net Income	$155 to $195	$154
Income taxes	$58	$52
Interest expense, net of interest income	$46	$52
Depreciation and amortization	$133	$146
Other operating and nonoperating, net	$3	$1
Adjusted EBITDA	$390 to $440	$405

For purposes of this reconciliation, the midpoint of a range for each reconciling item was used, and therefore actual results for each of these reconciling items is expected to be higher or lower than the amounts shown above. The size of the ranges varies based on the individual reconciling item and the assumptions made.