NAVIGATING UNCERTAINTY

2019 Annual Report and 2020 Proxy Statement

MURPHY USA

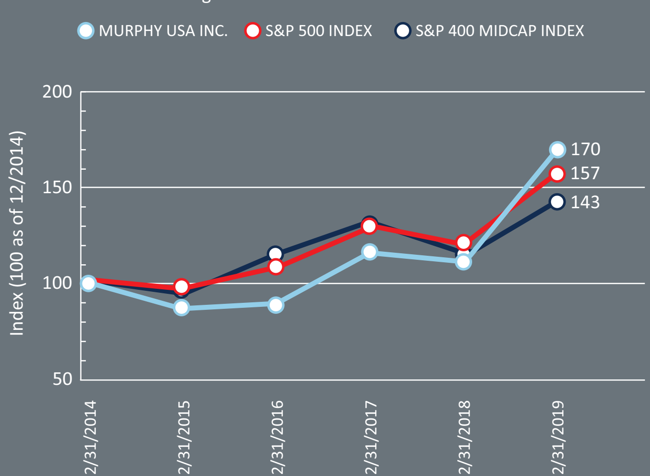
FINANCIAL HIGHLIGHTS

	2015	2016	2017	2018	2019
FUEL METRICS					
Total retail gallons sold (in billions)	4.124	4.195	4.141	4.232	4.374
Retail fuel gallons sold (per store month)	267,910	259,059	245,307	244,033	248,258
Total fuel contribution (cents per gallon)	14.9	15.4	16.4	16.2	16.1
MERCHANDISE METRICS					
Total merchandise sales ($ billions)	$ 2.274	$ 2.339	$ 2.373	$ 2.423	$ 2.620
Total merchandise margin dollars (per store month)	$ 21,274	$ 22,484	$ 22,585	$ 23,086	$ 23,798
Merchandise unit margins (%)	14.4%	15.6%	16.1%	16.5%	16.0%
Non-tobacco margin dollars (per store month)	$ 8,742	$ 9,163	$ 9,288	$ 9,615	$ 9,753
Total non-tobacco unit margins (%)	25.1%	25.7%	24.7%	24.4%	23.4%
FINANCIAL METRICS ($ MILLIONS)					
Net income from continuing operations	$ 137.6	$ 221.5	$ 245.3	$ 213.6	$ 154.8
Adjusted EBITDA	$ 342.9	$ 400.1	$ 405.9	$ 411.8	$ 422.6
Cash and cash equivalents	$ 102.3	$ 153.8	$ 170.0	$ 184.5	$ 280.3
Capital spending	$ 215.6	$ 263.9	$ 273.7	$ 193.8	$ 214.6
Long-term debt	$ 490.2	$ 629.6	$ 860.9	$ 842.1	$ 999.3
Market capitalization	$ 2,531.6	$ 2,270.5	$ 2,739.6	$ 2,472.5	$ 3,563.8
Ending share price ($ per share)	$ 60.74	$ 61.47	$ 80.36	$ 76.64	$ 117.00

Murphy USA Stock Performance

From December 31, 2014 to December 31, 2019

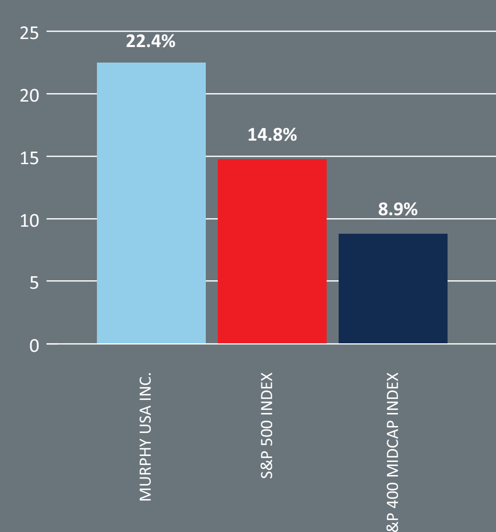
Based on Ending Price of Each Period



Total Shareholder Return, Annualized

From December 31, 2016 to December 31, 2019

Based on 10-Day Average Price at End of Each Period



Letter To Shareholders - Navigating Uncertainty

As I write this letter to our shareholders and other stake holders who depend and count on Murphy USA, our communities across 26 states are facing unprecedented uncertainty as a pandemic spreads across the globe. In turn, the actions and reactions of governments and market forces compound the level and nature of uncertainties across all communities. At Murphy USA, we aim to do our part to work with all our stakeholders and partners to navigate through this difficult period and emerge better and stronger on the other side.

As a leader surrounded by a strong and diverse management team and Board of Directors, it is virtually impossible to predict exactly how this pandemic plays out between now and the time this letter goes to print, let alone weeks and months from now when readers look back for lessons to be gleaned. This certainly will not be the last time we face challenges like this as leaders, a company or a global community. However, it is precisely in these times that the companies that come out better and stronger are the ones who have built the resilience to weather the current and unpredictable future environment, the agility to respond to unanticipated shifts and the boldness to focus on long-term strategies to create value through confidence in their core capabilities.

Since our spin in 2013, we have built our company around five principles that support the agility, resilience and boldness of our business model which gives us confidence in our short and long-term outlook:

- A competitive business model, low-priced value proposition and supporting low cost structure built to endure and succeed in any environment;
- The long-standing belief that our customers are the core of our business and when we win with them, all of our stakeholders win;
- A high-performing organization with the agility to respond and create competitive advantage from shifts in market volatility, regulations and macro factors;
- A strong and flexible balance sheet supported by the credibility we have earned through delivering results so we can continue to invest and reinvest in our priorities in any economic setting;
- A balanced and disciplined capital allocation strategy to make the right trade-offs in the short term with an unwavering focus on long-term value creation.

Our results since the spin reflect these principles and our 2019 results further demonstrate our commitment to them.

In 2019, we successfully reinforced our value proposition to customers, growing same-store volumes for the first time in five years through a commitment to maintaining our low-price position in the markets we serve. As a result, strong customer traffic supported record merchandise sales and contribution margin. Further, the March 2019 launch of our new loyalty program, Murphy Drive Rewards, was met with significant enthusiasm as membership reached nearly 3 million by year-end, allowing us to more closely connect with our customers and provide them greater value. Coupled with a relentless focus on store and home office cost controls, we drove our fuel-breakeven metric to a new record-low of 0.67 cents per gallon, which makes our business more competitive and agile to win over the long term.

With a strengthened balance sheet, we maintained a disciplined return-focused capital allocation program in 2019, which funded organic growth and empowered meaningful share repurchase. In September of 2019, we re-financed our long-term debt, reducing future interest expense and extending the average maturity profile of our 10-year notes. The strength in our balance sheet and a resilient business model have provided us the flexibility to re-imagine our new store format, which now favors a larger 2,800 square foot profile with an expanded merchandise offering that will help drive higher new store returns going forward. With up to 50 new stores scheduled in 2021 and beyond, coupled with ongoing productivity improvements to our existing stores, we have created a long runway for sustainable shareholder growth in the years ahead.

As we exit the first quarter of 2020, we continue to witness extreme market volatility, new government policies and regulations, and other challenges. The principles that guided us successfully in 2019 and since our 2013 spin continue to enhance our value proposition to our customers, address the current and unforeseen needs of our 9,900+ employees, support our local communities and strengthen partnerships with the firms we count on and who count on us. As shareholders, this formula has served us well and we believe our company is well positioned to become even better and stronger through the adversity we will work through in 2020. We commit to continuously set our potential higher, raising the bar on performance and growing the value of Murphy USA for the long term.

Thank you for your continued support of Murphy USA.

Andrew Clyde

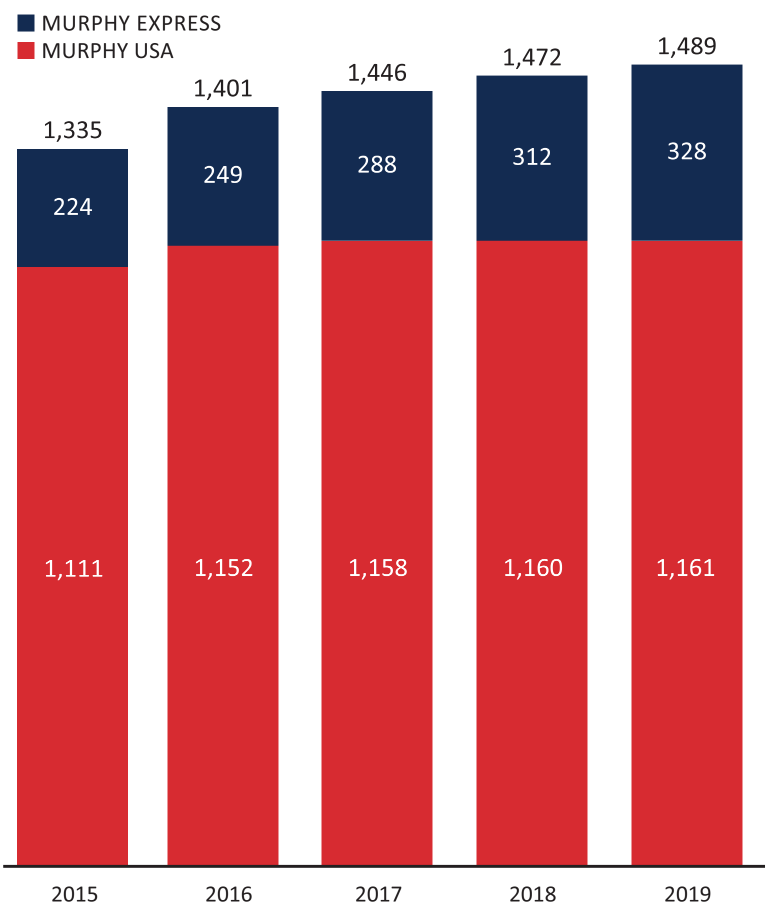
R. Andrew Clyde
President and Chief Executive Officer


Visit one of our more than
1,489
locations in 26 states
Murphy USA Markets
Fountain Combo!
$2 38
32 oz. Fountain or Frozen Drink and any 2 Standard Size Hershey's Chocolates

1.

STRATEGY | GROW ORGANICALLY

Growth of Murphy Retail Sites
Murphy USA and Murphy Express Locations



Murphy USA added 17 new sites in 2019, including 1 Murphy USA and 16 Murphy Express branded stores, representing a pivotal change in our organic growth program as we evolve to primarily 2,800 square foot stores. We are increasingly building these assets in our most attractive markets, as the larger store format can achieve higher returns further away from the Walmart parking lot. Scaling these cost-efficient sites at a modest pace reflects our return-driven strategy and disciplined approach to capital allocation. With a multi-year development pipeline in place, we expect to construct up to 50 stores annually beginning in 2021.

We complemented our new-to-industry store growth in 2019 with 27 Raze and Rebuilds. This program, which replaces a high-performing kiosk with a 1,400 square foot store, boosts per site store metrics, further diversifies our merchandise mix and creates a better customer experience for the long term.

WITH A MULTI-YEAR DEVELOPMENT PIPELINE IN PLACE, WE EXPECT TO CONSTRUCT UP TO 50 STORES ANNUALLY BEGINNING IN 2021.

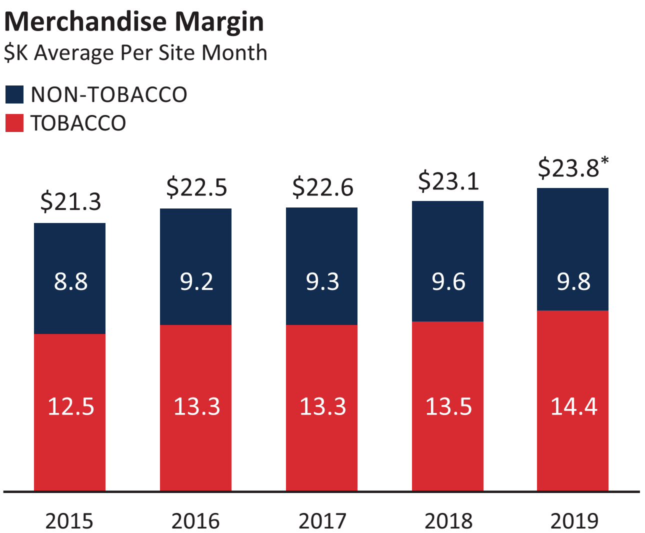

SODA

2.

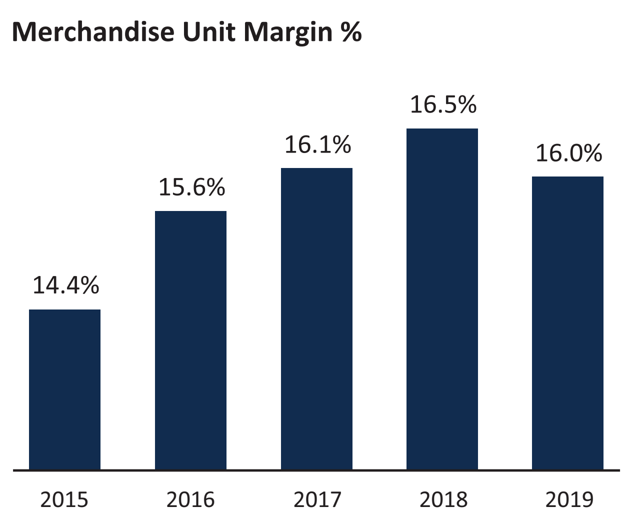
STRATEGY | DIVERSIFY MERCHANDISE MIX

2019 was an exceptional year as we grew our merchandise contribution dollars to an all-time high of $419 million. The tobacco category materially outperformed, as we grew units, sales, and margins on both an absolute and per store basis, versus broad-based declines across the industry. We expect our leadership in this category to result in continued outperformance in 2020.

2019 also marked a very important milestone for the company: the national roll-out of our Murphy Drive Rewards (MDR) loyalty program. Customers enthusiastically embraced the program, as we signed up nearly 3 million members by year-end. Customers earned reward points and redeemed discounts on purchases. While these points represented a headwind to merchandise unit margin percentage, the program contributed to material sales growth and higher gross margin dollars. As we continue to improve the capabilities of the program, we expect MDR to continue to drive value across our merchandise categories.



*2019 total reflects impact of MDR discounts and deferrals

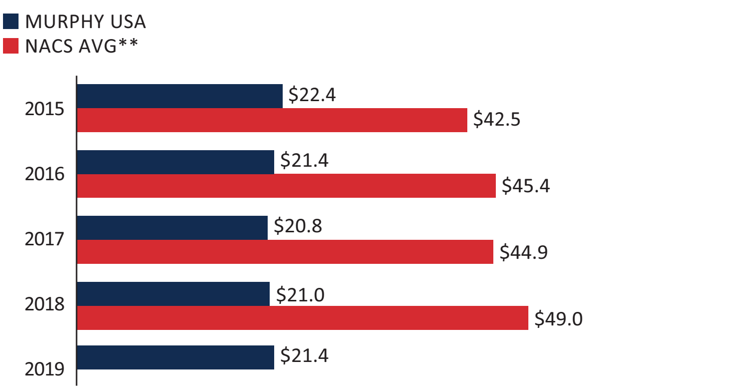


	2015	2016	2017	2018	2019	Year-over-Year Change
Merchandise Sales (in millions)	2,274	2,339	2,373	2,423	2,620	8.1%
Merchandise GM (in millions)	327	364	381	400	419	4.7%

3.

STRATEGY | SUSTAIN COST LEADERSHIP

Site Operating Expenses Versus Industry Average
Site Operating Expenses,* $k average per site month

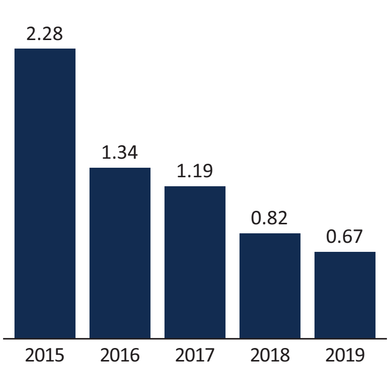


*Site Operating Expense excludes SG&A, Field Admin cost and payment fees.
**2019 NACS Site Operating Expense data not yet available.

We prioritize cost leadership in an industry that is increasingly exposed to cost inflation from both economic and regulatory pressures. This ruthless focus on cost discipline has become a part of our culture and is apparent in our financial results. We once again achieved our long-term goal of beating inflation, limiting 2019 site-level operating expense growth to 2.0%, and lowered our fuel breakeven requirement to increase long-term competitiveness.

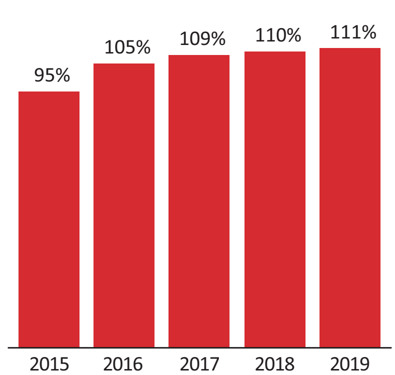
Our fuel breakeven metric improved 15 basis points in 2019 to a record 0.67 cents per gallon. We continue to drive efficiencies in our business, highlighted this year by our upgraded maintenance management system that led to lower dispatch activity and lower costs per dispatch. Through continued cost-discipline and merchandise margin growth we will continue to drive our fuel breakeven metric lower over time.

Fuel Breakeven*



*Cents Per Gallon {(Operating expense excluding payment fees and rent - Merchandise Margin)/Fuel Volume}

Coverage Ratio*



*Merchandise Margin/Site Operating Expense

WE ONCE AGAIN ACHIEVED OUR LONG-TERM GOAL OF BEATING INFLATION, LIMITING 2019 SITE-LEVEL OPERATING EXPENSE GROWTH TO 2.0%


16
REWARDS?
DEALS?
SAVINGS?
OH, YES!
Doritos
WARNING
Gallons
Diesel
E15
Unleaded
Unleaded Plus
Super Unleaded
Diesel
87
89
93
MURPHY
EXPRESS

4.

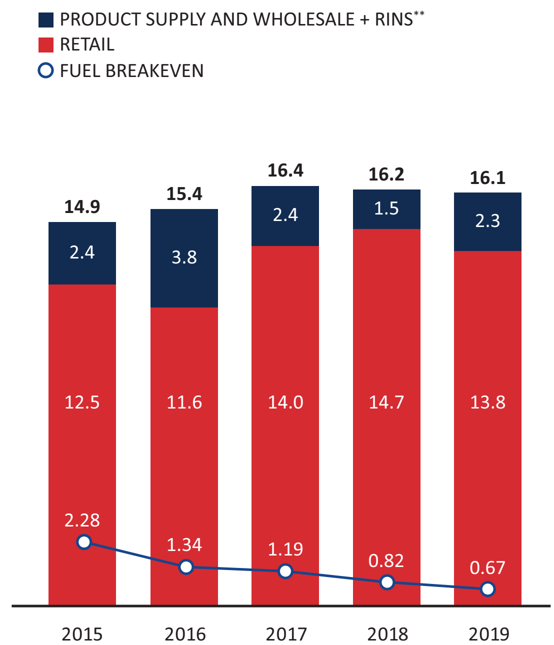
STRATEGY | **CREATE ADVANTAGE FROM MARKET VOLATILITY**

Our distinctive business model and supply chain advantage continues to deliver remarkably consistent margins over time. This has created a more stable foundation as investors evaluate the long-term potential of our fuel business. Consistent margin strength also leads to more resilient earnings during periods of volatility and uncertainty, better positioning Murphy USA to thrive in a variety of economic conditions.

The PS&W segment (including RINs) continues to generate margins in-line with our long-term expectations of 2-3 cents per gallon. In addition to ensuring ratable supply for our retail fuel operations, this segment helps reduce the volatility of all-in fuel margins over time, helping to support a higher valuation. We remain actively engaged in building our supply capabilities that will increase margin capture for both PS&W and retail and create additional value for long-term shareholders.

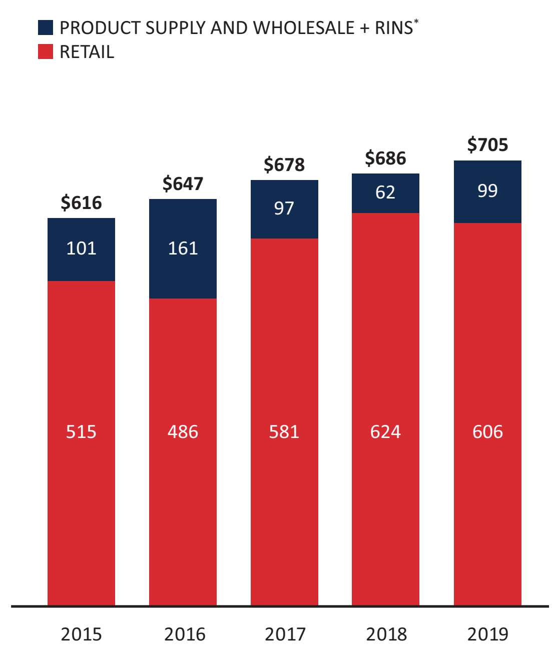
DISTINCTIVE BUSINESS MODEL AND SUPPLY CHAIN ADVANTAGE CONTINUES TO DELIVER REMARKABLY CONSISTENT MARGINS OVER TIME

Total Fuel Margin
(cents per gallon)*



*Cents per gallon based on retail volumes, before corporate overhead
**Excludes contribution from CAM pipeline divested during 2016

Total Fuel Contribution
(in millions)



*Excludes contribution from CAM pipeline divested during 2016


Gallons
Diesel


XPRESS
9¢
WARNING
Gallons
CONTAINS ETHANOL
Diesel
87
87
89
93
PRESS

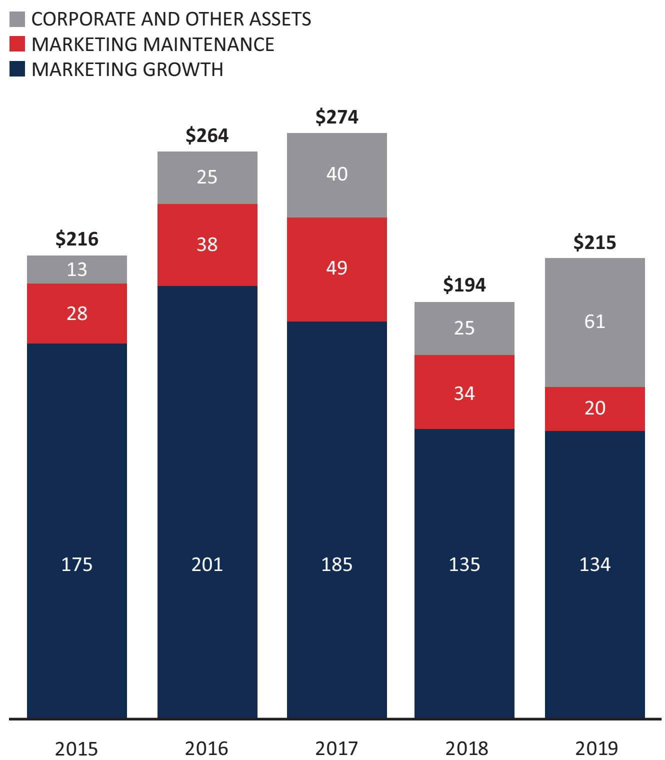
5.

STRATEGY | INVEST FOR THE LONG TERM

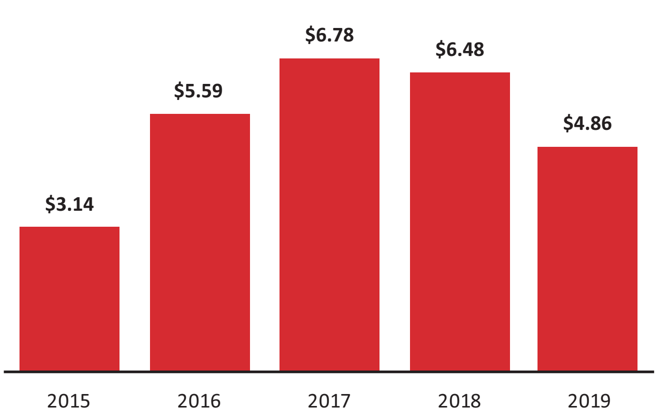
Investing for the long-term means balancing short-term opportunities against sustainable long-term improvements that will make the business more competitive over time. For instance, we invested in data security through EMV compliance while intentionally slowing organic growth in 2019. Our disciplined capital allocation policies help drive both our investment returns and our shareholder returns. We refinanced our balance sheet to appropriately leverage the increased earnings potential of our business, which not only lowered our interest rate but also provided increased flexibility in our debt covenants to accelerate our pace of share repurchase.

In 2019, we spent approximately $166 million on share repurchase and have now bought back 35% of outstanding shares since spin. Share repurchase remains our preferred use of free cash flow as we continue to optimize the business.

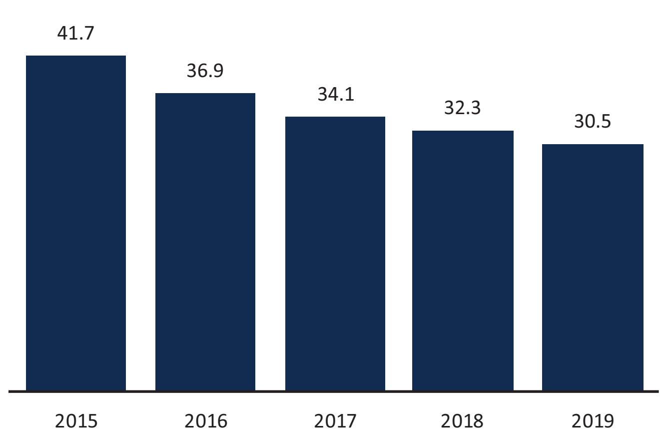
Annual Capital Expenditures
(in millions)



Earnings Per Share
Income from Continuing Operations—Diluted



Total Shares Outstanding
Fiscal Year End Since Spinoff
(in millions)



We are dedicated to improving the quality of life where we live and work by supporting the causes that make these areas thrive. Our programs are designed to strengthen our communities while empowering our employees to be a part of our philanthropic endeavors.

In 2019, we contributed over

$1.5 MILLION

to help make a positive impact in the communities we serve across the country.

Giving back is important to our employees, and we could not be more proud of their commitment to serve others. Through our Gift Matching program, Murphy USA matches employee donations to qualifying nonprofits across the country, amplifying the impact to causes they care about the most.

In 2019, we gave more than

$780 THOUSAND

through our Gift Matching Program.

The Murphy USA Employee Disaster Relief Foundation assists our team members experiencing significant financial hardship resulting from a catastrophic event such as a natural disaster. Grants are funded by employee contributions and matched by Murphy USA.

$70 THOUSAND

given to employees in need in 2019.

With a focus on our hometown of El Dorado, AR, our corporate sponsorships make a direct impact on numerous community needs. In 2019, we contributed over

$660 THOUSAND

to support local community initiatives.

FORM 10-K

MURPHY USA

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to _______________

Commission File Number 001-35914

MURPHY USA INC.

(Exact name of registrant as specified in its charter)

Delaware	46-2279221
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.
200 Peach Street El Dorado, Arkansas	71730-5836
(Address of principal executive offices)	(Zip Code)

(870) 875-7600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.01 Par Value	MUSA	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☑ Yes ☐ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter (as of June 28, 2019), based on the closing price on that date of $84.03 was $2,686,319,000.

Number of shares of Common Stock, $0.01 par value, outstanding at January 31, 2020 was 30,460,112.

Documents incorporated by reference:

Portions of the Registrant’s definitive Proxy Statement relating to the Annual Meeting of Stockholders on May 7, 2020 will be incorporated by reference in Part III herein.

MURPHY USA INC.

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Part I

Item 1. BUSINESS

Murphy USA Inc. ("Murphy USA" or the "Company") was incorporated in Delaware on March 1, 2013 and holds, through its subsidiaries, the former U.S. retail marketing business of its former parent company, Murphy Oil Corporation (“Murphy Oil”), plus other assets and liabilities of Murphy Oil that supported the activities of the U.S. retail marketing operations.

Our business consists primarily of the marketing of retail motor fuel products and convenience merchandise through a large chain of 1,489 (as of December 31, 2019) retail stores operated by us, almost all of which are in close proximity to Walmart stores. Our retail stores are located in 26 states, primarily in the Southeast, Southwest and Midwest United States. Of these stores, 1,161 are branded Murphy USA and 328 are standalone Murphy Express locations (as of December 31, 2019). The majority of our Murphy USA locations participate in a cents-off per gallon purchased discount program for fuel with Walmart when using specific payment methods.

Our business also includes certain product supply and wholesale assets, including product distribution terminals and pipeline positions. As an independent publicly traded company, we are a low-price, high volume fuel retailer selling convenience merchandise through low cost small store formats and kiosks with key strategic relationships and experienced management.

Our business is subject to various risks. For a description of these risks, see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K.

Information about our operations, properties and business segments, including revenues by class of products and financial information by geographic area, are provided on pages 27 through 41, F-13, F-15, and F-31 through F-32 of this Annual Report on Form 10-K.

Our Competitive Strengths

Our business foundation is built around five reinforcing strengths which we believe provide us a competitive advantage over our peers. These strengths support our Company vision which is to “Deliver every day the quickest, most friendly service and a low price value proposition to our growing customer base for the products and markets we serve.”

Strategic proximity to and complementary relationship with Walmart

Of our network of 1,489 retail gasoline stores (as of December 31, 2019), the majority are situated on prime locations located near Walmart stores. We believe our proximity to Walmart stores generates significant traffic to our existing retail stores while our competitively priced gasoline and convenience offerings appeal to our shared customers. We continue to collaborate with Walmart on a fuel discount program which we believe enhances the customer value proposition as well as the competitive position of both Murphy USA and Walmart. We have an active real estate development team that purchases and leases land from third parties near Walmart Supercenters and other high traffic locations that support our low-cost, high-volume model.

Winning proposition with value-conscious consumers

Our competitively priced fuel is a compelling offering for value-conscious consumers. Despite a flat long-term outlook in overall gasoline demand (increasing vehicle miles traveled in a normal economy essentially offsetting increased fuel efficiency), we believe value-conscious consumers that prefer convenience and service are a growing demand segment. In combination with our high traffic locations, our competitive gasoline prices drive high fuel volumes and gross profit. In addition, we believe we are an industry leader in per-site tobacco sales with our low-priced tobacco products and in total store sales per square foot as we also sell a growing assortment of single-serve/immediate consumption items. We continue to provide value opportunities to our customers including our Murphy Drive Rewards loyalty program, which rolled out chain-wide in 2019, and which rewards customers with discounted and free items based on purchases of qualifying fuel and merchandise.

Low cost retail operating model

We operate our retail gasoline stores with a strong emphasis on fuel sales complemented by a focused convenience offering that allows for a smaller store footprint than most of our competitors. We build a mix of 1,200-1,400 square foot stores and new-to-industry ("NTI") 2,800 square foot stores which we believe have low capital expenditure, maintenance and utility requirements relative to our competitors. In the past, we have also developed standardized 208 square feet kiosks with external supercoolers when the available land or economics did not support the small store format. In addition, many of our stores require only one or two associates to be present during business hours and 86% of our stores are located on Company-owned property and do not incur any rent expense. The combination of a focused convenience offering and standardized smaller footprint stores allows us to achieve lower overhead costs and on-site costs compared to competitors with a much larger store format. According to the 2018 National Association of Convenience Stores' State of the Industry Survey, we operate at approximately 37% of the average monthly operating costs for top quartile performing stores in the industry. In addition, we operate among the highest industry safety standards and had a Total Recordable Incident Rate (TRIR) and Days Away from Work (DAW) rate that was substantially lower than the industry averages in 2018 using the most current published data by the Bureau of Labor Statistics. Our low cost operating model translates into a low cash fuel breakeven requirement that allows us to weather extended periods of low fuel margins and which has improved by more than 3 cpg since our spinoff in 2013.

Distinctive fuel supply chain capabilities

We source fuel at very competitive industry benchmark prices due to the diversity of fuel options available to us in the bulk and rack product markets, our shipper status on major pipeline systems, and our access to numerous terminal locations. In addition, we have a strong distribution system in which we analyze intra-day supply options and direct third-party tanker trucks to the most favorably priced terminal to load products for each Murphy site, further reducing our fuel product costs. By participating in the broader fuel supply chain, we believe our business model provides additional upside exposure to opportunities to enhance margins and volume, such as shifting non-contractual wholesale volumes to protect retail fuel supply during periods of constrained supply and elevated margins. These activities demonstrate our belief that participating in the broader fuel supply chain provides us with added flexibility to ensure reliable low-cost fuel supply in various market conditions especially during periods of significant price volatility. It would take substantial time and investment, both in expertise and assets, for a competitor to replicate our existing position, and we believe this continues to be a significant barrier to any attempt to emulate our business model.

Resilient financial profile and engaged team

Our predominantly fee-simple asset base, ability to generate attractive gross margins through our low-price, high volume strategy, and our low overhead costs should help us endure prolonged periods of unfavorable commodity price movements and compressed fuel margins. We also believe our conservative financial structure further protects us from the inherently volatile fuel environment. We expect that our strong cash position and availability under our credit facility will continue to provide us with a significant level of liquidity to help maintain a disciplined capital expenditure program focused on growing ratably through periods of both high and low fuel margins. In addition, we have acquired through share repurchase over $1.1 billion of our common stock in a little more than six years of operation. In July 2019 the Board of Directors approved an up to $400 million share repurchase program. After repurchases made in 2019, we have approximately $275 million remaining to complete the program by July 2021. We also have more than 9,900 hardworking employees that are actively engaged to serve the customer, whether it is the external retail consumer or their internal co-workers. We believe our sustainable business model and stable organic growth opportunities support an employee value proposition that makes Murphy USA an attractive place to work.

Our Business Strategy

Our business strategy reflects a set of coherent choices that leverage our differentiated strengths and capabilities.

Grow organically

We intend for our independent growth plan to be a key driver of our organic growth over the next several years. We expect to build up to 30 NTI locations and up to 25 raze-and-rebuilds per year, targeting high-return locations either near Walmart Supercenters, other high traffic areas or by strategic infill in our core market areas complemented by our supply chain capabilities. While we were previously focused on smaller lot sizes, we now expect to build more NTI stores that are 2,800 square feet. Our real estate development team works to maintain a multi-year pipeline of projects that supports ratable expansion.

Diversify merchandise mix

We plan to continuously evaluate our remaining kiosk strategy in an effort to maximize our site economics and return on investment. Complementary to that strategy, we are continually refining, and increasingly constructing, our 1,200-1,400 square foot and 2,800 square foot design to create a foundation for increasing higher-margin non-tobacco sales and diversifying our merchandise offerings. For example, we continue to tailor our product offerings to complement the retail selection within Walmart stores, such as offering products in a variety of quantities and sizes which are more convenience-oriented. We expect to further expand merchandise revenue and margins through our primary supplier relationship with Core-Mark Holding Company, Inc. ("Core-Mark"), in addition to optimizing our promotional planning, merchandise assortment, and pricing effectiveness, in order to help boost overall site returns.

Sustain cost leadership position

We believe that sustaining our low cost position is a strategic advantage as a retailer of commodity products. We are undertaking several initiatives for the purpose of increasing efficiency which should allow us to continue to beat inflation on per-site operating costs to help sustain low site level costs. We also believe that through our planned growth and efficiency initiatives, we can achieve reductions in overhead costs to support an overall improvement in site returns and keep costs properly scaled as we grow organically. In order to do this successfully, we will focus on the continued development of our employees and foster an operating culture aligned with business performance, including cost leadership.

Create advantage from market volatility

We plan to continue to focus our product supply and wholesale efforts on activities that enhance our ability to be a low-price retail fuel leader and our ability to take advantage of fuel price volatility. We will continue to invest in capabilities and asset positions that support our supply chain strategy. Our distinctive business model and supply chain advantage allows us to deliver consistent margins over time, helping the business to better withstand periods of volatility and uncertainty.

Invest for the long term

We maintain a portfolio of predominantly fee-simple assets and utilize what we believe to be an appropriate debt structure that will allow us to be resilient during times of fuel price and margin volatility. We believe our strong financial position should allow us to profitably execute our low-cost, high volume retail strategy through periods of both high and low fuel margins while preserving the ability to re-invest in and grow our existing sites, brand image and supporting capabilities. Furthermore, in addition to our site development capital and capability building investments we will continue to consider all alternatives for returning excess earnings or capital with a focus on maximizing shareholder value.

Industry Trends

We operate within the large, growing, competitive and highly fragmented U.S. retail fuel and convenience store industry. Several key industry trends and characteristics, include:

- Sensitivity to gas prices among cost conscious consumers, and increasing customer demand for low-priced fuel;
- Highly fragmented nature of the industry providing larger chain operators like Murphy USA with significant scale advantage;
- Significantly increased fuel capacity in the marketplace by the addition of new-to-industry retail fuel and convenience stores, and
- High levels of consumer traffic around supermarkets and large format hypermarkets, supporting complementary demand at nearby and cross-promoted retail fuel stores.

Corporate Information

Murphy USA was incorporated in Delaware on March 1, 2013 and our business consists of U.S. retail marketing operations. Our headquarters are located at 200 Peach Street, El Dorado, Arkansas 71730 and our general telephone number is (870) 875-7600. Our Internet website is www.murphyusa.com. Our website and the information contained on that site, or connected to that site, are not incorporated by reference into this Annual Report on Form 10-K. Shares of Murphy USA common stock are traded on the NYSE under the ticker symbol “MUSA”.

Description of Our Business

We market fueling products through a network of Company retail stores and unbranded wholesale customers. During 2019, the Company sold approximately 4.4 billion gallons of motor fuel through our retail outlets. Below is a table that lists the states where we operate Company-owned stores at December 31, 2019 and the number of stores in each state.

State	No. of stores	State	No. of stores	State	No. of stores
Alabama	81	Kentucky	48	North Carolina	89
Arkansas	69	Louisiana	79	Ohio	44
Colorado	22	Michigan	27	Oklahoma	55
Florida	128	Minnesota	9	South Carolina	60
Georgia	99	Missouri	50	Tennessee	93
Iowa	22	Mississippi	55	Texas	315
Illinois	44	Nebraska	5	Utah	5
Indiana	39	Nevada	4	Virginia	23
Kansas	7	New Mexico	17	Total	1,489

The following table provides a history of our Company-owned station count during the three-year period ended December 31, 2019:

	Years Ended December 31,		
	2019	2018	2017
Start of period	1,472	1,446	1,401
New construction	17	26	45
Closed	—	—	—
End of period	1,489	1,472	1,446

Since 2007, we have purchased from Walmart the properties underlying 1,053 of our Company stores. Each of our owned properties that were purchased from Walmart are also subject to Easements and Covenants with Restrictions Affecting Land (“ECRs”), which impose customary restrictions on the use of such properties, which Walmart has the right to enforce. In addition, pursuant to the ECRs, certain transfers involving these properties are subject to Walmart’s right of first refusal or right of first offer. Also, pursuant to the ECRs, we are prohibited from transferring such properties to a competitor of Walmart.

For risks related to our agreements with Walmart, including the ECRs, see “Risk Factors—Risks Relating to Our Business—Walmart retains certain rights in its agreements with us, which may adversely impact our ability to conduct our business.”

For the remaining stores located on or adjacent to Walmart property that are not owned, we have a master lease agreement that allows us to rent land from Walmart. The master lease agreement contains general terms applicable to all rental sites on Walmart property in the United States. The term of the leases is ten years at each station, with us holding four successive five-year extension options at each site. Approximately half of the leased sites have over 15 years of term remaining, including renewals, should the Company decide to exercise the renewal options. The agreement permits Walmart to terminate it in its entirety, or only as to affected sites, at its option under customary circumstances (including in certain events of bankruptcy or insolvency), or if we improperly transfer the rights under the agreements to another party. In addition, the master lease agreement prohibits us from selling a leased station or allowing a third party to operate a leased station without written consent from Walmart. As of December 31, 2019, we are currently leasing 102 sites from Walmart. We also have six Murphy USA sites located near Walmart locations where we pay rent to other landowners. For more information about our operating leases, see Note 18 "Leases" to the accompanying audited consolidated financial statements for the three years ended December 31, 2019.

As of December 31, 2019, we have 221 Murphy Express sites where we own the land and 107 locations where we rent the underlying land.

We have numerous sources for our retail fuel supply, including nearly all of the major and large oil companies operating in the U.S. We purchase fuel from oil companies, independent refiners, and other marketers at rates that fluctuate with market prices and generally are reset daily, and we sell fuel to our customers at prices that we establish daily. All fuel is delivered by the truckload as needed to replenish supply at our Company stores. Our inventories of fuel on site turn approximately once daily. By establishing motor fuel supply relationships with several alternate suppliers for most locations, we believe we are able to effectively create competition for our purchases among various fuel suppliers. We also believe that purchasing arrangements with multiple fuel suppliers may help us avoid product outages during times of motor fuel supply disruptions. At some locations, however, there are limited suppliers for fuel in that market and we may have only one supplier. Our refined products are distributed through a few product distribution terminals that are wholly-owned and operated by us and from numerous terminals owned by others. About half of our wholly-owned terminals are supplied by marine transportation and the rest are supplied by pipeline. We also receive products at terminals owned by others either in exchange for deliveries from our terminals or by outright purchase.

In addition to the motor fuel sold at our Company stores, our stores carry a broad selection of snacks, beverages, tobacco products and non-food merchandise. In 2019, we purchased more than 81% of our merchandise from a single vendor, Core-Mark, with whom we began a five year supply agreement in late January 2016.

A statistical summary of key operating and financial indicators for each of the five years ended December 31, 2019 are reported below.

	As of December 31,				
	2019	2018	2017	2016	2015
Branded retail outlets:					
Murphy USA®	1,161	1,160	1,158	1,152	1,111
Murphy Express	328	312	288	249	224
Total	1,489	1,472	1,446	1,401	1,335
Retail marketing:					
Total fuel contribution (including retail, PS&W and RINS) (cpg)[1]	16.1	16.2	16.4	15.4	14.9
Gallons sold per store month (in thousands)	248.3	244.0	245.3	259.1	267.9
Merchandise sales revenue per store month	$ 148.7	$ 139.7	$ 140.5	$ 144.4	$ 147.7
Merchandise margin as a percentage of merchandise sales	16.0%	16.5%	16.1%	15.6%	14.4%

[1] Represents net sales prices for fuel less purchased cost of fuel.

Our business is organized into one reporting segment (Marketing). The Marketing segment includes our retail marketing sites and product supply and wholesale assets. For operating segment information, see Note 20 “Business Segments” in the accompanying audited consolidated financial statements for the three-year period ended December 31, 2019.

Competition

The U.S. petroleum business is highly competitive, particularly with regard to accessing and marketing petroleum and other refined products. We compete with other chains of retail fuel stores for fuel supply and in the retail sale of refined products to end consumers, primarily on the basis of price, but also on the basis of convenience and consumer appeal. In addition, we may also face competition from other retail fueling stores that adopt marketing strategies similar to ours by associating with non-traditional retailers, such as supermarkets, discount club stores and hypermarkets, particularly in the geographic areas in which we operate. We expect that our industry will continue to trend toward this model, resulting in increased competition to us over time. Moreover, because we do not produce or refine any of the petroleum or other refined products that we market, we compete with retail gasoline companies that have ongoing supply relationships with affiliates or former affiliates that manufacture refined products. We also compete with integrated companies that have their own production and/or refining operations that are at times able to offset losses from marketing operations with profits from producing or refining operations, and may be better positioned to withstand periods of depressed retail margins or supply shortages. In addition, we compete with other retail and wholesale gasoline marketing companies that have more extensive retail outlets and greater brand name recognition. Some of our competitors have been in existence longer than we have and have greater financial, marketing and other resources than we do. As a result, these competitors may have a greater ability to bear the economic risks inherent in all phases of our business and may be able to respond better to changes in the economy and new opportunities within the industry.

In addition, the retail gasoline industry in the United States is highly competitive due to ease of entry and constant change in the number and type of retailers offering similar products and services. With respect to merchandise, our retail sites compete with other convenience store chains, independently owned convenience stores, supermarkets, drugstores, discount clubs, gasoline service stations, mass merchants, fast food operations and other similar retail outlets. Non-traditional retailers, including supermarkets, discount club stores and mass merchants, now compete directly with retail gasoline sites. These non-traditional gasoline retailers have obtained a significant share of the gasoline market, and their market share is expected to grow, and these retailers may use promotional pricing or discounts, both at the fuel pump and in the convenience store, to encourage in-store merchandise sales and gasoline sales. In addition, some large retailers and supermarkets are adjusting their store layouts and product prices in an attempt to appeal to convenience store customers. Major competitive factors include: location, ease of access, product and service selection, gasoline brands, pricing, customer service, store appearance, cleanliness and safety.

Market Conditions and Seasonality

Market conditions in the oil and gas industry are cyclical and subject to global economic and political events and new and changing governmental regulations. Our operating results are affected by price changes in crude oil, natural gas and refined products, as well as changes in competitive conditions in the markets we serve.

Oil prices, wholesale motor fuel costs, motor fuel sales volumes, motor fuel gross margins and merchandise sales can be subject to seasonal fluctuations. For example, consumer demand for motor fuel typically increases during the summer driving season, and typically falls during the winter months. Therefore, our revenues and/or sales volumes are typically higher in the second and third quarters of our fiscal year. Travel, recreation and construction are typically higher in these months in the geographic areas in which we operate, increasing the demand for motor fuel and merchandise that we sell. A significant change in any of these factors, including a significant decrease in consumer demand (other than typical seasonal variations), could materially affect our motor fuel and merchandise volumes, motor fuel gross profit and overall customer traffic, which in turn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Trademarks

We sell gasoline primarily under the Murphy USA® and Murphy Express brands, which are trademarks of Murphy Oil. The Trademark License Agreement that we entered into with Murphy Oil in connection with the Separation contained a trademark license granting us the right to continue to use such Murphy Oil-owned trademarks throughout the term of that agreement subject to the terms and conditions therein.

In the highly competitive business in which we operate, our trade names, service marks and trademarks are important to distinguish our products and services from those of our competitors. We are not aware of any facts which would negatively impact our continuing use of any of the above trade names, service marks or trademarks.

Technology Systems

All of our Company stores use a standard hardware and software platform for point-of-sale ("POS") that facilitates item level scanning of merchandise for sales and inventory, and the secure acceptance of all major payment methods – cash, check, credit, debit, fleet and mobile. Our standard approach to large scale and geographically dispersed deployments reduces total technology cost of ownership for the POS and inherently makes the system easier to use, support, and replace. This POS technology strategy reflects close alignment with our growth plan.

We use a combination of software as a service, commercial off the shelf software, and custom software applications developed using modern industry standard tools and methodologies to manage and run our business. For our financial systems, we use enterprise class systems which provide significant flexibility in managing corporate and store operations, as well as scalability for growth.

We invest in disaster recovery, system backups, redundancy, firewall, remote access security and virus and spam protection to ensure a high level of system security and availability. We have systems, business policies and processes around access controls, password expirations and file retention to ensure a high level of control within our technology network.

Environmental

We are subject to numerous federal, state and local environmental laws, regulations and permit requirements. Such environmental requirements have historically been subject to frequent change and tended to become more stringent over time. While we strive to comply with these environmental requirements, any violation of such requirements can result in litigation, increased costs or the imposition of significant civil and criminal penalties, injunctions or other sanctions. Compliance with these environmental requirements affects our overall cost of business, including capital costs to construct, maintain and upgrade equipment and facilities, and ongoing operating expenditures. We maintain sophisticated leak detection and remote monitoring systems for underground storage tanks at the vast majority of our retail fueling stores and install up-to-date tank, piping, and monitoring systems at our new stores. We operate above ground bulk petroleum tanks at our terminal locations and have upgraded product lines and conduct annual monitoring to help mitigate the risk of potential soil and groundwater contamination. We allocate a portion of our capital expenditure program to comply with environmental laws and regulations, and such capital expenditures are projected to be approximately $3 million in 2020.

We could be subject to joint and several as well as strict liability for environmental contamination. Some of our current and former properties have been operated by third-parties whose handling and management of hazardous materials were not under our control, and substantially all of them have or previously had motor fuel or petroleum product storage tanks. Pursuant to certain environmental laws, we could be responsible for remediating contamination relating to such sites, including impacts attributable to prior site occupants or other third parties, and for implementing remedial measures to mitigate the risk of future contamination. We may also have liability for contamination and violations of environmental laws under contractual arrangements with third parties, such as landlords and former owners of our sites, including at our sites in close proximity to Walmart stores. Contamination has been identified at certain of our current and former terminals and retail fueling stores, and we are continuing to conduct investigation and remediation activities in relation to such properties. The discovery of additional contamination or the imposition of further remediation obligations at these or other properties could result in significant costs. In some cases, we may be eligible to receive money from state “leaking petroleum storage tank” trust funds to help fund remediation. However, receipt of such payments is subject to stringent eligibility requirements and other limitations that can significantly reduce the availability of such trust fund payments and may delay or increase the duration of associated cleanups. We could also be held responsible for contamination relating to third-party sites to which we or our predecessors have sent hazardous materials for recycling or disposal. We are currently identified as a potentially responsible party in connection with one such disposal site. Any such contamination, leaks from storage tanks or other releases of regulated materials could result in claims against us by governmental authorities and other third parties for fines or penalties, natural resource damages, personal injury and property damage. From time to time, we are subject to legal and administrative proceedings governing the remediation of contamination or spills from current and past operations, including from our terminal operations and leaking petroleum storage tanks.

Consumer demand for our products may be adversely impacted by fuel economy standards as well as greenhouse gas (“GHG”) vehicle emission reduction measures. In 2010, the U.S. Environmental Protection Agency (“EPA”) and the U.S. Department of Transportation’s National Highway Traffic Safety Administration (“NHTSA”) finalized standards raising the required Corporate Average Fuel Economy of the nation’s passenger fleet to approximately 35 miles per gallon by the 2016 model year and imposing the first-ever federal GHG emissions standards on cars and light trucks. Further regulations require increases in fuel economy beginning with the 2017 through 2021 model year vehicles. NHTSA also published non-binding inaugural standards for model year 2022 through 2025 cars and trucks increasing fuel economy to the equivalent of 54.5 miles per gallon by 2025. The EPA and NHTSA also regulate GHG and fuel efficiency standards for medium and heavy-duty vehicles and in August 2016, jointly finalized "Phase 2" vehicle and engine performance standards covering model years 2021 through 2027, which apply to semi-trucks, large pick-up trucks and vans, and all types and sizes of buses and work trucks. These and any future increases in fuel economy standards or GHG emission reduction requirements could decrease demand for our products. In August 2018, NHTSA and EPA proposed to amend certain of these existing fuel economy standards for passenger cars and light trucks and establish new standards, covering model years 2021 through 2026. It is unclear if these proposals called the Safer Affordable Fuel Efficient ("SAFE") Vehicles, which would require less stringent fuel economy standards than the existing standards, will be finalized in their current form or at all.

Air emissions from our facilities are also subject to regulation. For example, certain of our fueling stores may be required to install and maintain vapor recovery systems to control emissions of volatile organic compounds to the air during the vehicle fueling process. Recently proposed changes to requirements concerning ambient air quality standards for ground-level ozone may require additional equipment upgrades and operating controls that could increase our capital and operating expenses. Any future environmental regulatory changes may result in increased compliance costs.

Our business is also subject to increasingly stringent laws and regulations governing the content and characteristics of fuel. For example, the gasoline we sell generally must meet increasingly rigorous sulfur and benzene standards. In addition, renewable fuel standards generally require refiners and gasoline blenders to meet certain volume quotas or obtain representative trading credits for renewable fuels that are established as a percentage of their finished product production. Such fuel requirements and renewable fuel standards may adversely affect our wholesale fuel purchase costs.

Sale of Regulated Products

In certain areas where our retail sites are located, state or local laws limit the hours of operation for the sale of alcoholic beverages and restrict the sale of alcoholic beverages and tobacco products to persons younger than a certain age. State and local regulatory agencies have the authority to approve, revoke, suspend or deny applications for and renewals of permits and licenses relating to the sale of alcoholic beverages, as well as to issue fines to convenience stores for the improper sale of alcoholic beverages and tobacco products. Failure to comply with these laws may result in the loss of necessary licenses and the imposition of fines and penalties on us. Such a loss or imposition could have a material adverse effect on our business, liquidity and results of operations. In many states, retailers of alcoholic beverages have been held responsible for damages caused by intoxicated individuals who purchased alcoholic beverages from them. While the potential exposure for damage claims as a seller of alcoholic beverages and tobacco products is substantial, we have adopted procedures intended to minimize such exposure.

We also adhere to the rules governing lottery sales as determined by state lottery commissions in each state in which we make such sales.

Safety

We are subject to the requirements of the federal Occupational Safety and Health Act (“OSHA”) and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that certain information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens.

Other Regulatory Matters

Our retail sites are also subject to regulation by federal agencies and to licensing and regulations by state and local health, sanitation, fire and other departments relating to the development and operation of retail sites, including regulations relating to zoning and building requirements and the preparation and sale of food. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development of a new retail site in a particular area.

Our operations are also subject to federal and state laws governing such matters as wage rates, overtime and citizenship requirements. At the federal and state levels, there are proposals under consideration from time to time to increase minimum wage rates and periods of protected leaves. We monitor such changes to ensure our continued compliance with these ever changing regulations.

Employees

At December 31, 2019, we had approximately 9,900 employees, including 4,600 full-time employees and 5,300 part-time employees.

Properties

Our headquarters of approximately 120,000 square feet is located at 200 Peach Street, El Dorado, Arkansas. We also own and operate two other office buildings in El Dorado, Arkansas that house our store support center and technology services personnel.   We have numerous owned and leased properties for our retail fueling stores as described under "—Description of Our Business," as well as wholly-owned product distribution terminals.

Website access to SEC Reports

Interested parties may obtain the Company's public disclosures filed with the Securities and Exchange Commission (SEC), including Form 10-K, Form 10-Q, Form 8-K and other documents, by accessing the Investor Relations section of Murphy USA Inc.'s website at ir.corporate.murphyusa.com.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 are available on our website, free of charge, as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. Alternatively, you may access these reports at the SEC's website at http://www.sec.gov.

Item 1A. RISK FACTORS

You should carefully consider each of the following risks and all of the other information contained in this Annual Report on Form 10-K.

Our business, prospects, financial condition, results of operations or cash flows could be materially and adversely affected by any of these risks, and, as a result, the trading price of our common stock could decline.

Risks Relating to our Company

Our operations present hazards and risks, which may not be fully covered by insurance, if insured. If a significant accident or event occurs for which we are not adequately insured, our operations and financial results could be adversely affected.

The scope and nature of our operations present a variety of operational hazards and risks, including explosions, fires, toxic emissions, and natural catastrophes that must be managed through continual oversight and control. These and other risks are present throughout our operations. As protection against these hazards and risks, we maintain insurance against many, but not all, potential losses or liabilities arising from such risks. Uninsured losses and liabilities arising from operating risks could reduce the funds available to us for capital and investment spending and could have a material adverse effect on our financial condition, results of operations and cash flows.

We have debt obligations that could restrict our business and adversely impact our financial condition, results of operations or cash flows; our leverage could increase the overall cost of debt funding and decrease the overall debt capacity and commercial credit available to us in the future.

We currently have $300 million of 5.625% Senior Notes due 2027 (the"2027 Senior Notes"), $500 million of 4.75% Senior Notes due 2029 (the "2029 Senior Notes", and together with the 2027 Senior Notes, the "Senior Notes") and a term loan with a remaining balance of $250 million as of December 31, 2019. We also have undrawn capacity of up to $325 million on our credit facility, subject to the borrowing base limitation of $238 million as of December 31, 2019. This outstanding debt could have significant consequences to our future operations, including:

- making it more difficult for us to meet our payment and other obligations under our outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and

- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations.

In addition, our credit facilities and the indenture that governs the Senior Notes include restrictive covenants that, subject to certain exceptions and qualifications, restrict or limit our ability and the ability of our restricted subsidiaries to, among other things, incur additional indebtedness, pay dividends, make certain investments, sell certain assets and enter into certain strategic transactions, including mergers and acquisitions. These covenants and restrictions could affect our ability to operate our business, and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise.

Our leverage may increase the overall cost of debt funding and decrease the overall debt capacity and commercial credit available to us. Our leverage could increase with additional borrowings on our shelf registration statement. We have below investment-grade ratings from Moody's and S&P based on our current capital structure. Our credit ratings could be lowered or withdrawn entirely by a ratings agency if, in its judgment, the circumstances warrant. If our existing ratings are lowered, or otherwise we do not obtain an investment grade rating in the future, or if we do and a rating agency were to downgrade us again to below investment grade, our borrowing costs would increase and our funding sources could decrease. Actual or anticipated changes or downgrades in our ratings, including any announcement that our ratings are under review for a downgrade, could adversely affect our business, cash flows, financial condition and operating results.

Discontinuation, reform or replacement of LIBOR may adversely affect our variable rate debt.

Borrowings under our credit facilities are at variable rates of interest, primarily based on London Interbank Offered Rate ("LIBOR"). LIBOR tends to fluctuate based on general interest rates, rates set by the U.S. Federal Reserve Board and other central banks, the supply of and demand for credit in the London interbank market, and general economic conditions. In July 2017, the Financial Conduct Authority in the U.K. announced a desire to phase out LIBOR as a benchmark by the end of 2021. Financial industry working groups are developing replacement rates and methodologies to transition existing agreements that depend on LIBOR as a reference rate; however, we can provide no assurance that market-accepted rates and transition methodologies will be available and finalized at the time of LIBOR cessation. If clear market standards and transition methodologies have not been developed by the time LIBOR becomes unavailable, we may have difficulty reaching agreement on acceptable replacement rates under our credit facilities. If we are unable to negotiate replacement rates on favorable terms, it could have a material adverse effect on our earnings and cash flows.

Our ability to meet our payment obligations under the Senior Notes and our other debt depends on our ability to generate significant cash flow in the future.

Our ability to meet our payment and other obligations under our debt instruments, including the Senior Notes, depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot provide assurance that our business will generate cash flow from operations, or that future borrowings will be available to us under our credit agreement or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Senior Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Senior Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Senior Notes and our other debt.

Despite our current indebtedness levels, we may be able to incur substantially more debt. This could exacerbate further the risks associated with our leverage.

We and our subsidiaries may incur substantial additional indebtedness, including secured indebtedness, in the future, subject to the terms of the indentures governing the Senior Notes and our credit agreement that limit our ability to do so. Such additional indebtedness may include additional notes, which will also be guaranteed by the guarantors, to the extent permitted by the indentures and our credit agreement. Although the indentures limit our ability and the ability of our subsidiaries to create liens securing indebtedness, there are significant exceptions to these limitations that will allow us and our subsidiaries to secure significant amounts of indebtedness without equally and ratably securing the notes. If we or our subsidiaries incur secured indebtedness and such secured indebtedness is either accelerated or becomes subject to a bankruptcy, liquidation or reorganization, our and our subsidiaries' assets would be used to satisfy obligations with respect to the indebtedness secured thereby before any payment could be made on the notes that are not similarly secured. In addition, the indentures governing the Senior Notes will not prevent us or our subsidiaries from incurring other liabilities that do not constitute indebtedness. If new debt or other liabilities are added to our current debt levels, the related risks that we now face could intensify.

In connection with our Separation from Murphy Oil, Murphy Oil has agreed to indemnify us for certain liabilities and we have agreed to indemnify Murphy Oil for certain liabilities. If we are required to act under these indemnities to Murphy Oil, we may need to divert cash to meet those obligations and our financial results could be negatively impacted. The Murphy Oil indemnity may not be sufficient to insure us against the full amount of liabilities for which it will be allocated responsibility, and Murphy Oil may not be able to satisfy its indemnification obligations to us in the future.

Pursuant to the Separation and Distribution Agreement ("the Separation") and certain other agreements with Murphy Oil, Murphy Oil has agreed to indemnify us for certain liabilities, and we have agreed to indemnify Murphy Oil for certain liabilities. Indemnities that we may be required to provide Murphy Oil are not subject to any cap, may be significant and could negatively impact our business, particularly indemnities relating to our actions that could impact the tax-free nature of the distribution. Third parties could also seek to hold us responsible for any of the liabilities that Murphy Oil has agreed to retain, and under certain circumstances, we may be subject to continuing contingent liabilities of Murphy Oil following the Separation. Further, Murphy Oil may not be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Murphy Oil any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations and financial condition.

Risks Relating to Our Business

Volatility in the global prices of oil and petroleum products and general economic conditions that are largely out of our control, as well as seasonal variations in fuel pricing, can significantly affect our operating results.

Our net income is significantly affected by changes in the margins on retail and wholesale gasoline marketing operations. Oil and domestic wholesale gasoline markets are volatile. General political conditions, acts of war or terrorism, instability in oil producing regions, particularly in the Middle East and South America, and the value of U.S. dollars relative to other foreign currencies, particularly those of oil producing nations, could significantly affect oil supplies and wholesale gasoline costs. In addition, the supply of gasoline and our wholesale purchase costs could be adversely affected in the event of a shortage, which could result from, among other things, lack of capacity at oil refineries, sustained increase in global demand or the fact that our gasoline contracts do not guarantee an uninterrupted, unlimited supply of gasoline. Our wholesale purchase costs could also be adversely affected by increasingly stringent regulations regarding the content and characteristics of fuel products, including International Maritime Organization ("IMO") 2020 requirements. Significant increases and volatility in wholesale gasoline costs could result in lower gasoline gross margins per gallon. This volatility makes it extremely difficult to predict the effect that future wholesale cost fluctuations will have on our operating results and financial condition in future periods.

Except in limited cases, we typically do not seek to hedge any significant portion of our exposure to the effects of changing prices of commodities. Dramatic increases in oil prices reduce retail gasoline gross margins, because wholesale gasoline costs typically increase faster than retailers are able to pass them along to customers. We purchase refined products, particularly gasoline, needed to supply our retail stores. Therefore, our most significant costs are subject to volatility of prices for these commodities. Our ability to successfully manage operating costs is important because we have little or no influence on the sales prices or regional and worldwide consumer demand for oil and gasoline. Furthermore, oil prices, wholesale motor fuel costs, motor fuel sales volumes, motor fuel gross margins and merchandise sales can be subject to seasonal fluctuations. For example, consumer demand for motor fuel typically increases during the summer driving season, and typically falls during the winter months. Travel, recreation and construction are typically higher in these months in the geographic areas in which we operate, increasing the demand for motor fuel and merchandise that we sell. Therefore, our revenues and/or sales volumes are typically higher in the second and third quarters of our fiscal year. A significant change in any of these factors, including a significant decrease in consumer demand (other than typical seasonal variations), could materially affect our motor fuel and merchandise volumes, motor fuel gross profit and overall customer traffic, which in turn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Further, recessionary economic conditions, higher interest rates, higher gasoline and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors may affect consumer spending or buying habits, and could adversely affect the demand for products we sell at our retail sites. Unfavorable economic conditions, higher gasoline prices and unemployment levels can affect consumer confidence, spending patterns and vehicle miles driven. These factors can lead to sales declines in both gasoline and general merchandise, and in turn have an adverse impact on our business, financial condition, results of operations and cash flows.

Walmart continues to be a key relationship with regard to our Murphy USA network.

At December 31, 2019, our 1,489 Company stores were almost all located in close proximity to Walmart Supercenter stores. Therefore, our relationship with Walmart, the continued goodwill of Walmart and the integrity of Walmart's brand name in the retail marketplace are all important drivers for our business. Any deterioration in our relationship with Walmart could have an adverse effect on operations of the stores that are branded Murphy USA and participate in a discount. In addition, our competitive posture could be weakened by negative changes at Walmart. Many of our Company stores benefit from customer traffic generated by Walmart retail stores, and if the customer traffic through these host stores decreases due to the economy or for any other reason, our sales could be materially and adversely affected.

The current level of revenue that is generated from RINs may not be sustainable.

Murphy USA's business is impacted by its ability to generate revenues from capturing and subsequently selling Renewable Identification Numbers ("RINs"), a practice enabled through the blending of petroleum-based fuels with renewable fuels. RIN prices also have an impact on our cost of goods sold for petroleum products, which can be positive or negative depending on the movement of RIN prices. The market price for RINs fluctuates based on a variety of factors, including but not limited to governmental and regulatory action and market dynamics. In 2019, RIN prices were fairly stable within a small range, in part due to a lack of changes to the Renewable Fuel Standard program and to the rules regulating the RINs market itself. Although a decline in RIN prices could have a material impact on the Company's revenues, Murphy USA's business model is not dependent on its ability to generate revenues from the sale of RINs.

Independent refiners have filed suit to pursue a fundamental change to the Renewable Fuel Standard program, the regulatory means by which the federal government requires the introduction of an increasing amount of renewable fuel into the fuel supply. Specifically, the independent refiners seek a shift of the burden for compliance—the point of obligation, as it is known—from refiners to blenders. This litigation is ongoing. As it is, refiners are obligated to obtain—either by blending biofuels into petroleum-based fuels or through purchase on the open market--and then retire with the federal government RINs to satisfy their individual obligations. If this burden were to be shifted, Murphy USA would potentially have to utilize the RINs that it obtains through its blending activities to satisfy a new obligation and would therefore be unable to sell those RINs to third parties. This could have a significant impact on the Company's current business model, unless it were able to pass along these costs to consumers or other parties.

We are exposed to risks associated with the interruption of supply and increased costs as a result of our reliance on third-party supply and transportation of refined products.

We utilize key product supply and wholesale assets, including our pipeline positions and product distribution terminals, to supply our retail fueling stores. Much of our competitive advantage arises out of these proprietary arrangements which, if disrupted, could materially and adversely affect us. In addition to our own operational risks discussed above, we could experience interruptions of supply or increases in costs to deliver refined products to market if the ability of the pipelines or vessels to transport petroleum or refined products is disrupted because of weather events, accidents, governmental regulations or third-party actions. Furthermore, at some of our locations there are very few suppliers for fuel in that market.

Changes in credit card expenses could reduce our profitability, especially on gasoline.

A significant portion of our retail sales involve payment using credit cards. We are assessed credit card fees as a percentage of transaction amounts and not as a fixed dollar amount or percentage of our gross margins. Higher gasoline prices result in higher credit card expenses, and an increase in credit card use or an increase in credit card fees would have a similar effect. Therefore, credit card fees charged on gasoline purchases that are more expensive as a result of higher gasoline prices are not necessarily accompanied by higher gross margins. In fact, such fees may cause lower profitability. Lower income on gasoline sales caused by higher credit card fees may decrease our overall profitability and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Walmart retains certain rights in its agreements with us, which may adversely impact our ability to conduct our business.

Our owned properties that were purchased from Walmart are subject to Easements with Covenants and Restrictions Affecting Land (the "ECRs") between us and Walmart. The ECRs impose customary restrictions on the use of our properties, which Walmart has the right to enforce. The ECRs also provide that if we propose to sell a fueling station property or any portion thereof (other than in connection with the sale of all or substantially all of our properties that were purchased from Walmart or in connection with a bona fide financing), Walmart has a right of first refusal to purchase such property or portion thereof on similar terms. Subject to certain exceptions (including a merger in which we participate, the transfer of any of our securities or a change in control of us), if we market for sale to a third party all or substantially all of our properties that were purchased from Walmart, or if we receive an unsolicited offer to purchase such properties that we intend to accept, we are required to notify Walmart. Walmart then has the right, within 90 days of receipt of such notice, to make an offer to purchase such properties. If Walmart makes such an offer, for a period of one year we will generally only be permitted to accept third-party offers where the net consideration to us would be greater than that offered by Walmart.

The ECRs also prohibit us from transferring all or substantially all of our fueling station properties that were purchased from Walmart to a "competitor" of Walmart, as reasonably determined by Walmart. The term "competitor" is generally defined in the ECRs as an entity that owns, operates or controls grocery stores or supermarkets, wholesale club operations similar to that of a Sam's Club, discount department stores or other discount retailers similar to any of the various Walmart store prototypes or pharmacy or drug stores.

Similarly, some of our leased properties are subject to certain rights retained by Walmart. Our master lease agreement states that if Murphy Oil USA, Inc. is acquired or becomes party to any merger or consolidation that results in a material change in the management of the stores, Walmart will have the option to purchase the stores at fair market value. The master lease also prohibits us from selling all or any portion of a station without first offering to sell all or such portion to Walmart on the same terms and conditions. These provisions may restrict our ability to conduct our business on the terms and in the manner we consider most favorable and may adversely affect our future growth.

An inability to maintain a multi-year new store project pipeline may cause our Company's growth to slow in 2021 and beyond.

While we have a high confidence level that our growth of up to 30 new stores and up to 25 raze-and-rebuild stores is secure due to our existing pipeline of land closures, the future development relies on the continued growth of our project pipeline. We have a very active Asset Development group that works to focus on our key target areas to locate suitable traffic count locations for this future growth. If the Asset Development group is unable to locate suitable locations or is unable to close the purchase of those locations in a timely fashion, the Company could find that it does not have sufficient land to fulfill its pipeline.

We currently have one primary supplier for over 81% of our merchandise. A disruption in supply could have a material effect on our business.

In 2019, over 81% of our merchandise, including most tobacco products and grocery items, was purchased from a single wholesale grocer, Core-Mark. We began a five year supply contract with Core-Mark in late January 2016. If Core-Mark is unable to fulfill its obligations under our contract, alternative suppliers that we could use in the event of a disruption may not be immediately available. A disruption in supply could have a material effect on our business, financial condition, results of operations and cash flows.

We may be unable to protect or maintain our rights in the trademarks we use in our business.

We expect to use the Murphy USA® and Murphy Express trademarks under the Trademark License Agreement that we entered into with Murphy Oil, which will continue to own those trademarks. Murphy Oil's actions and our actions to protect our rights in those trademarks may not be adequate to prevent others from using similar marks or otherwise violating our rights in those trademarks. Furthermore, our right to use those trademarks is limited to the marketing business and can be terminated by Murphy Oil upon the occurrence of certain events, such as our uncured material breach, insolvency or change of control.

Capital financing may not always be available to fund our activities.

We usually must spend and risk a significant amount of capital to fund our activities. Although most capital needs are funded from operating cash flow, the timing of cash flows from operations and capital funding needs may not always coincide, and the levels of cash flow may not fully cover capital funding requirements.

From time to time, we may need to supplement our cash generated from operations with proceeds from financing activities. We have entered into a credit facility to provide us with available financing for working capital and other general corporate purposes. This credit facility is intended to meet any ongoing cash needs in excess of internally generated cash flows. Uncertainty and illiquidity in financial markets may materially impact the ability of the participating financial institutions to fund their commitments to us under our credit facility. Accordingly, we may not be able to obtain the full amount of the funds available under our credit facility to satisfy our cash requirements, and our failure to do so could have a material adverse effect on our operations and financial position. Further, since the credit facility is secured by receivables and inventories, low commodity prices can limit the borrowing base to an amount substantially less than its ceiling as the resulting collateral for the loan is required to be valued at then current pricing on a monthly basis.

We could be adversely affected if we are not able to attract and retain highly qualified senior personnel.

We are dependent on our ability to attract and retain highly qualified senior personnel. If, for any reason, we are not able to attract and retain qualified senior personnel, our business, financial condition, results of operations and cash flows could be adversely affected.

Risks Relating to Our Industry

We operate in a highly competitive industry, which could adversely affect us in many ways, including our profitability, our ability to grow, and our ability to manage our businesses.

We operate in the oil and gas industry and experience intense competition from other independent retail and wholesale gasoline marketing companies. The U.S. marketing petroleum business is highly competitive, particularly with regard to accessing and marketing petroleum and other refined products. We compete with other chains of retail fuel stores for fuel supply and in the retail sale of refined products to end consumers, primarily on the basis of price, but also on the basis of convenience and consumer appeal. In addition, we may also face competition from other retail fueling stores that adopt marketing strategies similar to ours by associating with non-traditional retailers, such as supermarkets, discount club stores and hypermarkets, particularly in the geographic areas in which we operate. We expect that our industry will continue to trend toward this model, resulting in increased competition to us over time. Moreover, because we do not produce or refine any of the petroleum or other refined products that we market, we compete with retail gasoline companies that have ongoing supply relationships with affiliates or former affiliates that manufacture refined products. We also compete with integrated companies that have their own production and/or refining operations that are at times able to offset losses from marketing operations with profits from producing or refining operations, and may be better positioned to withstand periods of depressed retail margins or supply shortages. In addition, we compete with other retail and wholesale gasoline marketing companies that have more extensive retail outlets and greater brand name recognition. Some of our competitors have been in existence longer than we have and have greater financial, marketing and other resources than we do. As a result, these competitors may have a greater ability to bear the economic risks inherent in all phases of our business and may be able to respond better to changes in the economy and new opportunities within the industry. Such competition could adversely affect us, including our profitability, our ability to grow and our ability to manage our business.

In addition, the retail gasoline industry in the United States is highly competitive due to ease of entry and constant change in the number and type of retailers offering similar products and services. With respect to merchandise, our retail sites compete with other convenience store chains, independently owned convenience stores, supermarkets, drugstores, discount clubs, gasoline service stations, mass merchants, fast food operations and other similar retail outlets. Non-traditional retailers, including supermarkets, discount club stores and mass merchants, now compete directly with retail gasoline sites. These non-traditional gasoline retailers have obtained a significant share of the gasoline market, and their market share is expected to grow, and these retailers may use promotional pricing or discounts, both at the fuel pump and in the convenience store, to encourage in-store merchandise sales and gasoline sales. In addition, some large retailers and supermarkets are adjusting their store layouts and product prices in an attempt to appeal to convenience store customers. Major competitive factors include: location, ease of access, product and service selection, gasoline brands, pricing, customer service, store appearance, cleanliness and safety. Competition from these retailers may reduce our market share and our revenues, and the resulting impact on our business and results of operations could be materially adverse.

Changes in consumer behavior and travel as a result of changing economic conditions, the development of alternative energy technologies or otherwise could affect our business.

In the retail gasoline industry, customer traffic is generally driven by consumer preferences and spending trends, growth rates for commercial truck traffic and trends in travel and weather. Changes in economic conditions generally, or in the regions in which we operate, could adversely affect consumer spending patterns and travel in our markets. In particular, weakening economic conditions may result in decreases in miles driven and discretionary consumer spending and travel, which affect spending on gasoline and convenience items. In addition, changes in the types of products and services demanded by consumers may adversely affect our merchandise sales and gross margin. Additionally, negative publicity or perception surrounding gasoline suppliers could adversely affect their reputation and brand image, which may negatively affect our gasoline sales and gross margin. Our success depends on our ability to anticipate and respond in a timely manner to changing consumer demands and preferences while continuing to sell products and services that remain relevant to the consumer and thus will positively impact overall retail gross margin.

Similarly, advanced technology, improved fuel efficiency and increased use of “green” automobiles (e.g., those automobiles that do not use gasoline or that are powered by hybrid engines) would reduce demand for gasoline. Developments regarding climate change and the effects of greenhouse gas emissions on climate change and the environment may lead to increased use of “green” automobiles. Other market and social initiatives such as public and private initiatives that aim to subsidize the development of non-fossil fuel energy sources may reduce the competitiveness of gasoline. Consequently, attitudes toward gasoline and its relationship to the environment may significantly affect our sales and ability to market our products. Reduced consumer demand for gasoline could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our operations and earnings have been and will continue to be affected by worldwide political developments.

Many governments, including those that are members of the Organization of Petroleum Exporting Countries (“OPEC”), unilaterally intervene at times in the orderly market of petroleum and natural gas produced in their countries through such actions as setting prices, determining rates of production, and controlling who may buy and sell the production. In addition, prices and availability of petroleum, natural gas and refined products could be influenced by political unrest and by various governmental policies to restrict or increase petroleum usage and supply. Other governmental actions that could affect our operations and earnings include tax changes, royalty increases and regulations concerning: currency fluctuations, protection and remediation of the environment, concerns over the possibility of global warming being affected by human activity including the production and use of hydrocarbon energy, restraints and controls on imports and exports, safety, and relationships between employers and employees. As a retail gasoline marketing company, we are significantly affected by these factors. Because these and other factors are subject to changes caused by governmental and political considerations and are often made in response to changing internal and worldwide economic conditions and to actions of other governments or specific events, it is not practical to attempt to predict the effects of such factors on our future operations and earnings.

Our business is subject to operational hazards and risks normally associated with the marketing of petroleum products.

We operate in many different locations around the United States. The occurrence of an event, including but not limited to acts of nature such as hurricanes, floods, earthquakes and other forms of severe weather, and mechanical equipment failures, industrial accidents, fires, explosions, acts of war and intentional terrorist attacks could result in damage to our facilities, and the resulting interruption and loss of associated revenues; environmental pollution or contamination; and personal injury, including death, for which we could be deemed to be liable, and which could subject us to substantial fines and/or claims for punitive damages.

We store gasoline in storage tanks at our retail sites. Our operations are subject to significant hazards and risks inherent in storing gasoline. These hazards and risks include, but are not limited to, fires, explosions, spills, discharges and other releases, any of which could result in distribution difficulties and disruptions, environmental pollution, governmentally imposed fines or cleanup obligations, personal injury or wrongful death claims and other damage to our properties and the properties of others. Any such event could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Certain of our assets such as gasoline terminals and certain retail fueling stores lie near the U.S. coastline and are vulnerable to hurricane and tropical storm damages, which may result in shutdowns. The U.S. hurricane season runs from June through November, but the most severe storm activities usually occur in late summer, such as with Hurricanes Katrina and Rita in 2005 and Hurricanes Harvey and Irma in 2017. Moreover, it should be noted that scientists have predicted that increasing concentrations of greenhouse gases in the earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If such effects were to occur, our operations could be adversely affected. Although we maintain insurance for certain of these risks as described below, due to policy deductibles and possible coverage limits, weather-related risks are not fully insured.

We are subject to various environmental laws, regulations and permit requirements, which could expose us to significant expenditures, liabilities or obligations and reduce product demand.

We are subject to stringent federal, state and local environmental laws and regulations governing, among other things, the generation, storage, handling, use and transportation of petroleum products and hazardous materials; the emission and discharge of such substances into the environment; the content and characteristics of fuel products; the process safety of our facilities; and human health and safety. Pursuant to such environmental laws and regulations, we are also required to obtain permits from governmental authorities for certain of our operations. While we strive to abide by these requirements, we cannot assure you that we have been or will be at all times in compliance with such laws, regulations and permits. If we violate or fail to comply with these requirements, we could be subject to litigation, costs, fines or other sanctions. Environmental requirements, and the enforcement and interpretation thereof, change frequently and have generally become more stringent over time. Compliance with existing and future environmental laws, regulations and permits may require significant expenditures. In addition, to the extent fuel content and characteristic standards increase our wholesale purchase costs, we may be adversely affected if we are unable to recover such costs in our pricing.

We could be subject to joint and several as well as strict liability for environmental contamination, without regard to fault or the legality of our conduct. In particular, we could be liable for contamination relating to properties that we own, lease or operate or that we or our predecessors previously owned, leased or operated. Substantially all of these properties have or in the past had storage tanks to store motor fuel or petroleum products. Leaks from such tanks may impact soil or groundwater and could result in substantial costs. We could also be held responsible for contamination relating to third-party sites to which we or our predecessors have sent regulated materials. In addition to potentially significant investigation and remediation costs, any such contamination, leaks from storage tanks or other releases of regulated materials can give rise to claims from governmental authorities and other third parties for fines or penalties, natural resource damages, personal injury and property damage.

Our business is also affected by fuel economy standards and GHG vehicle emission reduction measures. As such fuel economy and GHG reduction requirements become more stringent over time, demand for our products may be adversely affected. In addition, some of our facilities are subject to GHG regulation. We are currently required to report annual GHG emissions from certain of our operations, and additional GHG emission-related requirements that may affect our business have been finalized or are in various phases of discussion or implementation. Any existing or future GHG emission requirements could result in increased operating costs and additional compliance expenses.

Our expenditures, liabilities and obligations relating to environmental matters could have a material adverse effect on our business, product demand, reputation, results of operations and financial condition.

Future tobacco legislation, campaigns to discourage smoking, increases in tobacco taxes and wholesale cost increases of tobacco products could have a material adverse impact on our retail operating revenues and gross margin.

Sales of tobacco products have historically accounted for an important portion of our total sales of convenience store merchandise. Significant increases in wholesale cigarette costs and tax increases on tobacco products, as well as future legislation and national and local campaigns to discourage smoking in the United States, may have an adverse effect on the demand for tobacco products, and therefore reduce our revenues and profits.

Also, increasing regulations, including those for e-cigarettes and vapor products could offset some of the recent gains we have experienced from selling these products. In late 2019, the U.S. Government raised the minimum age to purchase tobacco products to 21 and prohibited the sale of cartridge-based e-cigarette products that are not tobacco or menthol flavored. If laws or regulations around menthol flavors or flavored cigars change in the future, it could have a further negative impact on our results. These factors could materially and adversely affect our retail price of cigarettes, tobacco unit volume and sales, merchandise gross margin and overall customer traffic. Reduced sales of tobacco products or smaller gross margins on the sales we make could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Currently, major cigarette manufacturers offer substantial rebates to retailers. We include these rebates as a component of our gross margin. In the event these rebates are no longer offered, or decreased, our profit from cigarette sales will decrease accordingly. In addition, reduced retail display allowances on cigarettes offered by cigarette manufacturers would negatively affect gross margins. These factors could materially affect our retail price of cigarettes, cigarette unit volume and revenues, merchandise gross margin and overall customer traffic, which could in turn have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our retail operations are subject to extensive government laws and regulations, and the cost of compliance with such laws and regulations can be material.

Our retail operations are subject to extensive local, state and federal governmental laws and regulations relating to, among other things, the sale of alcohol, tobacco, lottery and lotto, employment conditions, including minimum wage requirements, and public accessibility requirements. The cost of compliance with these laws and regulations can have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, failure to comply with local, state and federal laws and regulations to which our operations are subject may result in penalties and costs that could adversely affect our business, financial condition, results of operations and cash flows.

In certain areas where our retail sites are located, state or local laws limit the retail sites' hours of operation or sale of alcoholic beverages, tobacco products, possible inhalants and lottery tickets, in particular to minors. Failure to comply with these laws could adversely affect our revenues and results of operations because these state and local regulatory agencies have the power to revoke, suspend or deny applications for and renewals of permits and licenses relating to the sale of these products or to seek other remedies, such as the imposition of fines or other penalties.

Regulations related to wages also affect our business. Any appreciable increase in the statutory minimum wage or changes in overtime rules would result in an increase in our labor costs and such cost increase, or the penalties for failing to comply with such statutory minimums, could adversely affect our business, financial condition, results of operations and cash flows.

Any changes in the laws or regulations described above that are adverse to us and our properties could affect our operating and financial performance. In addition, new regulations are proposed from time to time which, if adopted, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Future consumer or other litigation could adversely affect our business, financial condition, results of operations and cash flows.

Our retail operations are characterized by a high volume of customer traffic and by transactions involving a wide array of product selections. These operations carry a higher exposure to consumer litigation risk when compared to the operations of companies operating in many other industries. Consequently, we have been, and may in the future be from time to time, involved in lawsuits seeking cash settlements for alleged personal injuries, property damages and other business-related matters, as well as energy content, off-specification gasoline, products liability and other legal actions in the ordinary course of our business. While these actions are generally routine in nature and incidental to the operation of our business, if our assessment of any action or actions should prove inaccurate, our business, financial condition, results of operations and cash flows could be adversely affected. For more information about our legal matters, see Note 17 “Contingencies” to the consolidated historical financial statements for the three years ended December 31, 2019 included in this Annual Report on Form 10-K. Further, adverse publicity about consumer or other litigation may negatively affect us, regardless of whether the allegations are true, by discouraging customers from purchasing gasoline or merchandise at our retail sites.

We rely on our technology systems and network infrastructure to manage numerous aspects of our business, and a disruption of these systems could adversely affect our business.

We depend on our technology systems and network infrastructure to manage numerous aspects of our business and provide analytical information to management. These systems are an essential component of our business and growth strategies, and a serious disruption to them could significantly limit our ability to manage and operate our business efficiently. These systems are vulnerable to, among other things, damage and interruption from power loss or natural disasters, computer system and network failures, loss of telecommunications services, physical and electronic loss of data, security breaches and computer viruses, which could result in a loss of sensitive business information, systems interruption or the disruption of our business operations. To protect against unauthorized access or attacks, we have implemented infrastructure protection technologies and disaster recovery plans, but there can be no assurance that a technology systems breach or systems failure, which may occur and go undetected, will not have a material adverse effect on our financial condition or results of operations. In addition, there is a deadline of October 1, 2020 to install Europay, Mastercard, and Visa ("EMV") chip readers at automated fuel pumps and we expect to be in compliance on or before this date. The failure to migrate to chip readers would cause the Company to be financially responsible for any fraud and counterfeit chargebacks occurring at the point of sale.

Our business and our reputation could be adversely affected by the failure to protect sensitive customer, employee or vendor data or to comply with applicable regulations relating to data security and privacy.

In the normal course of our business as a gasoline and merchandise retailer, we obtain large amounts of personal data, including credit and debit card information from our customers. We also engage third-party vendors that provide technology, systems, and services to facilitate our collection, retention, processing and transmission of this information. While we have invested significant amounts in the protection of our technology systems and maintain what we believe are adequate security controls over individually identifiable customer, employee and vendor data provided to us, a breakdown or a breach in our systems that results in the unauthorized release of individually identifiable customer or other sensitive data could nonetheless occur and have a material adverse effect on our reputation, operating results and financial condition. Such a breakdown or breach could also materially increase the costs we incur to protect against such risks. Also, a material failure on our part, or the part of our vendors, to comply with regulations relating to our obligation to protect such sensitive data or the privacy rights of our customers, employees and others could subject us to fines or other regulatory sanctions and potentially to lawsuits and adversely affect our brand name.

Compliance with and changes in tax laws could adversely affect our performance.

We are subject to extensive tax liabilities imposed by multiple jurisdictions, including income taxes, indirect taxes (excise/duty, sales/use and gross receipts taxes), payroll taxes, franchise taxes, withholding taxes and ad valorem taxes. Tax laws and regulations are dynamic and subject to change as new laws are passed and new interpretations of existing laws are issued and applied. This activity could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities as a result of these audits may subject us to interest and penalties.

Risks Relating to Our Common Stock

The price of our common stock may fluctuate significantly and if securities or industry analysts publish unfavorable research reports about our business or if they downgrade their rating on our common stock, the price of our common stock could decline.

The price at which our common stock trades may fluctuate significantly. The trading price of our common stock could be subject to wide fluctuations in response to a number of factors, including, but not limited to:

- fluctuations in quarterly or annual results of operations, especially if they differ from our previously announced guidance or forecasts made by analysts;
- announcements by us of anticipated future revenues or operating results, or by others concerning us, our competitors, our customers, or our industry;
- our ability to execute our business plan;

- competitive environment;
- regulatory developments; and
- changes in overall stock market conditions, including the stock prices of our competitors.

Provisions in our Certificate of Incorporation and Bylaws and certain provisions of Delaware law could delay or prevent a change in control of us.

The existence of some provisions of our Certificate of Incorporation and Bylaws and Delaware law could discourage, delay or prevent a change in control of us that a stockholder may consider favorable. These include provisions:

- providing for a classified board of directors;
- providing that our directors may be removed by our stockholders only for cause;
- establishing supermajority vote requirements for our shareholders to amend certain provisions of our Certificate of Incorporation and our Bylaws;
- authorizing a large number of shares of stock that are not yet issued, which would allow our board of directors to issue shares to persons friendly to current management, thereby protecting the continuity of our management, or which could be used to dilute the stock ownership of persons seeking to obtain control of us;
- prohibiting stockholders from calling special meetings of stockholders or taking action by written consent; and
- establishing advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted on by stockholders at the annual stockholder meetings.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that could have resulted in a premium over the market price for shares of our common stock.

These provisions apply even if a takeover offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in our and our stockholders' best interests.

We may issue preferred stock with terms that could dilute the voting power or reduce the value of our common stock.

Our Certificate of Incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, powers, preferences and relative, participating, optional and other rights, and such qualifications, limitations or restrictions as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or dividend, distribution or liquidation preferences we could assign to holders of preferred stock could affect the residual value of the common stock.

Our Bylaws designate a state or federal court located within the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a preferred judicial forum for disputes with us or our directors, officers or other employees.

Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of Delaware General Corporation Law, our Certificate of Incorporation (including any certificate of designations for any class or series of our preferred stock) or our Bylaws, in each case, as amended from time to time, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing provision. This forum selection provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable or cost-effective for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees.

We may not achieve the intended benefits of having an exclusive forum provision if it is found to be unenforceable.

We have included an exclusive forum provision in our Bylaws as described above. However, the enforceability of similar exclusive jurisdiction provisions in other companies' bylaws or certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any action, a court could find the exclusive jurisdiction provision contained in our Bylaws to be inapplicable or unenforceable in such action. Although in June 2013 the Delaware Court of Chancery upheld the statutory and contractual validity of exclusive forum-selection bylaw provisions, and in 2015 the Delaware General Corporation Law was amended to permit forum-selection provisions applicable to "integral corporate claims", the validity of forum-selection provisions continues to be tested with litigation. Furthermore, the Delaware Court of Chancery emphasized that such provisions may not be enforceable under circumstances where they are found to operate in an unreasonable or unlawful manner or in a manner inconsistent with a board's fiduciary duties. Also, it is uncertain whether non-Delaware courts consistently will enforce such exclusive forum-selection bylaw provisions. If a court were to find our choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions and we may not obtain the benefits of limiting jurisdiction to the courts selected.

Item 1B. UNRESOLVED STAFF COMMENTS

The Company had no unresolved comments from the staff of the U.S. Securities and Exchange Commission as of December 31, 2019.

Item 2. PROPERTIES

Descriptions of the Company's properties are included in Item 1 of this Annual Report on Form 10-K beginning on page 2.

Item 3. LEGAL PROCEEDINGS

Murphy USA and its subsidiaries are engaged in a number of legal proceedings, all of which Murphy USA considers incidental to its business. See Note 17 "Contingencies" in the accompanying consolidated financial statements for the three years ended December 31, 2019. Based on information currently available to the Company, the ultimate resolution of matters referred to in this item is not expected to have a material adverse effect on the Company's net income, financial condition or liquidity in a future period.

SUPPLEMENTAL INFORMATION; Information About our Executive Officers

The age at January 1, 2020, present corporate office and length of service in office of each of the Company's executive officers, as of December 31, 2019, are reported in the following listing. Executive officers are elected annually but may be removed from office at any time by the Board of Directors.

R. Andrew Clyde – Age 56; President and Chief Executive Officer, Director and Member of the Executive Committee since August 2013. Mr. Clyde has led Murphy USA's successful value-creation strategy since its spin-off in 2013. Mr. Clyde served Booz & Company (and prior to August 2008, Booz Allen Hamilton) in its global energy practice. He joined the firm in 1993, was elected vice president in 2000 and held leadership roles as North American Energy Practice Leader and Dallas office Managing Partner and served on the firm's Board Nominating Committee. Mr. Clyde received a master's degree in Management with Distinction from the Kellogg Graduate School of Management at Northwestern University. He received a BBA in Accounting and a minor in Geology from Southern Methodist University.

Mindy K. West – Age 50; Executive Vice President, Fuels, Chief Financial Officer, and Treasurer since August 2013. Ms. West joined Murphy Oil in 1996 and has held positions in Accounting, Employee Benefits, Planning and Investor Relations. In 2007, she was promoted to Vice President & Treasurer for Murphy Oil. She holds a bachelor's degree in Finance from the University of Arkansas and a bachelor's degree in Accounting from Southern Arkansas University. She is a Certified Public Accountant and a Certified Treasury Professional.

John A. Moore – Age 52; Senior Vice President and General Counsel since August 2013. Mr. Moore joined Murphy Oil in 1995 as Associate Attorney in the Law Department. He was promoted to Attorney in 1998 and Senior Attorney in 2005. He was promoted to Manager, Law and assumed the role of Corporate Secretary for Murphy Oil in 2011. Mr. Moore holds a bachelor's degree in Philosophy from Ouachita Baptist University and a Law degree from the University of Arkansas.

Robert J. Chumley – Age 55; Senior Vice President, Merchandising and Marketing since September 2016. Mr. Chumley joined the Company from 7-Eleven Inc., where he served as Senior Product Director, Vice President of Merchandising and Senior Vice President of Innovation. His previous experience includes Sales and Marketing leadership roles with Procter and Gamble, Coca-Cola, Kellogg's and Gillette. Mr. Chumley graduated from the Royal Military College of Canada with a Bachelors of Engineering degree. After graduation he served as a commissioned officer in the Royal Canadian Navy. Mr. Chumley also holds an MBA from Dalhousie University.

Renee M. Bacon – Age 50; Senior Vice President, Sales and Operations since February 2019. Ms. Bacon joined Murphy USA in 2016 as Regional Vice president, Sales and Operations. In 2018, she was promoted to National Vice President, Sales and Operations and in 2019 was promoted to Senior Vice President, Sales and Operations. She holds a Bachelor of Business Administration from the University of Texas--Austin. Ms. Bacon also holds a Master of Business Administration from the University of Houston and a Doctorate of Jurisprudence from the University of Tennessee.

Terry P. Hatten – Age 53; Senior Vice President, Human Resources since June 2018. Mr. Hatten joined the Company from Commercials Metal Company where he served as Chief Human Resources Officer. His previous experience includes Human Resources leadership roles at General Nutrition Centers (GNC), Dean Foods, and Pepsi Bottling Group. He graduated with a bachelor of arts degree from Gannon University. Mr. Hatten also holds a master's degree in industrial and labor relations from Indiana University of Pennsylvania.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

Part II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the New York Stock Exchange using "MUSA" as the trading symbol. There were 1,878 stockholders of record as of December 31, 2019.

The declaration and amount of any dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, cash flows, capital requirements of our business, covenants associated with our debt obligations, legal requirements, regulatory constraints, industry practice and other factors the board of directors deems relevant.

We are a holding company and have no direct operations. As a result, we will be able to pay dividends on our common stock only from available cash on hand and distributions received from our subsidiaries. There can be no assurance we will continue to pay any dividend even if we commence the payment of dividends. We did not declare any cash dividends on our common stock for the two years ended December 31, 2019.

The indenture governing the Senior Notes and the credit agreement governing our credit facilities and term loan contain restrictive covenants that limit, among other things, the ability of Murphy USA and the restricted subsidiaries to make certain restricted payments, which as defined under both agreements, include the declaration or payment of any dividends of any sort in respect of its capital stock and repurchase of shares of our common stock. See "Management's Discussion and Analysis of Financial Condition and Operating Results—Capital Resources and Liquidity—Debt" and Note 7 "Long-Term Debt" to the accompanying audited consolidated financial statements for the three years ended December 31, 2019.

On July 24, 2019, the Board of Directors approved an up to $400 million share repurchase program to be executed over the two-year period ending July 2021. Prior to the July authorization, the Company had continued to conduct repurchases under quarterly allocations in line with recent past practice. During 2019, total purchases were made of 1,898,023 common shares for $165.8 million,or $87.35 per share, of which 1,393,626 common shares for $125.0 million were made under the July 2019 authorization, leaving approximately $275.0 million available until July 2021.

Below is detail of the company's purchases of its own equity securities during the fourth quarter of 2019.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [1]
October 1, 2019 to October 31, 2019	277,670	$ 87.26	277,670	$ 277,405,657
November 1, 2019 to November 30, 2019	22,622	106.76	22,622	274,990,571
December 1, 2019 to December 31, 2019	—	—	—	274,990,571
Three Months Ended December 31, 2019	**300,292**	**$ 88.73**	**300,292**	**$ 274,990,571**

[1]Terms of the repurchase plan authorized by the Murphy USA Inc. Board of Directors and announced on July 31, 2019 include authorization for the Company to acquire up to $400 million of its common shares by July 31, 2021. Upon completing the existing repurchase program, the company may elect to repurchase additional shares utilizing existing available cash balances if prices are favorable in management's opinion.

Equity Compensation Plan Information

The table below contains information about securities authorized for issuance under equity compensation plans. The features of these plans are discussed further in Note 10 “Incentive Plans” to our audited consolidated financial statements.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (2)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	756,022	$68.52	3,536,559
Equity compensation plans not approved by security holders	—	—	—
Total	756,022	$68.52	3,536,559

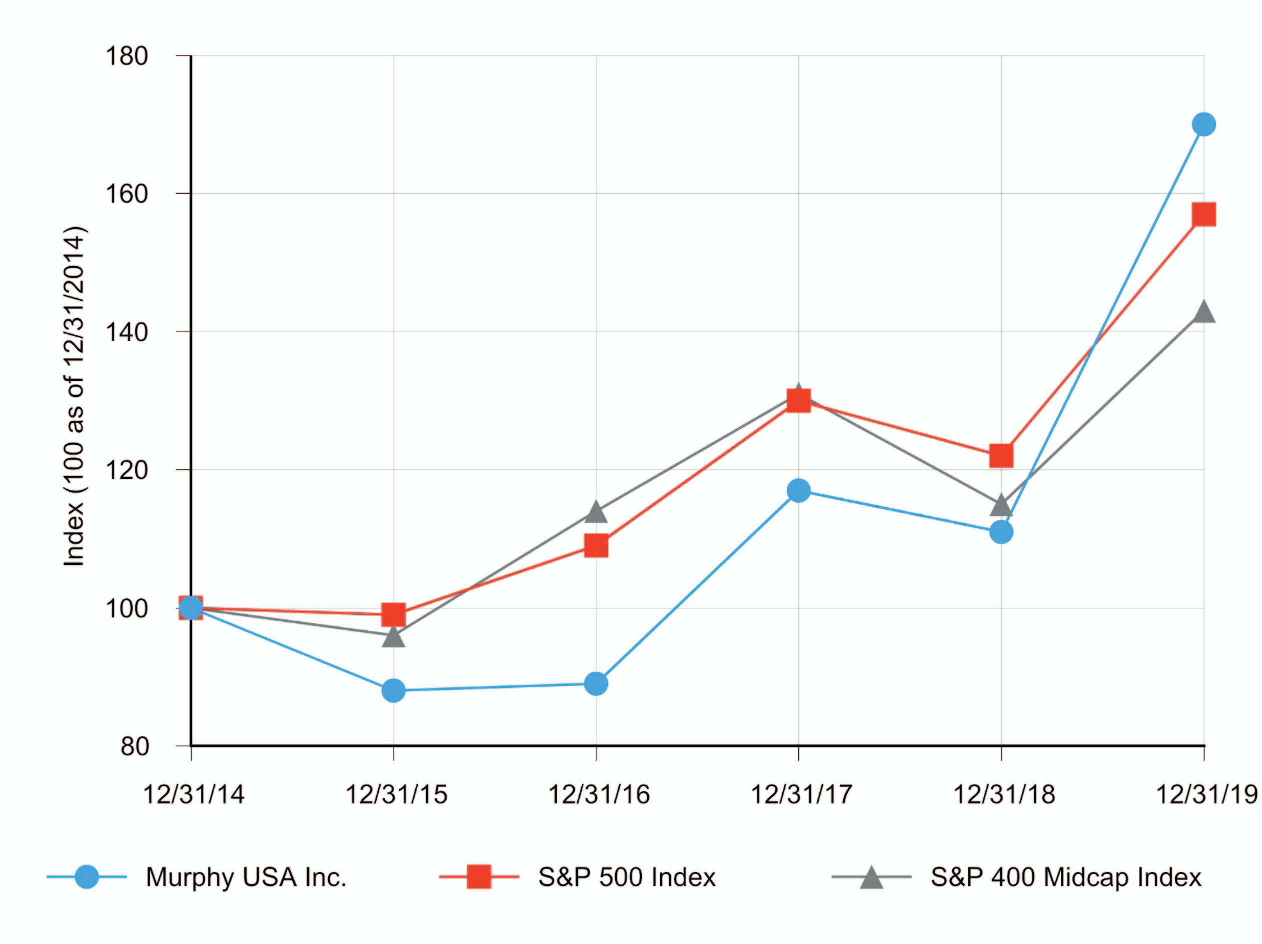
(1) Amounts in this column include outstanding restricted stock units.

(2) Number of shares available for issuance includes 3,160,188 available shares under the 2013 Long-Term Incentive Plan as of December 31, 2019 plus 376,371 available shares under the 2013 Stock Plan for Non-Employee Directors as of December 31, 2019. Assumes each restricted stock unit is equivalent to one share and each performance unit is equal to two shares.

SHAREHOLDER RETURN PERFORMANCE PRESENTATION

The following graph presents a comparison of cumulative total shareholder returns (including the reinvestment of dividends) as if a $100 investment was made on December 31, 2014, the Standard and Poor's 500 Stock Index Fund (S&P 500 Index) and the S&P 400 Midcap Index. This performance information is "furnished" by the Company and is not considered as "filed" with this Annual Report on Form 10-K and is not incorporated into any document that incorporates this Annual Report on Form 10-K by reference.

Murphy USA Inc.
Comparison of Cumulative Shareholder Returns



Shareholder Return Performance Table

	Murphy USA Inc.		S&P 500 Index		S&P 400 Midcap Index	
December 31, 2014	$	100	$	100	$	100
December 31, 2015	$	88	$	99	$	96
December 31, 2016	$	89	$	109	$	114
December 31, 2017	$	117	$	130	$	131
December 31, 2018	$	111	$	122	$	115
December 31, 2019	$	170	$	157	$	143

Item 6. SELECTED FINANCIAL DATA

(Millions of dollars, except per share data)	2019	2018	2017	2016	2015
Results of Operations for the Year					
Net sales and other operating revenues	$ 14,034.6	$ 14,362.9	$ 12,826.6	$ 11,594.6	$ 12,699.4
Net cash provided by operating activities	$ 313.3	$ 398.7	$ 283.6	$ 337.4	$ 215.8
Income from continuing operations	$ 154.8	$ 213.6	$ 245.3	$ 221.5	$ 137.6
Net income (loss)	$ 154.8	$ 213.6	$ 245.3	$ 221.5	$ 176.3
Per Common Share - diluted					
Income (loss) from continuing operations	$ 4.86	$ 6.48	$ 6.78	$ 5.59	$ 3.14
Income (loss) from discontinued operations	$ —	$ —	$ —	$ —	$ 0.88
Net income (loss)	$ 4.86	$ 6.48	$ 6.78	$ 5.59	$ 4.02
Capital Expenditures for the Year					
Marketing	$ 155.5	$ 169.2	$ 234.0	$ 239.1	$ 202.4
Corporate and other	59.1	24.6	39.7	24.8	9.5
Subtotal	$ 214.6	$ 193.8	$ 273.7	$ 263.9	$ 211.9
Discontinued operations	—	—	—	—	3.7
Total capital expenditures	$ 214.6	$ 193.8	$ 273.7	$ 263.9	$ 215.6
Financial condition at December 31					
Current ratio	1.41	1.19	1.15	1.00	1.11
Working capital	$ 205.8	$ 92.0	$ 80.9	$ 1.0	$ 43.4
Net property, plant and equipment	$ 1,807.3	$ 1,748.2	$ 1,679.5	$ 1,532.7	$ 1,369.3
Total assets	$ 2,687.2	$ 2,360.8	$ 2,331.0	$ 2,088.7	$ 1,886.2
Long-term debt	$ 999.3	$ 842.1	$ 860.9	$ 629.6	$ 490.2
Stockholders' equity	$ 803.0	$ 807.3	$ 738.4	$ 697.1	$ 792.3
Long-term debt - percent of capital employed [1]	55.4%	51.1%	53.8%	47.5%	38.2%

Notes:

[1] Calculated as Long-Term Debt on the Balance Sheet divided by the sum of Long-Term Debt plus Stockholders' Equity.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Management's Discussion and Analysis of Results of Operations and Financial Condition ("Management's Discussion and Analysis") is the Company's analysis of its financial performance and of significant trends that may affect future performance. It should be read in conjunction with the consolidated financial statements and notes included in this Annual Report on Form 10-K. It contains forward-looking statements including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations and intentions. The words "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions identify forward-looking statements. The Company does not undertake to update, revise or correct any of the forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the Company's disclosures under "Forward-Looking Statements" and "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

For purposes of this Management's Discussion and Analysis, references to "Murphy USA", the "Company", "we", "us" and "our" refer to Murphy USA Inc. and its subsidiaries on a consolidated basis.

Management's Discussion and Analysis is organized as follows:

- *Executive Overview*—this section provides an overview of our business and the results of operations and financial condition for the periods presented. It includes information on the basis of presentation with respect to the amounts presented in the Management's Discussion and Analysis and a discussion of the trends affecting our business.
- *Results of Operations*—this section provides an analysis of our results of operations, including the results of our business segments for the three years ended December 31, 2019.
- *Capital Resources and Liquidity*—this section provides a discussion of our financial condition and cash flows as of and for the three years ended December 31, 2019. It also includes a discussion of our capital structure and available sources of liquidity.
- *Critical Accounting Policies*—this section describes the accounting policies and estimates that we consider most important for our business and that require significant judgment.

Executive Overview

Our Business and Separation from Murphy Oil

Our business consists primarily of the U.S. retail marketing business that was separated from Murphy Oil, our former parent company, plus other assets, liabilities and operating expenses of Murphy Oil that are associated with supporting the activities of the U.S. retail marketing operations. We market refined products through a network of retail gasoline stores and unbranded wholesale customers. Our owned retail stores are primarily all located near Walmart stores and use the brand name Murphy USA®. We also market gasoline and other products at stand alone stores under the Murphy Express brand. At December 31, 2019, we had a total of 1,489 Company stores in 26 states, principally in the Southeast, Southwest and Midwest United States.

Basis of Presentation

Murphy USA was incorporated in March 2013 in contemplation of the Separation, and until the Separation was completed on August 30, 2013, it had not commenced operations and had no material assets, liabilities or commitments. Accordingly, the financial information presented in this Management's Discussion and Analysis and the accompanying consolidated financial statements reflect the historical results of operations, financial position and cash flows of Murphy USA.

Trends Affecting Our Business

Our operations are significantly impacted by the gross margins we receive on our fuel sales. These gross margins are commodity-based, change daily and are volatile. While we expect our total fuel sales volumes to grow over time and the gross margins we realize on those sales to remain strong, these gross margins can change rapidly due to many factors. These factors include, but are not limited to, the price of refined products, interruptions in supply caused by severe weather, severe refinery mechanical failures for an extended period of time, and competition in the local markets in which we operate.

The cost of our main sales products, gasoline and diesel, is greatly impacted by the cost of crude oil in the United States. Generally, rising prices for crude oil increase the Company’s cost for wholesale fuel products purchased. When wholesale fuel costs rise, the Company is not always able to immediately pass these price increases on to its retail customers at the pump, which in turn squeezes the Company’s sales margin. Also, rising prices tend to cause our customers to reduce discretionary fuel consumption, which tends to reduce our fuel sales volumes. Crude oil prices in 2019 started the year in the $47 per barrel range and climbed to approximately $66 per barrel in April and ended December at approximately $61 per barrel. Margins in 2019 remain near our recent historical average of 13.7 cents per gallon ("cpg") even with volatility in the price environment.

In addition, our revenues are impacted by our ability to leverage our diverse supply infrastructure in pursuit of obtaining the lowest cost of fuel supply available; for example, activities such as blending bulk fuel with ethanol and bio-diesel to capture and subsequently sell Renewable Identification Numbers (“RINs”). Under the Energy Policy Act of 2005, the EPA is authorized to set annual quotas establishing the percentage of motor fuels consumed in the United States that must be attributable to renewable fuels. Obligated parties are required to demonstrate that they have met any applicable quotas by submitting a certain amount of RINs to the EPA. RINs in excess of the set quota can then be sold in a market for RINs at then-prevailing prices. The market price for RINs fluctuates based on a variety of factors, including but not limited to governmental and regulatory action. There are other market related factors that can impact the net benefit we receive for RINs on a company-wide basis either favorably or unfavorably. The Renewable Fuel Standard ("RFS") program continues to be unpredictable and average ethanol RIN prices were $0.18 in January 2019 and moved to an average high of $0.22 in July before settling back to $0.12 in December. Our business model does not depend on our ability to generate revenues from RINs. Revenue from the sales of RINs is included in “Other operating revenues” in the Consolidated Income Statements.

As of December 31, 2019, we have $800 million of Senior Notes and $250 million of term loan outstanding. We believe that we will generate sufficient cash from operations to fund our ongoing operating requirements. At December 31, 2019, we have additional available capacity under the committed $325 million credit facilities (subject to the borrowing base), together with capacity under a $150 million incremental uncommitted facility. We expect to use the credit facilities to provide us with available financing intended to meet any ongoing cash needs in excess of internally generated cash flows. To the extent necessary, we will borrow under these facilities to fund our ongoing operating requirements.There can be no assurances, however, that we will generate sufficient cash from operations or be able to draw on the credit facilities, obtain commitments for our incremental facility and/or obtain and draw upon other credit facilities. For additional information see Significant Sources of Capital in the Capital Resources and Liquidity section.

The Company currently anticipates total capital expenditures (including land for future development) for the full year 2020 to range from approximately $225 million to $275 million depending on how many new sites are completed. We intend to fund our capital program in 2020 primarily using operating cash flow, but will supplement funding where necessary using borrowings under available credit facilities.

We believe that our business will continue to grow in the future as we expect to build additional locations chosen by our real estate development team that have the characteristics we look for in a strong site. The pace of this growth is continually monitored by our management, and these plans can be altered based on operating cash flows generated and the availability of debt facilities.

Seasonality

Our business has inherent seasonality due to the concentration of our retail sites in certain geographic areas, as well as customer behaviors during different seasons. In general, sales volumes and operating incomes are highest in the second and third quarters during the summer activity months and lowest during the winter months.

Business Segments

Our business is organized into one operating segment which is Marketing. The Marketing segment includes our retail marketing sites and product supply and wholesale assets. For operating segment information, see Note 20 “Business Segments” in the accompanying audited consolidated financial statements for the three-year period ended December 31, 2019.

Results of Operations

Consolidated Results

For the year ended December 31, 2019, the Company reported net income of $154.8 million or $4.86 per diluted share on revenue of $14.0 billion. Net income was $213.6 million for 2018 or $6.48 per diluted share on revenue of $14.4 billion.

A summary of the Company’s earnings by business segment follows:

	Year ended December 31,		
(millions of dollars)	2019	2018	2017
Marketing	$ 215.0	$ 214.2	$ 295.3
Corporate and other assets	(60.2)	(0.6)	(50.0)
Net income	$ 154.8	$ 213.6	$ 245.3

Net income for 2019 decreased compared to 2018, primarily due to:

- Lower settlement proceeds from Deepwater Horizon spill recorded in Corporate and other assets;
- Higher station and other operating expenses;
- Higher general and administrative expenses;
- Higher depreciation;
- Loss on early debt extinguishment

The items below partially offset the decrease in earnings in the current period:

- Higher all-in fuel contribution;
- Higher merchandise contribution

Net income for 2018 decreased compared to 2017 primarily due to:

- No recognition of deferred tax benefits related to the passage of the Tax Cuts and Jobs Act in 2017;
- Higher station and other operating expenses;
- Higher depreciation expense

The items below partially offset the decrease in earnings of 2018 from 2017:

- Higher total fuel contribution due to improved retail fuel margins combined with higher product supply and wholesale margins, excluding RINs;
- Net settlement proceeds from Deepwater Horizon oil spill recorded in Corporate and other assets;
- Higher merchandise contribution

2019 versus 2018

Revenues for the year ended December 31, 2019 decreased $0.3 billion, or 2.3%, compared to 2018. The decrease was primarily due to a decrease in retail fuel prices of 14 cpg for the 2019 full year which was partially offset by an increase in retail fuel sales volumes of 3.4% due primarily to an increase in the number of stores and improved pricing tactics. Merchandise sales were also higher year-over-year by 8.1%.

Cost of sales decreased $0.4 billion, or 2.8%, compared to 2018. This decrease was due to retail fuel sold at a lower average cost which was partially offset by higher volumes and increased merchandise cost of goods sold.

Station and other operating expenses increased $18.0 million, or 3.3% in 2019 due primarily to the addition of 17 new stores, along with 27 larger stores under our raze-and-rebuild program. On an average per store month (APSM) basis, the station operating expenses applicable to the retail marketing business increased 2.0% in 2019. The largest area of increase was in employee related expenses.

Selling, general and administrative expenses for 2019 were higher by $8.4 million. The increase was mainly due to higher professional fees, employee benefit costs, and increased technology service costs.

Net settlement proceeds for 2019 were $0.1 million (before tax), which represented the final remaining net settlement of damages incurred in connection with the 2010 Deepwater Horizon oil spill, compared to $50.4 million in 2018.

Interest expense in 2019 increased by $2.0 million compared to 2018 due primarily to additional term loan borrowings in 2019 and the accelerated write-off of associated debt issuance costs on the modification of the revolver combined with a lower amount of capitalized interest.

During 2019, the company recorded a $14.8 million loss on early debt extinguishment related to the call and redemption of our 2023 Senior Notes.

Depreciation expense in 2019 increased $18.0 million due primarily to more stores in operation during 2019 when compared to 2018, combined with accelerated depreciation on raze-and-rebuilds.

Income tax expense is lower in 2019 by $12.7 million due primarily to lower pretax income. The effective income tax expense rate in 2019 was 23.5% compared to 22.0% for 2018 due to fewer discrete state income tax benefits and lower excess tax benefits from equity compensation.

2018 versus 2017

Revenues for the year ended December 31, 2018 increased $1.5 billion, or 12.0%, compared to 2017. The improvement was primarily due to an increase in retail fuel prices of 29 cpg for the full year, in addition, total retail volumes increased 2.2% due primarily to an increase in the number of stores.

Cost of sales increased $1.5 billion, or 12.8%, compared to 2017. This increase was due to higher volumes of retail fuel sold at a higher average cost, higher wholesale costs, higher merchandise costs and increased store count.

Station and other operating expenses increased $26.4 million, or 5.1% in 2018 due primarily to the addition of 26 new stores, along with 27 larger stores under our raze-and-rebuild program. On an average per store month ("APSM") basis, the station operating expenses applicable to the retail marketing business increased 0.7% in 2018. The largest area of increase was in maintenance expense.

Selling, general and administrative expenses for 2018 were lower by $5.0 million. The decrease was mainly due to lower charitable donation expenses in 2018, partially offset by higher labor and employee benefit costs.

Net settlement proceeds for 2018 were $50.4 million (before tax), which represented the net settlement of damages incurred in connection with the 2010 Deepwater Horizon oil spill.

Net interest expense in 2018 increased by $6.2 million compared to 2017 due primarily to expense for the full year 2018 for the 2027 Senior Notes which were issued early in the second quarter of 2017 combined with a lower amount of capitalized interest.

Income tax expense was higher in 2018 by $65.5 million due to the benefit recognized in 2017 related to the enactment of the Tax Cuts and Jobs Act which resulted in the existing net deferred tax liabilities being revalued to lower Corporate tax rates. The effective rate in 2018 was 22.0% compared to a tax benefit of 2.2% for 2017.

Segment Results

Marketing

Income before income taxes in the Marketing segment for 2019 decreased $2.4 million, or 0.8%, from 2018 due to increased station and other operating costs, general and administrative costs, and depreciation, partially offset by improved all-in fuel and merchandise contribution.

The tables below show the results for the Marketing segment for the three years ended December 31, 2019 along with certain key metrics for the segment.

(Millions of dollars, except revenue per store month (in thousands) and store counts)	Years Ended December 31,		
Marketing Segment	**2019**	**2018**	**2017**
Operating revenues			
Petroleum product sales	$ 11,373.8	$ 11,858.4	$ 10,287.9
Merchandise sales	2,620.1	2,423.0	2,372.6
Other	40.4	80.9	165.7
Total operating revenues	$ 14,034.3	$ 14,362.3	$ 12,826.2
Operating expenses			
Petroleum product cost of goods sold	10,707.4	11,251.1	9,773.2
Merchandise cost of goods sold	2,200.7	2,022.5	1,991.4
Station and other operating expenses	559.3	541.3	514.9
Depreciation and amortization	138.9	124.5	110.5
Selling, general and administrative	144.6	136.2	141.2
Accretion of asset retirement obligations	2.1	2.0	1.8
Total operating expenses	$ 13,753.0	$ 14,077.6	$ 12,533.0
Gain (loss) on sale of assets	0.1	(1.1)	(3.9)
Income from operations	281.4	283.6	289.3
Other income (expense)			
Interest expense	(0.1)	(0.1)	(0.1)
Other nonoperating income	—	0.2	3.2
Total other income (expense)	$ (0.1)	$ 0.1	$ 3.1
Income before income taxes	281.3	283.7	292.4
Income tax expense (benefit)	66.3	69.5	(2.9)
Income	$ 215.0	$ 214.2	$ 295.3
Total tobacco sales revenue per same store sales[1,2]	$ 107.3	$ 101.2	$ 105.5
Total non-tobacco sales revenue per same store sales[1,2]	41.0	39.1	37.1
Total merchandise sales revenue per same store sales[1,2]	$ 148.3	$ 140.3	$ 142.6

[1]2018 and 2017 amounts not revised for subsequent raze-and-rebuild activity

[2]Includes site-level discounts for MDR redemptions and excludes change in value of unredeemed MDR points

Store count at end of period	1,489	1,472	1,446
Total store months during the period	17,621	17,343	16,880

APSM metric includes all stores open through the date of the calculation.

Same store sales ("SSS") metric includes aggregated individual store results for all stores open throughout both periods presented. For all periods presented, the store must have been open for the entire calendar year to be included in the comparison. Remodeled stores that remained open or were closed for just a very brief time (less than a month) during the period being compared remain in the same store sales calculation. If a store is replaced either at the same location (raze-and-rebuild) or relocated to a new location, it will be excluded from the calculation during the period it is out of service. Newly constructed sites do not enter the calculation until they are open for each full calendar year for the periods being compared (open by January 1, 2018 for the sites being compared in the 2019 versus 2018 comparison). When prior period same store sales volumes or sales are presented, they have not been revised for current year activity for raze-and-rebuilds and asset dispositions.

Fuel

Key Operating Metrics	Twelve Months Ended December 31, 2019	2018	2017
Total retail fuel contribution ($ Millions)	$ 605.8	$ 624.2	$ 581.0
Total PS&W contribution ($Millions)	64.0	(13.8)	(63.6)
RINs and other (included in Other operating revenues on Consolidated Income Statement) ($ Millions)	34.8	75.2	160.3
Total fuel contribution ($ Millions)	$ 704.6	$ 685.6	$ 677.7
Retail fuel volume - chain (Million gal)	4,374.5	4,232.2	4,140.9
Retail fuel volume - per site (K gals APSM)[1]	248.3	244.0	245.3
Retail fuel volume - per site (K gal SSS)[2]	243.8	242.6	245.3
Total fuel contribution (including retail, PS&W and RINS) (cpg)	16.1	16.2	16.4
Retail fuel margin (cpg)	13.8	14.7	14.0
PS&W including RINs contribution (cpg)	2.3	1.5	2.4

[1]APSM metric includes all stores open through the date of calculation

[2]2018 and 2017 amounts not revised for subsequent raze-and-rebuild activity (SSS definition on page 31)

The reconciliation of the total fuel contribution to the Consolidated Income Statements is as follows:

(Millions of dollars)	Twelve Months Ended December 31, 2019	2018	2017
Petroleum product sales	$ 11,373.8	$ 11,858.4	$ 10,287.9
Less Petroleum product cost of goods sold	(10,707.4)	(11,251.1)	(9,773.2)
Plus RINs and other (included in Other Operating Revenues line)	38.2	78.3	163.0
Total fuel contribution	$ 704.6	$ 685.6	$ 677.7

Merchandise

Key Operating Metrics	Twelve Months Ended December 31, 2019	2018	2017
Total merchandise contribution ($ Millions)	$ 419.4	$ 400.4	$ 381.2
Total merchandise sales ($ Millions)	$ 2,620.1	$ 2,423.0	$ 2,372.7
Total merchandise sales ($K SSS)[1,2]	$ 148.3	$ 140.3	$ 142.6
Merchandise unit margin (%)	16.0%	16.5%	16.1%
Tobacco contribution ($K SSS)[1,2]	$ 14.6	$ 13.7	$ 13.7
Non-tobacco contribution ($K SSS)[1,2]	$ 9.6	$ 9.6	$ 9.2
Total merchandise contribution ($K SSS)[1,2]	$ 24.2	$ 23.3	$ 22.9

[1]2018 and 2017 amounts not revised for subsequent raze-and-rebuild activity (SSS definition on page 31)

[2]Includes site-level discounts for MDR redemptions and excludes change in value of unredeemed MDR points

2019 versus 2018

Total fuel volumes for the year ended December 31, 2019 were up 3.4%. Retail fuel volumes in 2019 on a SSS basis were higher by 1.2% compared to 2018. The increase in retail volumes on an SSS basis was primarily attributable to improved pricing tactics.

The Marketing segment had total revenues of $14.0 billion in 2019 compared to approximately $14.4 billion in 2018, a decrease of $0.4 billion. Revenue amounts included excise taxes collected and remitted to government authorities of $1.9 billion in 2019 and $1.8 billion in 2018.

Total fuel sales volumes on an SSS basis were 243,818 gallons per month in 2019, increased from 242,562 gallons per month in the prior year. Retail fuel margin decreased in 2019 to 13.8 cpg, compared to 14.7 cpg in the prior year. The lower fuel margins in the current year were attributed to a rising fuel price environment which typically compresses retail margins. Total product supply and wholesale margin dollars before RINs increased in the current year, which is typical in a rising price environment due to timing and inventory price adjustments, partially offset by a decline in the contribution from RINs sales. During 2019, operating income included $34.8 million from the sale of 197 million RINs at an average selling price of $0.18 per RIN compared to 2018's $75.2 million for the sale of 227 million RINs at an average price of $0.33 per RIN.

Merchandise sales were up 8.1% in 2019 to $2.6 billion. Merchandise unit margins decreased 50 basis points, to 16.0% in 2019 from 16.5% in 2018. On a SSS basis, total merchandise sales were up 6.5% with tobacco products up 7.7%, along with a 3.5% increase in non-tobacco sales. Total margins on a SSS basis for 2019 were up 4.5% with tobacco margins higher 8.2%, partially offset by a 0.6% decrease in non-tobacco margins that were negatively impacted by the allocation of certain immaterial costs that were previously included in operating expense.

Station and other operating expenses increased $18.0 million in 2019 compared to 2018 levels, an increase of 3.3%. This increase in total dollars was due mainly to increased store count. Excluding credit card fees on an APSM basis, station and other operating expenses at the retail level were higher in 2019 by 2.0% compared to 2018 levels. This increase was due primarily to higher employee related expenses.

Depreciation and amortization increased $14.4 million in 2019, an increase of 11.5%. This increase was caused by more stores operating in the 2019 period combined with accelerated depreciation on raze-and-rebuild sites.

Selling, general and administrative expenses ("SG&A") increased $8.4 million in 2019 compared to 2018. The increased SG&A costs were primarily due to higher professional fees, employee benefits and other technology service expenses.

2018 versus 2017

Total fuel volumes for the year ended December 31, 2018 were up 2.2%. Retail fuel volumes in 2018 on an SSS basis were lower by 0.6% compared to 2017. The decline in retail volumes on an SSS basis was related to restrained retail demand and ongoing competitive pressures.

The Marketing segment had total revenues of $14.4 billion in 2018 compared to approximately $12.8 billion in 2017, an increase of $1.6 billion. Revenue amounts included excise taxes collected and remitted to government authorities of $1.8 billion in 2018 and $2.0 billion in 2017. The Company adopted ASC Topic 606 as of January 1, 2018 using the modified retrospective method. The impact of the excise and sales taxes collected and remitted to government authorities included in petroleum product sales that would have been recognized under previous revenue recognition guidance would have increased 2018 petroleum product sales (at retail) by $25.4 million and petroleum product sales (at wholesale) by $171.2 million for a total increase in petroleum product sales of $196.5 million.

Total fuel sales volumes on an SSS basis were 242,562 gallons per month in 2018, down 0.6% from 245,289 gallons per month in the prior year. Retail fuel margin increased in 2018 to 14.7 cpg, compared to 14.0 cpg in the prior year. The higher fuel margins in the period were attributed to more price volatility in 2018 compared to 2017. Total product supply and wholesale margin dollars excluding RINs increased in the current year but was offset by a decline in the contribution of RINs sales. During 2018, operating income included $75.2 million from the sale of 227 million RINs at an average selling price of $0.33 per RIN compared to $160.3 million for the sale of 224 million RINS at an average price of $0.72 per RIN in 2017.

Merchandise sales were up 2.1% in 2018 to $2.4 billion. Merchandise unit margins increased 40 basis points, to 16.5% in 2018 from 16.1% in 2017. This improvement in margin was primarily caused by optimizing promotional programs and manufacturer price increases in tobacco along with new products at better margins. On a SSS basis, total merchandise sales were down 0.2% with tobacco products down 1.6%, partially offset by a 3.8% increase in non-tobacco sales. Total margins on an SSS basis for 2018 were up 2.9% with tobacco margins higher 3.1%, combined with a 2.6% increase in non-tobacco margin.

Station and other operating expenses increased $26.4 million in 2018 compared to 2017 levels, an increase of 5.1%. This increase in total dollars was due mainly to increased store count. Excluding credit card fees, on an APSM basis, station and other operating expenses at the retail level were higher in 2018 by 1.1% compared to 2017 levels. This increase was due primarily to higher maintenance related expenses.

Depreciation and amortization increased $14.0 million in 2018, an increase of 12.7%. This increase was caused by more stores operating in the 2018 period compared to the prior year.

Selling, general and administrative expenses decreased $5.0 million in 2018 compared to 2017. The lower SG&A costs in 2018 were primarily due to decreased donations expense in 2018 partially offset by higher incentive awards expense.

Corporate and other assets

2019 versus 2018

Income from continuing operations for Corporate and other assets in 2019 was a loss of $60.2 million, compared to a loss of $0.6 million in 2018. The 2018 results included the recognition of net settlement proceeds of approximately $50.4 million (pretax) from the 2010 Deepwater Horizon oil spill compared to $0.1 million (pretax) in 2019. Net interest expense was higher in the current year by $2.0 million primarily due to the additional borrowings on the term loan, early amortization of associated debt issuance costs due to the call of the 2023 Senior Notes in September 2019, and was partially offset by lower interest rates on the $500 million Senior Notes issued on September 13, 2019 combined with lower capitalized interest. The Company incurred a $14.8 million loss on early debt extinguishment during 2019 related to the 2023 Senior Notes. Depreciation and amortization expense for 2019 was $3.8 million more than in the prior year.

2018 versus 2017

Income from continuing operations for Corporate and other assets in 2018 was a loss of $0.6 million compared to a loss of $50.0 million in 2017. The 2018 improvement was due to recording net settlement proceeds of approximately $50.4 million (pretax) from the 2020 Deepwater Horizon oil spill. The 2018 year included net interest expense of $52.9 million compared to interest expense in 2017 of $46.7 million. The increase in net interest expense in 2018 was primarily due to the new 2027 Senior Notes of $300 million that were issued in early 2017. Depreciation and amortization expense for 2018 was $3.1 million more than in 2017.

Non-GAAP Measures

The following table sets forth the Company's EBITDA and Adjusted EBITDA for the three years ended December 31, 2019. EBITDA means net income (loss) plus net interest expense, plus income tax expense, depreciation and amortization, and Adjusted EBITDA adds back (i) other non-cash items (e.g., impairment of properties and accretion of asset retirement obligations) and (ii) other items that management does not consider to be meaningful in assessing our operating performance (e.g., (income) from discontinued operations, net settlement proceeds, gain (loss) on sale of assets, loss on early debt extinguishment and other non-operating (income) expense). EBITDA and Adjusted EBITDA are not measures that are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

We use Adjusted EBITDA in our operational and financial decision-making, believing that the measure is useful to eliminate certain items in order to focus on what we deem to be an indicator of ongoing operating performance and our ability to generate cash flow from operations. Adjusted EBITDA is also used by many of our investors, research analysts, investment bankers, and lenders to assess our operating performance. We believe that the presentation of Adjusted EBITDA provides useful information to investors because it allows understanding of a key measure that we evaluate internally when making operating and strategic decisions, preparing our annual plan and evaluating our overall performance. However, non-GAAP measures are not a substitute for GAAP disclosures, and EBITDA and Adjusted EBITDA may be prepared differently by us than by other companies using similarly titled non-GAAP measures.

The reconciliation of net income to EBITDA and Adjusted EBITDA is as follows:

	Years Ended December 31,		
(Millions of dollars)	2019	2018	2017
Net income	$ 154.8	$ 213.6	$ 245.3
Income tax expense (benefit)	47.6	60.3	(5.2)
Interest expense, net of interest income	51.7	51.4	45.4
Depreciation and amortization	152.2	134.0	116.9
EBITDA	406.3	459.3	402.4
Net settlement proceeds	(0.1)	(50.4)	—
Accretion of asset retirement obligations	2.1	2.0	1.8
(Gain) loss on sale of assets	(0.1)	1.1	3.9
Loss on early debt extinguishment	14.8	—	—
Other nonoperating (income) expense	(0.4)	(0.2)	(2.2)
Adjusted EBITDA	$ 422.6	$ 411.8	$ 405.9

Capital Resources and Liquidity

Significant sources of capital

As of December 31, 2019, we had $280.3 million of cash and cash equivalents. Our cash management policy provides that cash balances in excess of a certain threshold are reinvested in certain types of low-risk investments.

We have borrowing capacity under a committed $325 million asset based loan facility (the "ABL facility") (subject to the borrowing base) and a $250 million term loan, as well as a $150 million incremental uncommitted facility. At December 31, 2019, we had $325 million of borrowing capacity that we could utilize for working capital and other general corporate purposes under our existing facility, including to support our operating model as described herein. Our borrowing base limit for the facility is approximately $238 million based on December 31, 2019 balance sheet information. See “Debt – Credit Facilities” for the calculation of our borrowing base.

We also have a shelf registration on file with the SEC for an indeterminate amount of debt and equity securities for future issuance, subject to our internal limitations on the amount of debt to be issued under this shelf registration statement.

We believe our short-term and long-term liquidity is adequate to fund not only our operations, but also our anticipated near-term and long-term funding requirements, including capital spending programs, execution of announced share repurchase programs, potential dividend payments, repayment of debt maturities and other amounts that may ultimately be paid in connection with contingencies.

Operating Activities

Net cash provided by operating activities was $313.3 million for the year ended December 31, 2019 and $398.7 million for the comparable period in 2018, a decrease of 21.4%, primarily because of changes in net income, and changes in noncash working capital. Net income decreased $58.8 million in 2019 compared to 2018 and the amount of cash generated from working capital in the 2019 period decreased by $51.0 million. Partially offsetting these decreases were benefits from non-cash depreciation and amortization and loss on early debt extinguishment.

Net cash provided by operating activities was $283.6 million in 2017. The primary reason for changes in the amounts between 2018 and 2017 related to lower net income, offset by changes in deferred income taxes and changes in noncash working capital and depreciation expense.

Investing Activities

For the year ended December 31, 2019, cash required by investing activities was $203.1 million compared to cash required by investing activities of $209.1 million in 2018. The investing cash decrease of $6.0 million in 2019 was due to lower other investing activities in the current year. Capital expenditures in 2019 required cash of $204.8 million compared to $204.3 million in 2018.

In 2018, cash required by investing activities was $209.1 million while 2017 required cash from investing activities of $262.1 million due primarily to lower capital expenditures in 2018.

Financing Activities

Financing activities in the year ended December 31, 2019 required net cash of $14.4 million compared to a net cash required of $175.1 million in the year ended December 31, 2018. The decrease in financing cash requirements was due to new debt issuances which were partially offset by repayments of debt, debt extinguishment costs, debt issuance costs and increased amounts spent on share repurchases in 2019.

Net cash required by financing activities in 2017 was $5.3 million. In 2017, the differences were due to the amount of stock repurchases and debt issuances compared to 2018.

Share Repurchase program

On July 24, 2019, the Board of Directors approved an up to $400 million share repurchase program to be executed over the two-year period ending July 2021. Purchases may be effected in the open market, through privately negotiated transactions, through one or more accelerated stock repurchase programs, through a combination of the foregoing or in any other manner in the discretion of management. Purchases will be made subject to available cash, market conditions and compliance with our financing arrangements at any time during the period of authorization. We may use cash from operations as well as draws under our credit facilities to effect purchases.

Prior to the July authorization, the Company had continued to conduct share repurchases under quarterly allocations in line with our past practice. During the year 2019, a total of 1,898,023 shares were repurchased for $165.8 million, of which 1,393,626 shares for $125.0 million were made under the new plan, leaving available approximately $275.0 million to be completed by July 2021.

Debt

Our long-term debt at December 31, 2019 and 2018 was as set forth below:

	December 31,	
(Millions of dollars)	2019	2018
6.00% senior notes due 2023 (net of unamortized discount of $4.1 at 2018)	$ —	$ 495.9
5.625% senior notes due 2027 (net of unamortized discount of $2.7 at 2019 and $3.1 at 2018)	297.3	296.9
4.75 % senior notes due 2029 (net of unamortized discount of $6.1 at 2019)	493.9	—
Term loan due 2020 (effective interest rate of 5.0% at 2018)	—	72.0
Term loan due 2023 (effective interest rate of 4.3% at 2019)	250.0	—
Capitalized lease obligations, vehicles, due through 2022	2.4	2.3
Unamortized debt issuance costs	(5.5)	(3.8)
Total long-term debt	1,038.1	863.3
Less current maturities	38.8	21.2
Total long-term debt, net of current	$ 999.3	$ 842.1

Senior Notes

On April 25, 2017, Murphy Oil USA, Inc., our primary operating subsidiary, issued $300 million of 5.625% Senior Notes due 2027 (the "2027 Senior Notes") under its existing shelf registration statement. The 2027 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2027 Senior Notes contains restrictive covenants that limit, among other things, the ability of Murphy USA, Murphy Oil USA, Inc. and the restricted subsidiaries to incur additional indebtedness or liens, dispose of assets, make certain restricted payments or investments, enter into transactions with affiliates or merge with or into other entities.

On September 13, 2019, Murphy Oil USA, Inc., consummated a partial tender offer on its 6.00% $500 million Senior Notes due 2023 (the “2023 Senior Notes”). Following the completion of the tender offer, Murphy Oil USA, Inc. called the remaining 2023 Senior Notes and satisfied and discharged the indenture governing the 2023 Senior Notes. We paid a total of $514.5 million which included a call premium and all applicable accrued and unpaid interest. The call premium and unamortized debt discount and issuance costs were reported as loss on early debt extinguishment in the consolidated income statements for the period ended September 30, 2019.

On September 13, 2019, Murphy Oil USA, Inc., issued $500 million of 4.75% Senior Notes due 2029 (the “2029 Senior Notes”). The net proceeds from the issuance of the 2029 Senior Notes were used to fund, in part, the tender offer and redemption of the 2023 Senior Notes. The 2029 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2029 Senior Notes contains restrictive covenants that are essentially identical to the covenants for the 2027 Senior Notes.

The 2027 and 2029 Senior Notes and the guarantees rank equally with all of our and the guarantors’ existing and future senior unsecured indebtedness and effectively junior to our and the guarantors’ existing and future secured indebtedness (including indebtedness with respect to the credit facilities) to the extent of the value of the assets securing such indebtedness. The 2027 and 2029 Senior Notes are structurally subordinated to all of the existing and future third-party liabilities, including trade payables, of our existing and future subsidiaries that do not guarantee the notes.

Credit Facilities and Term Loan

In August 2019, we amended and extended our existing credit agreement. The effective date of the agreement was extended to August, 2024. The credit agreement provides for a committed $325 million asset-based loan (ABL) facility (with availability subject to the borrowing base described below) and a $200 million term loan facility with an additional $50 million available until December 31, 2019. It also provides for a $150 million uncommitted incremental facility. On August 27, 2019, Murphy Oil USA, Inc. borrowed $200 million under the term loan facility that has a four-year term and prepaid the remaining balance of the prior term loan of $57 million. On December 31, 2019, we borrowed the additional $50 million term loan, and at December 31, 2019 had an outstanding balance of $250 million. The term loan is due August 2023 and requires quarterly principal payments of $12.5 million beginning April 1, 2020. As of December 31, 2019, we had zero outstanding under our ABL facility.

The borrowing base is, at any time of determination, the amount (net of reserves) equal to the sum of:

- 100% of eligible cash at such time, plus
- 90% of eligible credit card receivables at such time, plus
- 90% of eligible investment grade accounts, plus
- 85% of eligible other accounts, plus
- 80% of eligible product supply/wholesale refined products inventory at such time, plus
- 75% of eligible retail refined products inventory at such time, plus

the lesser of (i) 70% of the average cost of eligible retail merchandise inventory at such time and (ii) 85% of the net orderly liquidation value of eligible retail merchandise inventory at such time.

The ABL facility includes a $100 million sublimit for the issuance of letters of credit. Letters of credit issued under the ABL facility reduce availability under the ABL facility.

Interest payable on the credit facilities is based on either:

- the London interbank offered rate, adjusted for statutory reserve requirements (the "Adjusted LIBO Rate"); or
- the Alternate Base Rate, which is defined as the highest of (a) the prime rate, (b) the federal funds effective rate from time to time plus 0.50% per annum and (c) the one-month Adjusted LIBO Rate plus 1.00% per annum,

plus, (A) in the case Adjusted LIBO Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 1.50% to 2.00% per annum depending on a total debt to EBITDA ratio under the ABL facility or (ii) with respect to the term facility, spreads ranging from 2.50% to 2.75% per annum depending on a total debt to EBITDA ratio and (B) in the case of Alternate Base Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 0.50% to 1.00% per annum depending on a total debt to EBITDA ratio under the ABL facility or (ii) with respect to the term facility, spreads ranging from 1.50% to 1.75% per annum depending on a total debt to EBITDA ratio.

The interest rate period with respect to the Adjusted LIBO Rate interest rate option can be set at one-, two-, three-, or six-months as selected by us in accordance with the terms of the credit agreement.

The credit agreement contains certain covenants that limit, among other things, the ability of us and our subsidiaries to incur additional indebtedness or liens, to make certain investments, to enter into sale-leaseback transactions, to make certain restricted payments, to enter into consolidations, mergers or sales of material assets and other fundamental changes, to transact with affiliates, to enter into agreements restricting the ability of subsidiaries to incur liens or pay dividends, or to make certain accounting changes. In addition, the credit agreement requires us to maintain a minimum fixed charge coverage ratio of a minimum of 1.0 to 1.0 when availability for at least three consecutive business days is less than the greater of (a) 17.5% of the lesser of the aggregate ABL facility commitments and the borrowing base and (b) $70,000,000 (including as of the most recent fiscal quarter end on the first date when availability is less than such amount) as well as a maximum secured debt to EBITDA ratio of 4.5 to 1.0 at any time when term facility commitments or term loans thereunder are outstanding. As of December 31, 2019, our fixed charge coverage ratio was 0.93 however, we had more than $100 million of availability under the ABL facility at that date so the fixed charge coverage rate currently has no impact on our operations or liquidity. Our secured debt to EBITDA ratio as of December 31, 2019 was 0.58 to 1.0.

The credit agreement contains restrictions on certain payments, including dividends, when availability under the credit agreement is less than or equal to the greater of $100 million and 25% of the lesser of the revolving commitments and the borrowing base and our fixed charge coverage ratio is less than 1.0 to 1.0 (unless availability under the credit agreement is greater than $100.0 million and 40% of the lesser of the revolving commitments and the borrowing base). As of December 31, 2019, our ability to make restricted payments was not limited as our availability under the borrowing base was more than $100 million, while our fixed charge coverage ratio under our credit agreement was less than 1.0 to 1.0. As of December 31, 2019, the Company had a shortfall of approximately $30.6 million of our net income and retained earnings subject to such restrictions before the fixed charge coverage ratio would exceed 1.0 to 1.0.

All obligations under the credit agreement are guaranteed by Murphy USA and the subsidiary guarantors party thereto, and all obligations under the credit agreement, including the guarantees of those obligations, are secured by certain assets of Murphy USA, Murphy Oil USA, Inc. and the guarantors party thereto.

Contractual Obligations

The following table summarizes our aggregate contractual fixed and variable obligations as of December 31, 2019.

(Millions of dollars)	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Debt obligations [1]	$ 1,052.6	$ 38.9	$ 101.2	$ 112.5	$ 800.0
Operating lease obligations	216.8	14.9	27.9	25.1	148.9
Purchase obligations [2]	287.4	223.3	63.7	0.4	—
Asset retirement obligations	160.5	—	—	—	160.5
Other long-term obligations, including interest on long-term debt	413.1	68.9	99.6	86.3	158.3
Total	$ 2,130.4	$ 346.0	$ 292.4	$ 224.3	$ 1,267.7

[1]For additional information, see Note 7 “Long-Term Debt” in the accompanying audited consolidated financial statements.
[2]Primarily includes ongoing new retail station construction in progress at December 31, 2019, commitments to purchase land, take-or-pay supply contracts and other services. See Note 16 “Commitments” in the audited consolidated financial statements for the year ended December 31, 2019.

Capital Spending

Capital spending and investments in our Marketing segment relate primarily to the acquisition of land and the construction of new Company stores. Our Marketing capital is also deployed to improve our existing sites, which we refer to as sustaining capital. We use sustaining capital in this business as needed to ensure reliability and continued performance of our sites. We also invest in our Corporate and other assets segment which is primarily technology related.

The following table outlines our capital spending and investments by segment for the three years ended December 31, 2019:

(Millions of dollars)	2019	2018	2017
Marketing:			
Company stores	$ 130.5	$ 134.1	$ 182.9
Terminals	3.6	0.6	2.2
Sustaining capital	21.4	34.5	48.9
Corporate and other assets	59.1	24.6	39.7
Total	$ 214.6	$ 193.8	$ 273.7

We currently expect capital expenditures for the full year 2020 to range from approximately $225 million to $275 million, including $170-$200 million for retail growth, approximately $15 to $20 million for maintenance capital, with the remaining funds earmarked for other corporate investments, including EMV compliance and other strategic initiatives. See Note 16 “Commitments” in the audited consolidated financial statements for the three years ended December 31, 2019 included in this Annual Report on Form 10-K.

Critical Accounting Policies

Impairment of Long-Lived Assets

Individual retail sites are reviewed for impairment periodically or whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Our primary indicator that operating store assets may not be recoverable is consistent negative cash flow over a twenty-four month period for those retail sites that have been open in the same location for a sufficient period to allow for meaningful analysis of ongoing results. We also monitor other factors when evaluating retail sites for impairment, including individual site execution of operating plans and local market conditions.

When an evaluation is required, the projected future undiscounted cash flows to be generated from each retail site over its remaining economic life are compared to the carrying value of the long-lived assets of that site to determine if a write-down of the carrying value to fair value is required. When determining future cash flows associated with an individual retail site, we make assumptions about key variables such as sales volume, gross margins and expenses. Cash flows vary for each retail site year to year. Changes in market demographics, traffic patterns, competition and other factors impact the overall operations of certain of our individual retail site locations. Similar changes may occur in the future that will require us to record impairment charges. We have not made any material change in the methodology used to estimate future cash flows of retail site locations during the past three years.

Our impairment evaluations are based on assumptions we deem to be reasonable. If the actual results of our retail sites are not consistent with the estimates and judgments we have made in estimating future cash flows and determining fair values, our actual impairment losses could vary positively or negatively from our estimated impairment losses. Providing sensitivity analysis if other assumptions were used in performing the impairment evaluations is not practical due to the significant number of assumptions involved in the estimates.

Tax Matters

We are subject to extensive tax liabilities imposed by multiple jurisdictions, including income taxes, indirect taxes (excise/duty, sales/use, and gross receipts taxes), payroll taxes, franchise taxes, withholding taxes and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed that could result in increased expenditures for tax liabilities that cannot be predicted at this time. In addition, we have received claims from various jurisdictions related to certain tax matters. Tax liabilities include potential assessments of penalty and interest amounts.

We record tax liabilities based on our assessment of existing tax laws and regulations. A contingent loss related to a transactional tax claim is recorded if the loss is both probable and estimable. The recording of our tax liabilities requires significant judgments and estimates. Actual tax liabilities can vary from our estimates for a variety of reasons, including different interpretations of tax laws and regulations and different assessments of the amount of tax due. In addition, in determining our income tax provision, we must assess the likelihood that our deferred tax assets will be recovered through future taxable income. Significant judgment is required in estimating the amount of valuation allowance, if any, that should be recorded against those deferred income tax assets. If our actual results of operations differ from such estimates or our estimates of future taxable income change, the valuation allowance may need to be revised. However, an estimate of the sensitivity to earnings that would result from changes in the assumptions and estimates used in determining our tax liabilities is not practicable due to the number of assumptions and tax laws involved, the various potential interpretations of the tax laws, and the wide range of possible outcomes. The Company is occasionally challenged by taxing authorities over the amount and/or timing of recognition of revenues and deductions in its various income tax returns. Although the Company believes it has adequate accruals for matters not resolved with various taxing authorities, gains or losses could occur in future years from changes in estimates or resolution of outstanding matters. See Note 9 “Income Taxes” in the accompanying audited consolidated financial statements for the three-year period ended December 31, 2019 for a further discussion of our tax liabilities.

Asset Retirement Obligations

We operate above ground and underground storage tanks at our facilities. We recognize the estimated future cost to remove these underground storage tanks (“USTs”) over their estimated useful lives. We record a discounted liability for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset at the time a UST is installed. We depreciate the amount added to cost of the property and recognize accretion expense in connection with the discounted liability over the remaining life of the UST.

We have not made any material changes in the methodology used to estimate future costs for removal of a UST during the past three years. We base our estimates of such future costs on our prior experience with removal and normal and customary costs we expect to incur associated with UST removal. We compare our cost estimates with our actual removal cost experience, if any, on an annual basis, and if the actual costs we experience exceed our original estimates, we will recognize an additional liability for estimated future costs to remove the USTs. Because these estimates are subjective and are currently based on historical costs with adjustments for estimated future changes in the associated costs, the dollar amount of these obligations could change as more information is obtained. There were no material changes in our asset retirement obligation estimates during 2019, 2018, or 2017.

See also Note 8 “Asset Retirement Obligation” in the accompanying audited consolidated financial statements for the three-year period ended December 31, 2019.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain statements or may suggest “forward-looking” information (as defined in the Private Securities Litigation Reform Act of 1995) that involve risk and uncertainties, including, but not limited to anticipated store openings, fuel margins, merchandise margins, sales of RINs and trends in our operations. Such statements are based upon the current beliefs and expectations of the Company’s management and are subject to significant risks and uncertainties. Actual future results may differ materially from historical results or current expectations depending upon factors including, but not limited to: our ability to continue to maintain a good business relationship with Walmart; successful execution of our growth strategy, including our ability to realize the anticipated benefits from such growth initiatives, and the timely completion of construction associated with our newly planned stores which may be impacted by the financial health of third parties; our ability to effectively manage our inventory, manage disruptions in our supply chain and control costs; the impact of severe weather events, such as hurricanes, floods and earthquakes; the impact of any systems failures, cybersecurity and/or security breaches, including any security breach that results in theft, transfer or unauthorized disclosure of customer, employee or company information or our compliance with information security and privacy laws and regulations in the event of such an incident; successful execution of our information technology strategy; future tobacco or e-cigarette legislation and any other efforts that make purchasing tobacco products more costly or difficult which may hurt our revenues and impact gross margins; efficient and proper allocation of our capital resources; compliance with debt covenants; availability and cost of credit; and changes in interest rates. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We are exposed to market risks related to the volatility in the price of crude oil and refined products (primarily gasoline and diesel) used in our operations. These fluctuations can affect our revenues and purchases, as well as the cost of operating, investing and financing activities. We make limited use of derivative instruments to manage certain risks related to commodity prices. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by our middle-office function and the Company’s senior management.

As described in Note 12 “Financial Instruments and Risk Management” in the accompanying audited consolidated financial statements, there were short-term commodity derivative contracts in place at December 31, 2019 to hedge the purchase price of refined products. A 10% increase or decrease in the respective benchmark price of the commodities underlying these derivative contracts would have been immaterial to the Company. Changes in the fair value of these derivative contracts generally offset the changes in the value for an equivalent volume of these products.

Interest Rate Risk

We have exposure to interest rate risks related to volatility of our floating rate term loan of $250 million and to our ABL facility which currently is undrawn. Both of these loans are tied to LIBOR interest rates which can move in either direction and cause fluctuations in our interest expense recognized in any period and in our cash flows related to interest payments made. We make limited use of interest rate swaps to hedge a portion of our exposure to these rate movements. The acquisition of any interest rate derivatives is undertaken by senior management when appropriate with delegated authority from the appropriate Board level committee.

As described in Note 12 “Financial Instruments and Risk Management” in the accompanying audited consolidated financial statements, we currently have an interest rate swap that hedges exposure to one-month LIBOR for $150 million of our outstanding term loan amount at December 31, 2019. A 10% increase or decrease in the underlying interest rate would have an immaterial impact on the financial statements of the Company at December 31, 2019.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item appears on Pages F-1 through F-45, which follow the exhibit index of the Annual Report on Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our management has evaluated, with the participation of our principal executive and financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were effective and appropriately allowed for timely decisions regarding required disclosures as of December 31, 2019.

Internal Control over Financial Reporting

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules that generally require every company that files reports with the SEC to evaluate its effectiveness of internal controls over financial reporting.

Management has conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019. Management's report is included on page F-1 of this Annual Report on Form 10-K. KPMG LLP, an independent registered public accounting firm, has made an independent assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 and their report is included on page F-4 of this Annual Report on Form 10-K.

There were no changes in the Company's internal controls over financial reporting that occurred during the fourth quarter of 2019 that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None

Part III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Certain information regarding executive officers of the Company is included under the caption “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K. Other information required by this item is incorporated by reference to the Registrant’s definitive Proxy Statement for the Annual Meeting of Stockholders on May 7, 2020 under the captions “Election of Directors” and “Committees”.

Murphy USA has adopted a Code of Business Conduct and Ethics, which can be found under the Corporate Governance tab at http://ir.corporate.murphyusa.com. Stockholders may also obtain free of charge a copy of the Code of Business Conduct and Ethics by writing to the Company’s Secretary at P.O. Box 7300, El Dorado, AR 71730-5836. Any future amendments to or waivers of the Company’s Code of Business Conduct and Ethics will be posted on the Company’s Internet Web site.

Item 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to Murphy USA’s definitive Proxy Statement for the Annual Meeting of Stockholders on May 7, 2020 under the captions “Compensation Discussion and Analysis” and “Compensation of Directors” and in various compensation schedules.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to Murphy USA’s definitive Proxy Statement for the Annual Meeting of Stockholders on May 7, 2020 under the captions “Security Ownership of Certain Beneficial Owners,” “Security Ownership of Management,” and “Equity Compensation Plan Information.”

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to Murphy USA’s definitive Proxy Statement for the Annual Meeting of Stockholders on May 7, 2020 under the caption “Review, Approval or Ratification of Transactions with Related Persons.”

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item is incorporated by reference to Murphy USA’s definitive Proxy Statement for the Annual Meeting of Stockholders on May 7, 2020 under the caption “Audit Committee Report.”

Part IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements – The consolidated financial statements of Murphy USA Inc. and consolidated subsidiaries are located or begin on the pages of this Annual Report on Form 10-K as indicated below.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

2. Financial Statement Schedules

All other financial statement schedules are omitted because they are either not applicable or the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits – The following is an index of exhibits that are hereby filed as indicated by asterisk (*), that are considered furnished rather than filed, or that are incorporated by reference. Exhibits other than those listed have been omitted since they either are not required or are not applicable.

Exhibit Number	Description
2.1	Separation and Distribution Agreement, dated August 30, 2013, between Murphy Oil Corporation and Murphy USA Inc. (incorporated by reference to Murphy USA's Current Report on Form 8-K filed September 5, 2013)
3.1	Murphy USA Inc. Amended and Restated Certificate of Incorporation (incorporated by reference to Murphy USA's Quarterly Report on Form 10-Q filed November 8, 2013)
3.2	Murphy USA Inc. Amended and Restated Bylaws (incorporated by reference to Murphy USA's Quarterly Report on Form 10-Q filed November 8, 2013)
4.1	Registration Rights Agreement, dated August 14, 2013, among Murphy Oil USA, Inc., Murphy USA Inc., certain subsidiaries of Murphy USA Inc. and J.P. Morgan Securities LLC, as representative of the initial purchasers named therein (incorporated by reference to Murphy USA's Current Report on Form 8-K filed August 16, 2013)
4.2	Indenture (including form of notes) dated as of April 25, 2017 among Murphy Oil USA, Inc., Murphy USA Inc., as a guarantor, the other guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Murphy USA's Current Report on Form 8-K filed April 25, 2017)
4.3	Indenture dated as of September 13, 2019 among Murphy Oil USA, Inc., Murphy USA Inc., as a guarantor, the other guarantor party thereto and UMB Bank, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Murphy USA's Current Report on Form 8-K filed September 13, 2019)
4.4*	Description of Registrant's Securities registered pursuant to Section 12 of the Securities Exchange Act of 1934
10.1	Tax Matters Agreement, dated August 30, 2013, between Murphy Oil Corporation and Murphy USA Inc. (incorporated by reference to Murphy USA's Current Report on Form 8-K filed September 5, 2013)
10.2	Trademark License Agreement, dated August 30, 2013, between Murphy Oil Corporation and Murphy USA Inc. (incorporated by reference to Murphy USA's Current Report on Form 8-K filed September 5, 2013)
10.3	Hangar Rental Agreement, dated August 30, 2013, between Murphy Oil Corporation and Murphy USA Inc. (incorporated by reference to Murphy USA's current report on Form 8-K filed September 5, 2013)
10.4	Aircraft Maintenance Labor Pooling Agreement, dated August 30, 2013, between Murphy Oil Corporation and Murphy USA Inc. (incorporated by reference to Murphy USA's Current Report on Form 8-K filed September 5, 2013)
10.5	Airplane Interchange Agreement, dated August 30, 2013, between Murphy Oil Corporation and Murphy USA Inc. (incorporated by reference to Murphy USA's Current Report on Form 8-K filed September 5, 2013)
10.6	Credit Agreement, dated August 30, 2013, among Murphy USA Inc., Murphy Oil USA, Inc., the Borrowing Subsidiaries, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Murphy USA's Current Report on Form 8-K filed September 5, 2013)
10.7	Severance Protection Agreement dated as of August 20, 2013 between Murphy USA and R. Andrew Clyde, (incorporated by reference to Murphy USA's Current Report on Form 8-K filed August 22, 2013)†
10.8	Murphy USA Inc. 2013 Long-Term Incentive Plan, as amended and restated effective as of February 9, 2017)† (incorporated by reference to Murphy USA Inc's Annual Report on Form 10-K filed February 22, 2017)
10.9	Form of Murphy USA Inc. 2013 Annual Incentive Plan, as amended and restated effective as of February 12, 2014)†
10.10	Murphy USA Inc. 2013 Stock Plan for Non-Employee Directors (incorporated by reference to Murphy USA's Registration Statement on Form S-8 (File No. 333-191131) filed September 12, 2013)†

10.11	Murphy USA Inc. Supplemental Executive Retirement Plan, as amended and restated, on October 1, 2018 and effective January 1, 2019 (incorporated by reference to Exhibit 10.11 to Murphy USA's Annual Report on Form 10-K filed February 19, 2019) †
10.12	Form of Murphy USA 2013 Long-Term Incentive Plan Option Grant Agreement (incorporated by reference to Murphy USA's Quarterly Report on Form 10-Q filed November 8, 2013) †
10.13	Form of Murphy USA 2013 Long-Term Incentive Plan RSU Agreement (incorporated by reference to Murphy USA's Quarterly Report on Form 10-Q filed November 8, 2013)†
10.14	Form of Murphy USA 2013 Long-Term Incentive Plan Performance Share Agreement (incorporated by reference to Murphy USA's Quarterly Report on Form 10-Q filed November 8, 2013)†
10.15	Form of Murphy USA 2013 Non-Employee Director Award (incorporated by reference to Murphy USA's Quarterly Report on Form 10-Q filed November 8, 2013) †
10.16	Third Amendment, dated as of September 2, 2014, to the Credit Agreement, dated as of August 30, 2013, among Murphy Oil USA, Inc. as borrower, Murphy USA Inc. and certain subsidiaries, and JP Morgan Chase Bank, N.A. as administrative agent and the other lenders party thereto (incorporated by reference to Murphy USA's Quarterly Report on Form 10-Q filed November 6, 2014)
10.17	Amended and Restated Credit Agreement, dated as of March 10, 2016 among Murphy Oil USA, Inc., as the borrower, Murphy USA Inc., certain subsidiaries of Murphy Oil USA, Inc., as borrowing subsidiaries, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to Form 8-K as filed on March 16, 2016)
10.18	Amended and Restated Credit Agreement, dated as of August 27, 2019, among Murphy Oil USA, Inc.as borrower, Murphy USA Inc., certain subsidiaries of Murphy Oil USA, Inc. as borrowing subsidiaries, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to Murphy USA's Current Report on Form 8-K as filed August 29, 2019)
10.19	Murphy USA Inc. 2019 Annual Incentive Plan, as amended and restated, on February 7, 2019 and effective as of January 1, 2019 (incorporated by reference to Exhibit 10.20 to Murphy USA's Annual Report on Form 10-K filed February 19, 2019)†
21*	List of Subsidiaries of Murphy USA
23.1*	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1*	Certification required by Rule 13a-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Principal Executive Officer
31.2*	Certification required by Rule 13a-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Principal Financial Officer
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Principal Executive Officer
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Principal Financial Officer
101. INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL documents
101. SCH*	Inline XBRL Taxonomy Extension Schema Document
101. CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101. LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document
101. PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document

* Filed herewith
† Management contract or compensatory plan or arrangement

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MURPHY USA INC.

By: /s/ R. Andrew Clyde
R. Andrew Clyde, President

Date: February 18, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 18, 2020 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ R. Madison Murphy
R. Madison Murphy, Chairman and Director

/s/ David B. Miller
David B. Miller, Director

/s/ R. Andrew Clyde
R. Andrew Clyde, President and Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Jeanne L. Phillips
Jeanne L. Phillips, Director

/s/ Claiborne P. Deming
Claiborne P. Deming, Director

/s/ Jack T. Taylor
Jack T. Taylor, Director

/s/ Fred L. Holliger
Fred L. Holliger, Director

/s/ Mindy K. West
Mindy K. West, Executive Vice President, Treasurer, and Chief Financial Officer
(Principal Financial Officer)

/s/ James W. Keyes
James W. Keyes, Director

/s/ Donald R. Smith, Jr.
Donald R. Smith, Jr.
Vice President and Controller
(Principal Accounting Officer)

/s/ Diane N. Landen
Diane N. Landen, Director

REPORT OF MANAGEMENT- CONSOLIDATED FINANCIAL STATEMENTS

The management of Murphy USA Inc. is responsible for the preparation and integrity of the accompanying consolidated financial statements and other financial data. The statements were prepared in conformity with U.S. generally accepted accounting principles appropriate in the circumstances and include some amounts based on informed estimates and judgments, with consideration given to materiality.

An independent, registered public accounting firm, KPMG LLP, has audited the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and provides an objective, independent opinion about the Company's consolidated financial statements. The Audit Committee of the Board of Directors appoints the independent registered public accounting firm; ratification of the appointment is solicited annually from the shareholders. KPMG LLP's opinion covering the Company's consolidated financial statements can be found on page F-2.

The Board of Directors appoints an Audit Committee annually to implement and to support the Board's oversight function of the Company's financial reporting, accounting policies, internal controls and independent registered public accounting firm. This Committee is composed solely of directors who are not employees of the Company. The Committee meets routinely with representatives of management, the Company's internal audit team and the independent registered public accounting firm to review and discuss the adequacy and effectiveness of the Company's internal controls, the quality and clarity of its financial reporting, the scope and results of independent and internal audits, and to fulfill other responsibilities included in the Committee's Charter. The independent registered public accounting firm and the Company's internal audit team have unrestricted access to the Committee, without management presence, to discuss audit findings and other financial matters.

REPORT OF MANAGEMENT – INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). The Company's internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles. All internal control systems have inherent limitations, and therefore, can provide only reasonable assurance with respect to the reliability of financial reporting and preparation of consolidated financial statements.

Management has conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on the results of this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

KPMG LLP has performed an audit of the Company's internal control over financial reporting and their opinion thereon can be found on page F-4.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Murphy USA Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Murphy USA Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated income statements, statements of comprehensive income, statements of cash flows, and statements of changes in equity for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 18, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of impairment triggering events related to property, plant and equipment

As discussed in Note 2 to the consolidated financial statements, the Company assesses its property, plant and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying value of the asset or asset group may not be recoverable. The property, plant and equipment balance, at cost less accumulated depreciation, as of December 31, 2019 was $1,807.3 million. Some retail sites may generate negative cash flow or experience events that indicate its carrying value might not be recovered, indicating a higher risk that these retail sites might be impaired. This requires the Company to consider profitability and retail site specific factors when evaluating its retail sites for impairment in order to determine whether or not an impairment triggering event has occurred.

We identified the assessment of impairment triggering events related to property, plant and equipment as a critical audit matter. The determination of the asset group level, the evaluation of retail site profitability, and the assessment of retail site specific factors involved challenging auditor judgment, as changes to those factors could have a significant impact on the Company's assessment of an impairment triggering event.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's triggering events assessment process over property, plant and equipment, including controls related to the identification of impairment triggers. We evaluated the asset group level at which the Company's analysis was performed. We assessed the Company's methodology of identifying retail site specific factors to be considered in the triggering events analysis, including the length of the time period used by the Company to evaluate retail site profitability to identify triggering events. We also compared the historical cash flows by asset group to the general ledger information to assess the reliability of the information used.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Shreveport, Louisiana
February 18, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Murphy USA Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Murphy USA Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated income statements, statements of comprehensive income, statements of cash flows, and statements of changes in equity for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule II (collectively, the consolidated financial statements), and our report dated February 18, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management - Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Shreveport, Louisiana
February 18, 2020

Murphy USA Inc.
Consolidated Balance Sheets

(Millions of dollars, except share amounts)	December 31, 2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 280.3	$ 184.5
Accounts receivable—trade, less allowance for doubtful accounts of $1.2 in 2019 and $1.1 in 2018	172.9	138.8
Inventories, at lower of cost or market	227.6	221.5
Prepaid expenses and other current assets	30.0	25.3
Total current assets	710.8	570.1
Property, plant and equipment, at cost less accumulated depreciation and amortization of $1,079.2 in 2019 and $974.2 in 2018	1,807.3	1,748.2
Other assets	169.1	42.5
Total assets	$ 2,687.2	$ 2,360.8
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 38.8	$ 21.2
Trade accounts payable and accrued liabilities	466.2	456.9
Total current liabilities	505.0	478.1
Long-term debt, including capitalized lease obligations	999.3	842.1
Deferred income taxes	216.7	192.2
Asset retirement obligations	32.8	30.7
Deferred credits and other liabilities	130.4	10.4
Total liabilities	1,884.2	1,553.5
Stockholders' Equity		
Preferred Stock, par $0.01, (authorized 20,000,000 shares, none outstanding)	—	—
Common Stock, par $0.01, (authorized 200,000,000 shares, 46,767,164 shares issued at December 31, 2019 and 2018, respectively)	0.5	0.5
Treasury stock (16,307,048 and 14,505,681 shares held at December 31, 2019 and 2018, respectively)	(1,099.8)	(940.3)
Additional paid in capital (APIC)	538.7	539.0
Retained earnings	1,362.9	1,208.1
Accumulated other comprehensive income (AOCI)	0.7	—
Total stockholders' equity	803.0	807.3
Total liabilities and stockholders' equity	$ 2,687.2	$ 2,360.8

See accompanying notes to consolidated financial statements.

Murphy USA Inc.
Consolidated Income Statements

(Millions of dollars except per share amounts)	Years Ended December 31, 2019	2018	2017
Operating Revenues			
Petroleum product sales [1]	$ 11,373.8	$ 11,858.4	$ 10,287.9
Merchandise sales	2,620.1	2,423.0	2,372.7
Other operating revenues	40.7	81.5	166.0
Total operating revenues	14,034.6	14,362.9	12,826.6
Operating Expenses			
Petroleum product cost of goods sold [1]	10,707.4	11,251.1	9,773.2
Merchandise cost of goods sold	2,200.7	2,022.5	1,991.4
Station and other operating expenses	559.3	541.3	514.9
Depreciation and amortization	152.2	134.0	116.9
Selling, general and administrative	144.6	136.2	141.2
Accretion of asset retirement obligations	2.1	2.0	1.8
Total operating expenses	13,766.3	14,087.1	12,539.4
Net settlement proceeds	0.1	50.4	—
Gain (loss) on sale of assets	0.1	(1.1)	(3.9)
Income from operations	268.5	325.1	283.3
Other income (expense)			
Interest income	3.2	1.5	1.3
Interest expense	(54.9)	(52.9)	(46.7)
Loss on early debt extinguishment	(14.8)	—	—
Other nonoperating income (expense)	0.4	0.2	2.2
Total other income (expense)	(66.1)	(51.2)	(43.2)
Income before income taxes	202.4	273.9	240.1
Income tax expense (benefit)	47.6	60.3	(5.2)
Net Income	$ 154.8	$ 213.6	$ 245.3
Basic and Diluted Earnings Per Common Share:			
Basic	$ 4.90	$ 6.54	$ 6.85
Diluted	$ 4.86	$ 6.48	$ 6.78
Weighted-average shares outstanding (in thousands):			
Basic	31,594	32,674	35,816
Diluted	31,858	32,983	36,156
Supplemental information:			
[1] Includes excise taxes of:	$ 1,933.3	$ 1,838.9	$ 1,973.1

See accompanying notes to consolidated financial statements.

Murphy USA Inc.
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
(Millions of dollars)	2019	2018	2017
Net income (loss)	$ 154.8	$ 213.6	$ 245.3
Other comprehensive income (loss), net of tax			
Interest rate swap:			
Initial fair value	(0.1)	—	—
Realized gain (loss)	0.2	—	—
Unrealized gain (loss)	1.0	—	—
Reclassified to interest expense	(0.2)	—	—
	0.9	—	—
Deferred income tax expense	0.2	—	—
Other comprehensive income (loss)	0.7	—	—
Comprehensive income (loss)	$ 155.5	$ 213.6	$ 245.3

See accompanying notes to consolidated financial statements.

Murphy USA Inc.
Consolidated Statements of Cash Flows

(Millions of dollars)	Years Ended December 31, 2019	2018	2017
Operating Activities			
Net income	$ 154.8	$ 213.6	$ 245.3
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	152.2	134.0	116.9
Deferred and noncurrent income tax charges (benefits)	23.7	37.9	(50.4)
Loss on early debt extinguishment	14.8	—	—
Accretion of asset retirement obligations	2.1	2.0	1.8
Pretax (gains) losses from sale of assets	(0.1)	1.1	3.9
Net decrease (increase) in noncash operating working capital	(48.7)	2.3	(36.9)
Other operating activities - net	14.5	7.8	3.0
Net cash provided by operating activities	313.3	398.7	283.6
Investing Activities			
Property additions	(204.8)	(204.3)	(258.3)
Proceeds from sale of assets	2.5	1.2	0.9
Other investing activities - net	(0.8)	(6.0)	(4.7)
Net cash required by investing activities	(203.1)	(209.1)	(262.1)
Financing Activities			
Purchase of treasury stock	(165.8)	(144.4)	(206.0)
Repayments of debt	(573.4)	(21.3)	(131.4)
Borrowings of debt	743.8	—	338.8
Early debt extinguishment costs	(10.4)	—	—
Debt issuance costs	(4.1)	—	(1.1)
Amounts related to share-based compensation	(4.5)	(9.4)	(5.6)
Net cash required by financing activities	(14.4)	(175.1)	(5.3)
Net change in cash, cash equivalents, and restricted cash	95.8	14.5	16.2
Cash, cash equivalents, and restricted cash at January 1	184.5	170.0	153.8
Cash, cash equivalents, and restricted cash at December 31	$ 280.3	$ 184.5	$ 170.0
Reconciliation of Cash, Cash Equivalents and Restricted Cash			
Cash and Cash equivalents at beginning of period	$ 184.5	$ 170.0	$ 153.8
Restricted cash at beginning of period	—	—	—
Cash, cash equivalents, and restricted cash at beginning of period	$ 184.5	$ 170.0	$ 153.8
Cash and cash equivalents at end of period	$ 280.3	$ 184.5	$ 170.0
Restricted cash at end of period	—	—	—
Cash, cash equivalents, and restricted cash at end of period	$ 280.3	$ 184.5	$ 170.0

See accompanying notes to consolidated financial statements.

Murphy USA Inc.
Consolidated Statements of Changes in Equity

(Millions of dollars, except share amounts)	Common Stock Shares	Common Stock Par	Treasury Stock	APIC	Retained Earnings	AOCI	Total
Balance as of December 31, 2016	46,767,164	$ 0.5	$ (608.0)	$ 555.3	$ 749.2	$ —	$ 697.0
Net income	—	—	—	—	245.3	—	245.3
Purchase of treasury stock	—	—	(206.0)	—	—	—	(206.0)
Issuance of common stock	—	—	—	—	—	—	—
Issuance of treasury stock	—	—	7.5	(7.4)	—	—	0.1
Amounts related to share-based compensation	—	—	—	(5.6)	—	—	(5.6)
Share-based compensation expense	—	—	—	7.6	—	—	7.6
Balance as of December 31, 2017	46,767,164	0.5	(806.5)	549.9	994.5	—	738.4
Net income	—	—	—	—	213.6	—	213.6
Purchase of treasury stock	—	—	(144.4)	—	—	—	(144.4)
Issuance of common stock	—	—	—	—	—	—	—
Issuance of treasury stock	—	—	10.6	(10.6)	—	—	—
Amounts related to share-based compensation	—	—	—	(9.4)	—	—	(9.4)
Share-based compensation expense	—	—	—	9.1	—	—	9.1
Balance as of December 31, 2018	46,767,164	0.5	(940.3)	539.0	1,208.1	—	807.3
Net income	—	—	—	—	154.8	—	154.8
Gain on interest rate hedge, net of tax	—	—	—	—	—	0.7	0.7
Purchase of treasury stock	—	—	(165.8)	—	—	—	(165.8)
Issuance of common stock	—	—	—	—	—	—	—
Issuance of treasury stock	—	—	6.3	(6.3)	—	—	—
Amounts related to share-based compensation	—	—	—	(4.5)	—	—	(4.5)
Share-based compensation expense	—	—	—	10.5	—	—	10.5
Balance as of December 31, 2019	46,767,164	$ 0.5	$ (1,099.8)	$ 538.7	$1,362.9	$ 0.7	$ 803.0

See accompanying notes to consolidated financial statements.

Note 1 — Description of Business and Basis of Presentation

The business of Murphy USA Inc. and its subsidiaries ("Murphy USA" or the "Company") primarily consists of the U.S. retail marketing business that was separated from its former parent company, Murphy Oil Corporation ("Murphy Oil"), plus other assets, liabilities and operating expenses of Murphy Oil that were associated with supporting the activities of the U.S. retail marketing operations. Murphy USA was incorporated in March 2013. The separation was approved by the Murphy Oil board of directors on August 7, 2013, and was completed on August 30, 2013 through the distribution of 100% of the outstanding capital stock of Murphy USA to holders of Murphy Oil common stock on the record date of August 21, 2013. Following the separation, Murphy USA is an independent, publicly traded company, and Murphy Oil retains no ownership interest in Murphy USA.

Murphy USA markets refined products through a network of retail gasoline stores and unbranded wholesale customers. Murphy USA's owned retail stores are almost all located in close proximity to Walmart stores in 26 states and use the brand name Murphy USA®. Murphy USA also markets gasoline and other products at standalone stores under the Murphy Express brand. At December 31, 2019, Murphy USA had a total of 1,489 Company stores. The Company also has certain product supply and wholesale assets, including product distribution terminals and pipeline positions.

Note 2 – Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION – These consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and include the accounts of Murphy USA Inc. and its subsidiaries for all periods presented. All significant intercompany accounts and transactions within the consolidated financial statements have been eliminated.

REVENUE RECOGNITION – Revenue is recognized when obligations under the terms of a contract with our customers are satisfied; generally, this occurs with the transfer of control of our petroleum products, convenience merchandise, Renewable Identification Numbers ("RINs") and other assets to our third-party customers. Revenue is measured as the amounts of consideration we expect to receive in exchange for transferring goods or providing services. Excise and sales tax that we collect where we have determined we are the principal in the transaction have been recorded as revenue on a jurisdiction-by-jurisdiction basis.

The Company enters into buy/sell and similar arrangements when petroleum products are held at one location but are needed at a different location. The Company often pays or receives funds related to the buy/sell arrangement based on location or quality differences. The Company accounts for such transactions on a net basis in its Consolidated Income Statements. See Note 3 "Revenues" for additional information.

SHIPPING AND HANDLING COSTS – Costs incurred for the shipping and handling of motor fuel are included in Petroleum product cost of goods sold in the Consolidated Income Statements. Costs incurred for the shipping and handling of convenience store merchandise are included in Merchandise cost of goods sold in the Consolidated Income Statements.

TAXES COLLECTED FROM CUSTOMERS AND REMITTED TO GOVERNMENT AUTHORITIES – Excise and other taxes collected on sales of refined products and remitted to governmental agencies are included in operating revenues and operating expenses in the Consolidated Income Statements. Excise taxes on petroleum products collected and remitted were $1.9 billion in 2019, $1.8 billion in 2018, and $2.0 billion in 2017.

CASH EQUIVALENTS – Short-term investments, which include government securities, money market funds and other instruments with government securities as collateral, that have a maturity of three months or less from the date of purchase are classified as cash equivalents.

ACCOUNTS RECEIVABLE – The Company's accounts receivable are recorded at the invoiced amount and do not bear interest. The accounts receivable primarily consists of amounts owed to the Company from credit card companies and by customers for wholesale sales of refined petroleum products. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses on these receivables. The Company reviews this allowance for adequacy at least quarterly and bases its assessment on a combination of current information about its customers and historical write-off experience. Any trade accounts receivable balances written off are charged against the allowance for doubtful accounts. The Company has not experienced any significant credit-related losses in the past three years.

INVENTORIES – Inventories of most finished products are valued at the lower of cost, generally applied on a last-in, first-out (“LIFO”) basis, or market. Any increments to LIFO inventory volumes are valued based on the first purchase price for these volumes during the year. Merchandise inventories held for resale are carried at average cost. Materials and supplies are valued at the lower of average cost or estimated value.

VENDOR ALLOWANCES AND REBATES – Murphy USA receives payments for vendor allowances, volume rebates and other related payments from various suppliers of its convenience store merchandise. Vendor allowances for price markdowns are credited to merchandise cost of goods sold during the period the related markdown is recognized. Volume rebates of merchandise are recorded as reductions to merchandise cost of goods sold when the merchandise qualifying for the rebate is sold. Slotting and stocking allowances received from a vendor are recorded as a reduction to cost of sales over the period covered by the agreement.

PROPERTY, PLANT AND EQUIPMENT – Additions to property, plant and equipment, including renewals and betterments, are capitalized and recorded at cost. Certain marketing facilities are primarily depreciated using the composite straight-line method with depreciable lives ranging from 16 to 25 years. Gasoline stations, improvements to gasoline stations and other assets are depreciated over 3 to 50 years by individual unit on the straight-line method. The Company capitalizes interest costs as a component of construction in progress on individually significant projects based on the weighted average interest rates incurred on its long-term borrowings. Total interest cost capitalized in 2019 was $1.4 million, $2.2 million in 2018 and $3.8 million in 2017.

The Company has undertaken like-kind exchange ("LKE") transactions under the Federal tax code in an effort to acquire and sell real and personal property in a tax efficient manner. The Company generally enters into forward transactions, in which property is sold and the proceeds are reinvested by acquiring similar property; and reverse transactions, in which property is acquired and similar property is subsequently sold. A qualified LKE intermediary is used to facilitate these LKE transactions. Proceeds from forward LKE transactions are held by the intermediary and are classified as restricted cash on the Company's balance sheet because the funds must be reinvested in similar properties. If the acquisition of suitable LKE properties is not completed within 180 days of the sale of the Company-owned property, the proceeds are distributed to the Company by the intermediary and are reclassified as available cash and applicable income taxes are determined. An exchange accommodation titleholder, a type of variable interest entity, is used to facilitate reverse like-kind exchanges. The acquired assets are held by the exchange accommodation titleholder until the exchange transactions are complete. If the Company determines that it is the primary beneficiary of the exchange accommodation titleholder, the replacements assets held by the exchange accommodation titleholder are consolidated and recorded in Property, Plant and Equipment on the Consolidated Balance Sheets. The unspent proceeds that are held in trust with the intermediary are recorded as noncurrent assets in the Consolidated Balance Sheet as the cash was restricted for the acquisition of property, plant and equipment. At December 31, 2019 and December 31, 2018, the Company had no open LKE transactions with an intermediary.

IMPAIRMENT OF ASSETS – Long-lived assets, which include property and equipment and finite-lived intangible assets, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. A long-lived asset is not recoverable if its carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. If a long-lived asset is not recoverable, an impairment loss is recognized for the amount by which the carrying amount of the long-lived asset exceeds its fair value, with fair value determined based on discounted estimated net cash flows or other appropriate methods.

ASSET RETIREMENT OBLIGATIONS – The Company records a liability for asset retirement obligations (“ARO”) equal to the fair value of the estimated cost to retire an asset. The ARO liability is initially recorded in the period in which the obligation meets the definition of a liability, which is generally when the asset is placed in service. The ARO liability is estimated using existing regulatory requirements and anticipated future inflation rates. When the liability is initially recorded, the Company increases the carrying amount of the related long-lived asset by an amount equal to the original liability. The liability is increased over time to reflect the change in its present value, and the capitalized cost is depreciated over the useful life of the related long-lived asset. The Company reevaluates the adequacy of its recorded ARO liability at least annually. Actual costs of asset retirements such as dismantling service stations and site restoration are charged against the related liability. Any difference between costs incurred upon settlement of an asset retirement obligation and the recorded liability is recognized as a gain or loss in the Company's Consolidated Income Statements.

ENVIRONMENTAL LIABILITIES – A liability for environmental matters is established when it is probable that an environmental obligation exists and the cost can be reasonably estimated. If there is a range of reasonably estimated costs, the most likely amount will be recorded, or if no amount is most likely, the minimum of the range is used. Related expenditures are charged against the liability. Environmental remediation liabilities have not been discounted for the time value of future expected payments. Environmental expenditures that have future economic benefit are capitalized.

INCOME TAXES – The Company accounts for income taxes using the asset and liability method. Under this method, income taxes are provided for amounts currently payable and for amounts deferred as tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred income taxes are measured using the enacted tax rates that are assumed will be in effect when the differences reverse. The Company routinely assesses the realizability of deferred tax assets based on available positive and negative evidence including assumptions of future taxable income, tax planning strategies and other pertinent factors. A deferred tax asset valuation allowance is recorded when evidence indicates that it is more likely than not that all or a portion of these deferred tax assets will not be realized in a future period. The accounting principles for income tax uncertainties permit recognition of income tax benefits only when they are more likely than not to be realized.

The Company has elected to classify any interest expense and penalties related to the underpayment of income taxes in Income tax expense in the Consolidated Income Statements.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES – The fair value of a derivative instrument is recognized as an asset or liability in the Company's Consolidated Balance Sheets. Upon entering into a derivative contract, the Company may designate the derivative as either a fair value hedge or a cash flow hedge, or decide that the contract is not a hedge, and therefore, recognize changes in the fair value of the contract in earnings. The Company documents the relationship between the derivative instrument designated as a hedge and the hedged items as well as its objective for risk management and strategy for use of the hedging instrument to manage the risk. Derivative instruments designated as fair value or cash flow hedges are linked to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Company assesses at inception and on an ongoing basis whether a derivative instrument accounted for as a hedge is highly effective in offsetting changes in the fair value or cash flows of the hedged item. A derivative that is not a highly effective hedge does not qualify for hedge accounting. The change in the fair value of a qualifying fair value hedge is recorded in earnings along with the gain or loss on the hedged item. The effective portion of the change in the fair value of a qualifying cash flow hedge is recorded in Accumulated other comprehensive income (AOCI) in the consolidated Balance Sheets until the hedged item is recognized currently in earnings. If a derivative instrument no longer qualifies as a cash flow hedge and the underlying forecasted transaction is no longer probable of occurring, hedge accounting is discontinued and the gain or loss recorded in Accumulated other comprehensive income is recognized immediately in earnings. See Note 12 and Note 15 for further information about the Company's derivatives.

STOCK-BASED COMPENSATION – The fair value of awarded stock options, restricted stock, restricted stock units and performance stock units is determined based on a combination of management assumptions for awards issued. The Company uses the Black-Scholes option pricing model for computing the fair value of stock options. The primary assumptions made by management included the expected life of the stock option award and the expected volatility of the Company's common stock prices. The Company uses both historical data and current information to support its assumptions. Stock option expense is recognized on a straight-line basis over the requisite service period of three years. The Company uses a Monte Carlo valuation model to determine the fair value of performance-based stock units that are based on performance compared against a peer group and the related expense is recognized over the three-year requisite service period. Management estimates the number of all award that will not vest and adjusts its compensation expense accordingly. Differences between estimated and actual vested amounts are accounted for as an adjustment to expense when known. See Note 10 for a discussion of the basis of allocation of such costs.

USE OF ESTIMATES – In preparing the financial statements of the Company in conformity with U.S. GAAP, management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from the estimates. On an ongoing basis, we review our estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Note 3 – Revenues

Revenue Recognition

The following table disaggregates our revenue by major source for the years ended December 31, 2019, 2018, and 2017.

(Millions of dollars)	Years Ended December 31, 2019	2018	2017
Marketing Segment			
Petroleum product sales (at retail) [1]	$ 10,184.0	$ 10,459.2	$ 9,041.5
Petroleum product sales (at wholesale) [1]	1,189.8	1,399.2	1,246.4
Total petroleum product sales	11,373.8	11,858.4	10,287.9
Merchandise sales	2,620.1	2,423.0	2,372.6
Other operating revenues:			
RINs	34.8	75.2	160.3
Other revenues [2]	5.6	5.7	5.4
Total marketing segment revenues	14,034.3	14,362.3	$ 12,826.2
Corporate and Other Assets	0.3	0.6	$ 0.4
Total revenues	$ 14,034.6	$ 14,362.9	$ 12,826.6

[1] Includes excise and sales taxes that remain eligible for inclusion under Topic 606
[2] Primarily includes collection allowance on excise and sales taxes and other miscellaneous items

The Company adopted ASC Topic 606, "*Revenue from Contracts with Customers*" as of January 1, 2018 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting policies under Topic 605. The impact of the excise and sales taxes collected and remitted to government authorities included in petroleum product sales that would have been recognized under previous revenue recognition guidance would have increased petroleum product sales (at retail) by $26.3 million in 2019 and $25.4 million in 2018, petroleum product sales (at wholesale) by $165.6 million in 2019 and $171.2 million in 2018, for a total increase in petroleum product sales of $191.9 million and $196.5 million in 2019 and 2018, respectively.

Marketing segment

Petroleum product sales (at retail). For our retail store locations, the revenue related to petroleum product sales is recognized as the fuel is pumped to our customers. The transaction price at the pump typically includes some portion of sales or excise taxes as levied in the respective jurisdictions. Those taxes that are collected for remittance to governmental entities on a pass through basis are not recognized as revenue and they are recorded to a liability account until they are paid. Our customers typically use a mixture of cash, checks, credit cards and debit cards to pay for our products as they are received. We have accounts receivable from the various credit/debit card providers at any point in time related to product sales made on credit cards and debit cards. These receivables are typically collected in two to seven days, depending on the terms with the particular credit/debit card providers. Payment fees retained by the credit/debit card providers are recorded as station and other operating expenses.

Petroleum product sales (at wholesale). Our sales of petroleum products at wholesale are generally recorded as revenue when the deliveries have occurred and legal ownership of the product has transferred to the customer. Title transfer for bulk refined product sales typically occurs at pipeline custody points and upon trucks loading at product terminals. For bulk pipeline sales, we record receivables from customers that are generally collected within a week from custody transfer date. For our rack product sales, the majority of our customers' accounts are drafted by us within 10 days from product transfer.
Merchandise sales. For our retail store locations, the revenue related to merchandise sales is recognized as the customer completes their purchase at our locations. The transaction price typically includes some portion of sales

tax as levied in the respective jurisdictions. Those taxes that are collected for remittance to governmental entities on a pass through basis are not recognized as revenue and they are recorded to a liability account until they are paid. As noted above, a mixture of payment types are used for these revenues and the same terms for credit/debit card receivables are realized.

The most significant judgment with respect to merchandise sales revenue is determining whether we are the principal or agent for some categories of merchandise such as lottery tickets, lotto tickets, newspapers and other small categories of merchandise. For scratch-off lottery tickets, we have determined we are the principal in the majority of the jurisdictions and therefore we record those sales on a gross basis. We have some categories of merchandise (such as lotto tickets) where we are the agent and the revenues recorded for those transactions are our net commission only.

In June 2018 the Company initiated a loyalty pilot program through a limited number of its retail locations and was rolled out chain-wide in March 2019. The customers earn rewards based on their spending or other promotional activities. This program creates a performance obligation which requires us to defer a portion of sales revenue to the loyalty program participants until they redeem their rewards. The rewards may be redeemed for free or discounted merchandise or cash discounts on fuel purchases. Earned rewards expire after an account is inactive for a period of 90 days. We recognize loyalty revenue when a customer redeems an earned reward. Deferred revenue associated with Murphy Rewards is included in Trade accounts payable and accrued liabilities in our Consolidated Balance Sheet. The deferred revenues recorded in 2019 and 2018 were immaterial.

RINs sales. For the sale of RINs, we recognize revenue when the RIN is transferred to the counter-party and the sale is completed. Receivables from our counter-parties related to the RIN sales are typically collected within five days of the sale.

Other revenues. Items reported as other operating revenues include collection allowances for excise and sales tax and other miscellaneous items and are recognized as revenue when the transaction is completed.

Accounts receivable

Trade accounts receivable on the balance sheet represents both receivables related to contracts with customers and other trade receivables. At December 31, 2019 and December 31, 2018, we had $96.0 million and $79.4 million of receivables, respectively, related to contracts with customers recorded. All of the trade accounts receivable related to contracts with customers outstanding at the end of each period were collected during the succeeding quarter. These receivables were generally related to credit and debit card transactions along with short term bulk and wholesale sales from our customers, which have a very short settlement window.

Note 4 — Inventories

Inventories consisted of the following:

	December 31,	
(Millions of dollars)	2019	2018
Finished products - FIFO basis	$ 259.2	$ 219.4
Less LIFO reserve - finished products	(160.8)	(115.5)
Finished products - LIFO basis	98.4	103.9
Store merchandise for resale	123.0	107.2
Materials and supplies	6.2	10.4
Total inventories	$ 227.6	$ 221.5

At December 31, 2019 and 2018, the replacement cost (market value) of last-in, first-out (LIFO) inventories exceeded the LIFO carrying value by $160.8 million and $115.5 million, respectively.

Note 5 – Property, Plant and Equipment

		December 31, 2019		December 31, 2018	
(Millions of dollars)	Estimated Useful Life	Cost	Net	Cost	Net
Land		$ 598.6	$ 598.6	$ 591.9	$ 591.9
Pipeline and terminal facilities	16 to 25 years	77.5	43.7	73.1	41.6
Retail gasoline stations	3 to 50 years	2,034.4	1,073.6	1,890.6	1,018.5
Buildings	20 to 45 years	60.5	44.9	55.0	41.8
Other	3 to 20 years	115.5	46.5	111.8	54.4
		$ 2,886.5	$ 1,807.3	$ 2,722.4	$ 1,748.2

Depreciation expense of $151.2 million, $132.5 million and $115.0 million was recorded for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 6 – Accounts Payable and Accrued Liabilities

Trade accounts payable and accrued liabilities consisted of the following:

	December 31,	
(Millions of dollars)	2019	2018
Trade accounts payable	$ 280.8	$ 274.9
Excise taxes/withholdings payable	86.2	89.7
Accrued insurance obligations	24.4	21.8
Accrued taxes other than income	25.6	26.6
Other	49.2	43.9
Accounts payable and accrued liabilities	$ 466.2	$ 456.9

Note 7 — Long-Term Debt

Long-term debt consisted of the following:

	December 31,	
(Millions of dollars)	2019	2018
6.00% senior notes due 2023 (net of unamortized discount of $4.1 at 2018)	$ —	$ 495.9
5.625% senior notes due 2027 (net of unamortized discount of $2.7 at 2019 and $3.1 at 2018)	297.3	296.9
4.75 % senior notes due 2029 (net of unamortized discount of $6.1 at 2019)	493.9	—
Term loan due 2020 (effective interest rate of 5.0% at 2018)	—	72.0
Term loan due 2023 (effective interest rate of 4.3% at 2019)	250.0	—
Capitalized lease obligations, vehicles, due through 2022	2.4	2.3
Unamortized debt issuance costs	(5.5)	(3.8)
Total long-term debt	1,038.1	863.3
Less current maturities	38.8	21.2
Total long-term debt, net of current	$ 999.3	$ 842.1

Senior Notes

On April 25, 2017, Murphy Oil USA, Inc., our primary operating subsidiary, issued $300 million of 5.625% Senior Notes due 2027 (the "2027 Senior Notes") under its existing shelf registration statement. The 2027 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2027 Senior Notes contains restrictive covenants that limit, among other things, the ability of Murphy USA, Murphy Oil USA, Inc. and the restricted subsidiaries to incur additional indebtedness or liens, dispose of assets, make certain restricted payments or investments, enter into transactions with affiliates or merge with or into other entities.

On September 13, 2019, Murphy Oil USA, Inc., consummated a partial tender offer on its 6.00% $500 million Senior Notes due 2023 (the "2023 Senior Notes"). Following the completion of the tender offer, Murphy Oil USA, Inc. called the remaining 2023 Senior Notes and satisfied and discharged the indenture governing the 2023 Senior Notes. We paid a total of $514.5 million which included a call premium and all applicable accrued and unpaid interest. The call premium and unamortized debt discount and issuance costs were reported as Loss on early debt extinguishment in the consolidated income statements for the period ended September 30, 2019.

On September 13, 2019, Murphy Oil USA, Inc., issued $500 million of 4.75% Senior Notes due 2029 (the "2029 Senior Notes"). The net proceeds from the issuance of the 2029 Senior Notes were used to fund, in part, the tender offer and redemption of the 2023 Senior Notes. The 2029 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2029 Senior Notes contains restrictive covenants that are essentially identical to the covenants for the 2027 Senior Notes.

The 2027 and 2029 Senior Notes and the guarantees rank equally with all of our and the guarantors' existing and future senior unsecured indebtedness and effectively junior to our and the guarantors' existing and future secured indebtedness (including indebtedness with respect to the credit facilities) to the extent of the value of the assets securing such indebtedness. The 2027 and 2029 Senior Notes are structurally subordinated to all of the existing and future third-party liabilities, including trade payables, of our existing and future subsidiaries that do not guarantee the notes.

Credit Facilities and Term Loan

In August 2019, we amended and extended our existing credit agreement. The effective date of the agreement was extended to August, 2024. The credit agreement provides for a committed $325 million asset-based loan (ABL) facility (with availability subject to the borrowing base described below) and a $200 million term loan facility with an additional $50 million available until December 31, 2019. It also provides for a $150 million uncommitted incremental facility. On August 27, 2019, Murphy Oil USA, Inc. borrowed $200 million under the term loan facility that has a four-year term and prepaid the remaining balance of the prior term loan of $57 million. On December 31, 2019, we borrowed the additional $50 million term loan, and at December 31, 2019 had an outstanding balance of $250 million. The term loan is due August 2023 and requires quarterly principal payments of $12.5 million beginning April 1, 2020. As of December 31, 2019, we had zero outstanding under our ABL facility.

The borrowing base is expected, at any time of determination, to be an amount (net of reserves) equal to the sum of:

- 100% of eligible cash at such time, plus
- 90% of eligible credit card receivables at such time, plus
- 90% of eligible investment grade accounts, plus
- 85% of eligible other accounts, plus
- 80% of eligible product supply/wholesale refined products inventory at such time, plus
- 75% of eligible retail refined products inventory at such time, plus

the lesser of (i) 70% of the average cost of eligible retail merchandise inventory at such time and (ii) 85% of the net orderly liquidation value of eligible retail merchandise inventory at such time.

The ABL facility includes a $100 million sublimit for the issuance of letters of credit. Letters of credit issued under the ABL facility reduce availability under the ABL facility.

Interest payable on the credit facilities is based on either:

- the London interbank offered rate, adjusted for statutory reserve requirements (the "Adjusted LIBO Rate"); or

- the Alternate Base Rate, which is defined as the highest of (a) the prime rate, (b) the federal funds effective rate from time to time plus 0.50% per annum and (c) the one-month Adjusted LIBO Rate plus 1.00% per annum,

plus, (A) in the case Adjusted LIBO Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 1.50% to 2.00% per annum depending on a total debt to EBITDA ratio under the ABL facility or (ii) with respect to the term facility, spreads ranging from 2.50% to 2.75% per annum depending on a total debt to EBITDA ratio and (B) in the case of Alternate Base Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 0.50% to 1.00% per annum depending on a total debt to EBITDA ratio under the ABL facility or (ii) with respect to the term facility, spreads ranging from 1.50% to 1.75% per annum depending on a total debt to EBITDA ratio.

The interest rate period with respect to the Adjusted LIBO Rate interest rate option can be set at one-, two-, three-, or six-months as selected by us in accordance with the terms of the credit agreement.

The credit agreement contains certain covenants that limit, among other things, the ability of us and our subsidiaries to incur additional indebtedness or liens, to make certain investments, to enter into sale-leaseback transactions, to make certain restricted payments, to enter into consolidations, mergers or sales of material assets and other fundamental changes, to transact with affiliates, to enter into agreements restricting the ability of subsidiaries to incur liens or pay dividends, or to make certain accounting changes. In addition, the credit agreement requires us to maintain a minimum fixed charge coverage ratio of a minimum of 1.0 to 1.0 when availability for at least three consecutive business days is less than the greater of (a) 17.5% of the lesser of the aggregate ABL facility commitments and the borrowing base and (b) $70,000,000 (including as of the most recent fiscal quarter end on the first date when availability is less than such amount) as well as a maximum secured debt to EBITDA ratio of 4.5 to 1.0 at any time when term facility commitments or term loans thereunder are outstanding. As of December 31, 2019, our fixed charge coverage ratio was 0.93 however, we had more than $100 million of availability under the ABL facility at that date so the fixed charge coverage rate currently has no impact on our operations or liquidity. Our secured debt to EBITDA ratio as of December 31, 2019 was 0.58 to 1.0.

The credit agreement contains restrictions on certain payments, including dividends, when availability under the credit agreement is less than or equal to the greater of $100 million and 25% of the lesser of the revolving commitments and the borrowing base and our fixed charge coverage ratio is less than 1.0 to 1.0 (unless availability under the credit agreement is greater than $100 million and 40% of the lesser of the revolving commitments and the borrowing base). As of December 31, 2019, our ability to make restricted payments was not limited as our availability under the borrowing base was more than $100 million, while our fixed charge coverage ratio under our credit agreement was less than 1.0 to 1.0. As of December 31, 2019, the Company had a shortfall of approximately $30.6 million of our net income and retained earnings subject to such restrictions before the fixed charge coverage ratio would exceed 1.0 to 1.0.

All obligations under the credit agreement are guaranteed by Murphy USA and the subsidiary guarantors party thereto, and all obligations under the credit agreement, including the guarantees of those obligations, are secured by certain assets of Murphy USA, Murphy Oil USA, Inc. and the guarantors party thereto.

Note 8 — Asset Retirement Obligations (ARO)

The majority of the ARO recognized by the Company at December 31, 2019 and 2018 related to the estimated costs to dismantle and abandon certain of its retail gasoline stations. The Company has not recorded an ARO for certain of its marketing assets because sufficient information is presently not available to estimate a range of potential settlement dates for the obligation. These assets are consistently being upgraded and are expected to be operational into the foreseeable future. In these cases, the obligation will be initially recognized in the period in which sufficient information exists to estimate the obligation.

A reconciliation of the beginning and ending aggregate carrying amount of the ARO is shown in the following table.

	December 31,	
(Millions of dollars)	2019	2018
Balance at beginning of period	$ 30.7	$ 28.2
Accretion expense	2.1	2.0
Settlement of liabilities	(0.4)	(0.3)
Liabilities incurred	0.4	0.8
Balance at end of period	$ 32.8	$ 30.7

The estimation of future ARO is based on a number of assumptions requiring professional judgment. The Company cannot predict the type of revisions to these assumptions that may be required in future periods due to the lack of availability of additional information.

Note 9 — Income Taxes

The components of income before income taxes for each of the three years ended December 31, 2019 and income tax expense (benefit) attributable thereto were as follows:

	Years Ended December 31,		
(Millions of dollars)	2019	2018	2017
Income (loss) before income taxes	$ 202.4	$ 273.9	$ 240.1
Income tax expense (benefit)			
Federal - Current	$ 15.6	18.4	39.2
Federal - Deferred	21.7	31.0	(50.7)
State - Current and deferred	10.3	10.9	6.3
Total	$ 47.6	$ 60.3	$ (5.2)

The following table reconciles income taxes based on the U.S. statutory tax rate to the Company’s income tax expense (benefit).

	Years Ended December 31,		
(Millions of dollars)	2019	2018	2017
Income tax expense based on the U.S. statutory tax rate	$ 42.5	$ 57.5	$ 84.0
State income taxes, net of federal benefit	8.6	8.3	3.0
Effect of U.S. tax law change	—	—	(88.9)
Federal credits	(2.3)	(2.0)	(1.0)
Other, net	(1.2)	(3.5)	(2.3)
Total	$ 47.6	$ 60.3	$ (5.2)

An analysis of the Company's deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018 showing the tax effects of significant temporary differences is as follows:

	December 31,	
(Millions of dollars)	2019	2018
Deferred tax assets		
Property costs and asset retirement obligations	$ 3.7	$ 3.3
Employee benefits	6.1	6.3
Operating leases liability	25.0	—
Other deferred tax assets	2.1	2.6
Total gross deferred tax assets	36.9	12.2
Deferred tax liabilities		
Accumulated depreciation and amortization	(191.2)	(171.6)
State deferred taxes	(27.9)	(25.9)
Operating leases right of use assets	(24.8)	—
Other deferred tax liabilities	(9.7)	(6.9)
Total gross deferred tax liabilities	(253.6)	(204.4)
Net deferred tax liabilities	$ (216.7)	$ (192.2)

In management's judgment, the net deferred tax assets in the preceding table will more likely than not be realized as reductions of future taxable income or by utilizing available tax planning strategies.

In December 2017, the Tax Cuts and Jobs Act ("the Act") was enacted, which made major changes to the Federal income tax system for corporations and individuals. Two key corporate provisions of the Act that impacted the Company in 2017 were the reduction of the Federal corporate income tax rate from 35% to 21% and the increase of Federal bonus depreciation from 50% to 100% on certain qualifying assets retroactive to September 27, 2017. As a result, the Company calculated the impact of the Act in its year-end income tax provision in accordance with its understanding of the Act and guidance available as of the date of the filing and as a result recorded $88.9 million as a tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount related primarily to the remeasurement of certain deferred tax assets and liabilities based on the rates of which they are expected to reverse in the future.

In conjunction with the effectiveness of the Act, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the implications of U.S. GAAP in situations where the registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, the Company made its best estimate and recorded provisional amounts related to certain equity and fixed asset temporary differences based on available information as of December 31, 2017. These amounts were finalized in the fourth quarter of 2018 and with immaterial adjustments being recorded as a component of tax expense.

As of December 31, 2019, the earliest year remaining open for Federal audit and/or settlement is 2016 and for the states it ranges from 2014-2018. Although the Company believes that recorded liabilities for unsettled issues are adequate, additional gains or losses could occur in future periods from resolution of outstanding unsettled matters. The FASB's rules for accounting for income tax uncertainties clarify the criteria for recognizing uncertain income tax benefits and require additional disclosures about uncertain tax positions. Under U.S. GAAP the financial statement recognition of the benefit for a tax position is dependent upon the benefit being more likely than not to be sustainable upon audit by the applicable taxing authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement. Liabilities associated with uncertain income tax positions are included in Deferred Credits and Other Liabilities in the Consolidated Balance Sheets.

A reconciliation of the beginning and ending amount of the consolidated liability for unrecognized income tax benefits during the year ended December 31, 2019 and 2018 is shown in the following table.

	Year Ended December 31,	
(Millions of dollars)	2019	2018
Balance at January 1	$ 0.7	$ 4.4
Additions for tax positions related to prior years	0.5	—
Additions for tax positions related to current year	—	0.2
Settlements with taxing authorities	(0.6)	(3.9)
Expiration of statutes of limitation	—	—
Balance at December 31	$ 0.6	$ 0.7

All additions or reductions to the above liability affect the Company's effective tax rate in the respective period of change. The Company accounts for any applicable interest and penalties on uncertain tax positions as a component of income tax expense. Income tax expense for the years ended December 31, 2019, 2018 and 2017 included interest and penalties of none, $(1.6) million, and $0.4 million, respectively, associated with uncertain tax positions.

During the next twelve months, the Company currently expects to add immaterial amounts to the liability for uncertain taxes for 2020 events. Although existing liabilities could be reduced by settlement with taxing authorities or lapse due to statute of limitations, the Company believes that the changes in its unrecognized tax benefits due to these events will not have a material impact on the Consolidated Income Statement during 2020.

Total excess tax benefits recognized in the twelve months ended December 31, 2019, 2018 and 2017 were $0.1 million, $2.5 million, and $2.2 million respectively.

Note 10 — Incentive Plans

2013 Long-Term Incentive Plan

Effective August 30, 2013, certain of our employees began to participate in the Murphy USA 2013 Long-Term Incentive Plan, which was subsequently amended and restated effective as of February 8, 2017 (the "MUSA 2013 Plan"). The MUSA 2013 Plan authorizes the Executive Compensation Committee of our Board of Directors ("the Committee") to grant non-qualified or incentive stock options, stock appreciation rights, stock awards (including restricted stock and restricted stock unit awards), cash awards, and performance awards to our employees. No more than 5.5 million shares of common stock may be delivered under the MUSA 2013 Plan and no more than 1 million shares of common stock may be awarded to any one employee, subject to adjustment for changes in capitalization. The maximum cash amount payable pursuant to any "performance-based" award to any participant in any calendar year is $5.0 million.

During the period from August 30, 2013 to December 31, 2019, the Company granted a total of 2,339,812 awards from the MUSA 2013 Plan which leaves 3,160,188 remaining shares to be granted in future years (after consideration of the amendments made to the MUSA 2013 Plan in February 2014 by the Board of Directors). At present, the Company expects to issue all shares that vest out of existing treasury shares rather than issuing new common shares.

2013 Stock Plan for Non-employee Directors

Effective August 8, 2013, Murphy USA adopted the 2013 Murphy USA Stock Plan for Non-employee Directors (the "Directors Plan"). The directors for Murphy USA are compensated with a mixture of cash payments and equity-based awards. Awards under the Directors Plan may be in the form of restricted stock, restricted stock units, stock options, or a combination thereof. An aggregate of 500,000 shares of common stock shall be available for issuance of grants under the Directors Plan. Since 2013, 123,629 time-based restricted stock units have been granted under the terms of the Directors Plan which leaves 376,371 shares available to be granted in the future.

Amounts recognized in the financial statements by the Company with respect to all share-based plans are shown in the following table.

	Years Ended December 31,		
(Millions of dollars)	2019	2018	2017
Compensation charged against income before income tax benefit	$ 10.5	$ 9.2	$ 7.5
Related income tax benefit recognized in income	$ 2.2	$ 1.9	$ 2.6

As of December 31, 2019, there was $14.1 million in compensation costs to be expensed over approximately the next 1.8 years related to unvested share-based compensation arrangements granted by the Company. Employees who have stock options are required to net settle their options in shares, after applicable statutory withholding taxes are considered, upon each stock option exercise. Therefore, no cash is received upon exercise. Total income tax benefits realized from tax deductions related to stock option exercises under share-based payment arrangements were $0.1 million, $2.1 million, and $0.6 million for the years ended December 31, 2019, 2018, and 2017, respectively.

STOCK OPTIONS – The Committee fixes the option price of each option granted at no less than fair market value (FMV) on the date of the grant and fixes the option term at no more than 7 years from such date.

In February 2019, the Committee granted nonqualified stock options to certain employees of the Company. Following are the assumptions used by the Company to value the original awards:

	Years Ended December 31,		
	2019	2018	2017
Fair value per option grant	$ 20.48	$ 17.32	$ 15.45
Assumptions			
Dividend yield	—	—	—
Expected volatility	26.8%	27.0%	26%
Risk-free interest rate	2.5%	2.43%	1.65%
Expected life (years)	4.5	3.9	4.2
Stock price at valuation date	$ 76.15	$ 71.00	$ 65.75

Changes in options outstanding for Company employees during the period from December 31, 2018 to December 31, 2019 are presented in the following table:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions of Dollars)
Outstanding at December 31, 2018	310,362	65.71		
Granted	99,400	76.15		
Exercised	(12,662)	56.63		
Forfeited	(4,800)	76.15		
Outstanding at December 31, 2019	**392,300**	**$ 68.52**	**4.3**	**$ 19.0**
Exercisable at December 31, 2019	**174,300**	**$ 64.00**	**3.0**	**$ 9.2**

Additional information about stock options outstanding at December 31, 2019 is shown below:

	Options Outstanding		Options Exercisable	
Range of Exercise Prices per Option	No. of Options	Avg. Life Remaining in Years	No. of Options	Avg. Life Remaining in Years
\$39.46 to \$49.99	3,900	1.1	3,900	1.1
\$50.00 to \$59.99	71,000	3.1	71,000	3.1
\$60.00 to \$69.99	90,550	4.1	43,550	4.1
\$70.00 to \$79.99	226,850	4.8	55,850	2.1
	392,300	4.3	174,300	3.0

RESTRICTED STOCK UNITS (MUSA 2013 Plan) – The Committee has granted time based restricted stock units (RSUs) as part of the compensation plan for its executives and certain other employees since its inception. The awards granted in the current year were under the MUSA 2013 Plan, are valued at the grant date fair value, and vest over 3 years.

Changes in restricted stock units outstanding for Company employees during the period from December 31, 2018 to December 31, 2019 are presented in the following table:

Employee RSUs	Number of units	Weighted Average Grant Date Fair Value	Total Fair Value (Millions of Dollars)
Outstanding at December 31, 2018	193,478	\$ 64.02	
Granted	74,118	\$ 80.85	
Vested and issued	(54,313)	\$ 60.41	\$ 4.2
Forfeited	(14,368)	\$ 73.63	
Outstanding at December 31, 2019	**198,915**	**\$ 70.58**	**\$ 23.3**

PERFORMANCE-BASED RESTRICTED STOCK UNITS (MUSA 2013 Plan) – In February 2019, the Committee awarded performance-based restricted stock units (performance units) to certain employees. Half of the performance units vest based on a 3-year return on average capital employed (ROACE) calculation and the other half vest based on a 3-year total shareholder return (TSR) calculation that compares MUSA to a group of 19 peer companies. The portion of the awards that vest based on TSR qualify as a market condition and must be valued using a Monte Carlo valuation model. For the TSR portion of the awards, the fair value was determined to be \$100.65 per unit. For the ROACE portion of the awards, the valuation was based on the grant date fair value of \$76.15 per unit and the number of awards will be periodically assessed to determine the probability of vesting.

Changes in performance-based restricted stock units outstanding for Company employees during the period from December 31, 2018 to December 31, 2019 are presented in the following table:

Employee PSU's	Number of Units	Weighted Average Grant Date Fair Value	Total Fair Value (Millions of Dollars)
Outstanding at December 31, 2018	124,412	\$ 76.58	
Granted	81,513	\$ 88.40	
Vested and issued	(72,125)	\$ 73.55	\$ 5.5
Forfeited	(2,600)	\$ 88.40	
Outstanding at December 31, 2019	**131,200**	**\$ 82.98**	**\$ 15.4**

RESTRICTED STOCK UNITS (Directors Plan) – The Committee has also granted time based RSUs to the non-employee directors of the Company as part of their overall compensation package for being a member of the Board of Directors. These awards typically vest at the end of three years.

Changes in restricted stock units outstanding for Company non-employee directors during the period from December 31, 2018 to December 31, 2019 are presented in the following table:

Director RSU's	Number of Units	Weighted Average Grant Date Fair Value	Total Fair Value (Millions of Dollars)
Outstanding at December 31, 2018	41,017	$ 64.27	
Granted	13,086	$ 76.63	
Vested and issued	(20,496)	$ 61.65	$ 1.6
Forfeited	—		
Outstanding at December 31, 2019	**33,607**	**$ 70.68**	**$ 3.9**

Note 11 — Employee and Retiree Benefit Plans

THRIFT PLAN – Most full-time employees of the Company may participate in defined contribution savings plans by contributing up to a specified percentage of their base pay. The Company matches contributions at 100% of each employee's contribution with a maximum match of 6%. In addition, the Company makes profit sharing contributions on an annual basis. Eligible employees receive a stated percentage of their base and incentive pay of 5%, 7%, or 9% determined on a formula that is based on a combination of age and years of service. The Company's combined expenses related for this plan were $12.9 million in 2019, $9.7 million in 2018 and $12.1 million in 2017.

PROFIT SHARING PLAN – Eligible part-time employees may participate in the Company's noncontributory profit sharing plan. Each year, the Company may make a discretionary employer contribution in an amount determined and authorized at the discretion of the Board of Directors. Eligible employees receive an allocation based on their compensation earned for the year the contribution is allocated. The Company's expenses related to this plan were $1.5 million in 2019, $(0.8) million in 2018 and $2.2 million in 2017.

Note 12 — Financial Instruments and Risk Management

DERIVATIVE INSTRUMENTS — The Company makes limited use of derivative instruments to manage certain risks related to commodity prices and interest rates. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by the Company's senior management. The Company does not hold any derivatives for speculative purposes and it does not use derivatives with leveraged or complex features. Derivative instruments are traded primarily with creditworthy major financial institutions or over national exchanges such as the New York Mercantile Exchange ("NYMEX"). For accounting purposes, the company has not designated commodity derivative contracts as hedges, and therefore, it recognizes all gains and losses on these derivative contracts in its Consolidated Statement of Income. Certain interest rate derivative contracts were accounted for as hedges and gain or loss associated with recording the fair value of these contracts was deferred in AOCI until the anticipated transactions occur. As of December 31, 2019, all current commodity derivative activity is immaterial.

At December 31, 2019 and 2018 cash deposits of $1.0 million related to commodity derivative contracts were reported in Prepaid expenses and other current assets in the Consolidated Balance Sheets. These cash deposits have not been used to reduce the reported net liabilities on the derivative contracts at December 31, 2019 and 2018.

<u>Interest Rate Risks</u>

Under hedge accounting rules, the Company deferred the net benefit associated with the interest rate swap entered into to manage the variability in interest payments for the variable-rate debt in association with $150 million of our outstanding term loan dated August 27, 2019. The effective date of the hedge was September 27, 2019, and under the swap the Company pays fixed rate interest and receives one month LIBOR to hedge the floating interest rate of the outstanding debt. During the year ended December 31, 2019, $0.2 million of realized gain on the interest rate swaps was credited to interest expense in the Consolidated Statements of Income. The remaining benefit pre-tax deferred on these contracts at December 31, 2019 was $0.9 million, which is recorded, net of income taxes, of $0.2 million, in AOCI in the Consolidated Balance Sheets.

Note 13 – Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average of common shares outstanding during the period. Diluted earnings per common share adjusts basic earnings per common share for the effects of stock options and restricted stock in the periods where such items are dilutive.

On August 30, 2013, 46,743,316 shares of our common stock were distributed to the shareholders of Murphy Oil in connection with the separation. For comparative purposes, we have assumed this amount to be outstanding as of the beginning of each prior period prior to the separation presented in the calculation of weighted average shares outstanding.

On July 24, 2019, the Board of Directors approved an up to $400 million share repurchase program to be executed over the two-year period ending July 2021. Prior to the July authorization, the Company had continued to conduct repurchases under quarterly allocations in line with recent past practice. During 2019, total purchases were made of 1,898,023 common shares for $165.8 million,or $87.35 per share, of which 1,393,626 common shares for $125.0 million were made under the July 2019 authorization, leaving approximately $275.0 million available until July 2021. Previous authorizations for common share repurchases include May 2014, in which 1,040,636 common shares were acquired for an average price (including brokerage fees) of $48.07 per share, October 2014, in which 4,169,349 common shares were repurchased for an average price of $59.96 per share, January 2016, in which 7,489,388 common shares for an average price of $66.76 per share, and after completion of the 2016 program, an additional 379,054 common shares at an average price of $77.20 were repurchased in 2017. During 2018 the Company acquired 1,994,632 common shares at an average price of $72.39.

The following table provides a reconciliation of basic and diluted earnings per share computations for the years ended December 31, 2019, 2018 and 2017 (in millions, except per share amounts):

	Years ended December 31,		
(Millions of dollars except per share amounts)	2019	2018	2017
Earnings per common share:			
Net income per share - basic			
Net income attributable to common stockholders	$ 154.8	$ 213.6	$ 245.3
Weighted average common shares outstanding (in thousands)	31,594	32,674	35,816
Earnings per common share	$ 4.90	$ 6.54	$ 6.85
Earnings per common share - assuming dilution:			
Net income per share - diluted			
Net income attributable to common stockholders	$ 154.8	$ 213.6	$ 245.3
Weighted average common shares outstanding (in thousands)	31,594	32,674	35,816
Common equivalent shares:			
Share-based awards	264	309	340
Weighted average common shares outstanding - assuming dilution (in thousands)	31,858	32,983	36,156
Earnings per common share assuming dilution	$ 4.86	$ 6.48	$ 6.78

We have excluded from the earnings-per-share calculation certain stock options and shares that are considered to be anti-dilutive under the treasury stock method. For the reported periods, the number of time-based restrictive stock units, performance based units and non-qualified stock options that are excluded due to their anti-dilutive nature is immaterial.

Note 14 — Other Financial Information

CASH FLOW DISCLOSURES — Cash income taxes paid (collected), net of refunds, were $26.9 million, $17.4 million and $51.7 million for the three years ended December 31, 2019, 2018 and 2017, respectively. Interest paid, net of amounts capitalized, was $56.6 million, $50.4 million and $41.5 million for the years ended December 31, 2019, 2018 and 2017, respectively.

CHANGES IN WORKING CAPITAL -

(Millions of dollars)	2019	2018	2017
Accounts receivable	$ (33.4)	$ 86.6	$ (41.7)
Inventories	(6.1)	(39.0)	(16.3)
Prepaid expenses and other current assets	(3.3)	11.4	(5.2)
Accounts payable and accrued liabilities	(5.9)	(56.7)	26.9
Income taxes payable	—	—	(0.6)
Net decrease (increase) in noncash operating working capital	$ (48.7)	$ 2.3	$ (36.9)

Note 15 — Assets and Liabilities Measured at Fair Value

The Company carries certain assets and liabilities at fair value in its Consolidated Balance Sheets. The fair value hierarchy is based on the quality of inputs used to measure fair value, with Level 1 being the highest quality and Level 3 being the lowest quality. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs which reflect assumptions about pricing by market participants.

At the balance sheet date, the fair value of commodity derivatives contracts was determined using NYMEX quoted values but were immaterial. The carrying value of the Company's Cash and cash equivalents, Accounts receivable-trade, Trade accounts payable, interest rate swap contracts and accrued liabilities approximates fair value.

The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at December 31, 2019 and 2018. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The table excludes Cash and cash equivalents, Accounts receivable-trade, and Trade accounts payable and accrued liabilities, all of which had fair values approximating carrying amounts. The fair value of Current and Long-term debt was estimated based on rates offered to the Company at that time for debt of the same maturities. The Company has off-balance sheet exposures relating to certain financial guarantees and letters of credit. The fair value of these, which represents fees associated with obtaining the instruments, was nominal.

	December 31, 2019		December 31, 2018	
(Millions of dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Current and long-term debt	$ (1,038.1)	$ (1,069.4)	$ (863.3)	$ (866.7)

Note 16 – Commitments

The Company leases land, gasoline stations, and other facilities under operating leases. During the next five years, expected future rental payments under all operating leases are approximately $14.9 million in 2020, $14.3 million in 2021, $13.5 million in 2022, $13.0 million in 2023, and $12.2 million in 2024. Rental expense for noncancelable operating leases, including contingent payments when applicable, was $21.6 million in 2019, $15.2 million in 2018 and $14.0 million in 2017.

Commitments for capital expenditures were approximately $246.9 million at December 31, 2019, including $202.9 million approved for potential construction of future Murphy USA and Murphy Express gasoline stations (including land) at year-end, along with $39.2 million for improvements of existing stations, to be financed with our operating cash flow and/or incurrence of indebtedness.

The Company has certain take-or-pay contracts primarily to supply our terminals with a noncancelable remaining term of 1.7 years. At December 31, 2019, our minimum annual payments under our take-or-pay contracts are estimated to be $7.9 million in 2020 and $4.9 million in 2021.

Note 17 — Contingencies

The Company's operations and earnings have been and may be affected by various forms of governmental action. Examples of such governmental action include, but are by no means limited to: tax increases and retroactive tax claims; import and export controls; price controls; allocation of supplies of crude oil and petroleum products and other goods; laws and regulations intended for the promotion of safety and the protection and/or remediation of the environment; governmental support for other forms of energy; and laws and regulations affecting the Company's relationships with employees, suppliers, customers, stockholders and others. Because governmental actions are often motivated by political considerations, may be taken without full consideration of their consequences, and may be taken in response to actions of other governments, it is not practical to attempt to predict the likelihood of such actions, the form the actions may take or the effect such actions may have on the Company.

ENVIRONMENTAL MATTERS AND LEGAL MATTERS — Murphy USA is subject to numerous federal, state and local laws and regulations dealing with the environment. Violation of such environmental laws, regulations and permits can result in the imposition of significant civil and criminal penalties, injunctions and other sanctions. A discharge of hazardous substances into the environment could, to the extent such event is not insured, subject the Company to substantial expense, including both the cost to comply with applicable regulations and claims by neighboring landowners and other third parties for any personal injury, property damage and other losses that might result.

The Company currently owns or leases, and has in the past owned or leased, properties at which hazardous substances have been or are being handled. Although the Company believes it has used operating and disposal practices that were standard in the industry at the time, hazardous substances may have been disposed of or released on or under the properties owned or leased by the Company or on or under other locations where they have been taken for disposal. In addition, many of these properties have been operated by third parties whose management of hazardous substances was not under the Company's control. Under existing laws, the Company could be required to remediate contaminated property (including contaminated groundwater) or to perform remedial actions to prevent future contamination. Certain of these contaminated properties are in various stages of negotiation, investigation, and/or cleanup, and the Company is investigating the extent of any related liability and the availability of applicable defenses. With the sale of the U.S. refineries in 2011, Murphy Oil retained certain liabilities related to environmental matters. Murphy Oil also obtained insurance covering certain levels of environmental exposures. With respect to the previously owned refinery properties, Murphy Oil retained those liabilities in the Separation and Distribution agreement that was entered into related to the separation on August 30, 2013. With respect to any remaining potential liabilities, the Company believes costs related to these sites will not have a material adverse effect on Murphy USA's net income, financial position or liquidity in a future period.

Certain environmental expenditures are likely to be recovered by the Company from other sources, primarily environmental funds maintained by certain states. Since no assurance can be given that future recoveries from other sources will occur, the Company has not recorded a benefit for likely recoveries at December 31, 2019, however certain jurisdictions provide reimbursement for these expenses which have been considered in recording the net exposure. The U.S. Environmental Protection Agency (EPA) currently considers the Company a Potentially Responsible Party (PRP) at one Superfund site. As to the site, the potential total cost to all parties to perform necessary remedial work at this site may be substantial. However, based on current negotiations and available information, the Company believes that it is a de minimis party as to ultimate responsibility at the Superfund site. Accordingly, the Company has not recorded a liability for remedial costs at the Superfund site at December 31, 2019. The Company could be required to bear a pro rata share of costs attributable to nonparticipating PRPs or could be assigned additional responsibility for remediation at this site or other Superfund sites. The Company believes that its share of the ultimate costs to clean-up this site will be immaterial and will not have a material adverse effect on its net income, financial position or liquidity in a future period.

Based on information currently available to the Company, the amount of future remediation costs to be incurred to address known contamination sites is not expected to have a material adverse effect on the Company's future net income, cash flows or liquidity. However, there is the possibility that additional environmental expenditures could be required to address contamination, including as a result of discovering additional contamination or the imposition of new or revised requirements applicable to known contamination.

Murphy USA is engaged in a number of other legal proceedings, all of which the Company considers routine and incidental to its business. Based on information currently available to the Company, the ultimate resolution of those other legal matters is not expected to have a material adverse effect on the Company's net income, financial condition or liquidity in a future period.

INSURANCE — The Company maintains insurance coverage at levels that are customary and consistent with industry standards for companies of similar size. Murphy USA maintains statutory workers compensation insurance with a deductible of $1.0 million per occurrence, general liability insurance with a deductible of $3.0 million per occurrence, and auto liability insurance with a deductible of $0.3 million per occurrence. As of December 31, 2019, there were a number of outstanding claims that are of a routine nature. The estimated incurred but unpaid liabilities relating to these claims are included in Trade account payables and accrued liabilities on the Consolidated Balance Sheets. While the ultimate outcome of these claims cannot presently be determined, management believes that the accrued liability of $21.8 million will be sufficient to cover the related liability and that the ultimate disposition of these claims will have no material effect on the Company's financial position and results of operations.

The Company has obtained insurance coverage as appropriate for the business in which it is engaged, but may incur losses that are not covered by insurance or reserves, in whole or in part, and such losses could adversely affect our results of operations and financial position.

TAX MATTERS — Murphy USA is subject to extensive tax liabilities imposed by multiple jurisdictions, including income taxes, indirect taxes (excise/duty, sales/use and gross receipts taxes), payroll taxes, franchise taxes, withholding taxes and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed that could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities because of these audits may subject us to interest and penalties.

OTHER MATTERS — In the normal course of its business, the Company is required under certain contracts with various governmental authorities and others to provide financial guarantees or letters of credit that may be drawn upon if the Company fails to perform under those contracts. At December 31, 2019, the Company had contingent liabilities of $17.0 million on outstanding letters of credit. The Company has not accrued a liability in its balance sheet related to these financial guarantees and letters of credit because it is believed that the likelihood of having these drawn is remote.

Note 18 — Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 amended the existing accounting standards for lease accounting by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. We adopted ASU 2016-02 as of January 1, 2019, using the modified retrospective approach. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification. We also elected the practical expedient related to land easements, allowing us to carry forward our accounting treatment for land easements on existing agreements. In addition, we elected the hindsight practical expedient to determine the lease term for existing leases. Our election of the hindsight practical expedient resulted in the shortening of lease terms for certain existing leases and the useful lives of corresponding leasehold improvements. In our application of hindsight, we evaluated the performance of the leased stores and the associated markets in relation to our overall real estate strategies, which resulted in the determination that renewal options would not be reasonably certain in determining the expected lease term. Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of approximately $110.4 million and $110.7 million, respectively. The standard did not materially impact our consolidated net earnings and had no impact on cash flows.

The Company determines if an arrangement is a lease or contains a lease at inception. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. The Company's leases have remaining lease terms of approximately 1 year to 20 years, which may include the option to extend the lease when it is reasonably certain the Company will exercise the option. Most leases include one or more options to renew, with renewal terms that can extend the lease term from five to 20 years or more. The exercise of lease renewal options is at the Company's sole discretion. Due to the uncertainties of future markets, economic factors, technology changes, demographic shifts and behavior, environmental regulatory requirements and other information that impacts decisions as to station location, management has determined that it was not reasonably certain to exercise contract options and they are not included in the lease term. Additionally, short-term leases and leases with variable lease costs are immaterial. The Company reviews all options to extend, terminate, or otherwise modify its lease agreements to determine if changes are required to the right of use assets and liabilities.

As the implicit interest rate is not readily determinable in most of the Company's lease agreements, the Company uses its estimated secured incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Lessor — We have various arrangements for certain spaces for food service and vending equipment under which we are the lessor. These leases meet the criteria for operating lease classification. Lease income associated with these leases is immaterial.

Lessee —We lease land for 215 stations, one terminal, a hangar and various equipment. Our lease agreements do not contain any material residual value guarantees and approximately 102 sites leased from Walmart contain restrictive covenants, though the restrictions are deemed to have an immaterial impact.

Leases are reflected in the following balance sheet accounts:

(Millions of dollars)	Classification	December 31, 2019	December 31, 2018
Assets			
Operating (Right-of-use)	Other Assets	$ 124.2	$ —
Finance	Property, plant, and equipment, at cost, less accumulated depreciation of $2.2 in 2019 and $1.8 in 2018	3.0	2.9
Total leased assets		$ 127.2	$ 2.9
Liabilities			
Current			
Operating	Trade accounts payable and accrued liabilities	$ 6.8	$ —
Finance	Current maturities of long-term debt	1.2	1.2
Noncurrent			
Operating	Deferred credits and other liabilities	118.5	—
Finance	Long-term debt, including capitalized lease obligations	1.2	1.1
Total lease liabilities		$ 127.7	$ 2.3

Lease Cost:

(Millions of dollars)	Classification	Year Ended December 31, 2019
Operating lease cost	Station and other operating expenses	$ 14.5
Finance lease cost		
Amortization of leased assets	Depreciation & amortization expense	1.2
Interest on lease liabilities	Interest expense	0.1
Net lease costs		$ 15.8

Cash flow information:

(Millions of dollars)	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of liabilities	
Operating cash flows required by operating leases	$ 13.8
Operating cash flows required by finance leases	$ 0.1
Financing cash flows required by finance leases	$ 1.4

Maturity of Lease Liabilities:

(Millions of dollars)	Operating leases	Finance leases
2020	$ 14.9	$ 1.3
2021	14.3	0.9
2022	13.5	0.3
2023	13.0	—
2024	12.2	—
After 2024	148.9	—
Total lease payments	216.8	2.5
less: interest	91.5	0.1
Present value of lease liabilities	$ 125.3	$ 2.4

The Company adopted ASU 2016-02 on January 1, 2019, and as required, the following disclosure is provided for periods prior to adoption. Future annual minimum lease payments and capital lease commitments as of December 31, 2018 were as follows:

(Millions of dollars)	Operating leases	Capital leases
2019	$ 13.7	$ 1.5
2020	13.3	1.1
2021	12.5	0.6
2022	11.7	0.1
2023	11.1	—
After 2023	122.6	—
Total lease payments	184.9	3.3
less: interest	—	0.2
Present value of minimum payments	$ 184.9	$ 3.1

Lease Term and Discount Rate:

	Year Ended December 31,
	2019
Weighted average remaining lease term (years)	
Finance leases	2.0
Operating leases	15.6
Weighted average discount rate	
Finance leases	4.8%
Operating leases	6.0%

Note 19 — Recent Accounting and Reporting Rules

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract". This ASU aligns the accounting treatment for capitalizing implementation costs incurred by customers in cloud computing arrangements in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This guidance is effective for the Company on January 1, 2020. Early adoption is permitted. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company has assessed the effect that this ASU will have on our financial position, results of operations, and disclosures and this update will not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 was subsequently modified by ASU 2018-19, ASU 2019-04, ASU 2019-05, and ASU 2019-11. This ASU changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, which will result in timelier recognition of losses. ASU 2016-13 and the associated modifications will be effective for the Company on January 1, 2020. The Company has assessed the effect that this ASU will have on our financial position, results of operations, and disclosures and this update will not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which removes certain exceptions for: recognizing deferred taxes on investments, performing intraperiod allocation and calculating income taxes for interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This ASU if effective for the Company for the year beginning January 1, 2021, and early adoption is permitted. The Company is currently assessing the effect that this ASU will have on our financial position, results of operations, and disclosures but does not expect this update to have a material impact on the Company's consolidated financial statements.

Note 20 — Business Segments

Our operations include the sale of retail motor fuel products and convenience merchandise along with the wholesale and bulk sale capabilities of our product supply and wholesale group. As the primary purpose of the product supply and wholesale group is to support our retail operations and provide fuel for their daily operation, the bulk and wholesale fuel sales are secondary to the support functions played by these groups. As such, they are all treated as one segment for reporting purposes as they sell the same products. This Marketing segment contains essentially all of the revenue generating activities of the Company. Results not included in the reportable segment include Corporate and Other Assets. The reportable segment was determined based on information reviewed by the Chief Operating Decision Maker.

Segment Information *(Millions of dollars)*	Marketing	Corporate and Other Assets	Consolidated
Year ended December 31, 2019			
Segment income (loss)	$ 215.0	(60.2)	$ 154.8
Revenues from external customers	14,034.3	0.3	14,034.6
Interest income	—	3.2	3.2
Interest expense	(0.1)	(54.8)	(54.9)
Loss on early debt extinguishment	—	(14.8)	(14.8)
Income tax expense (benefit)	66.3	(18.7)	47.6
Significant noncash charges (credits)			
Depreciation and amortization	138.9	13.3	152.2
Accretion of asset retirement obligations	2.1	—	2.1
Debt extinguishment costs	—	4.4	4.4
Deferred and noncurrent income taxes (benefits)	32.9	(9.2)	23.7
Additions to property, plant and equipment	155.5	59.1	214.6
Total assets at year-end	$ 2,304.7	382.5	$ 2,687.2

Segment Information *(Millions of dollars)*	Marketing	Corporate and Other Assets	Consolidated
Year ended December 31, 2018			
Segment income (loss)	$ 214.2	(0.6)	$ 213.6
Revenues from external customers	14,362.3	0.6	14,362.9
Interest income	—	1.5	1.5
Interest expense	(0.1)	(52.8)	(52.9)
Income tax expense (benefit)	69.5	(9.2)	60.3
Significant noncash charges (credits)			
Depreciation and amortization	124.5	9.5	134.0
Accretion of asset retirement obligations	2.0	—	2.0
Deferred and noncurrent income taxes (benefits)	39.0	(1.1)	37.9
Additions to property, plant and equipment	169.2	24.6	193.8
Total assets at year-end	$ 2,012.0	348.8	$ 2,360.8

Segment Information *(Millions of dollars)*	Marketing	Corporate and Other Assets	Consolidated
Year ended December 31, 2017			
Segment income (loss)	$ 295.3	(50.0)	$ 245.3
Revenues from external customers	12,826.2	0.4	12,826.6
Interest income	—	1.3	1.3
Interest expense	(0.1)	(46.6)	(46.7)
Income tax expense (benefit)	(2.9)	(2.3)	(5.2)
Significant noncash charges (credits)			
Depreciation and amortization	110.5	6.4	116.9
Accretion of asset retirement obligations	1.8	—	1.8
Deferred and noncurrent income taxes (benefits)	(61.3)	10.9	(50.4)
Additions to property, plant and equipment	234.0	39.7	273.7
Total assets at year-end	$ 2,023.4	307.6	$ 2,331.0

Note 21 – Guarantor Subsidiaries

Certain of the Company's 100% owned, domestic subsidiaries (the "Guarantor Subsidiaries") fully and unconditionally guarantee, on a joint and several basis, certain of the outstanding indebtedness of the Company, including the 5.625% senior notes due 2027 and the 4.75% senior notes due 2029. The following consolidating schedules present financial information on a consolidated basis in conformity with the SEC's Regulation S-X Rule 3-10(d):

CONSOLIDATING BALANCE SHEET

(Millions of dollars)	December 31, 2019					
Assets	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets						
Cash and cash equivalents	$ —	$ 279.4	$ 0.9	$ —	$ —	$ 280.3
Accounts receivable—trade, less allowance for doubtful accounts of $1.2 in 2019	—	173.0	(0.1)	—	—	172.9
Inventories, at lower of cost or market	—	227.6	—	—	—	227.6
Prepaid expenses and other current assets	—	29.6	0.4	—	—	30.0
Total current assets	—	709.6	1.2	—	—	710.8
Property, plant and equipment, at cost less accumulated depreciation and amortization of $1,079.2 in 2019	—	1,799.1	8.2	—	—	1,807.3
Investments in subsidiaries	2,591.8	143.9	—	—	(2,735.7)	—
Other assets	—	169.1	—	—	—	169.1
Total assets	$ 2,591.8	$ 2,821.7	$ 9.4	$ —	$ (2,735.7)	$ 2,687.2
Liabilities and Stockholders' Equity						
Current liabilities						
Current maturities of long-term debt	$ —	$ 38.8	$ —	$ —	$ —	$ 38.8
Inter-company accounts payable	(0.1)	196.1	(41.7)	(154.3)	—	—
Trade accounts payable and accrued liabilities	—	466.2	—	—	—	466.2
Total current liabilities	(0.1)	701.1	(41.7)	(154.3)	—	505.0
Long-term debt, including capitalized lease obligations	—	999.3	—	—	—	999.3
Deferred income taxes	—	216.7	—	—	—	216.7
Asset retirement obligations	—	32.8	—	—	—	32.8
Deferred credits and other liabilities	—	130.4	—	—	—	130.4
Total liabilities	(0.1)	2,080.3	(41.7)	(154.3)	—	1,884.2
Stockholders' Equity						
Preferred Stock, par $0.01 (authorized 20,000,000 shares, none outstanding)	—	—	—	—	—	—
Common Stock, par $0.01 (authorized 200,000,000 shares, 46,767,164 shares issued at December 31, 2019)	0.5	—	0.1	—	(0.1)	0.5
Treasury stock (16,307,048 shares held at December 31, 2019)	(1,099.8)	—	—	—	—	(1,099.8)
Additional paid in capital (APIC)	1,188.8	578.8	52.0	87.5	(1,368.4)	538.7
Retained earnings	2,502.4	161.9	(1.0)	66.8	(1,367.2)	1,362.9
Accumulated other comprehensive income (AOCI)	—	0.7	—	—	—	0.7
Total stockholders' equity	2,591.9	741.4	51.1	154.3	(2,735.7)	803.0
Total liabilities and stockholders' equity	$ 2,591.8	$ 2,821.7	$ 9.4	$ —	$ (2,735.7)	$ 2,687.2

CONSOLIDATING BALANCE SHEET

(Millions of dollars)	December 31, 2018					
Assets	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets						
Cash and cash equivalents	$ —	$ 184.0	$ 0.5	$ —	$ —	$ 184.5
Accounts receivable—trade, less allowance for doubtful accounts of $1.1 in 2018	—	138.8	—	—	—	138.8
Inventories, at lower of cost or market	—	221.5	—	—	—	221.5
Prepaid expenses and other current assets	—	25.1	0.2	—	—	25.3
Total current assets	—	569.4	0.7	—	—	570.1
Property, plant and equipment, at cost less accumulated depreciation and amortization of $974.2 in 2018	—	1,745.9	2.3	—	—	1,748.2
Investments in subsidiaries	2,437.0	144.4	—	—	(2,581.4)	—
Other assets	—	42.5	—	—	—	42.5
Total assets	$ 2,437.0	$ 2,502.2	$ 3.0	$ —	$ (2,581.4)	$ 2,360.8
Liabilities and Stockholders' Equity						
Current liabilities						
Current maturities of long-term debt	$ —	$ 21.2	$ —	$ —	$ —	$ 21.2
Inter-company accounts payable	(0.1)	203.0	(48.6)	(154.3)	—	—
Trade accounts payable and accrued liabilities	—	456.9	—	—	—	456.9
Total current liabilities	(0.1)	681.1	(48.6)	(154.3)	—	478.1
Long-term debt, including capitalized lease obligations	—	842.1	—	—	—	842.1
Deferred income taxes	—	192.2	—	—	—	192.2
Asset retirement obligations	—	30.7	—	—	—	30.7
Deferred credits and other liabilities	—	10.4	—	—	—	10.4
Total liabilities	(0.1)	1,756.5	(48.6)	(154.3)	—	1,553.5
Stockholders' Equity						
Preferred Stock, par $0.01 (authorized 20,000,000 shares, none outstanding)	—	—	—	—	—	—
Common Stock, par $0.01 (authorized 200,000,000 shares, 46,767,164 shares issued at December 31, 2018)	0.5	—	0.1	—	(0.1)	0.5
Treasury stock (14,505,681 shares held at December 31, 2018)	(940.3)	—	—	—	—	(940.3)
Additional paid in capital (APIC)	1,195.1	572.8	52.0	87.5	(1,368.4)	539.0
Retained earnings	2,181.8	172.9	(0.5)	66.8	(1,212.9)	1,208.1
Accumulated other comprehensive income (AOCI)	—	—	—	—	—	—
Total stockholders' equity	2,437.1	745.7	51.6	154.3	(2,581.4)	807.3
Total liabilities and stockholders' equity	$ 2,437.0	$ 2,502.2	$ 3.0	$ —	$ (2,581.4)	$ 2,360.8

CONSOLIDATING INCOME STATEMENT AND COMPREHENSIVE INCOME

(Millions of dollars)	Year ended December 31, 2019					
Operating Revenues	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Petroleum product sales	$ —	$ 11,373.8	$ —	$ —	$ —	$ 11,373.8
Merchandise sales	—	2,620.1	—	—	—	2,620.1
Other operating revenues	—	40.7	—	—	—	40.7
Total operating revenues	—	14,034.6	—	—	—	14,034.6
Operating expenses						
Petroleum product cost of goods sold	—	10,707.4	—	—	—	10,707.4
Merchandise cost of goods sold	—	2,200.7	—	—	—	2,200.7
Station and other operating expenses	—	559.3	—	—	—	559.3
Depreciation and amortization	—	152.1	0.1	—	—	152.2
Selling, general and administrative	—	144.6	—	—	—	144.6
Accretion of asset retirement obligations	—	2.1	—	—	—	2.1
Total operating expenses	—	13,766.2	0.1	—	—	13,766.3
Net settlement proceeds	—	0.1	—	—	—	0.1
Gain (loss) on sale of assets	—	0.1	—	—	—	0.1
Income from operations	—	268.6	(0.1)	—	—	268.5
Other income (expense)						
Interest income	—	3.2	—	—	—	3.2
Interest expense	—	(54.9)	—	—	—	(54.9)
Loss on early debt extinguishment	—	(14.8)	—	—	—	(14.8)
Other nonoperating income/expense	165.8	(164.8)	(0.6)	—	—	0.4
Total other income (expense)	165.8	(231.3)	(0.6)	—	—	(66.1)
Income before income taxes	165.8	37.3	(0.7)	—	—	202.4
Income tax expense (benefit)	—	47.8	(0.2)	—	—	47.6
Income (loss)	165.8	(10.5)	(0.5)	—	—	154.8
Equity earnings in affiliates, net of tax	154.8	(0.5)	—	—	(154.3)	—
Net income (loss)	$ 320.6	$ (11.0)	$ (0.5)	$ —	$ (154.3)	$ 154.8
Other comprehensive income	—	0.7	—	—	—	0.7
Comprehensive income (loss)	$ 320.6	$ (10.3)	$ (0.5)	$ —	$ (154.3)	$ 155.5

CONSOLIDATING INCOME STATEMENT AND COMPREHENSIVE INCOME

(Millions of dollars)	Year ended December 31, 2018					
Operating Revenues	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Petroleum product sales	$ —	$ 11,858.4	$ —	$ —	$ —	$ 11,858.4
Merchandise sales	—	2,423.0	—	—	—	2,423.0
Ethanol sales and other	—	81.5	—	—	—	81.5
Total operating revenues	—	14,362.9	—	—	—	14,362.9
Operating Expenses						
Petroleum product cost of goods sold	—	11,251.1	—	—	—	11,251.1
Merchandise cost of goods sold	—	2,022.5	—	—	—	2,022.5
Station and other operating expenses	—	541.3	—	—	—	541.3
Depreciation and amortization	—	134.0	—	—	—	134.0
Selling, general and administrative	—	136.2	—	—	—	136.2
Accretion of asset retirement obligations	—	2.0	—	—	—	2.0
Total operating expenses	—	14,087.1	—	—	—	14,087.1
Net settlement proceeds		50.4				50.4
Gain (loss) on sale of assets	—	(1.1)	—	—	—	(1.1)
Income from operations	—	325.1	—	—	—	325.1
Other income (expense)						
Interest income	—	1.5	—	—	—	1.5
Interest expense	—	(52.9)	—	—	—	(52.9)
Other nonoperating income	973.7	(972.9)	(0.6)	—	—	0.2
Total other income (expense)	973.7	(1,024.3)	(0.6)	—	—	(51.2)
Income before income taxes	973.7	(699.2)	(0.6)	—	—	273.9
Income tax expense (benefit)	—	60.4	(0.1)	—	—	60.3
Income	973.7	(759.6)	(0.5)	—	—	213.6
Equity earnings in affiliates, net of tax	213.6	(0.5)	—	—	(213.1)	—
Net income (loss)	$ 1,187.3	$ (760.1)	$ (0.5)	$ —	$ (213.1)	$ 213.6
Other comprehensive income	—	—	—	—	—	—
Comprehensive income (loss)	$ 1,187.3	$ (760.1)	$ (0.5)	$ —	$ (213.1)	$ 213.6

CONSOLIDATING INCOME STATEMENT AND COMPREHENSIVE INCOME

(Millions of dollars)	Year ended December 31, 2017					
Operating Revenues	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Petroleum product sales	$ —	$ 10,287.9	$ —	$ —	$ —	$ 10,287.9
Merchandise sales	—	2,372.7	—	—	—	2,372.7
Ethanol sales and other	—	166.0	—	—	—	166.0
Total operating revenues	—	12,826.6	—	—	—	12,826.6
Operating expenses						
Petroleum product cost of goods sold	—	9,773.2	—	—	—	9,773.2
Merchandise cost of goods sold	—	1,991.4	—	—	—	1,991.4
Station and other operating expenses	—	514.9	—	—	—	514.9
Depreciation and amortization	—	116.9	—	—	—	116.9
Selling, general and administrative	—	141.2	—	—	—	141.2
Accretion of asset retirement obligations	—	1.8	—	—	—	1.8
Total operating expenses	—	12,539.4	—	—	—	12,539.4
Gain (loss) on sale of assets	—	(3.9)	—	—	—	(3.9)
Income from operations	—	283.3	—	—	—	283.3
Other income (expense)						
Interest income	—	1.3	—	—	—	1.3
Interest expense	—	(46.7)	—	—	—	(46.7)
Other nonoperating income	—	2.2	—	—	—	2.2
Total other income (expense)	—	(43.2)	—	—	—	(43.2)
Income before income taxes	—	240.1	—	—	—	240.1
Income tax expense (benefit)	—	(5.2)	—	—	—	(5.2)
Income	—	245.3	—	—	—	245.3
Equity earnings in affiliates, net of tax	245.3	—	—	—	(245.3)	—
Net income (loss)	$ 245.3	$ 245.3	$ —	$ —	$ (245.3)	$ 245.3
Other comprehensive income	—	—	—	—	—	—
Comprehensive income (loss)	$ 245.3	$ 245.3	$ —	$ —	$ (245.3)	$ 245.3

CONSOLIDATING STATEMENT OF CASH FLOWS

(Millions of dollars)	Year ended December 31, 2019					
Operating Activities	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ 320.6	$ (11.0)	$ (0.5)	$ —	$ (154.3)	$ 154.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities						
Depreciation and amortization	—	152.1	0.1	—	—	152.2
Deferred and noncurrent income tax charges (benefits)	—	23.7	—	—	—	23.7
Accretion of asset retirement obligations	—	2.1	—	—	—	2.1
(Gain) loss from sale of assets	—	(0.1)	—	—	—	(0.1)
Net decrease (increase) in noncash operating working capital	—	(48.6)	(0.1)	—	—	(48.7)
Equity in earnings	(154.8)	0.5	—	—	154.3	—
Loss on early debt extinguishment	—	14.8	—	—	—	14.8
Other operating activities - net	—	14.5	—	—	—	14.5
Net cash provided by (required by) operating activities	165.8	148.0	(0.5)	—	—	313.3
Investing Activities						
Property additions	—	(198.8)	(6.0)	—	—	(204.8)
Proceeds from sale of assets	—	2.5	—	—	—	2.5
Other investing activities - net	—	(0.8)	—	—	—	(0.8)
Net cash provided by (required by) investing activities	—	(197.1)	(6.0)	—	—	(203.1)
Financing Activities						
Purchase of treasury stock	(165.8)	—	—	—	—	(165.8)
Repayments of debt	—	(573.4)	—	—	—	(573.4)
Borrowings of debt	—	743.8	—	—	—	743.8
Early debt extinguishment costs	—	(10.4)	—	—	—	(10.4)
Debt issuance costs	—	(4.1)	—	—	—	(4.1)
Amounts related to share-based compensation	—	(4.5)	—	—	—	(4.5)
Net distributions to parent	—	(6.9)	6.9	—	—	—
Net cash provided by (required by) financing activities	(165.8)	144.5	6.9	—	—	(14.4)
Net change in cash, cash equivalents, and restricted cash	—	95.4	0.4	—	—	95.8
Cash, cash equivalents, and restricted cash at January 1	—	184.0	0.5	—	—	184.5
Cash, cash equivalents, and restricted cash at December 31	$ —	$ 279.4	$ 0.9	$ —	$ —	$ 280.3
Reconciliation of Cash, Cash Equivalents and Restricted Cash						
Cash and Cash equivalents at beginning of period	$ —	$ 184.0	$ 0.5	$ —	$ —	$ 184.5
Restricted cash at beginning of period	—	—	—	—	—	—
Cash, cash equivalents, and restricted cash at beginning of period	$ —	$ 184.0	$ 0.5	$ —	$ —	$ 184.5
Cash and cash equivalents at end of period	$ —	$ 279.4	$ 0.9	$ —	$ —	$ 280.3
Restricted cash at end of period	—	—	—	—	—	—
Cash, cash equivalents, and restricted cash at end of period	$ —	$ 279.4	$ 0.9	$ —	$ —	$ 280.3

CONSOLIDATING STATEMENT OF CASH FLOWS

(Millions of dollars)	Year ended December 31, 2018					
Operating Activities	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ 1,187.3	$ (760.1)	$ (0.5)	$ —	$ (213.1)	$ 213.6
Adjustments to reconcile net income (loss) to net cash provided by operating activities						
Depreciation and amortization	—	134.0	—	—	—	134.0
Deferred and noncurrent income tax charges (credits)	—	37.9	—	—	—	37.9
Accretion of asset retirement obligations	—	2.0	—	—	—	2.0
(Gains) loss from sale of assets	—	1.1	—	—	—	1.1
Net decrease (increase) in noncash operating working capital	—	2.4	(0.1)	—	—	2.3
Equity in earnings	(213.6)	0.5	—	—	213.1	—
Other operating activities - net	—	7.8	—	—	—	7.8
Net cash provided by (required by) operating activities	973.7	(574.4)	(0.6)	—	—	398.7
Investing Activities						
Property additions	—	(203.1)	(1.2)	—	—	(204.3)
Proceeds from sale of assets	—	1.2	—	—	—	1.2
Other investing activities - net	—	(6.0)	—	—	—	(6.0)
Net cash provided by (required by) investing activities	—	(207.9)	(1.2)	—	—	(209.1)
Financing Activities						
Purchase of treasury stock	(144.4)	—	—	—	—	(144.4)
Repayments of debt	—	(21.3)	—	—	—	(21.3)
Borrowings of debt	—	—	—	—	—	—
Debt issuance costs	—	—	—	—	—	—
Amounts related to share-based compensation	—	(9.4)	—	—	—	(9.4)
Net distributions to parent	(829.3)	827.1	2.2	—	—	—
Net cash provided by (required by) financing activities	(973.7)	796.4	2.2	—	—	(175.1)
Net change in cash, cash equivalents, and restricted cash	—	14.1	0.4	—	—	14.5
Cash, cash equivalents, and restricted cash at January 1	—	169.9	0.1	—	—	170.0
Cash, cash equivalents, and restricted cash at December 31	$ —	$ 184.0	$ 0.5	$ —	$ —	$ 184.5
Reconciliation of Cash, Cash Equivalents and Restricted Cash						
Cash and cash equivalents at beginning of period	$ —	$ 169.9	$ 0.1	$ —	$ —	$ 170.0
Restricted cash at beginning of period	—	—	—	—	—	—
Cash, cash equivalents and restricted cash at beginning of period	$ —	$ 169.9	$ 0.1	$ —	$ —	$ 170.0
Cash and cash equivalents at end of period	$ —	$ 184.0	$ 0.5	$ —	$ —	$ 184.5
Restricted cash at end of period	—	—	—	—	—	—
Cash, cash equivalents and restricted cash at end of period	$ —	$ 184.0	$ 0.5	$ —	$ —	$ 184.5

CONSOLIDATING STATEMENT OF CASH FLOWS

(Millions of dollars)	Year ended December 31, 2017					
Operating Activities	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ 245.3	$ 245.3	$ —	$ —	$ (245.3)	$ 245.3
Adjustments to reconcile net income (loss) to net cash provided by operating activities						
Depreciation and amortization	—	116.9	—	—	—	116.9
Deferred and noncurrent income tax charges (credits)	—	(50.4)	—	—	—	(50.4)
Accretion of asset retirement obligations	—	1.8	—	—	—	1.8
(Gains) loss from sale of assets	—	3.9	—	—	—	3.9
Net decrease (increase) in noncash operating working capital	—	(36.9)	—	—	—	(36.9)
Equity in earnings	(245.3)	—	—	—	245.3	—
Other operating activities - net	—	3.0	—	—	—	3.0
Net cash provided by (required by) operating activities	—	283.6	—	—	—	283.6
Investing Activities						
Property additions	—	(257.1)	(1.2)	—	—	(258.3)
Proceeds from sale of assets	—	0.9	—	—	—	0.9
Other investing activities - net	—	(4.7)	—	—	—	(4.7)
Net cash provided by (required by) investing activities	—	(260.9)	(1.2)	—	—	(262.1)
Financing Activities						
Purchase of treasury stock	(206.0)	—	—	—	—	(206.0)
Repayments of debt	—	(131.4)	—	—	—	(131.4)
Borrowings of debt	—	338.8	—	—	—	338.8
Debt issuance costs	—	(1.1)	—	—	—	(1.1)
Amounts related to share-based compensation	—	(5.6)	—	—	—	(5.6)
Net distributions to parent	206.0	(207.3)	1.3	—	—	—
Net cash provided by (required by) financing activities	—	(6.6)	1.3	—	—	(5.3)
Net change in cash, cash equivalents, and restricted cash	—	16.1	0.1	—	—	16.2
Cash, cash equivalents and restricted cash at January 1	—	153.8	—	—	—	153.8
Cash, cash equivalents and restricted cash at December 31	$ —	$ 169.9	$ 0.1	$ —	$ —	$ 170.0
Reconciliation of Cash, Cash Equivalents and Restricted Cash						
Cash and cash equivalents at beginning of period	$ —	$ 153.8	$ —	$ —	$ —	$ 153.8
Restricted cash at beginning of period	—	—	—	—	—	—
Cash, cash equivalents and restricted cash at beginning of period	$ —	$ 153.8	$ —	$ —	$ —	$ 153.8
Cash and cash equivalents at end of period	$ —	$ 169.9	$ 0.1	$ —	$ —	$ 170.0
Restricted cash at end of period	—	—	—	—	—	$ —
Cash, cash equivalents and restricted cash at end of period	$ —	$ 169.9	$ 0.1	$ —	$ —	$ 170.0

CONSOLIDATING STATEMENT OF CHANGES IN EQUITY

(Millions of dollars)	Year ended December 31, 2019					
Statement of Stockholders' Equity	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Common Stock						
Balance as of December 31, 2018	$ 0.5	$ —	$ 0.1	$ —	$ (0.1)	$ 0.5
Issuance of common stock	—	—	—	—	—	—
Balance as of December 31, 2019	$ 0.5	$ —	$ 0.1	$ —	$ (0.1)	$ 0.5
Treasury Stock						
Balance as of December 31, 2018	$ (940.3)	$ —	$ —	$ —	$ —	$ (940.3)
Issuance of treasury stock	6.3	—	—	—	—	6.3
Purchase of treasury stock	(165.8)	—	—	—	—	(165.8)
Balance as of December 31, 2019	$ (1,099.8)	$ —	$ —	$ —	$ —	$ (1,099.8)
APIC						
Balance as of December 31, 2018	$ 1,195.1	$ 572.8	$ 52.0	$ 87.5	$ (1,368.4)	$ 539.0
Issuance of treasury stock	(6.3)	—	—	—	—	(6.3)
Amounts related to share-based compensation	—	(4.5)	—	—	—	(4.5)
Share-based compensation expense	—	10.5	—	—	—	10.5
Balance as of December 31, 2019	$ 1,188.8	$ 578.8	$ 52.0	$ 87.5	$ (1,368.4)	$ 538.7
Retained Earnings						
Balance as of December 31, 2018	$ 2,181.8	$ 172.9	$ (0.5)	$ 66.8	$ (1,212.9)	$ 1,208.1
Net income	320.6	(11.0)	(0.5)	—	(154.3)	154.8
Balance as of December 31, 2019	$ 2,502.4	$ 161.9	$ (1.0)	$ 66.8	$ (1,367.2)	$ 1,362.9
AOCI						
Balance as of December 31, 2018	$ —	$ —	$ —	$ —	$ —	$ —
Other comprehensive income	—	0.7	—	—	—	0.7
Balance as of December 31, 2019	$ —	$ 0.7	$ —	$ —	$ —	$ 0.7

CONSOLIDATING STATEMENTS OF CHANGES IN EQUITY

(Millions of dollars)	Year ended December 31, 2018					
Statement of Stockholders' Equity	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Common Stock						
Balance as of December 31, 2017	$ 0.5	$ —	$ 0.1	$ —	$ (0.1)	$ 0.5
Issuance of common stock	—	—	—	—	—	—
Balance as of December 31, 2018	$ 0.5	$ —	$ 0.1	$ —	$ (0.1)	$ 0.5
Treasury Stock						
Balance as of December 31, 2017	$ (806.5)	$ —	$ —	$ —	$ —	$ (806.5)
Issuance of treasury stock	10.6	—	—	—	—	10.6
Purchase of treasury stock	(144.4)	—	—	—	—	(144.4)
Balance as of December 31, 2018	$ (940.3)	$ —	$ —	$ —	$ —	$ (940.3)
APIC						
Balance as of December 31, 2017	$ 1,205.7	$ 573.1	$ 52.0	$ 87.5	$ (1,368.4)	$ 549.9
Issuance of treasury stock	(10.6)	—	—	—	—	(10.6)
Amounts related to share-based compensation	—	(9.4)	—	—	—	(9.4)
Share-based compensation expense	—	9.1	—	—	—	9.1
Balance as of December 31, 2018	$ 1,195.1	$ 572.8	$ 52.0	$ 87.5	$ (1,368.4)	$ 539.0
Retained Earnings						
Balance as of December 31, 2017	$ 994.5	$ 933.0	$ —	$ 66.8	$ (999.8)	$ 994.5
Net income	1,187.3	(760.1)	(0.5)	—	(213.1)	213.6
Balance as of December 31, 2018	$ 2,181.8	$ 172.9	$ (0.5)	$ 66.8	$ (1,212.9)	$ 1,208.1
AOCI						
Balance as of December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —
Other comprehensive income	—	—	—	—	—	—
Balance as of December 31, 2018	$ —	$ —	$ —	$ —	$ —	$ —

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Millions of dollars)	Year ended December 31, 2017					
Statement of Stockholders' Equity	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Common Stock						
Balance as of December 31, 2016	$ 0.5	$ —	$ 0.1	$ —	$ (0.1)	$ 0.5
Issuance of common stock	—	—	—	—	—	—
Balance as of December 31, 2017	$ 0.5	$ —	$ 0.1	$ —	$ (0.1)	$ 0.5
Treasury Stock						
Balance as of December 31, 2016	$ (608.0)	$ —	$ —	$ —	$ —	$ (608.0)
Issuance of treasury stock	7.5	—	—	—	—	7.5
Purchase of treasury stock	(206.0)	—	—	—	—	(206.0)
Balance as of December 31, 2017	$ (806.5)	$ —	$ —	$ —	$ —	$ (806.5)
APIC						
Balance as of December 31, 2016	$ 1,213.1	$ 571.1	$ 52.0	$ 87.5	$ (1,368.4)	$ 555.3
Issuance of treasury stock	(7.4)	—	—	—	—	(7.4)
Amounts related to share-based compensation	—	(5.6)	—	—	—	(5.6)
Share-based compensation expense	—	7.6	—	—	—	7.6
Balance as of December 31, 2017	$ 1,205.7	$ 573.1	$ 52.0	$ 87.5	$ (1,368.4)	$ 549.9
Retained Earnings						
Balance as of December 31, 2016	$ 749.2	$ 687.7	$ —	$ 66.8	$ (754.5)	$ 749.2
Net income	245.3	245.3	—	—	(245.3)	245.3
Balance as of December 31, 2017	$ 994.5	$ 933.0	$ —	$ 66.8	$ (999.8)	$ 994.5
AOCI						
Balance as of December 31, 2016	$ —	$ —	$ —	$ —	$ —	$ —
Other comprehensive income	—	—	—	—	—	—
Balance as of December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —

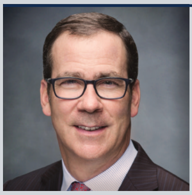
Murphy USA Inc.
Supplemental Quarterly Information (Unaudited)

(Millions of dollars except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Year Ended December 31, 2019					
Sales and other operating revenues	$ 3,116.4	$ 3,800.4	$ 3,657.6	$ 3,460.2	$ 14,034.6
Income (loss) from continuing operations before income taxes	$ 5.9	$ 43.3	$ 91.3	$ 61.9	$ 202.4
Income (loss) from continuing operations	$ 5.3	$ 32.7	$ 69.2	$ 47.6	$ 154.8
Net income (loss)	$ 5.3	$ 32.7	$ 69.2	$ 47.6	$ 154.8
Income (loss) from continuing operations (per Common share)					
Basic	$ 0.16	$ 1.02	$ 2.20	$ 1.56	$ 4.90
Diluted	$ 0.16	$ 1.01	$ 2.18	$ 1.54	$ 4.86
Net income (loss) (per Common share)					
Basic	$ 0.16	$ 1.02	$ 2.20	$ 1.56	$ 4.90
Diluted	$ 0.16	$ 1.01	$ 2.18	$ 1.54	$ 4.86
Year Ended December 31, 2018					
Sales and other operating revenues	$ 3,244.2	$ 3,829.0	$ 3,788	$ 3,501.7	$ 14,362.9
Income (loss) from continuing operations before income taxes	$ 47.3	$ 69.1	$ 57.0	$ 100.5	$ 273.9
Income (loss) from continuing operations	$ 39.3	$ 51.8	$ 45.0	$ 77.5	$ 213.6
Net income (loss)	$ 39.3	$ 51.8	$ 45.0	$ 77.5	$ 213.6
Income (loss) from continuing operations (per Common share)					
Basic	$ 1.17	$ 1.59	$ 1.40	$ 2.40	$ 6.54
Diluted	$ 1.16	$ 1.58	$ 1.38	$ 2.38	$ 6.48
Net income (loss) (per Common share)					
Basic	$ 1.17	$ 1.59	$ 1.40	$ 2.40	$ 6.54
Diluted	$ 1.16	$ 1.58	$ 1.38	$ 2.38	$ 6.48

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
Murphy USA Inc.
Valuation Accounts and Reserves

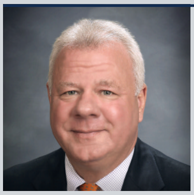
(Millions of dollars)		Balance at January 1,	Charged (Credited) to Expense	Deductions	Balance at December 31,
2019					
Deducted from assets accounts					
Allowance for doubtful accounts	$	1.1	0.1		1.2
2018					
Deducted from assets accounts					
Allowance for doubtful accounts	$	1.1	0.5	(0.5)	1.1
2017					
Deducted from assets accounts					
Allowance for doubtful accounts	$	1.9	(0.8)	—	1.1

OUR BOARD OF DIRECTORS



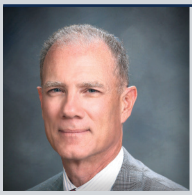
R. Andrew Clyde, Director
R. Andrew Clyde, as CEO, successfully led the spin-off of Murphy USA and established it as a standalone company. He has led the development and execution of Murphy USA's strategy for the past seven years. At Booz & Company, Mr. Clyde spent 20 years working with downstream energy and retail clients on strategy, organization and performance improvement engagements.

Executive Committee



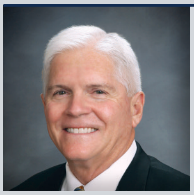
R. Madison Murphy, Chairman
R. Madison Murphy serves on the Board of Directors for Murphy Oil Corporation, where he served as Chairman of the Board from 1994 to 2002. He was previously on the Board of Directors of Deltic Timber Corporation and BancorpSouth (a NYSE bank holding company).

Executive Committee and ex-officio of all Committees



Claiborne P. Deming, Director
Claiborne P. Deming is the current Chairman of the Board of Murphy Oil Corporation. Having previously served as President and Chief Executive Officer at Murphy Oil Corporation, Mr. Deming provides valuable insight into the Company's challenges, opportunities and operations with over 40 years experience in the oil and gas industry.

Executive Committee and
Executive Compensation Committee



Thomas M. Gattle, Jr., Director*
Thomas M. Gattle, Jr. is Chairman of the Board, President, and Chief Executive Officer of TerralRiver Service, a private company operating fertilizer terminals, boats and barges. His many years of experience as a successful company owner and executive officer provides valuable insight for our Board on both financial and operational matters.

Audit Committee and Nominating and
Governance Committee

Fred L. Holliger, Director
Fred L. Holliger served as Chairman and CEO of Giant Industries, a NYSE listed petroleum refining and retail convenience store company. He later consulted with Western Refining Company, a NYSE listed crude oil refiner and marketer.

Executive Compensation Committee and
Nominating and Governance Committee

James W. Keyes, Director
James W. Keyes is Chairman of Wild Oats LLC. Previously, he served as Chairman and CEO of Blockbuster and prior to that, Chief Executive Officer of 7-Eleven, the nation's largest convenience store chain.

Executive Committee and
Executive Compensation Committee

Diane N. Landen, Director
Diane N. Landen is Owner and President of Vantage Communications, Chairman and Executive Vice President of Noalmark Broadcasting Corporation, and a Partner at Munoco Company.

Audit Committee and Nominating and
Governance Committee

David B. Miller, Director
David B. Miller is Co-Founder and Managing Partner of EnCap Investments LP, a leading provider of private equity capital to the oil and gas industry. He previously served as President of PMC Reserve Acquisition Company, and as Co-Chief Executive Officer of MAZE Exploration, a Denver-based oil and gas company he co-founded.

Executive Compensation Committee and
Nominating and Governance Committee

Hon. Jeanne L. Phillips, Director
Ambassador Jeanne L. Phillips is Senior Vice President, Corporate Engagement & International Relations of Hunt Consolidated, Inc. where she has been employed since 2004. Prior to joining Hunt, she served President George W. Bush as the U.S. Permanent Representative to the Organization for Economic Cooperation and Development (OECD) with rank of ambassador in Paris from 2001 until the summer of 2003.

Audit Committee and Nominating and
Governance Committee

Jack T. Taylor, Director
Jack T. Taylor is a Director of Genesis Energy LP and Sempra Energy, a NYSE listed Fortune 500 energy services company. Mr. Taylor served as Executive Vice Chair of U.S. Operations at KPMG and has over 35 years of experience as a public accountant.

Audit Committee

**Thomas M. Gattle, Jr. retired effective August 22, 2019.*

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