

Credit Analysis Case Study

Group 2

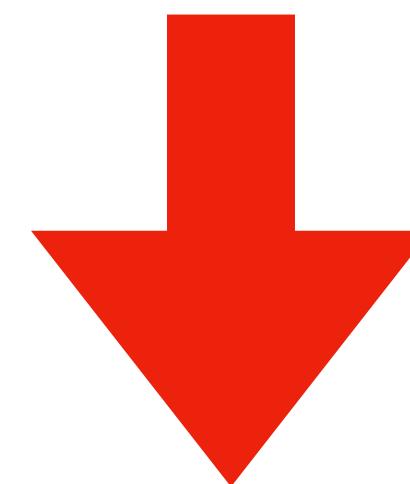
Corporate Valuation & Credit Analysis

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We Reject The Murphy USA Proposal

Cash flows may not sustain future debt obligations



Uncertain Finances

**Existing Debt
Obligations**

**Dubious Growth
Prospects**

Company Financials

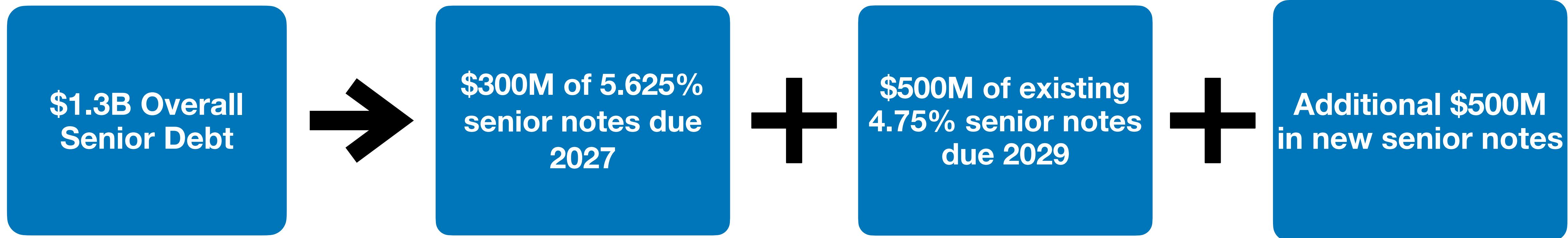
Instability Upon Entrance

Debt to EBITDA deterioration
-Forecasted to hit 3x
-S&P default 2026

Inconsistent earnings positivity

Speculative grade credit

Debt Obligations



- \$400M Loan Term B, our investment class
- If default, concern that we can claim what's left of \$2.6B of book value assets after senior debt holders claim their share, **book value ≠ market value**

Current Business Model

Unpredictable Cash Flows, Unpredictable Debt

Organic Growth	Inorganic Growth
<ul style="list-style-type: none">• Volatility of fuel industry<ul style="list-style-type: none">◦ Fuel margins likely to revert to lower levels as demand for fuel falls• Stable-growth industry	<ul style="list-style-type: none">• Accelerated capital spending in 2021<ul style="list-style-type: none">◦ Expansion to 55 new retail locations and 25 rebuilds of previous stores◦ Multi-year pipeline construction• Fall 5% behind competitors in growth profit from merchandise

External Risk Factors

Potential Future Roadblocks

Interest Rates Expected to Rise
in 2023

Macro

Political, Environmental & Social
Supply Chain Issues

Codependent Relationships With
Walmart & Core-Mark

Micro

Conclusion

- A. High Debt-To-Earnings
- B. Uncertain FCF
- C. Senior Debt Obligations
- D. Questionable Growth Strategy

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**Reject Murphy USA
Loan Proposal**



Q & A

