# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

(Mark one)

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

**For the quarterly period ended June 30, 2020**

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 |

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

Number of shares of Common Stock, $0.01 par value, outstanding at June 30, 2020 was 29,177,631.

MURPHY USA INC.

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*ITEM 1. FINANCIAL STATEMENTS*

Murphy USA Inc.
Consolidated Balance Sheets

| *(Millions of dollars, except share amounts)* | June 30, 2020 (unaudited) | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 403.6 | $ 280.3 |
| Accounts receivable—trade, less allowance for doubtful accounts of $0.1 at 2020 and $1.2 at 2019 | 161.3 | 172.9 |
| Inventories, at lower of cost or market | 257.7 | 227.6 |
| Prepaid expenses and other current assets | 17.7 | 30.0 |
| Total current assets | 840.3 | 710.8 |
| Property, plant and equipment, at cost less accumulated depreciation and amortization of $1,143.6 at 2020 and $1,079.2 at 2019 | 1,834.3 | 1,807.3 |
| Other assets | 186.1 | 169.1 |
| Total assets | $ 2,860.7 | $ 2,687.2 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Current maturities of long-term debt | $ 51.2 | $ 38.8 |
| Trade accounts payable and accrued liabilities | 461.7 | 466.2 |
| Income taxes payable | 40.8 | — |
| Total current liabilities | 553.7 | 505.0 |
| Long-term debt, including capitalized lease obligations | 975.3 | 999.3 |
| Deferred income taxes | 225.2 | 216.7 |
| Asset retirement obligations | 33.7 | 32.8 |
| Deferred credits and other liabilities | 154.8 | 130.4 |
| Total liabilities | 1,942.7 | 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 2020 and 2019, respectively) | 0.5 | 0.5 |
| Treasury stock (17,589,533 and 16,307,048 shares held at 2020 and 2019, respectively) | (1,235.2) | (1,099.8) |
| Additional paid in capital (APIC) | 533.0 | 538.7 |
| Retained earnings | 1,622.2 | 1,362.9 |
| Accumulated other comprehensive income (loss) (AOCI) | (2.5) | 0.7 |
| Total stockholders' equity | 918.0 | 803.0 |
| Total liabilities and stockholders' equity | $ 2,860.7 | $ 2,687.2 |

See notes to consolidated financial statements.

Murphy USA Inc.
Consolidated Statements of Income
(unaudited)

| *(Millions of dollars, except share and per share amounts)* | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| Operating Revenues | | | | |
| Petroleum product sales (a) | $ 1,588.9 | $ 3,129.7 | $ 4,069.1 | $ 5,629.5 |
| Merchandise sales | 767.1 | 658.8 | 1,454.6 | 1,265.0 |
| Other operating revenues | 23.6 | 11.9 | 40.7 | 22.3 |
| Total operating revenues | 2,379.6 | 3,800.4 | 5,564.4 | 6,916.8 |
| | | | | |
| Operating Expenses | | | | |
| Petroleum product cost of goods sold (a) | 1,287.8 | 2,973.7 | 3,547.6 | 5,355.2 |
| Merchandise cost of goods sold | 648.7 | 553.3 | 1,228.7 | 1,062.0 |
| Station and other operating expenses | 131.8 | 145.6 | 266.9 | 278.4 |
| Depreciation and amortization | 39.5 | 36.5 | 78.9 | 76.2 |
| Selling, general and administrative | 37.1 | 35.1 | 76.3 | 69.7 |
| Accretion of asset retirement obligations | 0.5 | 0.5 | 1.1 | 1.0 |
| Total operating expenses | 2,145.4 | 3,744.7 | 5,199.5 | 6,842.5 |
| | | | | |
| Net settlement proceeds | — | — | — | 0.1 |
| Gain (loss) on sale of assets | 1.3 | — | 1.4 | (0.1) |
| Income (loss) from operations | 235.5 | 55.7 | 366.3 | 74.3 |
| | | | | |
| Other income (expense) | | | | |
| Interest income | 0.2 | 0.9 | 1.0 | 1.6 |
| Interest expense | (13.0) | (13.2) | (26.3) | (26.8) |
| Other nonoperating income (expense) | 0.3 | (0.1) | (0.7) | 0.1 |
| Total other income (expense) | (12.5) | (12.4) | (26.0) | (25.1) |
| Income (loss) before income taxes | 223.0 | 43.3 | 340.3 | 49.2 |
| Income tax expense (benefit) | 54.1 | 10.6 | 82.1 | 11.2 |
| **Net Income** | $ 168.9 | $ 32.7 | $ 258.2 | $ 38.0 |
| | | | | |
| Basic and Diluted Earnings Per Common Share | | | | |
| Basic | $ 5.79 | $ 1.02 | $ 8.69 | $ 1.18 |
| Diluted | $ 5.73 | $ 1.01 | $ 8.60 | $ 1.18 |
| Weighted-Average Common Shares Outstanding (in thousands): | | | | |
| Basic | 29,181 | 32,112 | 29,708 | 32,159 |
| Diluted | 29,495 | 32,328 | 30,018 | 32,372 |
| Supplemental information: | | | | |
| | | | | |
| (a) Includes excise taxes of: | $ 380.3 | $ 498.3 | $ 853.7 | $ 953.6 |

See notes to consolidated financial statements.

Murphy USA Inc.
Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

| (Millions of dollars) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net income | $ 168.9 | $ 32.7 | $ 258.2 | $ 38.0 |
| | | | | |
| Other comprehensive income (loss), net of tax | | | | |
| Interest rate swap: | | | | |
| Realized gain (loss) | (0.2) | — | (0.1) | — |
| Unrealized gain (loss) | (0.6) | — | (4.2) | — |
| Reclassified to interest expense | 0.2 | — | 0.1 | — |
| | (0.6) | — | (4.2) | — |
| Deferred income tax (benefit) expense | (0.1) | — | (1.0) | — |
| Other comprehensive income (loss) | (0.5) | — | (3.2) | — |
| Comprehensive income | $ 168.4 | $ 32.7 | $ 255.0 | $ 38.0 |

See notes to consolidated financial statements.

Murphy USA Inc.
Consolidated Statements of Cash Flows
(unaudited)

| *(Millions of dollars)* | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 258.2 | $ 38.0 |
| Adjustments to reconcile net income (loss) to net cash provided by (required by) operating activities | | |
| Depreciation and amortization | 78.9 | 76.2 |
| Deferred and noncurrent income tax charges (credits) | 9.4 | 2.7 |
| Accretion of asset retirement obligations | 1.1 | 1.0 |
| Pretax (gains) losses from sale of assets | (1.4) | 0.1 |
| Net (increase) decrease in noncash operating working capital | 23.2 | (0.5) |
| Other operating activities - net | 12.5 | 7.4 |
| Net cash provided by (required by) operating activities | 381.9 | 124.9 |
| **Investing Activities** | | |
| Property additions | (105.7) | (86.6) |
| Proceeds from sale of assets | 7.6 | 1.4 |
| Other investing activities - net | (1.1) | (0.5) |
| Net cash provided by (required by) investing activities | (99.2) | (85.7) |
| **Financing Activities** | | |
| Purchase of treasury stock | (140.6) | (30.1) |
| Repayments of debt | (13.2) | (10.7) |
| Amounts related to share-based compensation | (5.6) | (4.3) |
| Net cash provided by (required by) financing activities | (159.4) | (45.1) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 123.3 | (5.9) |
| Cash, cash equivalents, and restricted cash at beginning of period | 280.3 | 184.5 |
| Cash, cash equivalents, and restricted cash at end of period | $ 403.6 | $ 178.6 |

See notes to consolidated financial statements.

Murphy USA Inc.
Consolidated Statements of Changes in Equity
(unaudited)

| *(Millions of dollars, except share amounts)* | Common Stock Shares | Common Stock Par | Treasury Stock | APIC | Retained Earnings | AOCI | Total |
|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2018 | 46,767,164 | $ 0.5 | $ (940.3) | $ 539.0 | $ 1,208.1 | $ — | $ 807.3 |
| Net income (loss) | — | — | — | — | 5.3 | — | 5.3 |
| Loss on interest rate hedge, net of tax | — | — | — | — | — | — | — |
| Purchase of treasury stock | — | — | (13.3) | — | — | — | (13.3) |
| Issuance of treasury stock | — | — | 5.6 | (5.6) | — | — | — |
| Amounts related to share-based compensation | — | — | — | (4.1) | — | — | (4.1) |
| Share-based compensation expense | — | — | — | 2.6 | — | — | 2.6 |
| Balance as of March 31, 2019 | 46,767,164 | $ 0.5 | $ (948.0) | $ 531.9 | $ 1,213.4 | $ — | $ 797.8 |
| Net income (loss) | — | — | — | — | 32.7 | — | 32.7 |
| Loss on interest rate hedge, net of tax | — | — | — | — | — | — | — |
| Purchase of treasury stock | — | — | (16.8) | — | — | — | (16.8) |
| Issuance of treasury stock | — | — | 0.1 | (0.1) | — | — | — |
| Amounts related to share-based compensation | — | — | — | (0.2) | — | — | (0.2) |
| Share-based compensation expense | — | — | — | 2.8 | — | — | 2.8 |
| Balance as of June 30, 2019 | 46,767,164 | $ 0.5 | $ (964.7) | $ 534.4 | $ 1,246.1 | $ — | $ 816.3 |

| *(Millions of dollars, except share amounts)* | Common Stock Shares | Common Stock Par | Treasury Stock | APIC | Retained Earnings | AOCI | Total |
|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2019 | 46,767,164 | $ 0.5 | $ (1,099.8) | $ 538.7 | $ 1,362.9 | $ 0.7 | $ 803.0 |
| Cumulative effect of a change in accounting principle | | | | | 1.1 | — | 1.1 |
| Net income (loss) | — | — | — | — | 89.3 | — | 89.3 |
| Loss on interest rate hedge, net of tax | — | — | — | — | — | (2.7) | (2.7) |
| Purchase of treasury stock | — | — | (140.6) | — | — | — | (140.6) |
| Issuance of treasury stock | — | — | 5.2 | (5.7) | — | — | (0.5) |
| Amounts related to share-based compensation | — | — | — | (5.6) | — | — | (5.6) |
| Share-based compensation expense | — | — | — | 2.8 | — | — | 2.8 |
| Balance as of March 31, 2020 | 46,767,164 | $ 0.5 | $ (1,235.2) | $ 530.2 | $ 1,453.3 | $ (2.0) | $ 746.8 |
| Net income (loss) | — | — | — | — | 168.9 | — | 168.9 |
| Loss on interest rate hedge, net of tax | — | — | — | — | — | (0.5) | (0.5) |
| Purchase of treasury stock | — | — | — | — | — | — | — |
| Amounts related to share-based compensation | — | — | — | — | — | — | — |
| Share-based compensation expense | — | — | — | 2.8 | — | — | 2.8 |
| Balance as of June 30, 2020 | 46,767,164 | $ 0.5 | $ (1,235.2) | $ 533.0 | $ 1,622.2 | $ (2.5) | $ 918.0 |

See notes to consolidated financial statements.

**Note 1 — Description of Business and Basis of Presentation**

*Description of business* — Murphy USA Inc. and its consolidated subsidiaries ("Murphy USA" or the "Company") markets refined products through a network of retail gasoline stations and to unbranded wholesale customers. Murphy USA's owned retail stations are almost all located in close proximity to Walmart stores in 25 states and use the brand name Murphy USA®. During the current quarter, the Company exited Minnesota with the sale of its nine stores to a private company. Murphy USA also markets gasoline and other products at standalone stations under the Murphy Express brand. At June 30, 2020, Murphy USA had a total of 1,485 Company stations of which 1,152 were Murphy USA and 333 were Murphy Express.

*Basis of Presentation* — Murphy USA was incorporated in March 2013 and, in connection with its incorporation, Murphy USA issued 100 shares of common stock, par value $0.01 per share, to Murphy Oil Corporation ("Murphy Oil") for $1.00. On August 30, 2013, Murphy USA was separated from Murphy Oil through the distribution of 100% of the common stock of Murphy USA to holders of Murphy Oil stock.

In preparing the financial statements of Murphy USA in conformity with accounting principles generally accepted in the United States, management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

*Interim Financial Information* — The interim period financial information presented in these consolidated financial statements is unaudited and includes all known accruals and adjustments, in the opinion of management, necessary for a fair presentation of the consolidated financial position of Murphy USA and its results of operations and cash flows for the periods presented. All such adjustments are of a normal and recurring nature.

These interim consolidated financial statements should be read together with our audited financial statements for the years ended December 31, 2019, 2018 and 2017, included in our Annual Report on Form 10-K (File No. 001-35914), as filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934 on February 18, 2020.

*Recently Issued Accounting Standards—*

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting". This standard included optional guidance for a limited period of time to help ease the burden in accounting for the effects of reference rate reform. The new standard is effective for all entities through December 31, 2022. The Company does not expect the adoption of this standard to have a material impact on the Company's consolidated financial statements.

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 was effective for the Company on January 1, 2020. The amendments in this update were applied prospectively to all implementation costs incurred after the date of adoption. The Company assessed the effect that this ASU had on our financial position, results of operations, and disclosures and determined that this update did 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 were effective for the Company on January 1, 2020. ASC 326 requires a modified retrospective approach with an adjustment at the beginning of the year for any adjustment due to its adoption.

In applying ASC 326 at January 1, 2020, the Company calculated an adjustment to its estimated credit loss allowance and lowered the allowance by $1.1 million, which was credited to retained earnings under the modified retrospective approach. The adjustment reflects the Company's changes in credit practices since its spin-off in 2013 which includes tighter applied credit terms and faster turnover of receivable balances resulting in a decrease to its estimated credit loss allowance as of January 1, 2020. A review was conducted for the quarter ended June 30, 2020, and no change in the estimated credit loss allowance was required.

**Note 2 — Revenues**

*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 amount 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 arrangements based on location or quality differences. The Company continues to account for these transactions as non-monetary exchanges under existing accounting guidance and typically reports these on a net basis in the Consolidated Statements of Income.

The following tables disaggregates our revenue by major source for the three and six months ended June 30, 2020 and 2019, respectively:

| | Three Months Ended June 30, 2020 | | | Three Months Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| *(Millions of dollars)* | Marketing | Corporate and Other Assets | Consolidated | Marketing | Corporate and Other Assets | Consolidated |
| Petroleum product sales (at retail) [1] | $ 1,444.8 | $ — | $ 1,444.8 | $ 2,818.2 | $ — | $ 2,818.2 |
| Petroleum product sales (at wholesale) | 144.1 | — | 144.1 | 311.5 | — | 311.5 |
| Total petroleum product sales | 1,588.9 | — | 1,588.9 | 3,129.7 | — | 3,129.7 |
| Merchandise sales | 767.1 | — | 767.1 | 658.8 | — | 658.8 |
| Other operating revenues: | | | | | | |
| RINs | 22.6 | — | 22.6 | 10.9 | — | 10.9 |
| Other revenues [2] | 1.0 | — | 1.0 | 1.0 | — | 1.0 |
| Total revenues | $ 2,379.6 | $ — | $ 2,379.6 | $ 3,800.4 | $ — | $ 3,800.4 |

[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

| | Six Months Ended June 30, 2020 | | | Six Months Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| *(Millions of dollars)* | Marketing | Corporate and Other Assets | Consolidated | Marketing | Corporate and Other Assets | Consolidated |
| Petroleum product sales (at retail) [1] | $ 3,691.0 | — | $ 3,691.0 | $ 5,056.9 | $ — | $ 5,056.9 |
| Petroleum product sales (at wholesale) | 378.1 | — | 378.1 | 572.6 | — | 572.6 |
| Total petroleum product sales | 4,069.1 | — | 4,069.1 | 5,629.5 | — | 5,629.5 |
| Merchandise sales | 1,454.6 | — | 1,454.6 | 1,265.0 | — | 1,265.0 |
| Other operating revenues: | | | | | | |
| RINs | 38.1 | — | 38.1 | 20.0 | — | 20.0 |
| Other revenues [2] | 2.5 | 0.1 | 2.6 | 2.2 | 0.1 | 2.3 |
| Total revenues | $ 5,564.3 | $ 0.1 | $ 5,564.4 | $ 6,916.7 | $ 0.1 | $ 6,916.8 |

[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

**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. 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 or the rewards expire. The rewards may be redeemed for merchandise or cash discounts on fuel purchases. The program was rolled out chain-wide in March 2019. The deferred revenue balances at June 30, 2020 and December 31, 2019 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 June 30, 2020 and December 31, 2019, we had $81.5 million and $96.0 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 to our customers, which have a very short settlement window.

## Note 3 — Inventories

Inventories consisted of the following:

| *(Millions of dollars)* | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Finished products - First-In, First-Out ("FIFO") basis | $ 188.8 | $ 259.2 |
| Less: Last-In, First-Out ("LIFO") reserve - finished products | (80.1) | (160.8) |
| Finished products - LIFO basis | 108.7 | 98.4 |
| Store merchandise for resale | 142.7 | 123.0 |
| Materials and supplies | 6.3 | 6.2 |
| Total inventories | $ 257.7 | $ 227.6 |

At June 30, 2020 and December 31, 2019, the replacement cost (market value) of LIFO inventories exceeded the LIFO carrying value by $80.1 million and $160.8 million, respectively.

## Note 4 — Long-Term Debt

Long-term debt consisted of the following:

| *(Millions of dollars)* | June 30, 2020 | December 31, 2019 |
|---|---|---|
| 5.625% senior notes due 2027 (net of unamortized discount of $2.6 at June 30, 2020 and $2.7 at December 2019) | $ 297.4 | $ 297.3 |
| 4.75% senior notes due 2029 (net of unamortized discount of $5.8 at June 30, 2020 and $6.1 at December 31, 2019) | 494.2 | 493.9 |
| Term loan due 2023 (effective interest rate of 3.35% at June 30, 2020 and 4.31% at December 31, 2019) | 237.5 | 250.0 |
| Capitalized lease obligations, vehicles, due through 2023 | 2.4 | 2.4 |
| Less unamortized debt issuance costs | (5.0) | (5.5) |
| Total long-term debt | 1,026.5 | 1,038.1 |
| Less current maturities | 51.2 | 38.8 |
| Total long-term debt, net of current | $ 975.3 | $ 999.3 |

*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., 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 $500 million aggregate principal amount of its senior notes due 2023. 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 $250.0 million term loan facility. 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, and on December 31, 2019, we borrowed the additional $50 million term loan. At June 30, 2020 and December 31, 2019, the current outstanding principal balance was $237.5 million and$250.0 million, respectively. The term loan is due August 2023 and requires quarterly principal payments of $12.5 million which began April 1, 2020. As of June 30, 2020, we have 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 midstream 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 greater of the federal funds effective rate and the overnight bank funding rate determined by the Federal Reserve Bank of New York 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 of 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 loan 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 or (ii) with respect to the term loan 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 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 million (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 total debt to EBITDA ratio of 4.5 to 1.0 at any time when term facility commitments or term loans are outstanding. As of June 30, 2020, our fixed charge coverage ratio was 1.21, and we had $168.3 million of availability under the ABL facility at that date. Our secured debt to EBITDA ratio as of June 30, 2020 was 0.33 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 June 30, 2020, our ability to make restricted payments was not limited as our fixed charge coverage ratio was greater than 1.0 to 1.0, at 1.21.

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 5 — Asset Retirement Obligations (ARO)**

The majority of the ARO recognized by the Company at June 30, 2020 and December 31, 2019 is 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.

| *(Millions of dollars)* | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Balance at beginning of period | $ 32.8 | $ 30.7 |
| Accretion expense | 1.1 | 2.1 |
| Settlements of liabilities | (0.3) | (0.4) |
| Liabilities incurred | 0.1 | 0.4 |
| Balance at end of period | $ 33.7 | $ 32.8 |

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 6 — Income Taxes**

The effective tax rate is calculated as the amount of income tax expense (benefit) divided by income before income tax expense (benefit). For the three and six month periods ended June 30, 2020 and 2019, the Company's approximate effective tax rates were as follows:

| | 2020 | 2019 |
|---|---|---|
| Three months ended June 30, | 24.3% | 24.5% |
| Six months ended June 30, | 24.1% | 22.8% |

In the six months ended June 30, 2020, the Company recognized approximately $0.6 million of excess tax benefits related to stock compensation for employees and $1.8 million for other discrete tax items. For the six months ended June 30, 2019, the Company recognized a tax benefit of approximately $0.9 million of excess tax benefits related to stock compensation.

As of June 30, 2020, the earliest year remaining open for federal examination is 2016 and for certain states it ranges from 2014 to 2018. Although the Company believes that recorded liabilities for uncertain tax positions are adequate, additional gains or losses could occur in future periods from resolution of outstanding unsettled matters.

**Note 7 — Incentive Plans**

*2013 Long-Term Incentive Plan*

Effective August 30, 2013, certain of our employees 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 MUSA 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.

*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 2020, the Committee granted nonqualified stock options to certain employees of the Company. The Black-Scholes valuation for these awards was $28.28 per option.

| Assumptions used to value awards: | |
|---|---|
| Dividend yield | — % |
| Expected volatility | 28.1 % |
| Risk-free interest rate | 1.5 % |
| Expected life (years) | 4.7 |
| Stock price at valuation date | $ 106.72 |

Changes in options outstanding for Company employees during the period from December 31, 2019 to June 30, 2020 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 12/31/2019 | 392,300 | $ 68.52 | | |
| Granted | 79,200 | 105.57 | | |
| Outstanding at 6/30/2020 | 471,500 | $ 74.75 | 4.3 | $ 17.8 |
| Exercisable at 6/30/2020 | 259,500 | $ 65.36 | 3.0 | $ 12.3 |

*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, 2019 to June 30, 2020 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 12/31/2019 | 198,915 | $ 70.58 | |
| Granted | 55,395 | $ 90.64 | |
| Vested and issued | (55,875) | $ 65.86 | $ 5.9 |
| Forfeited | (6,530) | $ 79.01 | |
| Outstanding at 6/30/2020 | 191,905 | $ 77.46 | $ 21.6 |

*PERFORMANCE-BASED RESTRICTED STOCK UNITS (MUSA 2013 Plan)* – In February 2020, 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 18 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 $142.07 per unit. For the ROACE portion of the awards, the valuation will be based on the grant date fair value of $106.72 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, 2019 to June 30, 2020 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 12/31/2019 | 131,200 | $ 82.98 | |
| Granted | 64,050 | $ 123.65 | |
| Vested and issued | (65,745) | $ 85.04 | $ 7.0 |
| Forfeited | (405) | $ 65.75 | |
| Outstanding at 6/30/2020 | 129,100 | $ 97.19 | $ 14.5 |

*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.

*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, 2019 to June 30, 2020 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 12/31/2019 | 33,607 | $ 70.68 | |
| Granted | 9,744 | $ 105.33 | |
| Vested and issued | (12,404) | $ 66.01 | $ 1.3 |
| Outstanding at 6/30/2020 | 30,947 | $ 83.46 | $ 3.5 |

For the six months ended June 30, 2020 and 2019, share-based compensation was $5.6 million and $5.4 million, respectively. The was no income tax benefit realized for the tax deductions from options exercised for the six months ended June 30, 2020 and was $0.1 million for the six months ended 2019.

**Note 8— 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 credit worthy 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 June 30, 2020, all current commodity derivative activity is immaterial.

At June 30, 2020 and December 31, 2019, cash deposits of $1.5 million and $1.0 million related to commodity derivative contracts were reported in Prepaid expenses and other current assets in the Consolidated Balance Sheets, respectively. These cash deposits have not been used to increase the reported net assets or reduce the reported net liabilities on the derivative contracts at June 30, 2020 or December 31, 2019.

Interest Rate Risks

Under hedge accounting rules, the Company deferred the net charge or benefit associated with the interest rate swap entered into to manage the variability in interest payments for the variable-rate debt in association with $150.0 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. The notional amount is reduced by $7.5 million each quarter beginning March 27, 2020, and at June 30, 2020 was $135.0 million. During the three and six months ended June 30, 2020, the realized loss on the interest rate swap was $0.2 million and $0.1 million, respectively and was reported as interest expense in the Consolidated Statements of Income. The pre-tax losses deferred on these contracts in the three and six months ended June 30, 2020 were $0.6 million and $4.2 million, respectively, which were recorded in the Consolidated Statements of Comprehensive Income. Deferred income taxes of $0.1 million and $1.0 million were recorded in the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2020, respectively.

**Note 9 – 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 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 share repurchases in 2019 under quarterly allocations in line with its past practice, subject to market conditions and cash availability. For the six months ended June 30, 2020, the Company repurchased 1,362,400 shares of common stock for an average price of $103.17 per share including brokerage fees and for the six months ended June 30, 2019, 379,754 shares were repurchased for an average price of $79.32 per share.

The following table provides a reconciliation of basic and diluted earnings per share computations for the three and six months ended June 30, 2020 and 2019:

| *(Millions of dollars, except share and per share amounts)* | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| **Earnings per common share:** | | | | |
| Net income per share - basic | | | | |
| Net income attributable to common stockholders | $ 168.9 | $ 32.7 | $ 258.2 | $ 38.0 |
| Weighted average common shares outstanding (in thousands) | 29,181 | 32,112 | 29,708 | 32,159 |
| Earnings per common share | $ 5.79 | $ 1.02 | $ 8.69 | $ 1.18 |
| **Earnings per common share - assuming dilution:** | | | | |
| Net income per share - diluted | | | | |
| Net income attributable to common stockholders | $ 168.9 | $ 32.7 | $ 258.2 | $ 38.0 |
| Weighted average common shares outstanding (in thousands) | 29,181 | 32,112 | 29,708 | 32,159 |
| Common equivalent shares: | | | | |
| Dilutive share-based awards | 314 | 216 | 310 | 213 |
| Weighted average common shares outstanding - assuming dilution (in thousands) | 29,495 | 32,328 | 30,018 | 32,372 |
| Earnings per common share assuming dilution | $ 5.73 | $ 1.01 | $ 8.60 | $ 1.18 |

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 restricted stock units, performance based units and non-qualified stock options that are excluded due to their anti-dilutive nature is immaterial.

**Note 10 — Other Financial Information**

CASH FLOW DISCLOSURES — Cash income taxes paid (collected), net of refunds, were $15.5 million and $6.5 million for the six month periods ended June 30, 2020 and 2019, respectively. Interest paid, net of amounts capitalized, was $25.4 million and $25.5 million for the six month periods ended June 30, 2020 and 2019, respectively.

CHANGES IN WORKING CAPITAL:

| *(Millions of dollars)* | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|
| Accounts receivable | $ 12.4 | $ (97.5) |
| Inventories | (30.3) | 10.2 |
| Prepaid expenses and other current assets | 12.4 | (4.6) |
| Accounts payable and accrued liabilities | (12.1) | 91.4 |
| Income taxes payable | 40.8 | — |
| Net (increase) decrease in noncash operating working capital | $ 23.2 | $ (0.5) |

**Note 11 — 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 derivative contracts was determined using NYMEX quoted values but was immaterial.

The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at June 30, 2020 and December 31, 2019. 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, Restricted cash, 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.

| | At June 30, 2020 | | At December 31, 2019 | |
|---|---|---|---|---|
| *(Millions of dollars)* | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial liabilities | | | | |
| Current and long-term debt | $ (1,026.5) | $ (1,044.4) | $ (1,038.1) | $ (1,069.4) |

**Note 12 — 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. The Company believes costs related to these sites will not have a material adverse effect on Murphy USA's net income, financial condition 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 June 30, 2020, 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. 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 June 30, 2020. 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 condition 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.

Other than as noted above, 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 self-insured retention of $3.0 million per occurrence, and auto liability insurance with a deductible of $0.3 million per occurrence. As of June 30, 2020, 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 $24.7 million will be sufficient to cover the related liability for all insurance claims 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 June 30, 2020, 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 13 — Lease Accounting**

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 217 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 | June 30, 2020 | December 31, 2019 |
|---|---|---|---|
| Assets | | | |
| Operating (Right-of-use) | Other Assets | $ 142.1 | $ 124.2 |
| Finance | Property, plant, and equipment, at cost, less accumulated depreciation of $2.5 at June 30, 2020 and $2.2 at December 31, 2019 | 2.9 | 3.0 |
| Total leased assets | | $ 145.0 | $ 127.2 |
| | | | |
| Liabilities | | | |
| Current | | | |
| Operating | Trade accounts payable and accrued liabilities | $ 7.5 | $ 6.8 |
| Finance | Current maturities of long-term debt | 1.2 | 1.2 |
| Noncurrent | | | |
| Operating | Deferred credits and other liabilities | 136.3 | 118.5 |
| Finance | Long-term debt, including capitalized lease obligations | 1.2 | 1.2 |
| Total lease liabilities | | $ 146.2 | $ 127.7 |

Lease Cost:

| (Millions of dollars) | Classification | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|---|
| Operating lease cost | Station and other operating expenses | $ 4.1 | $ 3.6 | $ 8.1 | $ 7.1 |
| Finance lease cost | | | | | |
| Amortization of leased assets | Depreciation & amortization expense | 0.3 | 0.3 | 0.6 | 0.6 |
| Interest on lease liabilities | Interest expense | — | — | 0.1 | 0.1 |
| Net lease costs | | $ 4.4 | $ 3.9 | $ 8.8 | $ 7.8 |

Cash flow information:

| (Millions of dollars) | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|
| Cash paid for amounts included in the measurement of liabilities | | |
| Operating cash flows from operating leases | $ 7.5 | $ 6.7 |
| Operating cash flows from finance leases | $ 0.1 | $ 0.1 |
| Financing cash flows from finance leases | $ 0.7 | $ 0.7 |

Maturity of Lease Liabilities at June 30, 2020:

| (Millions of dollars) | Operating leases | Finance leases |
|---|---|---|
| 2020 | $ 8.0 | $ 0.7 |
| 2021 | 16.0 | 1.1 |
| 2022 | 15.1 | 0.6 |
| 2023 | 14.6 | 0.1 |
| 2024 | 14.0 | — |
| After 2024 | 169.2 | — |
| Total lease payments | 236.9 | 2.5 |
| less: interest | 93.1 | 0.1 |
| Present value of lease liabilities | $ 143.8 | $ 2.4 |

Lease Term and Discount Rate:

| | Six Months Ended June 30, 2020 |
|---|---|
| Weighted average remaining lease term (years) | |
| Finance leases | 2.0 |
| Operating leases | 15.8 |
| Weighted average discount rate | |
| Finance leases | 4.6 % |
| Operating leases | 5.8 % |

**Note 14 — Business Segment**

The Company's operations have one reportable segment which is Marketing. The 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 ("PS&W") group. As the primary purpose of the PS&W 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 performed 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 functions of the Company. Results not included in the reportable segment include Corporate and Other Assets. Net settlement proceeds from litigation are included in Corporate and other assets operating income. The reportable segment was determined based on information reviewed by the Chief Operating Decision Maker (CODM).

| | | Three Months Ended | | | |
|---|---|---|---|---|---|
| | | June 30, 2020 | | June 30, 2019 | |
| *(Millions of dollars)* | Total Assets at June 30, 2020 | External Revenues | Income (Loss) | External Revenues | Income (Loss) |
| Marketing | $ 2,353.2 | $ 2,379.6 | $ 179.6 | $ 3,800.4 | $ 44.5 |
| Corporate and other assets | 507.5 | — | (10.7) | — | (11.8) |
| Total | $ 2,860.7 | $ 2,379.6 | $ 168.9 | $ 3,800.4 | $ 32.7 |

| | Six Months Ended | | | |
|---|---|---|---|---|
| | June 30, 2020 | | June 30, 2019 | |
| *(Millions of dollars)* | External Revenues | Income (Loss) | External Revenues | Income (Loss) |
| Marketing | $ 5,564.3 | $ 280.5 | $ 6,916.7 | $ 60.7 |
| Corporate and other assets | 0.1 | (22.3) | 0.1 | (22.7) |
| Total | $ 5,564.4 | $ 258.2 | $ 6,916.8 | $ 38.0 |

**Note 15 – Guarantor Subsidiaries**

Murphy USA Inc. ("Parent Company") and 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 Murphy Oil USA, Inc. (the "Issuer"), 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, except share amounts)* | June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| **Assets** | Parent Company | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Current assets | | | | | | |
| Cash and cash equivalents | $ — | $ 403.0 | $ 0.6 | $ — | $ — | $ 403.6 |
| Accounts receivable—trade, less allowance for doubtful accounts of $0.1 in 2020 | — | 161.1 | 0.2 | — | — | 161.3 |
| Inventories, at lower of cost or market | — | 257.7 | — | — | — | 257.7 |
| Prepaid expenses and other current assets | — | 17.7 | — | — | — | 17.7 |
| Total current assets | — | 839.5 | 0.8 | — | — | 840.3 |
| Property, plant and equipment, at cost less accumulated depreciation and amortization of $1,143.6 in 2020 | — | 1,823.3 | 11.0 | — | — | 1,834.3 |
| Investments in subsidiaries | 2,850.0 | 143.6 | — | — | (2,993.6) | — |
| Other assets | — | 186.1 | — | — | — | 186.1 |
| Total assets | $ 2,850.0 | $ 2,992.5 | $ 11.8 | $ — | $ (2,993.6) | $ 2,860.7 |
| **Liabilities and Stockholders' Equity** | | | | | | |
| Current liabilities | | | | | | |
| Current maturities of long-term debt | $ — | $ 51.2 | $ — | $ — | $ — | $ 51.2 |
| Inter-company accounts payable | 141.0 | 52.4 | (39.1) | (154.3) | — | — |
| Trade accounts payable and accrued liabilities | — | 461.2 | 0.5 | — | — | 461.7 |
| Income taxes payable | — | 41.2 | (0.4) | — | — | 40.8 |
| Total current liabilities | 141.0 | 606.0 | (39.0) | (154.3) | — | 553.7 |
| Long-term debt, including capitalized lease obligations | — | 975.3 | — | — | — | 975.3 |
| Deferred income taxes | — | 225.2 | — | — | — | 225.2 |
| Asset retirement obligations | — | 33.7 | — | — | — | 33.7 |
| Deferred credits and other liabilities | — | 154.8 | — | — | — | 154.8 |
| Total liabilities | 141.0 | 1,995.0 | (39.0) | (154.3) | — | 1,942.7 |
| 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 June 30, 2020) | 0.5 | — | 0.1 | — | (0.1) | 0.5 |
| Treasury Stock (17,589,533 shares held at June 30, 2020) | (1,235.2) | — | — | — | — | (1,235.2) |
| Additional paid in capital (APIC) | 1,183.1 | 578.8 | 52.0 | 87.5 | (1,368.4) | 533.0 |
| Retained earnings | 2,760.6 | 421.2 | (1.3) | 66.8 | (1,625.1) | 1,622.2 |
| Accumulated other comprehensive income (loss) (AOCI) | — | (2.5) | — | — | — | (2.5) |
| Total stockholders' equity | 2,709.0 | 997.5 | 50.8 | 154.3 | (2,993.6) | 918.0 |
| Total liabilities and stockholders' equity | $ 2,850.0 | $ 2,992.5 | $ 11.8 | $ — | $ (2,993.6) | $ 2,860.7 |

## CONSOLIDATING BALANCE SHEET

| *(Millions of dollars, except share amounts)* | 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 INCOME STATEMENT AND COMPREHENSIVE INCOME

| (Millions of dollars) | Three Months Ended June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| Operating Revenues | Parent Company | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Petroleum product sales | $ — | $ 1,588.9 | $ — | $ — | $ — | $ 1,588.9 |
| Merchandise sales | — | 767.1 | — | — | — | 767.1 |
| Other operating revenues | — | 23.6 | — | — | — | 23.6 |
| Total operating revenues | — | 2,379.6 | — | — | — | 2,379.6 |
| | | | | | | |
| Operating Expenses | | | | | | |
| Petroleum product cost of goods sold | — | 1,287.8 | — | — | — | 1,287.8 |
| Merchandise cost of goods sold | — | 648.7 | — | — | — | 648.7 |
| Station and other operating expenses | — | 131.8 | — | — | — | 131.8 |
| Depreciation and amortization | — | 39.4 | 0.1 | — | — | 39.5 |
| Selling, general and administrative | — | 37.1 | — | — | — | 37.1 |
| Accretion of asset retirement obligations | — | 0.5 | — | — | — | 0.5 |
| Total operating expenses | — | 2,145.3 | 0.1 | — | — | 2,145.4 |
| | | | | | | |
| Net settlement proceeds | — | — | — | — | — | — |
| Gain (loss) on sale of assets | — | 1.3 | — | — | — | 1.3 |
| Income (loss) from operations | — | 235.6 | (0.1) | — | — | 235.5 |
| | | | | | | |
| Other income (expense) | | | | | | |
| Interest income | — | 0.2 | — | — | — | 0.2 |
| Interest expense | — | (13.0) | — | — | — | (13.0) |
| Other nonoperating income | — | 0.5 | (0.2) | — | — | 0.3 |
| Total other income (expense) | — | (12.3) | (0.2) | — | — | (12.5) |
| Income (loss) before income taxes | — | 223.3 | (0.3) | — | — | 223.0 |
| Income tax expense | — | 54.2 | (0.1) | — | — | 54.1 |
| Income (loss) | — | 169.1 | (0.2) | — | — | 168.9 |
| Equity earnings in affiliates, net of tax | 168.9 | (0.2) | — | — | (168.7) | — |
| **Net Income (Loss)** | 168.9 | 168.9 | (0.2) | — | (168.7) | 168.9 |
| Other comprehensive loss | — | (0.5) | — | — | — | (0.5) |
| **Comprehensive income (loss)** | $ 168.9 | $ 168.4 | $ (0.2) | $ — | $ (168.7) | $ 168.4 |

## CONSOLIDATING INCOME STATEMENT AND COMPREHENSIVE INCOME

| *(Millions of dollars)* | Three Months Ended June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| Operating Revenues | Parent Company | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Petroleum product sales | $ — | $ 3,129.7 | $ — | $ — | $ — | $ 3,129.7 |
| Merchandise sales | — | 658.8 | — | — | — | 658.8 |
| Other operating revenues | — | 11.9 | — | — | — | 11.9 |
| Total operating revenues | — | 3,800.4 | — | — | — | 3,800.4 |
| | | | | | | |
| Operating Expenses | | | | | | |
| Petroleum product cost of goods sold | — | 2,973.7 | — | — | — | 2,973.7 |
| Merchandise cost of goods sold | — | 553.3 | — | — | — | 553.3 |
| Station and other operating expenses | — | 145.6 | — | — | — | 145.6 |
| Depreciation and amortization | — | 36.5 | — | — | — | 36.5 |
| Selling, general and administrative | — | 35.1 | — | — | — | 35.1 |
| Accretion of asset retirement obligations | — | 0.5 | — | — | — | 0.5 |
| Total operating expenses | — | 3,744.7 | — | — | — | 3,744.7 |
| | | | | | | |
| Net settlement proceeds | — | — | — | — | — | — |
| Gain (loss) on sale of assets | — | — | — | — | — | — |
| Income (loss) from operations | — | 55.7 | — | — | — | 55.7 |
| | | | | | | |
| Other income (expense) | | | | | | |
| Interest income | — | 0.9 | — | — | — | 0.9 |
| Interest expense | — | (13.2) | — | — | — | (13.2) |
| Other nonoperating income | — | 0.1 | (0.2) | — | — | (0.1) |
| Total other income (expense) | — | (12.2) | (0.2) | — | — | (12.4) |
| Income (loss) before income taxes | — | 43.5 | (0.2) | — | — | 43.3 |
| Income tax expense | — | 10.7 | (0.1) | — | — | 10.6 |
| Income (loss) | — | 32.8 | (0.1) | — | — | 32.7 |
| Equity earnings in affiliates, net of tax | 32.7 | (0.1) | — | — | (32.6) | — |
| **Net Income (Loss)** | 32.7 | 32.7 | (0.1) | — | (32.6) | 32.7 |
| Other comprehensive income (loss) | — | — | — | — | — | — |
| **Comprehensive income (loss)** | $ 32.7 | $ 32.7 | $ (0.1) | $ — | $ (32.6) | $ 32.7 |

## CONSOLIDATING INCOME STATEMENT AND COMPREHENSIVE INCOME

| *(Millions of dollars)* | Six Months Ended June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| Operating Revenues | Parent Company | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Petroleum product sales | $ — | $ 4,069.1 | $ — | $ — | $ — | $ 4,069.1 |
| Merchandise sales | — | 1,454.6 | — | — | — | 1,454.6 |
| Other operating revenues | — | 40.7 | — | — | — | 40.7 |
| Total operating revenues | — | 5,564.4 | — | — | — | 5,564.4 |
| | | | | | | |
| Operating Expenses | | | | | | |
| Petroleum product cost of goods sold | — | 3,547.6 | — | — | — | 3,547.6 |
| Merchandise cost of goods sold | — | 1,228.7 | — | — | — | 1,228.7 |
| Station and other operating expenses | — | 266.9 | — | — | — | 266.9 |
| Depreciation and amortization | — | 78.8 | 0.1 | — | — | 78.9 |
| Selling, general and administrative | — | 76.3 | — | — | — | 76.3 |
| Accretion of asset retirement obligations | — | 1.1 | — | — | — | 1.1 |
| Total operating expenses | — | 5,199.4 | 0.1 | — | — | 5,199.5 |
| | | | | | | |
| Gain (loss) on sale of assets | — | 1.4 | — | — | — | 1.4 |
| Income (loss) from operations | — | 366.4 | (0.1) | — | — | 366.3 |
| | | | | | | |
| Other income (expense) | | | | | | |
| Interest income | — | 1.0 | — | — | — | 1.0 |
| Interest expense | — | (26.3) | — | — | — | (26.3) |
| Other nonoperating income | — | (0.4) | (0.3) | — | — | (0.7) |
| Total other income (expense) | — | (25.7) | (0.3) | — | — | (26.0) |
| Income (loss) before income taxes | — | 340.7 | (0.4) | — | — | 340.3 |
| Income tax expense | — | 82.2 | (0.1) | — | — | 82.1 |
| Income (loss) | — | 258.5 | (0.3) | — | — | 258.2 |
| Equity earnings in affiliates, net of tax | 258.2 | (0.3) | — | — | (257.9) | — |
| **Net Income (Loss)** | 258.2 | 258.2 | (0.3) | — | (257.9) | 258.2 |
| Other comprehensive income (loss) | — | (3.2) | — | — | — | (3.2) |
| **Comprehensive income (loss)** | $ 258.2 | $ 255.0 | $ (0.3) | $ — | $ (257.9) | $ 255.0 |

## CONSOLIDATING INCOME STATEMENT AND COMPREHENSIVE INCOME

| *(Millions of dollars)* | Six Months Ended June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| Operating Revenues | Parent Company | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Petroleum product sales | $ — | $ 5,629.5 | $ — | $ — | $ — | $ 5,629.5 |
| Merchandise sales | — | 1,265.0 | — | — | — | 1,265.0 |
| Other operating revenues | — | 22.3 | — | — | — | 22.3 |
| Total operating revenues | — | 6,916.8 | — | — | — | 6,916.8 |
| | | | | | | |
| Operating Expenses | | | | | | |
| Petroleum product cost of goods sold | — | 5,355.2 | — | — | — | 5,355.2 |
| Merchandise cost of goods sold | — | 1,062.0 | — | — | — | 1,062.0 |
| Station and other operating expenses | — | 278.4 | — | — | — | 278.4 |
| Depreciation and amortization | — | 76.2 | — | — | — | 76.2 |
| Selling, general and administrative | — | 69.7 | — | — | — | 69.7 |
| Accretion of asset retirement obligations | — | 1.0 | — | — | — | 1.0 |
| Total operating expenses | — | 6,842.5 | — | — | — | 6,842.5 |
| Net settlement proceeds | — | 0.1 | — | — | — | 0.1 |
| Gain (loss) on sale of assets | — | (0.1) | — | — | — | (0.1) |
| Income (loss) from operations | — | 74.3 | — | — | — | 74.3 |
| | | | | | | |
| Other income (expense) | | | | | | |
| Interest income | — | 1.6 | — | — | — | 1.6 |
| Interest expense | — | (26.8) | — | — | — | (26.8) |
| Other nonoperating income | — | 0.5 | (0.4) | — | — | 0.1 |
| Total other income (expense) | — | (24.7) | (0.4) | — | — | (25.1) |
| Income (loss) before income taxes | — | 49.6 | (0.4) | — | — | 49.2 |
| Income tax expense | — | 11.3 | (0.1) | — | — | 11.2 |
| Income (loss) | — | 38.3 | (0.3) | — | — | 38.0 |
| Equity earnings in affiliates, net of tax | 38.0 | (0.3) | — | — | (37.7) | — |
| **Net Income (Loss)** | 38.0 | 38.0 | (0.3) | — | (37.7) | 38.0 |
| Other comprehensive income (loss) | — | — | — | — | — | — |
| **Comprehensive income (loss)** | $ 38.0 | $ 38.0 | $ (0.3) | $ — | $ (37.7) | $ 38.0 |

## CONSOLIDATING STATEMENT OF CASH FLOW

| *(Millions of dollars)* | Six Months Ended June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| **Operating Activities** | Parent Company | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Net income (loss) | $ 258.2 | $ 258.2 | $ (0.3) | $ — | $ (257.9) | $ 258.2 |
| Adjustments to reconcile net income (loss) to net cash provided by (required by) operating activities | | | | | | |
| Depreciation and amortization | — | 78.8 | 0.1 | — | — | 78.9 |
| Deferred and noncurrent income tax charges (credits) | — | 9.4 | — | — | — | 9.4 |
| Accretion of asset retirement obligations | — | 1.1 | — | — | — | 1.1 |
| (Gain) loss on sale of assets | — | (1.4) | — | — | — | (1.4) |
| Net (increase) decrease in noncash operating working capital | — | 23.0 | 0.2 | — | — | 23.2 |
| Equity in earnings of affiliates | (258.2) | 0.3 | — | — | 257.9 | — |
| Other operating activities - net | — | 12.5 | — | — | — | 12.5 |
| Net cash provided by (required by) operating activities | — | 381.9 | — | — | — | 381.9 |
| **Investing Activities** | | | | | | |
| Property additions | — | (102.8) | (2.9) | — | — | (105.7) |
| Proceeds from sale of assets | — | 7.6 | — | — | — | 7.6 |
| Other investing activities - net | — | (1.1) | — | — | — | (1.1) |
| Net cash provided by (required by) investing activities | — | (96.3) | (2.9) | — | — | (99.2) |
| **Financing Activities** | | | | | | |
| Purchase of treasury stock | (140.6) | — | — | — | — | (140.6) |
| Borrowings of debt | — | — | — | — | — | — |
| Repayments of debt | — | (13.2) | — | — | — | (13.2) |
| Amounts related to share-based compensation | — | (5.6) | — | — | — | (5.6) |
| Net distributions to parent | 140.6 | (143.2) | 2.6 | — | — | — |
| Net cash provided by (required by) financing activities | — | (162.0) | 2.6 | — | — | (159.4) |
| Net increase (decrease) in cash and cash equivalents | — | 123.6 | (0.3) | — | — | 123.3 |
| Cash, cash equivalents, and restricted cash at January 1 | — | 279.4 | 0.9 | — | — | 280.3 |
| Cash, cash equivalents, and restricted cash at June 30 | $ — | $ 403.0 | $ 0.6 | $ — | $ — | $ 403.6 |

## CONSOLIDATING STATEMENT OF CASH FLOW

| *(Millions of dollars)* | Six Months Ended June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| **Operating Activities** | Parent Company | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Net income (loss) | $ 38.0 | $ 38.0 | $ (0.3) | $ — | $ (37.7) | $ 38.0 |
| Adjustments to reconcile net income (loss) to net cash provided by (required by)operating activities | | | | | | |
| Depreciation and amortization | — | 76.2 | — | — | — | 76.2 |
| Deferred and noncurrent income tax charges (credits) | — | 2.7 | — | — | — | 2.7 |
| Accretion of asset retirement obligations | — | 1.0 | — | — | — | 1.0 |
| Pretax (gains) losses from sale of assets | — | 0.1 | — | — | — | 0.1 |
| Net (increase) decrease in noncash operating working capital | — | (0.4) | (0.1) | — | — | (0.5) |
| Equity in earnings of affiliates | (38.0) | 0.3 | — | — | 37.7 | — |
| Other operating activities - net | — | 7.4 | — | — | — | 7.4 |
| Net cash provided by (required by) operating activities | — | 125.3 | (0.4) | — | — | 124.9 |
| **Investing Activities** | | | | | | |
| Property additions | — | (83.4) | (3.2) | — | — | (86.6) |
| Proceeds from sale of assets | — | 1.4 | — | — | — | 1.4 |
| Other investing activities - net | — | (0.5) | — | — | — | (0.5) |
| Net cash provided by (required by) investing activities | — | (82.5) | (3.2) | — | — | (85.7) |
| **Financing Activities** | | | | | | |
| Purchase of treasury stock | (30.1) | — | — | — | — | (30.1) |
| Repayments of debt | — | (10.7) | — | — | — | (10.7) |
| Amounts related to share-based compensation | — | (4.3) | — | — | — | (4.3) |
| Net distributions to parent | 30.1 | (33.8) | 3.7 | — | — | — |
| Net cash provided by (required) by financing activities | — | (48.8) | 3.7 | — | — | (45.1) |
| Net increase (decrease) in cash and cash equivalents | — | (6.0) | 0.1 | — | — | (5.9) |
| Cash, cash equivalents, and restricted cash at January 1 | — | 184.0 | 0.5 | — | — | 184.5 |
| Cash, cash equivalents, and restricted cash at June 30 | $ — | $ 178.0 | $ 0.6 | $ — | $ — | $ 178.6 |

## CONSOLIDATING STATEMENT OF CHANGES IN EQUITY

*(Millions of dollars)*

| Statement of Stockholders' Equity | Six Months Ended June 30, 2020 Parent Company | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **Common Stock** | | | | | | |
| Balance as of December 31, 2019 | $ 0.5 | $ — | $ 0.1 | $ — | $ (0.1) | $ 0.5 |
| Issuance of common stock | — | — | — | — | — | — |
| Balance as of March 31, 2020 | 0.5 | — | 0.1 | — | (0.1) | 0.5 |
| Issuance of common stock | — | — | — | — | — | — |
| Balance as of June 30, 2020 | $ 0.5 | $ — | $ 0.1 | $ — | $ (0.1) | $ 0.5 |
| **Treasury Stock** | | | | | | |
| Balance as of December 31, 2019 | $ (1,099.8) | $ — | $ — | $ — | $ — | $ (1,099.8) |
| Issuance of treasury stock | 5.2 | — | — | — | — | 5.2 |
| Repurchase of treasury stock | (140.6) | — | — | — | — | (140.6) |
| Balance as of March 31, 2020 | (1,235.2) | — | — | — | — | (1,235.2) |
| Issuance of treasury stock | — | — | — | — | — | — |
| Repurchase of treasury stock | — | — | — | — | — | — |
| Balance as of June 30, 2020 | $ (1,235.2) | $ — | $ — | $ — | $ — | $ (1,235.2) |
| **APIC** | | | | | | |
| Balance as of December 31, 2019 | $ 1,188.8 | $ 578.8 | $ 52.0 | $ 87.5 | $ (1,368.4) | $ 538.7 |
| Issuance of treasury stock | (5.7) | — | — | — | — | (5.7) |
| Amounts related to share-based compensation | — | (5.6) | — | — | — | (5.6) |
| Share-based compensation expense | — | 2.8 | — | — | — | 2.8 |
| Balance as of March 31, 2020 | 1,183.1 | 576.0 | 52.0 | 87.5 | (1,368.4) | 530.2 |
| Share-based compensation expense | — | 2.8 | — | — | — | 2.8 |
| Balance as of June 30, 2020 | $ 1,183.1 | $ 578.8 | $ 52.0 | $ 87.5 | $ (1,368.4) | $ 533.0 |
| **Retained Earnings** | | | | | | |
| Balance as of December 31, 2019 | $ 2,502.4 | $ 161.9 | $ (1.0) | $ 66.8 | $ (1,367.2) | $ 1,362.9 |
| Cumulative effect of a change in accounting principle | — | 1.1 | — | — | — | 1.1 |
| Net income (loss) | 89.3 | 89.3 | (0.1) | — | (89.2) | 89.3 |
| Balance as of March 31, 2020 | 2,591.7 | 252.3 | (1.1) | 66.8 | (1,456.4) | 1,453.3 |
| Net income (loss) | 168.9 | 168.9 | (0.2) | — | (168.7) | 168.9 |
| Balance as of June 30, 2020 | $ 2,760.6 | $ 421.2 | $ (1.3) | $ 66.8 | $ (1,625.1) | $ 1,622.2 |
| **AOCI** | | | | | | |
| Balance as of December 31, 2019 | $ — | $ 0.7 | $ — | $ — | $ — | $ 0.7 |
| Other comprehensive income (loss) | — | (2.7) | — | — | — | (2.7) |
| Balance as of March 31, 2020 | — | (2.0) | — | — | — | (2.0) |
| Net income (loss) | — | (0.5) | $ — | — | — | (0.5) |
| Balance as of June 30, 2020 | $ — | $ (2.5) | $ — | $ — | $ — | $ (2.5) |

## CONSOLIDATING STATEMENT OF CHANGES IN EQUITY

| *(Millions of dollars)* | Six Months Ended June 30, 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 March 31, 2019 | 0.5 | — | 0.1 | — | (0.1) | $ 0.5 |
| Issuance of common stock | — | — | $ — | — | — | — |
| Balance as of June 30, 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 | 5.6 | — | — | — | — | 5.6 |
| Repurchase of treasury stock | (13.3) | — | — | — | — | (13.3) |
| Balance as of March 31, 2019 | (948.0) | — | — | — | — | (948.0) |
| Issuance of treasury stock | 0.1 | — | — | — | — | 0.1 |
| Repurchase of treasury stock | (16.8) | — | — | — | — | (16.8) |
| Balance as of June 30, 2019 | $ (964.7) | $ — | $ — | $ — | $ — | $ (964.7) |
| **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 | (5.6) | — | — | — | — | (5.6) |
| Amounts related to share-based compensation | — | (4.1) | — | — | — | (4.1) |
| Share-based compensation expense | — | 2.6 | — | — | — | 2.6 |
| Balance as of March 31, 2019 | 1,189.5 | 571.3 | 52.0 | 87.5 | (1,368.4) | $ 531.9 |
| Issuance of treasury stock | (0.1) | — | — | — | — | (0.1) |
| Amounts related to share-based compensation | — | (0.2) | — | — | — | (0.2) |
| Share-based compensation expense | — | 2.8 | — | — | — | 2.8 |
| Balance as of June 30, 2019 | $ 1,189.4 | $ 573.9 | $ 52.0 | $ 87.5 | $ (1,368.4) | $ 534.4 |
| **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 (loss) | 5.3 | 5.3 | (0.2) | — | (5.1) | 5.3 |
| Balance as of March 31, 2019 | 2,187.1 | 178.2 | (0.7) | 66.8 | (1,218.0) | 1,213.4 |
| Net income (loss) | 32.7 | 32.7 | (0.1) | — | (32.6) | 32.7 |
| Balance as of June 30, 2019 | $ 2,219.8 | $ 210.9 | $ (0.8) | $ 66.8 | $ (1,250.6) | $ 1,246.1 |
| **AOCI** | | | | | | |
| Balance as of December 31, 2018 | $ — | $ — | $ — | $ — | $ — | $ — |
| Other comprehensive income (loss) | — | — | — | — | — | — |
| Balance as of March 31, 2019 | — | — | — | — | — | — |
| Other comprehensive income (loss) | — | — | — | — | — | — |
| Balance as of June 30, 2019 | $ — | $ — | $ — | $ — | $ — | $ — |

### *ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

*Management's Discussion and Analysis of Financial Condition and Results of Operations ("Management's Discussion and Analysis" or "MD&A") 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q.*

*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 operating segment for the three and six months ended June 30, 2020 and 2019.

- *Capital Resources and Liquidity*—This section provides a discussion of our financial condition and cash flows as of and for the three and six months ended June 30, 2020 and 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***

The following MD&A is intended to help the reader understand our results of operations and financial condition. This section is provided to supplement, and should be read in conjunction with, our consolidated financial statements and the accompanying notes to these financial statements contained elsewhere in this Quarterly Report on Form 10-Q, this MD&A section and the consolidated financial statements in our Annual Report on Form 10-K. Our Form 10-K contains a discussion of matters not included within this document, such as disclosures regarding critical accounting policies and estimates, and contractual obligations.

*Our Business*

We market refined products through a network of retail gasoline stations and to unbranded wholesale customers. Our owned retail stations are almost all located in close proximity to Walmart stores and use the brand name Murphy USA®. We also market gasoline and other products at standalone stations under the Murphy Express brand. At June 30, 2020, we had a total of 1,485 Company stations in 25 states, principally in the Southeast, Southwest and Midwest United States. During the current quarter, we exited Minnesota with the sale of our nine stores to a private company.

*Basis of Presentation*

Murphy USA was incorporated in March 2013, and until the separation from Murphy Oil Corporation was completed on August 30, 2013, it had not commenced operations and had no material assets, liabilities or commitments. The financial information presented in this Management's Discussion and Analysis is derived from the consolidated financial statements of Murphy USA Inc. and its subsidiaries for all periods presented.

*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 generally expect our total fuel sales volumes to grow over time and the gross margins we realize on those sales to remain strong in a normalized environment, 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, travel restrictions and stay-at-home orders imposed during a pandemic, such as COVID-19, 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 reduces the Company's sales margin. Also, rising prices tend to cause our customers to reduce discretionary fuel consumption, which generally reduces our fuel sales volumes. Sharply declining crude oil prices that impacted early 2020 had an inverse positive effect on the business. Crude oil prices dropped dramatically in early March 2020 as OPEC members increased oil production and the price per barrel of oil settled in negative territory for the first time ever, reaching almost a negative $38 per barrel in April. Prices recovered during the quarter to approximately $40 per barrel by the end of June, which resulted in an average price for the quarter of approximately $28 per barrel compared to an average price of around $60 per barrel a year ago. This wholesale price decline led to an increase in retail fuel contribution of $116.4 million in Q2 2020 compared to Q2 2019. In addition, PS&W margins became positive during the current quarter due to the rising product prices which created favorable timing and inventory adjustments. Total fuel contribution (retail fuel margin plus product supply and wholesale ("PS&W") results including Renewable Identification Numbers ("RINs")) for Q2 2020 was 38.3 cents per gallon ("cpg"), a 160.5% increase when compared to the 2019 Q2 total fuel contribution of 14.7 cpg.

The COVID-19 pandemic has affected all sectors of the global economy. Beginning in mid-March, we began to see a reduction in customer count, which led to lower retail fuel sales volumes. As stay-at-home orders began lifting during the current quarter, the Company saw an increase in fuel volumes at higher overall margins. If the recoveries experienced in Q2 2020 stall or reverse as a result of any resurgence in COVID-19 infection rates and related government intervention, this could cause volume declines which we believe would be at incrementally higher industry fuel margins, which may help to mitigate any adverse financial impact.

Our revenues are impacted by the ability to leverage our diverse supply infrastructure in pursuit of obtaining the lowest cost fuel supply available; for example, activities such as blending bulk fuel with ethanol and bio-diesel to capture and subsequently sell RINs. Under the Energy Policy Act of 2005, the Environmental Protection Agency ("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 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 from RINs on a company-wide basis either favorably or unfavorably. Revenue from the sales of RINs is included in "Other operating revenues" in the Consolidated Statements of Income. The Renewable Fuel Standard ("RFS") program continues to be unpredictable and ethanol RIN prices have ranged from $0.28 to $0.52, with an average of $0.40 in Q2 2020, which compares to $0.13 to $0.27 in Q2 2019. The average RIN price received in Q2 2020 was $0.38 compared to $0.18 in Q2 2019.

As of June 30, 2020, we have $800 million of Senior Notes and $237.5 million of a term loan outstanding. We believe that we will generate sufficient cash from operations to fund our ongoing operating requirements. At June 30, 2020, 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. We did not seek government aid from the federal programs established by the CARES Act. 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 developments) for the full year 2020 to range from approximately $250 million to $275 million depending on how many new sites are completed. We intend to fund the remainder of our capital program in 2020 primarily using operating cash flow but will supplement funding where necessary using borrowings available under credit facilities.

We believe that our business will continue to grow in the future as we expect to build additional locations that have the characteristics we look for in a strong site as chosen by our real estate development team. 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 credit facilities.

We currently estimate our ongoing effective tax rate to be between 21% and 25% for the remainder of the year.

*Seasonality*

Our business has inherent seasonality due to the concentration of our retail sites in certain geographic areas, as well as customer activity behaviors during different seasons. In general, sales volumes and operating incomes are typically highest in the second and third quarters during the summer-activity months and lowest during the winter months. Beginning in the latter half of March 2020, we began to see a disruption to typical seasonal patterns as a result of stay-at-home restrictions due to the COVID-19 pandemic and this continued into the first part of the second quarter, with fuel volumes continuing to be lower than the historical average. At present, we cannot forecast how such measures will affect seasonal patterns for the remainder of fiscal 2020. As a result, operating results for the three and six months ended June 30, 2020 may not be necessarily indicative of the results that may be expected for the year ending December 31, 2020.

*Business Segment*

The Company has one operating segment which is Marketing. This segment includes our retail marketing sites and product supply and wholesale assets. For additional operating segment information, see Note 20 “Business Segments” in the audited combined financial statements for the year ended December 31, 2019 included with our Annual Report on Form 10-K and Note 14 “Business Segments” in the accompanying unaudited consolidated financial statements for the three and six months ended June 30, 2020.

***Results of Operations***

Consolidated Results

For the three month period ended June 30, 2020, the Company reported net income of $168.9 million, or $5.73 per diluted share, on revenue of $2.4 billion. Net income was $32.7 million for the same period in 2019, or $1.01 per diluted share, on $3.8 billion in revenue. The increase in net income is primarily due to higher all-in fuel contribution, a higher merchandise contribution, and lower payment fees, partially offset by lower fuel volumes. Continuing the trend that began in the latter half of March 2020, the Company experienced reduced retail fuel volumes due to COVID-19 related stay-at-home restrictions which were offset by the higher fuel margins for both retail and PS&W. The Company noted improvements in sales volumes during Q2 2020 as stay-at-home orders were gradually lifted in our areas of operations.

For the six month period ended June 30, 2020, the Company reported net income of $258.2 million, or $8.60 per diluted share, on revenue of $5.6 billion. Net income was $38.0 million for the same period in 2019, or $1.18 per diluted share, on $6.9 billion in revenue. The increase in net income is primarily due to higher retail fuel contribution and a higher merchandise contribution combined with lower payment fees, and was partially offset by lower fuel volumes caused by the COVID-19 related stay-at-home restrictions and other economic issues.

*Three Months Ended June 30, 2020 versus Three Months Ended June 30, 2019*

Quarterly revenues for 2020 decreased $1.4 billion, or 37.4%, compared to the same quarter in 2019. The decrease in revenues was due primarily to lower retail fuel sales prices combined with a decrease in retail fuel sales volumes caused by COVID-19 related concerns and travel restrictions and were partially offset by higher merchandise sales, PS&W revenues and RINs sales.

Total cost of sales decreased $1.6 billion, or 45.1% when compared to 2019. In the current-year quarter, the lower costs were primarily due to lower fuel wholesale prices and volumes sold, partially offset by higher merchandise costs.

Station and other operating expenses decreased $13.8 million, or 9.5%, from Q2 2019, due primarily to lower payment fees which were due to lower sales revenue.

SG&A expenses for Q2 2020 increased $2.0 million, or 5.7%, from Q2 2019. The increase in SG&A costs is primarily due to increased employee-related expenses and professional fees from business improvement initiatives.

The effective income tax rate was approximately 24.3% for Q2 2020 versus 24.5% for the same period of 2019.

*Six Months Ended June 30, 2020 versus Six Months Ended June 30, 2019*

Year-to-date revenues for 2020 decreased $1.4 billion, or 19.6%, compared to the same period in 2019. The decrease in revenues was due to lower retail fuel sales prices combined with lower sales volumes caused by reduced travel by consumers due to COVID-19 concerns and were partially offset by higher merchandise and RINs sales.

Year-to-date cost of sales for 2020 decreased $1.6 billion, or 25.6%, when compared to 2019. In the current-year period, the lower costs were primarily due to lower wholesale fuel prices and lower fuel sales volumes, partially offset by higher merchandise costs.

Station and other operating expenses decreased $11.5 million, or 4.1%, in the first six months of 2020, compared to the same period in 2019. This decline was primarily due to lower payment fees, a result of lower sales revenues.

SG&A expenses for the first six months of 2020 increased $6.6 million, or 9.5%, compared to the first six months of 2019. The increase in SG&A costs is primarily due to increased employee-related expenses and professional fees from business improvement initiatives.

The effective income tax rate was approximately 24.1% for the six months ended June 30, 2020 versus 22.8% for the same period of 2019. The increase was primarily due to lower excess tax benefits related to share-based payments in 2020.

Segment Results

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

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| (Millions of dollars) | **2020** | **2019** | **2020** | **2019** |
| Marketing | $ 179.6 | $ 44.5 | $ 280.5 | $ 60.7 |
| Corporate and other assets | (10.7) | (11.8) | (22.3) | (22.7) |
| Net Income | $ 168.9 | $ 32.7 | $ 258.2 | $ 38.0 |

*Three Months Ended June 30, 2020 versus Three Months Ended June 30, 2019*

Net income for the three months ended June 30, 2020 increased compared to the same period in 2019 primarily due to:

- Significantly higher all-in fuel contribution which includes higher RIN revenues
- Higher merchandise contribution
- Lower station and other operating expenses

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

- Lower retail fuel volume
- Higher SG&A expenses

*Six Months Ended June 30, 2020 versus Six Months Ended June 30, 2019*

Net income for the six months ended June 30, 2020 increased compared to the same period in 2019 primarily due to:

- Significantly higher retail fuel contribution
- Higher merchandise contribution
- Higher revenues from RINs
- Lower station and other operating expenses

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

- Lower PS&W revenues excluding RIN revenues
- Lower retail fuel volume
- Higher SG&A expenses

| *(Millions of dollars, except revenue per store month (in thousands) and store counts)* | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| **Marketing Segment** | **2020** | **2019** | **2020** | **2019** |
| Operating Revenues | | | | |
| Petroleum product sales | $ 1,588.9 | $ 3,129.7 | $ 4,069.1 | $ 5,629.5 |
| Merchandise sales | 767.1 | 658.8 | 1,454.6 | 1,265.0 |
| Other operating revenues | 23.6 | 11.9 | 40.6 | 22.2 |
| Total operating revenues | 2,379.6 | 3,800.4 | 5,564.3 | 6,916.7 |
| Operating expenses | | | | |
| Petroleum products cost of goods sold | 1,287.8 | 2,973.7 | 3,547.6 | 5,355.2 |
| Merchandise cost of goods sold | 648.7 | 553.3 | 1,228.7 | 1,062.0 |
| Station and other operating expenses | 131.8 | 145.6 | 266.9 | 278.4 |
| Depreciation and amortization | 35.8 | 33.2 | 71.7 | 69.8 |
| Selling, general and administrative | 37.1 | 35.1 | 76.3 | 69.7 |
| Accretion of asset retirement obligations | 0.5 | 0.5 | 1.1 | 1.0 |
| Total operating expenses | 2,141.7 | 3,741.4 | 5,192.3 | 6,836.1 |
| Gain (loss) on sale of assets | 1.3 | — | 1.4 | (0.1) |
| Income (loss) from operations | 239.2 | 59.0 | 373.4 | 80.5 |

| *(Millions of dollars, except revenue per store month (in thousands) and store counts)* | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| **Marketing Segment** | **2020** | **2019** | **2020** | **2019** |
| Other income (expense) | | | | |
| Interest expense | (0.1) | (0.1) | (0.1) | (0.1) |
| Other nonoperating income (expense) | — | — | — | — |
| Total other income (expense) | (0.1) | (0.1) | (0.1) | (0.1) |
| Income (loss) before income taxes | 239.1 | 58.9 | 373.3 | 80.4 |
| Income tax expense (benefit) | 59.5 | 14.4 | 92.8 | 19.7 |
| Income (loss) from operations | $ 179.6 | $ 44.5 | $ 280.5 | $ 60.7 |
| Total tobacco sales revenue same store sales[1,2] | $ 124.0 | $ 107.6 | $ 118.3 | $ 103.1 |
| Total non-tobacco sales revenue same store sales[1,2] | 48.5 | 42.7 | 45.0 | 40.9 |
| Total merchandise sales revenue same store sales[1,2] | $ 172.5 | $ 150.3 | $ 163.3 | $ 144.0 |

[1]2019 amounts not revised for 2020 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 | 1,485 | 1,474 | 1,485 | 1,474 |
| Total store months during the period | 4,449 | 4,387 | 8,910 | 8,787 |

Average Per Store Month (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, 2019 for the sites being compared in the 2020 versus 2019 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 | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| Total retail fuel contribution ($ Millions) | $ 268.8 | $ 152.4 | $ 551.8 | $ 240.0 |
| Total PS&W contribution ($ Millions) | 33.2 | 4.4 | (28.4) | 35.9 |
| RINs and other (included in Other operating revenues on Consolidated Income Statement) ($ Millions) | 22.6 | 10.9 | 38.1 | 20.0 |
| Total fuel contribution ($ Millions) | $ 324.6 | $ 167.7 | $ 561.5 | $ 295.9 |
| Retail fuel volume - chain (Million gal) | 847.2 | 1,140.4 | 1,900.9 | 2,182.0 |
| Retail fuel volume - per site (K gal APSM)[1] | 190.4 | 259.9 | 213.3 | 248.3 |
| Retail fuel volume - per site (K gal SSS)[2] | 187.7 | 256.0 | 210.6 | 244.9 |
| Total fuel contribution (including retail, PS&W and RINs) (cpg) | 38.3 | 14.7 | 29.5 | 13.6 |
| Retail fuel margin (cpg) | 31.7 | 13.4 | 29.0 | 11.0 |
| PS&W including RINs contribution (cpg) | 6.6 | 1.3 | 0.5 | 2.6 |

[1]APSM metric includes all stores open through the date of calculation
[2]2019 amounts not revised for 2020 raze-and-rebuild activity

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

| *(Millions of dollars)* | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| Petroleum product sales | $ 1,588.9 | $ 3,129.7 | $ 4,069.1 | $ 5,629.5 |
| Less Petroleum product cost of goods sold | (1,287.8) | (2,973.7) | (3,547.6) | (5,355.2) |
| Plus RINs and other (included in Other Operating Revenues line) | 23.5 | 11.7 | 40.0 | 21.6 |
| Total fuel contribution | $ 324.6 | $ 167.7 | $ 561.5 | $ 295.9 |

*Merchandise*

| Key Operating Metrics | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| Total merchandise contribution ($ Millions) | $ 118.4 | $ 105.5 | $ 225.9 | $ 203.0 |
| Total merchandise sales ($ Millions) | $ 767.1 | $ 658.8 | $ 1,454.6 | $ 1,265.0 |
| Total merchandise sales ($K SSS)[1,2] | $ 172.5 | $ 150.3 | $ 163.3 | $ 144.0 |
| Merchandise unit margin (%) | 15.4 % | 16.0 % | 15.5 % | 16.0 % |
| Tobacco contribution ($K SSS)[1,2] | $ 17.1 | $ 14.5 | $ 16.3 | $ 13.9 |
| Non-tobacco contribution ($K SSS)[1,2] | $ 10.5 | $ 10.1 | $ 9.8 | $ 9.6 |
| Total merchandise contribution ($K SSS)[1,2] | $ 27.6 | $ 24.6 | $ 26.1 | $ 23.5 |

[1]2019 amounts not revised for 2020 raze-and-rebuild activity
[2]Includes site-level discounts for MDR redemptions and excludes change in value of unredeemed MDR points

*Three Months Ended June 30, 2020 versus Three Months Ended June 30, 2019*

Net income in the Marketing segment for Q2 2020 increased $135.1 million compared to the Q2 2019 period. The primary drivers were the 160.5% increase on a cpg basis in total fuel contribution to 38.3 cpg in Q2 2020, higher total merchandise contribution which increased 12.2% to $118.4 million, and lower station operating expenses, partially offset by lower retail fuel sales volumes.

Total revenues for the Marketing segment were approximately $2.4 billion in Q2 2020 compared to $3.8 billion in Q2 2019. The decreased revenues were due to a 30.9% decrease in retail fuel sales prices combined with a 25.7% lower number of gallons sold partially offset by a 16.4% increase in merchandise sales, and higher PS&W and RINs revenues. Revenues included excise taxes collected and remitted to government authorities of $380.3 million in Q2 2020 and $498.3 million in Q2 2019.

Total fuel sales volumes on a SSS basis decreased 27.4% to 187.7 thousand gallons per store in the 2020 period due to travel reductions caused by COVID concerns. Retail fuel margin dollars increased 76.4% compared to the prior year quarter on a margin rate of 31.7 cpg for Q2 2020 which compared to 13.4 cpg in the same quarter of 2019 which was partially offset by lower total volumes.

Total PS&W margin dollars, excluding RINs, were $33.2 million in the 2020 period compared to $4.4 million in 2019. The increase in the current period was due to higher trending prices toward the later part of Q2 causing positive timing and inventory adjustments.

The 2020 quarter includes the sale of RINs of $22.6 million compared to $10.9 million in Q2 2019, which consisted of sales of 59 million RINs at an average selling price of $0.38 per RIN while the prior-year quarter had sales of 62 million RINs at an average price of $0.18 per RIN.

Total merchandise sales increased 16.4% to $767.1 million in 2020's Q2 from $658.8 million in Q2 2019 due to higher sales across the chain, related to changes in customer behavior during COVID-19. Quarterly total merchandise contribution in 2020 was 12.2% higher than Q2 2019. Total merchandise contribution dollars grew 11.9% on a SSS basis. On a SSS basis there was an increase of 15.7% in tobacco products sales and 11.3% in non-tobacco sales, including higher lottery and general merchandise sales.

Station and other operating expenses decreased $13.8 million in the current period compared to Q2 2019 levels, primarily due to lower payment fees due to lower sales revenues. On an APSM basis, expenses applicable to station OPEX excluding payment fees and rent decreased 1.8%, primarily due to lower maintenance expense.

*Six Months Ended June 30, 2020 versus Six Months Ended June 30, 2019*

Net income in the Marketing segment for the six months ended June 30, 2020 increased $219.8 million compared to the six months ended June 30, 2019 period. The primary drivers were the 116.9% increase on a cpg basis in total fuel contribution to 29.5 cpg in the first six months of 2020 and higher total merchandise contribution, which increased 11.3% to $225.9 million, combined with lower station operating expenses which were partially offset by lower retail fuel sales volumes.

Total revenues for the Marketing segment were approximately $5.6 billion for the six month period ended June 30, 2020 compared to $6.9 billion for the same period ended June 30, 2019. The decreased revenues were due to a 16.1% decrease in the average fuel retail price combined with a 12.9% decrease in the number of gallons sold due to the curtailment of travel caused by COVID-19 concerns and lower PS&W revenues, partially offset by a 15.0% increase in merchandise sales and higher RINs revenues. Revenues included excise taxes collected and remitted to government authorities of $853.7 million in the first six months of 2020 and $953.6 million in the same period of 2019.

Total fuel sales volumes on a SSS basis decreased 14.8% to 210.6 thousand gallons per store in the first six months of 2020 compared to the six months ended June 30, 2019. Retail fuel margin dollars increased 129.9% compared to the prior year period on a margin rate of 29.0 cpg for the first six months of 2020 which compared to 11.0 cpg for the first six months of 2019.

Total PS&W margin dollars, excluding RINs, were a loss of $28.4 million in the six month period ended June 30, 2020 compared to income of $35.9 million in June 30, 2019. The decrease in the first six months of 2020 was due to lower year-over-year prices when compared to 2019.

The six months period ended June 30, 2020 includes the sale of RINs of $38.1 million compared to $20.0 million for the same period in 2019, and consisted of sales of 128.2 million RINs at an average selling price of $0.30 per RIN while the prior-year period had sales of 115.0 million RINs at an average price of $0.17 per RIN.

Total merchandise sales increased $189.6 million, or 15.0%, to $1.5 billion in the first six months of 2020 compared to $1.3 billion for the same period ended June 30, 2019 due to higher sales across the chain. Six month total merchandise contribution in 2020 was 11.3% higher than for the six month period ended June 30, 2019. On a SSS basis, total merchandise contribution dollars per store grew 10.9%. Compared to the six months ended June 30, 2019, tobacco products sales increased 15.2% and non-tobacco sales increased 8.1% on higher lottery and general merchandise sales.

Station and other operating expenses decreased $11.5 million in the current period compared to June 30, 2019 levels due primarily to lower payment fees as a result of lower sales. On an APSM basis, expenses applicable to station OPEX excluding payment fees and rent decreased 0.7%, primarily due to lower maintenance expense.

Same store sales information compared to APSM metrics

| | Variance from prior year Three months ended June 30, 2020 | | Variance from prior year Six months ended June 30, 2020 | |
|---|---|---|---|---|
| | SSS[1] | APSM[2] | SSS[1] | APSM[2] |
| Fuel gallons per month | (27.4)% | (26.7)% | (14.8)% | (14.1)% |
| Merchandise sales | 14.4 % | 14.8 % | 13.2 % | 13.4 % |
| *Tobacco sales* | *15.7 %* | *15.4 %* | *15.2 %* | *14.8 %* |
| *Non-tobacco sales* | *11.3 %* | *13.3 %* | *8.1 %* | *10.1 %* |
| Merchandise margin | 11.9 % | 10.8 % | 10.9 % | 9.8 % |
| *Tobacco margin* | *19.2 %* | *15.9 %* | *18.3 %* | *15.7 %* |
| *Non-tobacco margin* | *1.8 %* | *3.7 %* | *0.4 %* | *2.2 %* |

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

*Corporate and Other Assets*

*Three Months Ended June 30, 2020 versus Three Months Ended June 30, 2019*

After-tax results for Corporate and other assets for Q2 2020 were a loss of $10.7 million compared to a loss of $11.8 million in Q2 2019.

*Six Months Ended June 30, 2020 versus Six Months Ended June 30, 2019*

After-tax results for Corporate and other assets for the six months ended June 30, 2020 was a loss of $22.3 million compared to a loss of $22.7 million in the same period of 2019.

*Non-GAAP Measures*

The following table sets forth the Company's Adjusted EBITDA for the three and six months ended June 30, 2020 and 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 a more reliable 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 (loss) to EBITDA and Adjusted EBITDA is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(Millions of dollars)* | **2020** | **2019** | **2020** | **2019** |
| Net income | $ 168.9 | $ 32.7 | $ 258.2 | $ 38.0 |
| Income tax expense (benefit) | 54.1 | 10.6 | 82.1 | 11.2 |
| Interest expense, net of interest income | 12.8 | 12.3 | 25.3 | 25.2 |
| Depreciation and amortization | 39.5 | 36.5 | 78.9 | 76.2 |
| EBITDA | 275.3 | 92.1 | 444.5 | 150.6 |
| Net settlement proceeds | — | — | — | (0.1) |
| Accretion of asset retirement obligations | 0.5 | 0.5 | 1.1 | 1.0 |
| (Gain) loss on sale of assets | (1.3) | — | (1.4) | 0.1 |
| Other nonoperating (income) expense | (0.3) | 0.1 | 0.7 | (0.1) |
| Adjusted EBITDA | $ 274.2 | $ 92.7 | $ 444.9 | $ 151.5 |

***Capital Resources and Liquidity***

*Significant Sources of Capital*

We have a committed $325 million asset based loan facility (the “ABL facility”), which is subject to the remaining borrowing capacity of $168 million at June 30, 2020 (which can be utilized for working capital and other general corporate purposes, including supporting our operating model as described herein) and a $250 million term loan facility, as well as a $150 million incremental uncommitted facility. As of June 30, 2020, we had $237.5 million outstanding under our term loan and no amounts outstanding under our ABL. See following “Debt – Credit Facilities” for the calculation of our borrowing base.

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. We did not seek government aid from federal programs established by the CARES Act.

Our term loan matures in August 2023 and our $325 million asset-backed lending facility, which has not been drawn against to-date, matures in August 2024.

Operating Activities

Net cash provided by operating activities was $381.9 million for the six months ended June 30, 2020 and was $124.9 million for the comparable period in 2019. The increase for the current year is primarily due to the increase in net income of $220.2 million compared to the corresponding period in 2019, combined with increases in non-cash operating working capital of $23.7 million. Non-cash operating working capital increased due to a $12.4 million decrease in accounts receivable, a $12.4 million decrease in prepaid expenses and other current assets and a $40.8 million increase in income taxes payable, which were partially offset by a $30.3 million increase in inventories and a $12.1 million decrease in accounts payable and accrued liabilities. The changes in accounts receivable and accounts payable were due to timing of invoicing, billing, payments, and receipts. The variance in prepaid expenses and other current assets and income taxes payable were due to increased pretax income in the current year moving the Company from a prepaid position to a payable. The Company also invested in inventory to meet expected demand due to stay-at-home restrictions being eased in our areas of operations.

Investing Activities

For the six months ended June 30, 2020, cash required by investing activities was $99.2 million compared to $85.7 million in 2019. The increase in investing cash requirements in the current period was primarily due to the timing of capital expenditures and was partially offset by proceeds from sale of assets in the second quarter of 2020. Other investing activities required $1.1 million in cash during 2020 compared to cash required of $0.5 million in 2019.

Financing Activities

Financing activities in the six months ended June 30, 2020 required cash of $159.4 million compared to $45.1 million of cash required in the six months ended June 30, 2019. The first six months of 2020 included payments of $140.6 million for the repurchase of common shares, which was an increase of $110.5 million from the prior-year period. Net repayments of debt required $13.2 million in 2020 compared to $10.7 million in 2019. Amounts related to share-based compensation required $1.3 million more in cash during 2020 than in 2019.

*Share Repurchase Program*

There were no repurchases of common shares during the quarter ended June 30, 2020, while during the quarter ended March 31, 2020, a total of 1,362,400 shares were repurchased for $140.6 million under the $400 million share repurchase program approved by the Board of Directors in July 2019, with approximately $134.4 million remaining in the plan.

*Debt*

Our long-term debt at June 30, 2020 and December 31, 2019 was as set forth below:

| *(Millions of dollars)* | | **June 30, 2020** | | **December 31, 2019** |
|---|---|---|---|---|
| 5.625% senior notes due 2027 (net of unamortized discount of $2.6 at June 30, 2020 and $2.7 at December 2019) | $ | 297.4 | $ | 297.3 |
| 4.75% senior notes due 2029 (net of unamortized discount of $5.8 at June 30, 2020 and $6.1 at December 31, 2019) | | 494.2 | | 493.9 |
| Term loan due 2023 (effective interest rate of 3.35% at June 30, 2020 and 4.31% at December 31, 2019) | | 237.5 | | 250.0 |
| Capitalized lease obligations, vehicles, due through 2023 | | 2.4 | | 2.4 |
| Less unamortized debt issuance costs | | (5.0) | | (5.5) |
| Total notes payable, net | | 1,026.5 | | 1,038.1 |
| Less current maturities | | 51.2 | | 38.8 |
| Total long-term debt, net of current | $ | 975.3 | $ | 999.3 |

*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., 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 $500 million aggregate principal amount of its senior notes due 2023. 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 $250.0 million term loan facility. 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, and on December 31, 2019, we borrowed the additional $50 million term loan. At June 30, 2020 and December 31, 2019, the current outstanding principal balance was $237.5 million and $250.0 million respectively. The term loan is due August 2023 and requires quarterly principal payments of $12.5 million which began April 1, 2020. As of June 30, 2020, we have 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 midstream 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 greater of the federal funds effective rate and the overnight bank funding rate determined by the Federal Reserve Bank of New York 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 of 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 loan 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 or (ii) with respect to the term loan 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 million (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 total debt to EBITDA ratio of 4.5 to 1.0 at any time when the term loans are outstanding. As of June 30, 2020, our fixed charge coverage ratio was 1.21 and we had $168.3 million of availability under the ABL facility at that time. Our secured debt to EBITDA ratio as of June 30, 2020 was 0.33 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 June 30, 2020 our ability to make restricted payments was not limited as our fixed charge coverage ratio was greater than 1.0 to 1.0, at 1.21.

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.

*Capital Spending*

Capital spending and investments in our Marketing segment relate primarily to the acquisition of land and the construction of new Company stations. Our Marketing capital is also deployed to improve our existing sites, which we refer to as sustaining capital. We also 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.

The following table outlines our capital spending and investments by segment for the three and six month periods ended June 30, 2020 and 2019:

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| *(Millions of dollars)* | **2020** | **2019** | **2020** | **2019** |
| Marketing: | | | | |
| Company stores | $ 52.9 | $ 35.6 | $ 80.2 | $ 59.6 |
| Terminals | 0.2 | 0.1 | 0.6 | 0.5 |
| Sustaining capital | 6.8 | 4.4 | 11.4 | 6.8 |
| Corporate and other assets | 6.6 | 18.9 | 19.7 | 22.8 |
| Total | $ 66.5 | $ 59.0 | $ 111.9 | $ 89.7 |

We currently expect capital expenditures for the full year 2020 to range from approximately $250 million to $275 million, including $140 million for retail growth, approximately $30 million for maintenance capital, with the remaining funds earmarked for other corporate investments, including Europay, MasterCard, and Visa ("EMV") compliance and other strategic initiatives. See Note 16 “Commitments” in the audited consolidated financial statements for the year ended December 31, 2019 included in our Annual Report on Form 10-K for more information.

*Critical Accounting Policies*

There has been no material update to our critical accounting policies since our Annual Report on Form 10-K for the year ended December 31, 2019. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies” in the Form 10-K.

**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q 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, disruptions in our supply chain and our ability to control costs; the impact of severe weather events, such as hurricanes, floods and earthquakes; the impact of a global health pandemic, such as COVID-19 including the impact of our fuel volumes if the gradual recoveries experienced in Q2 2020 stall or reverse as a result of any resurgence in COVID-19 infection rates and the responsive measures taken by governmental authorities; 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 could 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. Our public filings, including our most recent Annual Report on our Form 10-K and our Form 10-Q from Q1 2020 contains other information on these and other factors that could affect our financial results and cause actual results to differ materially from any forward-looking information we may provide. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

***ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

**Commodity Price Risk**

We are exposed to market risks related to the volatility in the price of 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 8 “Financial Instruments and Risk Management” in the accompanying unaudited consolidated financial statements, there were short-term commodity derivative contracts in place at June 30, 2020 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 $237.5 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 8 “Financial Instruments and Risk Management” in the accompanying unaudited 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 June 30, 2020. A 10% increase or decrease in the underlying interest rate would have an immaterial impact on the financial statements of the Company at June 30, 2020.

For additional information about our use of derivative instruments, see Note 12 “Financial Instruments and Risk Management” in our audited combined financial statements for the year ended December 31, 2019 included in the Form 10-K and Note 8 “Financial Instruments and Risk Management” in the accompanying unaudited consolidated financial statements for the six months ended June 30, 2020.

## *ITEM 4. 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 June 30, 2020.

*Internal Control over Financial Reporting*

There have been no changes in the Company’s internal control over financial reporting during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

# PART II – OTHER INFORMATION

## *ITEM 1. LEGAL PROCEEDINGS*

As of June 30, 2020, the Company was engaged in a number of legal proceedings, all of which the Company considers routine and incidental to its business. See Note 12 ”Contingencies” in the accompanying consolidated financial statements. Based on information currently available to the Company, the ultimate resolution of environmental and legal 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.

## *ITEM 1A. RISK FACTORS*

Our business, results of operations, cash flows and financial condition involve various risks and uncertainties. These risk factors are discussed under the caption “Risk Factors” in our Annual Report on Form 10-K. We have not identified any additional risk factors not previously disclosed in the Form 10-K and in the quarterly report on Form 10-Q for the period ended March 31, 2020.

### ITEM 2.  UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

### ITEM 5. OTHER INFORMATION

None

### *ITEM 6. EXHIBITS*

The Exhibit Index on page 50 of this Form 10-Q report lists the exhibits that are filed herewith or incorporated herein by reference.

SIGNATURE

Pursuant to the requirements 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.*
(Registrant)

By /s/ Donald R. Smith Jr.
Donald R. Smith Jr., Vice President and Controller *(Chief Accounting Officer and Duly Authorized Officer)*

July 30, 2020

EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 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 document |
| 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.

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, R. Andrew Clyde, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Murphy USA Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 30, 2020

/s/ R. Andrew Clyde
R. Andrew Clyde
Principal Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mindy K. West, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Murphy USA Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal controls over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: July 30, 2020

__/s/ Mindy K. West_________
Mindy K. West
Principal Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Murphy USA Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, R. Andrew Clyde, Principal Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2020

/s/ R. Andrew Clyde
R. Andrew Clyde
Principal Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Murphy USA Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mindy K. West, Principal Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2020

_/s/ Mindy K. West__________
Mindy K. West
Principal Financial Officer