Murphy USA (MUSA)

Updated February 10th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$481	**5 Year CAGR Estimate:**	2.0%	**Market Cap:**	$9.6 B
Fair Value Price:	$322	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date[1]:**	2/15/2025
% Fair Value:	150%	**5 Year Valuation Multiple Estimate:**	-7.7%	**Dividend Payment Date:**	2/28/2025
Dividend Yield:	0.4%	**5 Year Price Target**	$518	**Years Of Dividend Growth:**	5
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Sell

Overview & Current Events

Murphy USA is one of the largest independent retailers of gasoline products and convenience store merchandise, with more than 1,750 locations in 27 states across the Southwest, Southeast, Midwest and Northeast U.S. Its stores are 100% company owned and operated and most of them are adjacent to Walmart stores. The company also owns seven terminals, which support an advantaged fuel supply and help the company purchase fuel at or below benchmark prices. Murphy USA serves approximately 2 million customers per day and has a market capitalization of $9.6 billion. The company was founded in 1996 and is headquartered in El Dorado, Arkansas.

The location of the stores of Murphy USA next to Walmart stores is a key factor in the success of the company. Many consumers who shop at Walmart for its attractive prices combine their shopping trip with Murphy USA, which sells fuel at attractive prices as well. The other major key feature of Murphy USA is the fact that its target group involves low-end consumers, who struggle to make ends meet. About one-third of U.S. households makes less than $50,000 per year. Thanks to its bargain prices, Murphy USA is an ideal choice for these consumers.

In early February, Murphy USA reported (2/5/25) financial results for the fourth quarter of fiscal 2024. Total retail gallons dipped -1% and margin remained flat at 32.5 cents per gallon. Merchandise sales grew 6%. Due to lower volumes, earnings-per-share dipped -0.6%, from $7.00 to $6.96, though they exceeded the analysts' estimates by $0.28. The company has beaten the analysts' estimates in 17 of the last 22 quarters. Management noted again lower demand for food & beverage, mostly due to the impact of inflation on consumer spending, but it provided positive guidance for 2025, expecting up to 50 new stores and 4% growth of merchandize.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.02	$5.59	$6.78	$6.48	$4.86	$13.08	$14.92	$28.16	$25.62	$24.72	***$26.80***	***$43.16***
DPS	---	---	---	---	---	$0.25	$1.04	$1.27	$1.55	$1.79	***$1.92***	***$3.09***
Shares[2]	43.8	39.6	36.2	33.0	31.9	29.5	25.7	22.6	21.4	20.5	***19.5***	***15.0***

Murphy USA enjoys strong retention of its members (~85%) and its members increase their spending over time after they become members. The average monthly spending per member has grown 52% over the last four years. The company does its best to source fuel and merchandise at discounted prices and thus attract an increasing number of low-end consumers.

The results of the business model of Murphy USA are clearly reflected in its exceptional performance record. The retailer has grown its earnings-per-share by 22.4% per year on average over the last decade and by 17.3% per year on average over the last four years. It is also impressive that the stock has rallied more than 20% per year every year since 2013. Moreover, management has provided a bright outlook until 2028. It expects to grow EBITDA by 18%, enhance margin from 32 to 34 cents per gallon and reduce the share count by about 5% per year. Given the outstanding performance record of Murphy USA and its 4-year outlook, we expect 10% average annual growth of earnings-per-share until 2030.

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[1] Estimated date.

[2] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.6	12.0	10.3	11.9	18.5	9.1	10.1	8.8	11.9	19.0	***17.9***	***12.0***
Avg. Yld.	---	---	---	---	---	0.2%	0.7%	0.5%	0.5%	0.4%	***0.4%***	***0.6%***

Murphy USA has traded at an average price-to-earnings ratio of 12.0 over the last five years. Despite its impressive growth trajectory, the stock has consistently traded with an earnings multiple between 9.0 and 12.0 most of the time over the last decade. However, the market has appreciated the growth prospects of the company lately and thus the stock is now trading at a price-to-earnings ratio of 17.9. While we are excited about the growth prospects of Murphy USA, we have assumed a fair price-to-earnings ratio of 12.0 for 2030, in line with the 5-year average, in order to be on the safe side. If this turns out to be correct, the stock will incur a -7.7% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

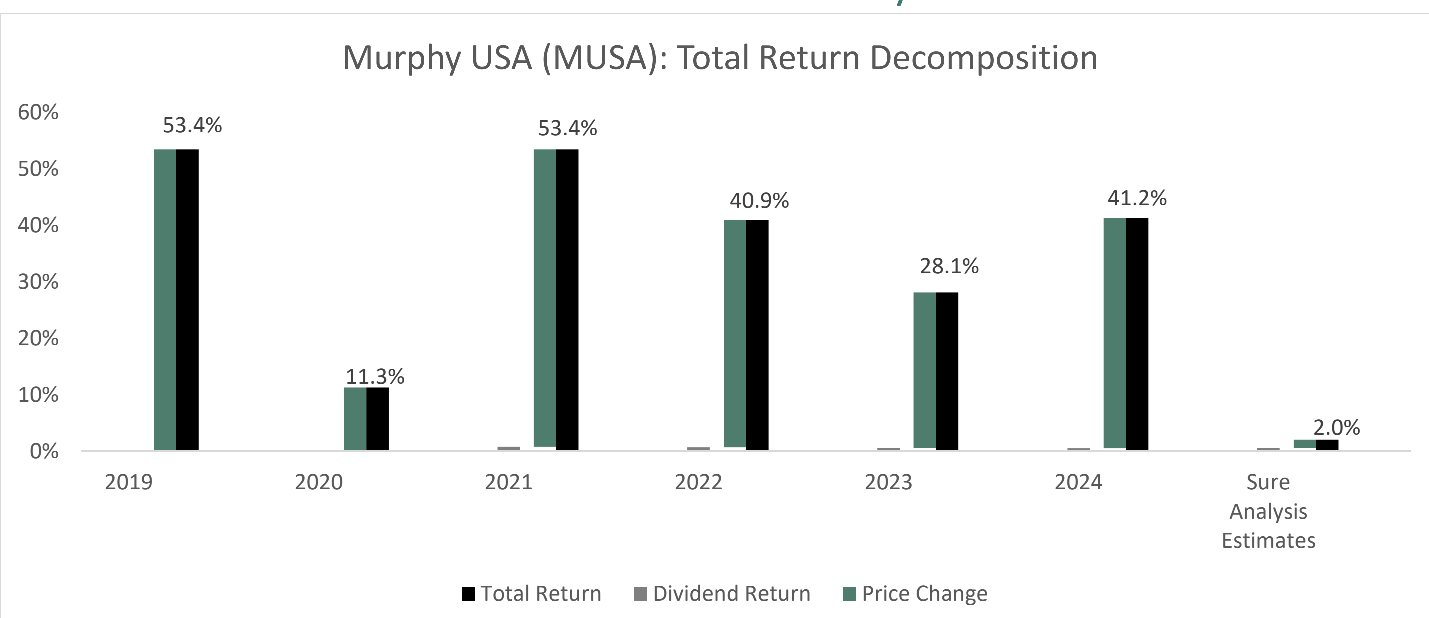
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	2%	7%	5%	6%	7%	***7%***	***7%***

Murphy USA is a retailer of gasoline and other merchandise but it is far more resilient to downturns than a typical oil company. To be sure, the company posted blowout earnings during the pandemic, when almost all the oil companies suffered. It also nearly doubled its earnings-per-share during the energy crisis in 2022, when fuel prices skyrocketed and consumers became highly price-conscious. Overall, Murphy USA is not immune to recessions but it is much more resilient than most oil companies thanks to its defensive business model, which relies on thin profit margins.

Final Thoughts & Recommendation

Murphy USA is one of the extremely few oil companies that have outperformed the S&P 500 by a wide margin over the last decade (+577% vs. +186%). Murphy USA has rallied more than 20% every year since 2013 thanks to its consistent earnings growth and still has exciting earnings growth prospects ahead. However, due to its rich valuation level, it could offer a 2.0% average annual return over the next five years, as its 10% growth and its 0.4% dividend may be offset by a -7.7% valuation drag. The stock may remain richly valued in the absence of a downturn but we prefer to be conservative. We rate it as a sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	12,699	11,594	12,827	14,363	14,035	11,264	17,361	23,446	21,529	20,244
Gross Profit	959	1,016	1,062	1,089	1,127	1,443	1,849	2,400	2,314	2,307
Gross Margin	7.5%	8.8%	8.3%	7.6%	8.0%	12.8%	10.7%	10.2%	10.7%	11.4%
SG&A Exp.	129	123	141	136	145	171	194	233	241	235
Operating Profit	255	300	287	276	268	559	613	968	827	756
Op. Margin	2.0%	2.6%	2.2%	1.9%	1.9%	5.0%	3.5%	4.1%	3.8%	3.7%
Net Profit	176	222	245	214	155	386	397	673	557	503
Net Margin	1.4%	1.9%	1.9%	1.5%	1.1%	3.4%	2.3%	2.9%	2.6%	2.5%
Free Cash Flow	11	75	25	194	109	333	463	689	448	390
Income Tax	81	131	(5)	60	48	123	125	211	178	149

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,886	2,089	2,331	2,361	2,687	2,686	4,048	4,123	4,340	4,542
Cash & Equivalents	102	154	170	185	280	164	256	61	118	47
Acc. Receivable	136	184	225	139	173	169	196	282	337	269
Inventories	156	153	183	222	228	279	292	319	341	402
Goodwill & Int.						35	469	468	468	468
Total Liabilities	1,094	1,392	1,593	1,554	1,884	1,902	3,241	3,483	3,511	3,702
Accounts Payable	227	310	340	275	281	261	393	548	520	874
Long-Term Debt	490	670	881	863	1,038	1,002	1,815	1,807	1,800	1,848
Total Equity	792	697	738	807	803	784	807	641	829	840
LTD/E Ratio	0.62	0.96	1.19	1.07	1.29	1.28	2.25	2.82	2.17	2.20

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.2%	11.1%	11.1%	9.1%	6.1%	14.4%	11.8%	16.5%	13.2%	11.3%
Return on Equity	21.4%	29.7%	34.2%	27.6%	19.2%	48.7%	49.9%	92.9%	75.8%	60.2%
ROIC	13.4%	16.7%	16.4%	13.0%	8.8%	21.3%	18.0%	26.5%	21.9%	18.9%
Shares Out.	43.8	39.6	36.2	33.0	31.9	29.5	25.7	22.6	21.4	20.8
Revenue/Share	289.98	292.45	354.76	435.46	440.54	381.50	652.55	978.96	985.64	971.32
FCF/Share	0.24	1.90	0.70	5.89	3.41	11.28	17.39	28.79	20.53	18.69

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.