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September 2024

CONVENIENCE STORE Insight

MERGERS & ACQUISITIONS, PUBLIC & PRIVATE
CAPITAL AND FINANCIAL ADVISORY SERVICES

RAYMOND JAMES

INVESTMENT BANKING

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Deal spotlight

Alimentation Couche-Tard announces agreement to acquire GetGo

- **Announced:** August 19, 2024; expected to close 2025
- **Transaction Detail:** Alimentation Couche-Tard (TSX: ATD), parent company of Circle K Stores, Inc. announced an agreement to acquire GetGo Café +Markets (“GetGo”) from supermarket retailer Giant Eagle, Inc. The transaction includes 270 convenience retail and fueling locations across Pennsylvania, Ohio, West Virginia, Maryland and Indiana.
- **Rationale:** The transaction will enhance Couche-Tard’s U.S. footprint and its foodservice offerings, while allowing Giant Eagle to focus resources on its core supermarket and pharmacy businesses. Additionally, the two companies will partner to maintain and potentially expand the myPerks loyalty program, which is highly valued among both GetGo and Giant Eagle supermarket customers.
- **Target / Seller:** Founded in 1918 and headquartered in Cranberry Township, Pennsylvania, Giant Eagle, Inc. is a privately held supermarket chain. With approximately 37,000 employees across all of its divisions the company operates 211 supermarkets, 8 standalone pharmacies and approximately 270 GetGo convenience stores in Pennsylvania, Ohio, West Virginia, Maryland and Indiana.



FEMSA announces agreement to acquire Delek US Retail

- **Announced:** August 1, 2024; expected to close 2H24
- **Transaction Detail:** FEMSA (NYSE: FMX) and Delek US Holdings, Inc. (NYSE: DK) announced an agreement whereby a subsidiary of FEMSA will acquire 100% of the equity interest in Delek’s retail business for cash consideration of \$385 million, including the purchase of inventory. The transaction includes 249 stores in the southwestern U.S., primarily in Texas and New Mexico operating under the DK brand. Raymond James served as advisor to the seller.
- **Rationale:** The sale of the retail segment is part of Delek’s strategic plan to unlock the company’s sum-of-the-parts value while providing a competitive partner for ongoing and expanded retail fuel sales. For FEMSA - one of the largest conglomerates in Mexico - the transaction represents a first step into the U.S. convenience industry and is ideal in terms of size and geographic footprint, providing a scalable U.S. platform beginning in the Southwest.
- **Target / Seller:** Founded in 2001 and headquartered in Brentwood, Tennessee, Delek US Holdings, Inc. (NYSE: DK) is a downstream energy company with assets in petroleum refining, logistic, convenience stores, asphalt, and renewables. The company has over 3,500 employees in nine states across its business segments.

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Casey’s announces agreement to acquire CEFCO

- **Announced:** July 26, 2024; expected to close 4Q24
- **Transaction Detail:** Casey’s General Stores, Inc. (Nasdaq: CASY) announced an agreement to acquire Fikes Wholesale, Inc., owner of CEFCO Convenience Stores., in a \$1.145 billion all-cash transaction. The purchase price includes tax benefits valued at approximately \$165 million for a net after-tax purchase price of \$980 million. The transaction includes 198 stores (148 in Texas and 50 in Alabama, Florida and Mississippi), a dealer network, a fuel terminal and a commissary serving its Texas stores.
- **Rationale:** The acquisition strategically aligns with Casey’s plan to target the Texas market for future growth, which it first entered in late 2023. In addition, Casey’s expects to achieve significant synergies from increased sales and margin, as well as reverse synergies in the fuel segment (increasing annual volume roughly 14% or 400 million gallons to ~3.2 billion gallons annually).
- **Target / Seller:** Headquartered in Temple, Texas, Fikes Wholesale, Inc. is a petroleum products marketer and parent company of CEFCO. Founded in 1952 with a single “filling station” the company expanded to become one of the largest convenience retail and fuel distribution businesses in Texas.



Arko Corp. acquires By-Lo Oil Co.’s convenience store and related retail and wholesale assets

- **Announced:** April 9, 2024; transaction closed
- **Transaction Detail:** Arko Corp. (Nasdaq: ARKO) acquired By-Lo Oil Co.’s retail and wholesale assets (d.b.a SpeedyQ Markets), primarily comprised of 21 fee-owned convenience stores in Eastern Michigan. Raymond James served as advisor to the seller.
- **Rationale:** The transaction increased Arko’s retail and wholesale fuel distribution presence in Michigan and provides future organic growth potential with eight landbank sites, strong brand recognition throughout the “thumb” of Michigan and an effective loyalty program.
- **Target / Seller:** Founded in 1962 and headquartered in Kimball, Michigan, By-Lo Oil Co. (d.b.a SpeedyQ Markets) is an established convenience store chain spanning 100 miles across the “thumb” of Michigan with strong brand heritage and a loyal customer base established over its sixty-year history of serving local communities. In addition to its convenience store operations, By-Lo Oil Co. operates as a wholesale fuel distributor.

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Notable M&A transactions 2024 YTD

Announced date	Acquiror	Target / seller	Retail store count ⁽¹⁾	Target description
8/26/2024	Fischer Neighborhood Markets	Mini Mart	17	The transaction includes 17 Mini Mart locations in Central Texas
8/19/2024	Circle K Stores, Inc.	Giant Eagle / GetGo	270	The deal includes 270 convenience retail and fueling locations across Pennsylvania, Ohio, West Virginia, Maryland and Indiana
8/1/2024	FEMSA	Delek US Holdings (retail segment)	249	The acquired retail segment includes 249 stores operating primarily in the southwestern U.S. including Texas, New Mexico, and Arkansas, marking FEMSA's retail entry into the U.S.
7/26/2024	Casey's General Stores, Inc.	Fikes Wholesale, Inc. / CEFCO	198	Acquisition includes 198 convenience stores and additional assets (dealer network, fuel terminal, commissary) located in Texas, Alabama, Florida and Mississippi
6/13/2024	Anabi/Rebel	Land O'Sun Mgmt. Corp., d.b.a Fast Track	29	Deal includes 17 convenience stores, 10 co-located QSRs and two stand-alone QSRs in northern Florida
4/11/2024	Gas Hub Investments LLC	SQRL Holdings	210	Portfolio includes 210 locations, of which 180 locations were open at the time of sale
4/9/2024	Arko Corp.	By-Lo Oil Co., d.b.a SpeedyQ Markets	21	Established convenience store chain with 21 fee-owned convenience stores and related retail and wholesale assets spanning 100 miles across the "thumb" of Michigan
3/20/2024	H&S Energy	Andretti Petroleum Group	~170	Transaction includes nearly 170 convenience stores and additional assets (fuel distribution, cardlock, fleet card, car wash, etc.) in California, Oregon and Washington
3/5/2024	Smoker Friendly	Low Bob's Discount Tobacco	54	Deal includes 54 tobacco retail locations throughout the state of Indiana
2/23/2024	CrossAmerica Partners LP	Applegreen plc	59	Acquisition includes 59 convenience stores located in Michigan, Minnesota, Wisconsin and Florida
2/9/2024	Shell plc	Brewer Oil Co.	45	Target encompasses 45 fuel and convenience store locations in New Mexico, marking Shell's first operated retail presence in the state
1/11/2024	7-Eleven, Inc.	Sunoco LP	204	Transaction includes 204 Stripes convenience stores with 123 Laredo Taco Company restaurants in West Texas, New Mexico and Oklahoma

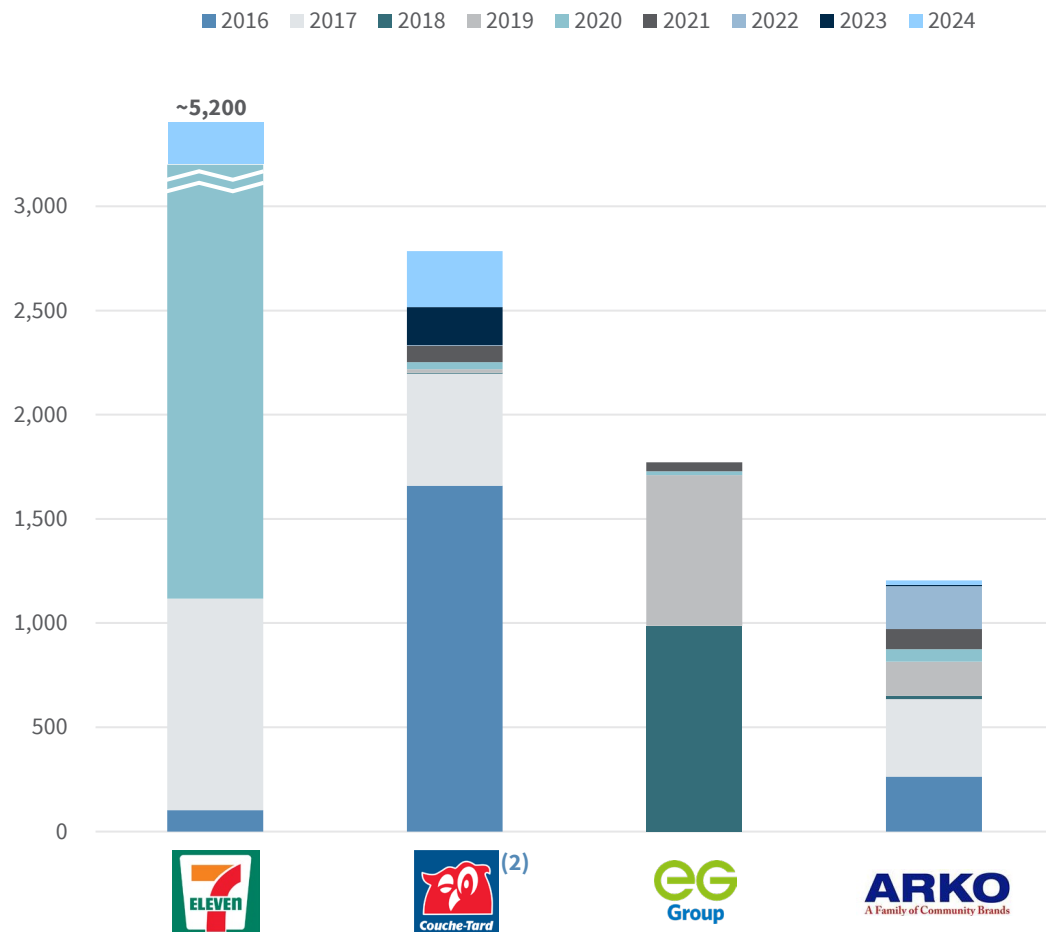
Source: Public company filings, press releases and Capital IQ.
 Note: (1) Includes only company-operated retail stores.

Raymond James transaction

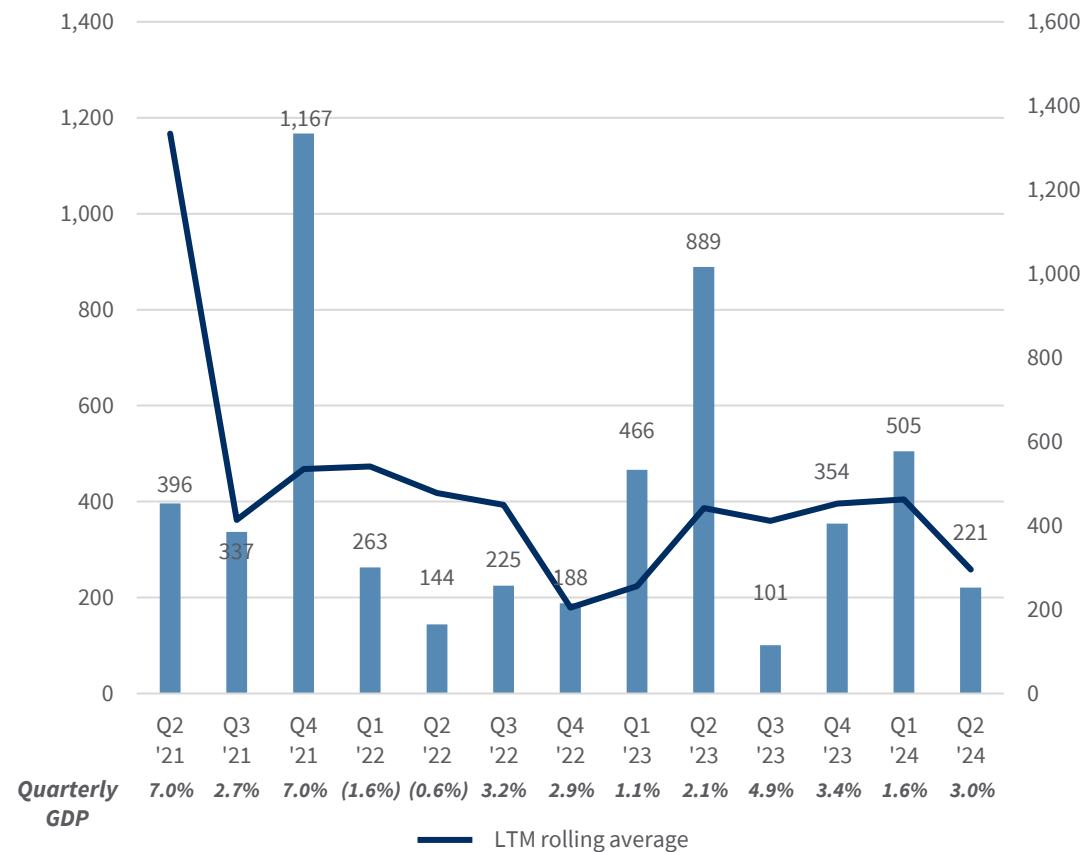
M&A transactions

Most active acquirors⁽¹⁾

of stores acquired



M&A activity by store count⁽¹⁾

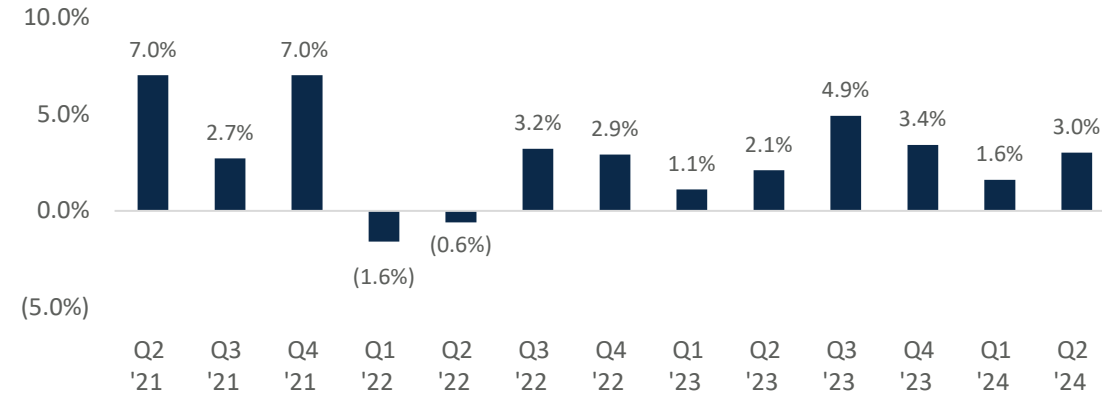


Notes: (1) Public company filings and press releases; count as of announcement date. Includes only U.S. deals. All data as of 8/26/24.
 (2) Includes announced acquisition of 270 GetGo locations.

Macroeconomic indicators

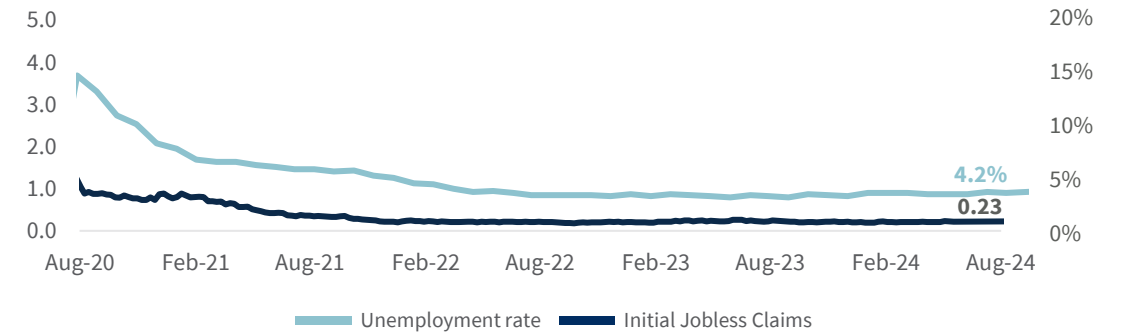
Real GDP growth

(seasonally adjusted annual rates)



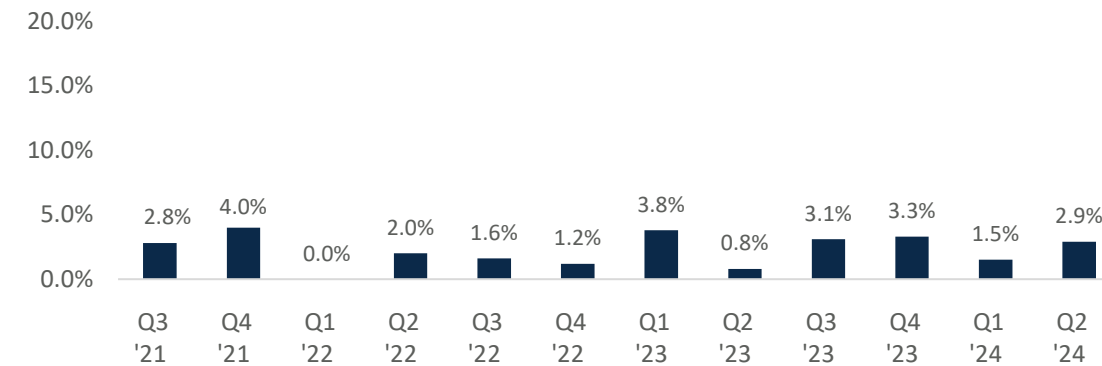
Unemployment rate and initial jobless claims

(jobless claims in millions)



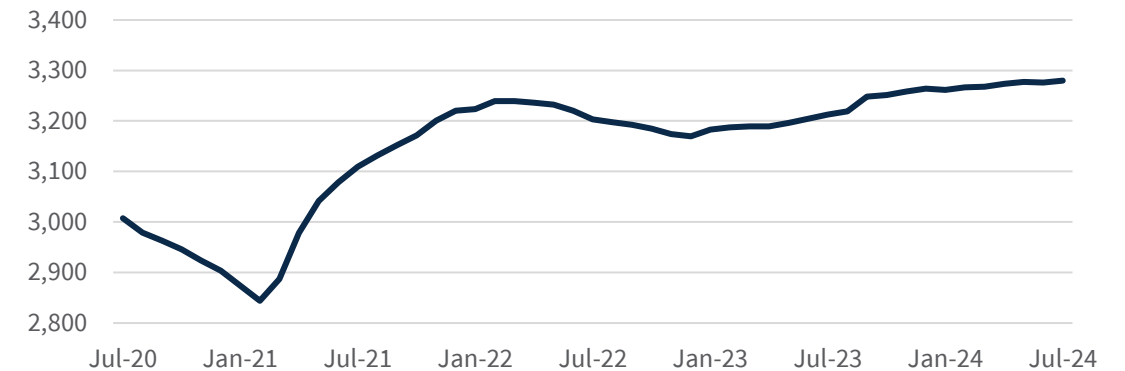
Consumer spending growth

(real PCE percent change, seasonally adjusted at annual rates)



Total vehicle miles traveled

(rolling 12-months; in billions)



Macroeconomic indicators (cont'd)

West Texas Intermediate (WTI)

(\$ per barrel)



Inflation vs. 10-year Treasury

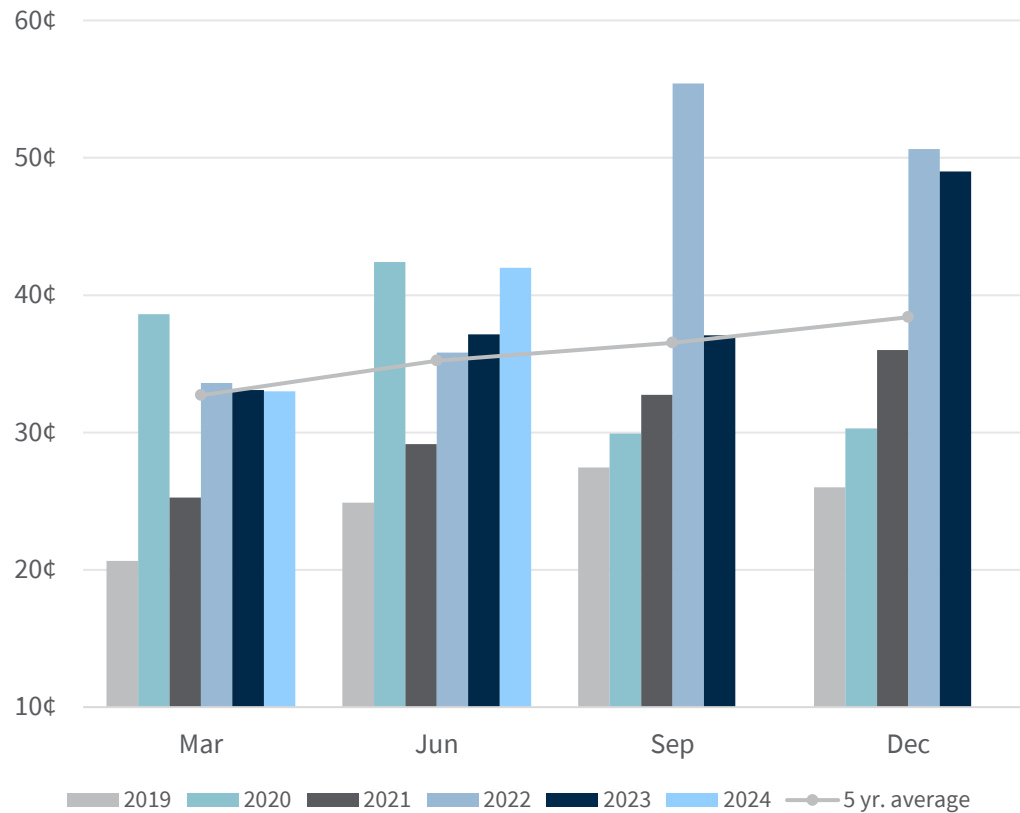


Source: Bureau of Labor Statistics and Capital IQ.
 Notes: (1) Annual change in Consumer Price Index (all items), not seasonally adjusted.

C-store industry fuel margin performance

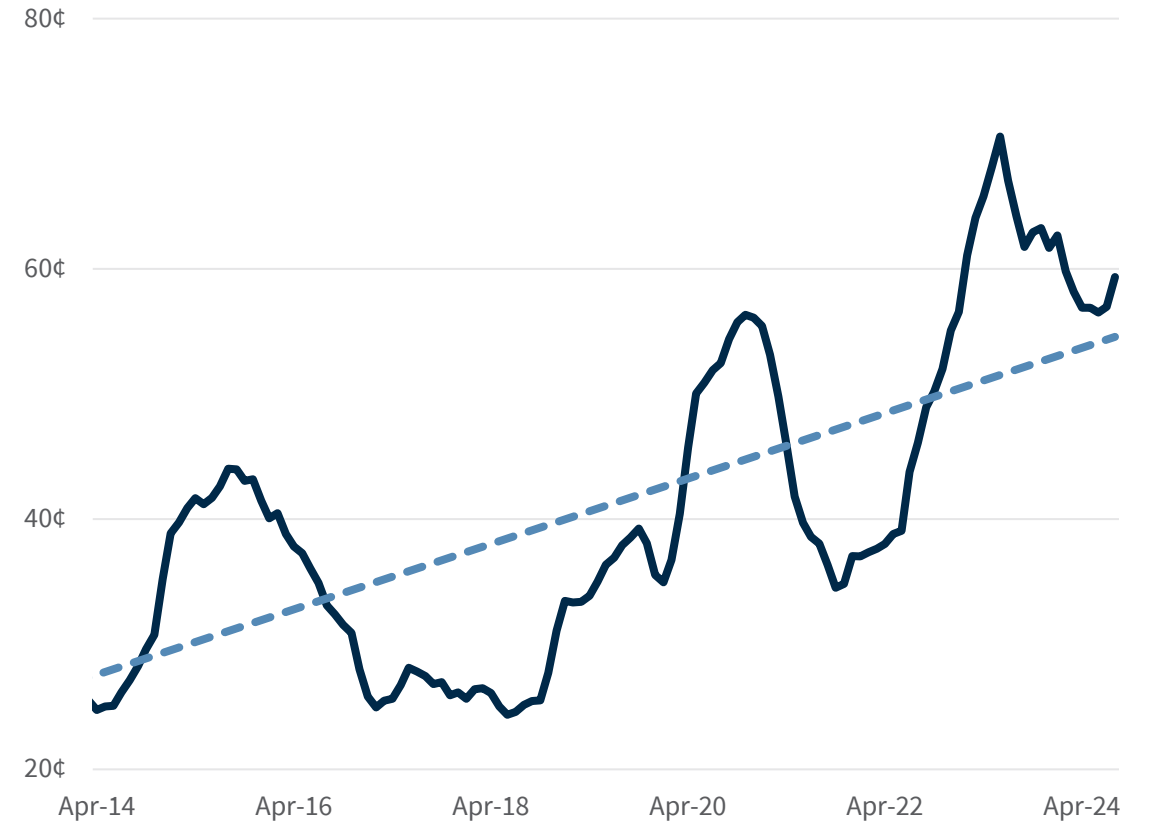
Quarterly national retail gasoline margins⁽¹⁾

(cents per gallon)



Rolling LTM average national diesel margins⁽²⁾

(cents per gallon)



Source: OPIS and Raymond James equity research.

Notes: (1) All data as of 8/30/24.

(2) All data as of 8/26/24.


Quarterly earnings recap



**Alimentation
Couche-Tard Inc.**
TSX: ATD⁽¹⁾

	Quarter ended		Change
	7/21/2024	7/23/2023	
EPS	\$0.83	\$0.85	-2.4%
SSS fuel gallons	-0.8%	0.7%	N/A
Fuel margin (CPG)	48.1¢	50.1¢	-2.0¢
SSS merch sales	-1.1%	2.1%	N/A
In-store margin	33.7%	34.3%	-60 bps

“As weakness in consumer behavior persists, we are keeping our focus on our long-term strategy and bringing everyday value to our customers. The number one reason customers visit our locations is to quench their thirsts, and our summer beverage campaigns have been providing exceptional value and exciting exclusive flavors. We are also bringing personalized offers and savings to our most valuable customers through our growing loyalty membership programs. On the fuel side, **while volumes have been impacted by customers watching their spend, we continued to have healthy margins.** Overall, we remain confident in the advantages of our globally diversified business to successfully navigate these near-term headwinds.”



ARKO Corp.
NasdaqCM: ARKO

	Quarter ended		Change
	6/30/2024	6/30/2023	
EPS	\$0.11	\$0.11	0.0%
SSS fuel gallons ⁽²⁾	-6.6%	-2.6%	N/A
Fuel margin (CPG) ⁽²⁾	41.6¢	39.7¢	1.9¢
SSS merch sales	-5.1%	0.7%	N/A
In-store margin	32.8%	31.9%	90 bps

“This quarter, we continued to navigate a challenging macroeconomic environment alongside our customers... **We continued to see pressure on consumers as they struggle with inflation and elevated prices for everyday goods, especially in markets with a large percentage of lower income consumers.** While this negatively impacted our retail sales, our team worked hard to control same store expenses and leverage our strong vendor partner relationships to deliver another quarter of merchandise margin growth, while providing much-needed value to our customers. **When combined with higher fuel margins, we exceeded our Adjusted EBITDA guidance for the second quarter.**”



**Casey's General
Stores, Inc.**
NasdaqGS: CASY

	Quarter ended		Change
	7/31/2024	7/31/2023	
EPS	\$4.83	\$4.52	6.9%
SSS fuel gallons	0.7%	0.4%	N/A
Fuel margin (CPG)	40.7¢	41.6¢	-0.9¢
SSS merch sales	2.3%	5.4%	N/A
In-store margin	41.7%	40.6%	110 bps

“Casey's started the fiscal year off on the right foot and delivered another solid quarter highlighted by **strong inside gross profit growth.** Inside same-store sales were driven by prepared food and dispensed beverage, with hot sandwiches and bakery performing exceptionally well. **Our fuel team continues to balance volume and margin as they delivered positive same-store fuel gallons while also achieving over 40 cents per gallon fuel margin.** The operations team continues to find efficiencies as we reduced same-store labor hours for the ninth consecutive quarter. Finally, we continue to work on closing the highly strategic Fikes acquisition, and look forward to welcoming their team to the Casey's family.”

Source: Public company filings, Capital IQ, Wall Street equity research.

Notes: (1) Reflects U.S. performance (excluding EPS).

(2) Reflects retail gallons only.

Quarterly earnings recap (cont'd)



CrossAmerica Partners
NYSE: CAPL

	Quarter ended		Change
	6/30/2024	6/30/2023	
EPS	\$0.31	\$0.36	-13.9%
SSS fuel gallons	-1.9%	1.1%	N/A
Fuel margin (CPG) ⁽¹⁾	37.3¢	37.0¢	0.3¢
SSS merch sales ⁽²⁾	1.7%	7.7%	N/A
In-store margin	28.3%	29.0%	-70 bps

“Our financial results for the second quarter were significantly improved from the first quarter, despite a continued overall soft fuel demand environment... Our results reflect our continued successful execution of our strategy. **We realized strong results in our retail segment, with increases in overall gallons, sales and segment operating income and we converted an additional 43 sites to the retail segment during the quarter.** Our distribution coverage ratio for the quarter was solid, materially higher than in the first quarter, and our balance sheet remains strong. Overall, our results demonstrate the stability of our business and that we remain well positioned for future growth.”



Murphy USA Inc.
NYSE: MUSA

	Quarter ended		Change
	6/30/2024	6/30/2023	
EPS	\$6.92	\$6.02	15.0%
SSS fuel gallons	-0.4%	-1.1%	N/A
Fuel margin (CPG) ⁽¹⁾	29.7	27.0¢	2.7¢
SSS merch sales	3.2%	3.1%	N/A
In-store margin	20.0%	19.7%	30 bps

“Murphy USA’s advantaged business model delivered strong second quarter results led by continued **outperformance in the core non-discretionary fuel and tobacco categories...** Record second quarter retail fuel contribution dollars helped make up for a slow start in the first quarter and clearly demonstrated that structural margin dynamics remain intact, despite limited volatility... **Nicotine continues to gain share, while center-of-store results remain mixed,** particularly in the Northeast where inflation and other drivers are impacting traffic at QuickChek, more than offsetting the benefits of our initiatives to drive further value... Customer spend on non-discretionary categories remains robust in our core footprint.”



Parkland Corp.
TSX: PKI⁽³⁾

	Quarter ended		Change
	6/30/2024	6/30/2023	
EPS	\$0.39	\$0.44	-11.4%
SSS fuel gallons ⁽⁴⁾	-1.0%	9.3%	N/A
SSS merch sales ⁽²⁾	-0.7%	3.1%	N/A
In-store margin	34.8%	34.1%	70 bps

“USA’s Adjusted EBITDA decreased by \$25 million for the second quarter of 2024 and \$13 million for the first six months of 2024, primarily due to (i) lower unit retail and commercial margins driven by unfavourable commodity price environment and distillate market conditions, respectively, and (ii) decreased volume demand in line with industry trends. This was partially offset by (i) improved lubricants margins resulting from margin optimization measures, and (ii) **strong C-Store performance driven by rebrands and C-store category initiatives.**”

Source: Public company filings, Capital IQ, Wall Street equity research.

Notes: (1) Reflects retail fuel margin.

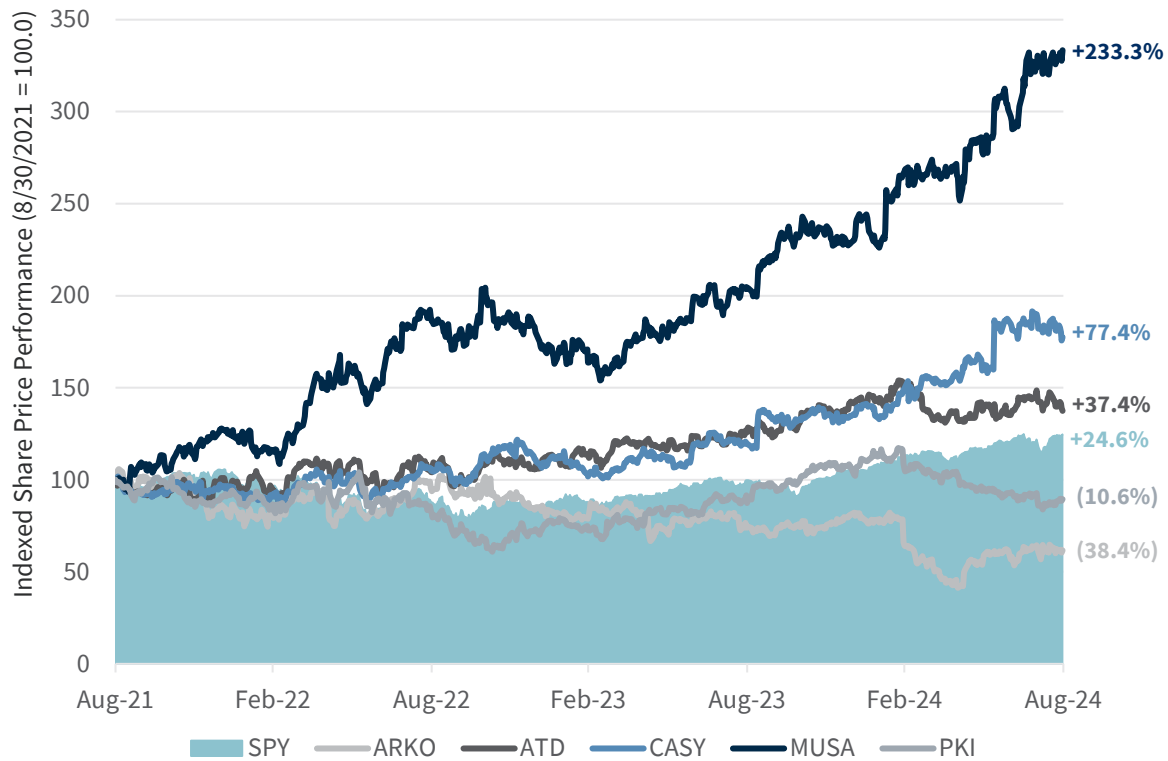
(2) Excludes cigarettes.

(3) Reflects Canadian performance (excluding EPS).

(4) Includes gasoline and diesel volume but excludes propane volumes sold at retail sites.

Public company share price performance and valuation

Convenience store trailing three-year stock price performance⁽¹⁾



10-year convenience store historical trading multiples (EV/EBITDA)⁽²⁾



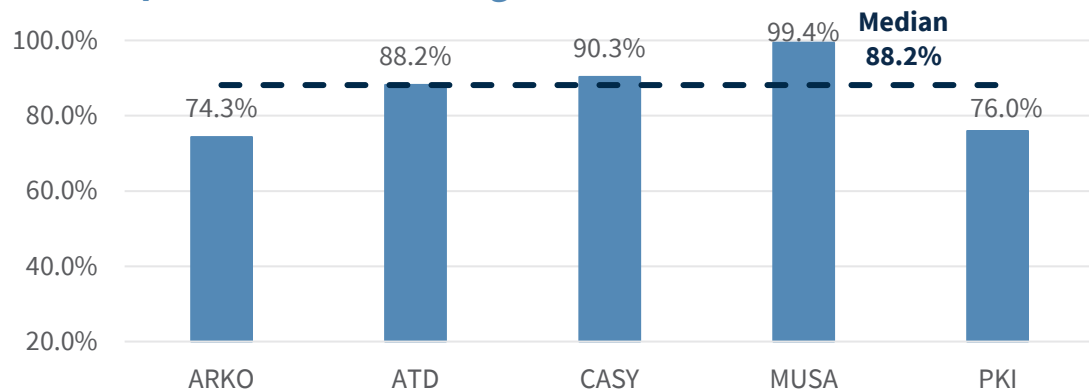
Source: Capital IQ.

Notes: (1) Price performance is based on dividend-adjusted share pricing. Indexed share price performance (9/2/24 = 100.0). All data as of 9/6/24.

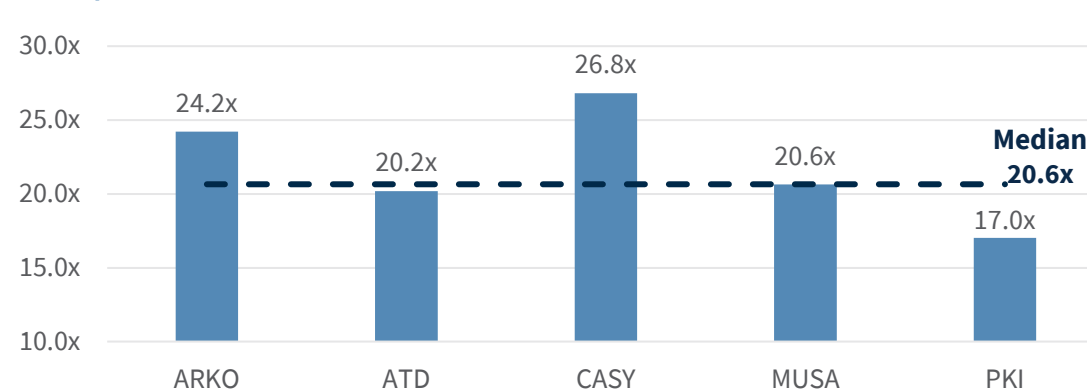
(2) Median EV/LTM EBITDA multiple for ATD, CASY, CST, MUSA and PTRY. CST added on 4/17/2013 (spin-off from Valero Corporation), last day of CST trading was 6/28/17 (included in final quarter). MUSA added on 8/19/13 (spin-off from Murphy Oil Corporation). PTRY removed on 3/17/15 (acquired by Alimentation Couche-Tard). CST removed on 6/28/17 (acquired by Alimentation Couche-Tard). ARKO added on 12/30/21.

Public company trading statistics: convenience stores

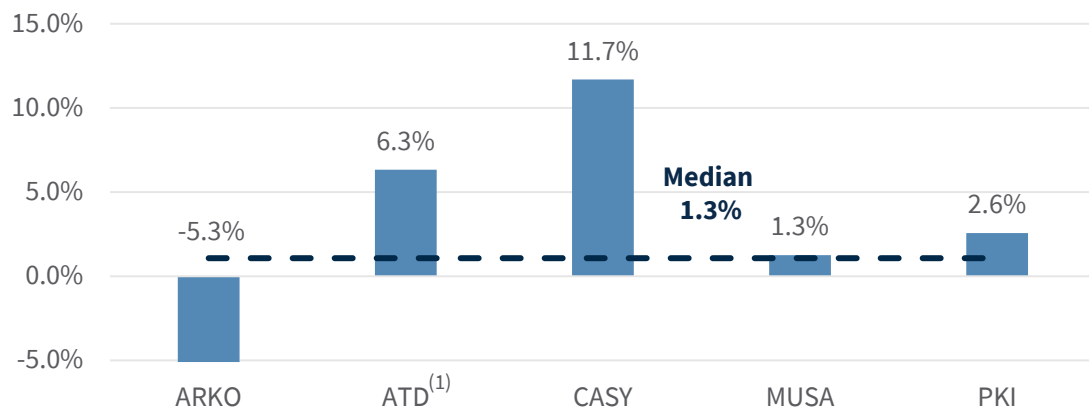
Current price as a % of LTM high



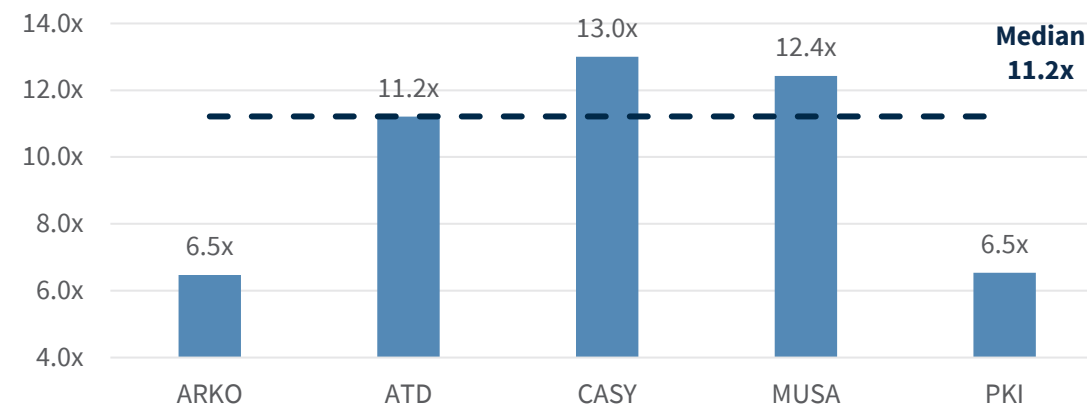
LTM P/E ratio



Consensus estimated EBITDA growth (2-year CAGR; 2023-2025E)



EV / 2024E EBITDA



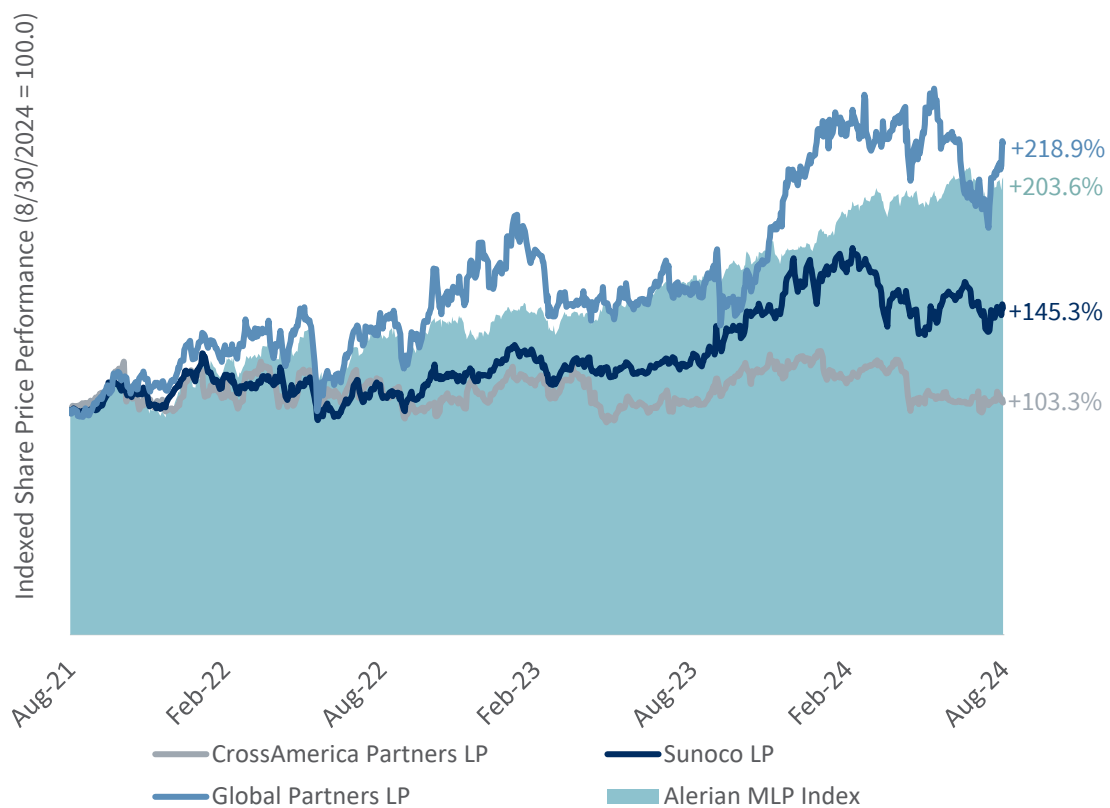
Source: Public company filings, Capital IQ, Wall Street equity research.

Notes: Share prices current as of 9/2/24. (ATD = Alimentation Couche-Tard Inc., CASY = Casey's General Stores, Inc., MUSA = Murphy USA Inc., ARKO = ARKO Corp., PKI = Parkland Corp.).

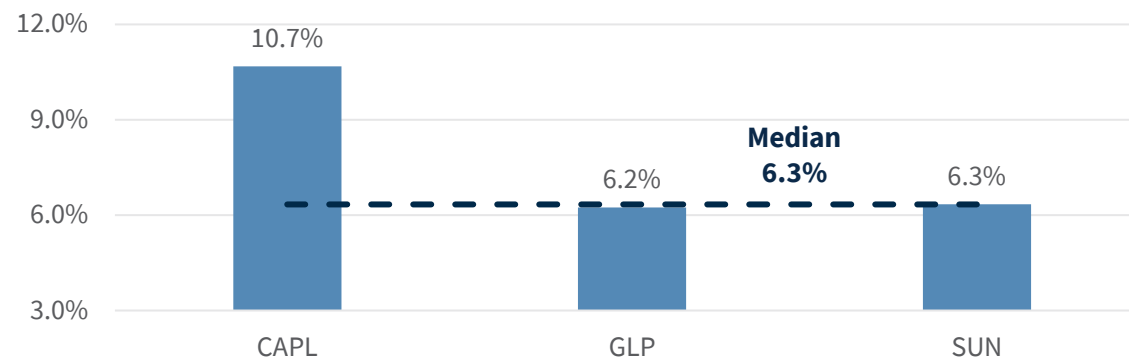
(1) ATD 2023 EBITDA represents 53 weeks ended 2/4/24.

Public company trading statistics: wholesale fuel MLP

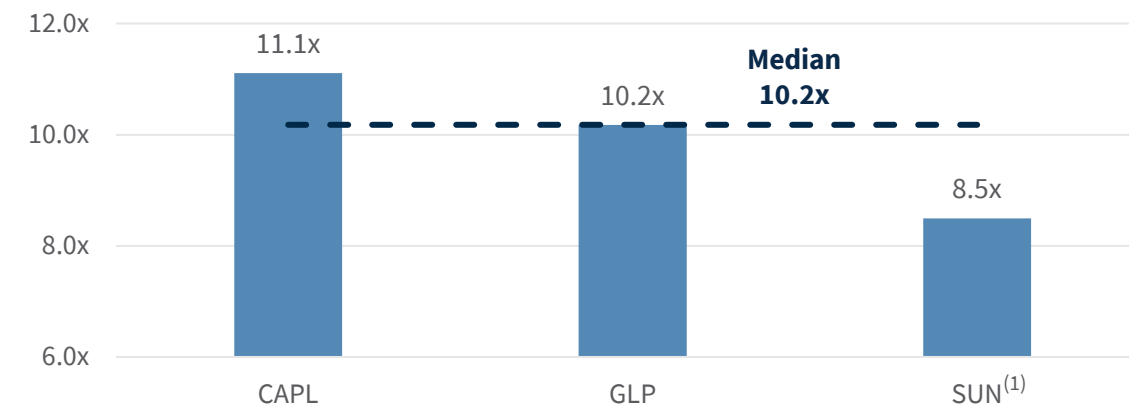
Wholesale fuel MLP dividend adjusted trailing three-year unit price performance (SUN, CAPL, GLP)



Annualized (MRQ) distribution yield



EV / LTM EBITDA



Source: Public company filings, Capital IQ, Wall Street equity research.

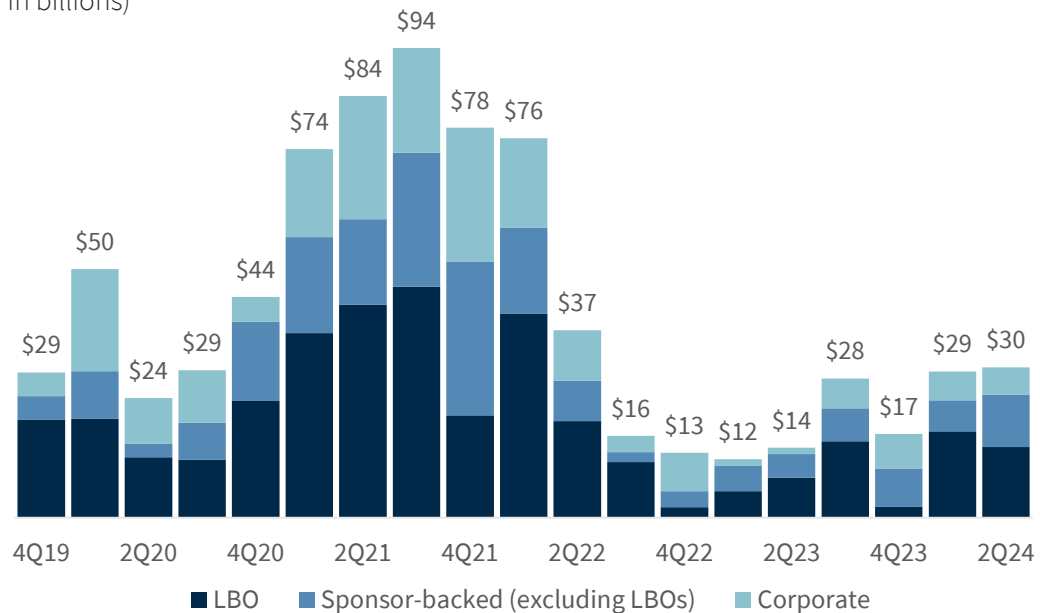
Notes: Share prices current as of 8/30/24. Price performance is based on dividend-adjusted share pricing. Indexed share price performance (8/30/24 = 100.0). (CAPL = CrossAmerica Partners LP, GLP = Global Partners LP, SUN = Sunoco LP).

(1) Pro forma for \$7.3 billion acquisition of NuStar Energy L.P. (closed 5/3/24).

Debt market outlook

U.S. Institutional Loan Volume Backing M&A

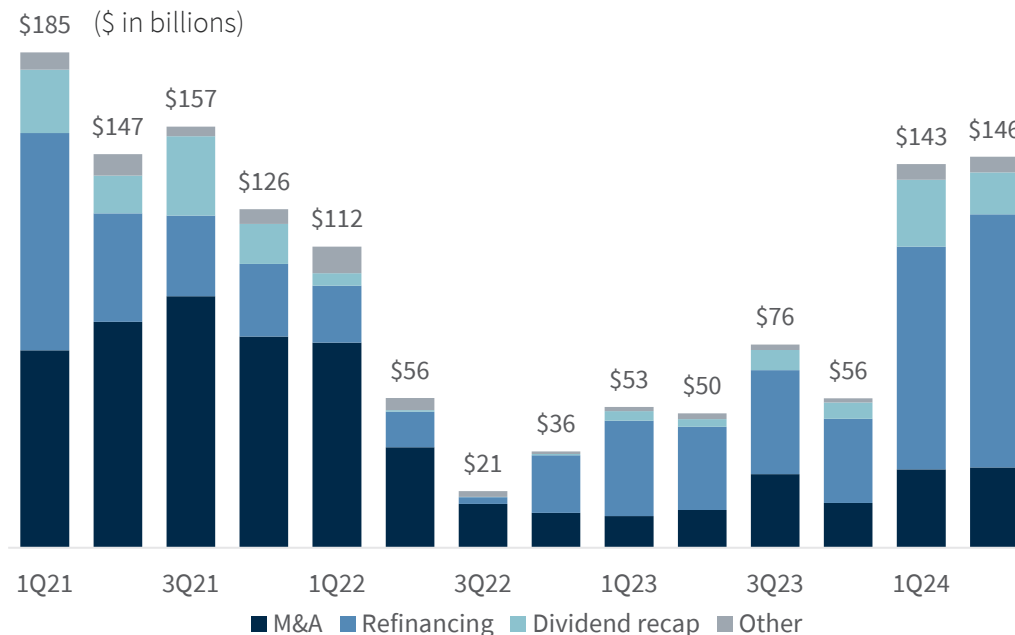
(\$ in billions)



- Total M&A loan volume hovered around \$30bn in 1Q24 and 2Q24, which is more than double the low point in early 2023, but remains significantly below historical levels
- No quarter since 2Q22 has exceeded \$30bn of M&A loan issuance
- 2Q24 issuance is still 71% lower than the recent quarterly peak in 3Q21 and 63% lower than the 2021 quarterly average
- LBO loans totaled \$14bn given elevated rates and lack of exit opportunities for sponsors
- Sponsor-backed M&A loans excluding LBOs, shot up to \$10bn – the highest since 2Q22

U.S. Institutional Volume By Proceeds

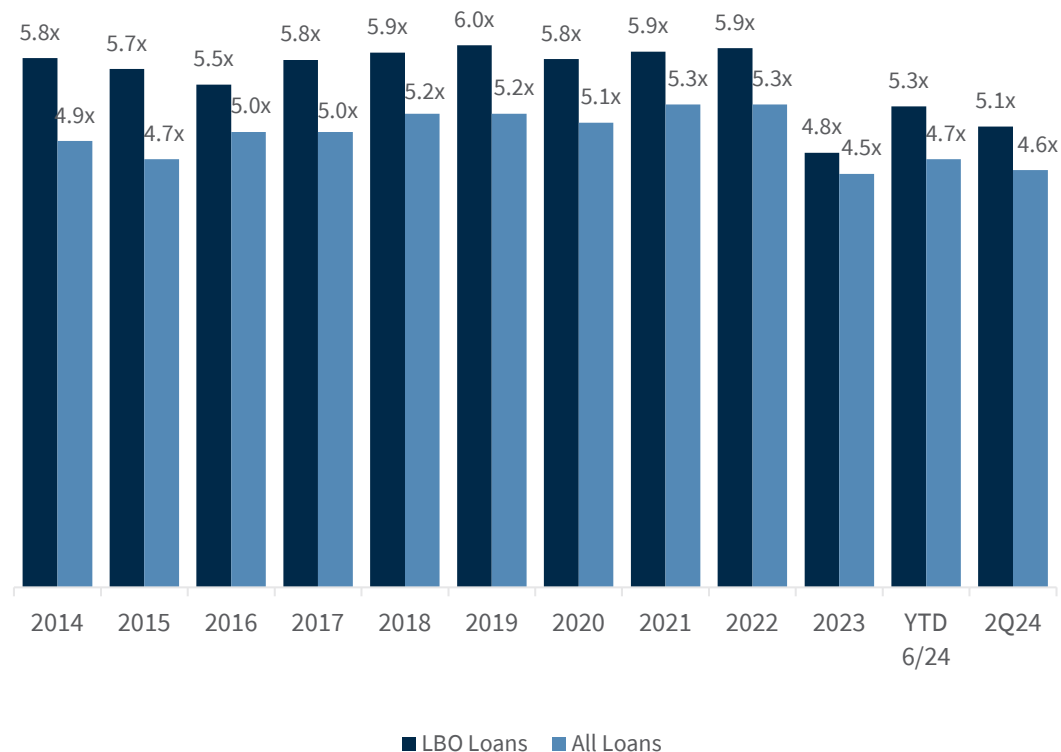
(\$ in billions)



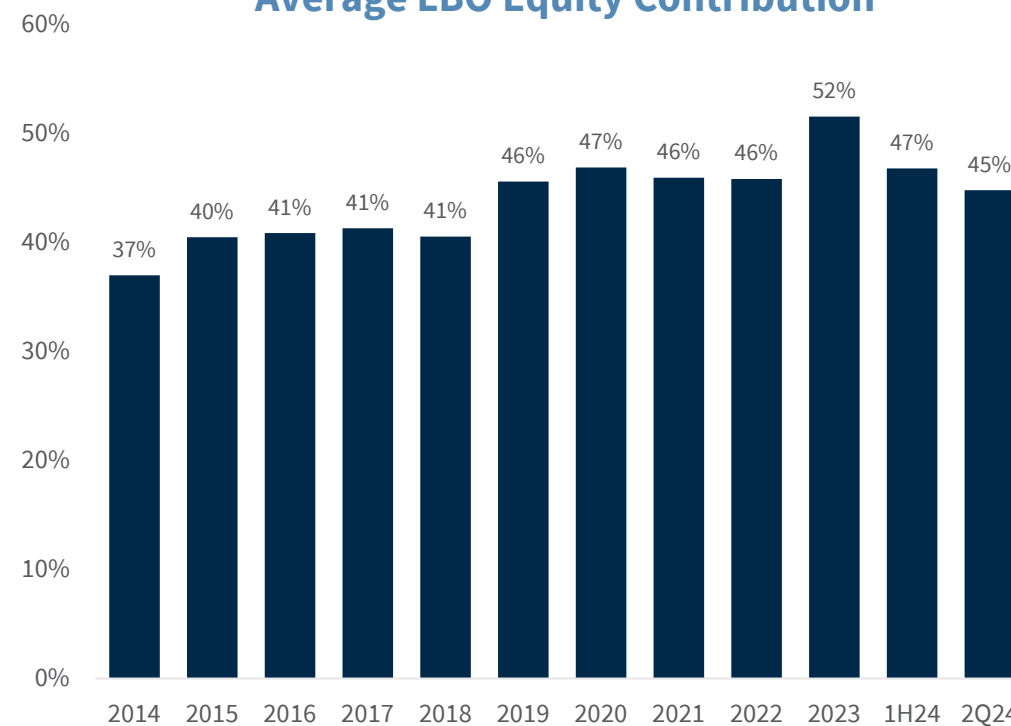
- Excluding extensions and repricings, 2Q24 volume of \$146bn is the highest since 3Q21, and is the sixth highest quarter of all time; moreover, 1H24 volume of \$289bn significantly outpaced volume of \$103bn in 1H23
- Refinancings grabbed record share and led the market seven quarters in a row with 64% and 58% of the volume in 2Q24 and 1Q24, respectively
- Dividend recaps also emerged with 11% and 17% share in 2Q24 and 1Q24, respectively
- M&A loans accounted for a 21% share in 2Q24, a marginal increase from 20% in 1Q24, as high rates deterred activity

Debt market outlook (cont'd)

Average Debt Multiples Of Large Corporate LBO Loans



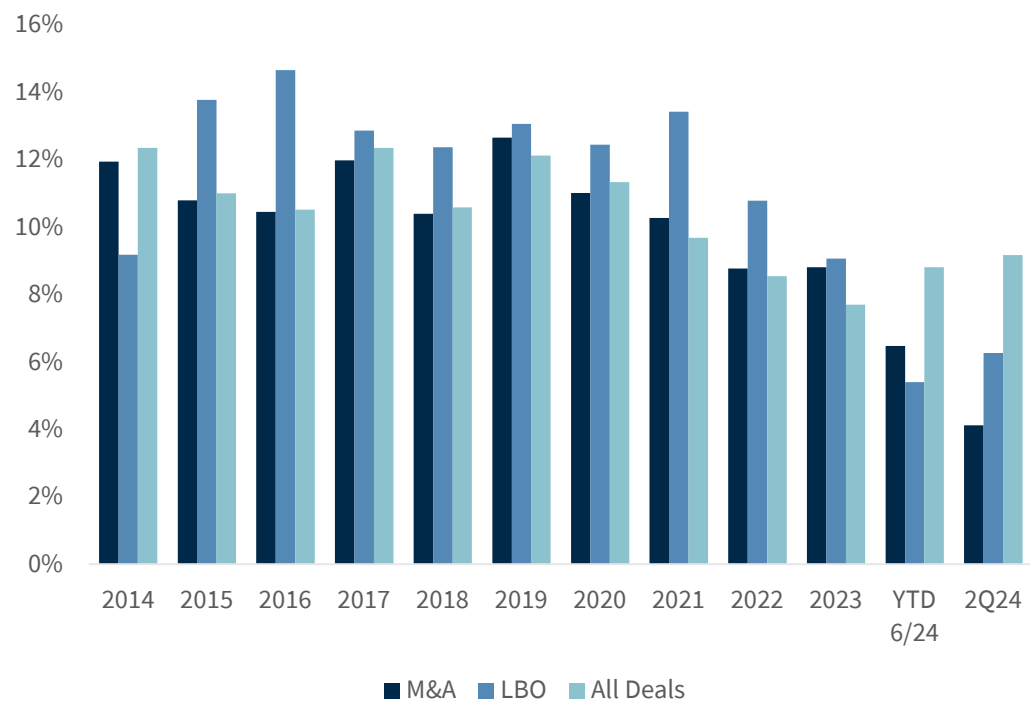
Average LBO Equity Contribution



Source: Leveraged commentary and data. Data through 6/30/24.

Debt market outlook (cont'd)

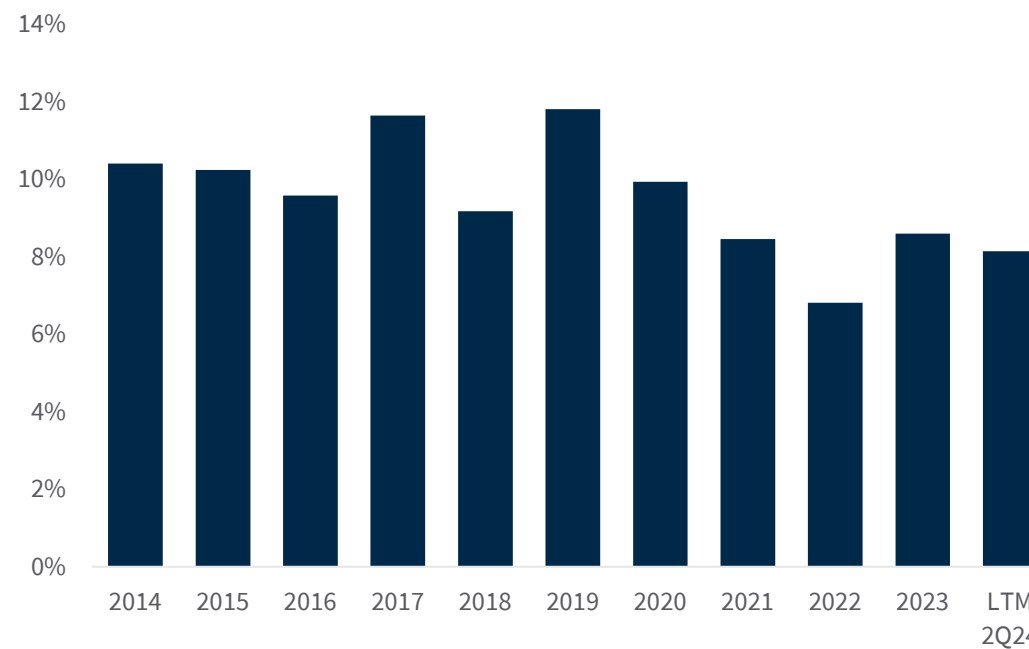
Adjustments as a Percentage of EBITDA



- Adjustments as a percentage of EBITDA have steadily declined over the past few years as underwriting standards have become more stringent
- In 2024, adjustments as a percentage of EBITDA for all deals increased to 9.17% from 7.70% in 2023
 - M&A and LBO adjustments continue to fall, continuing the trend since 2019

Source: Leveraged commentary and data. Data through 6/30/24.

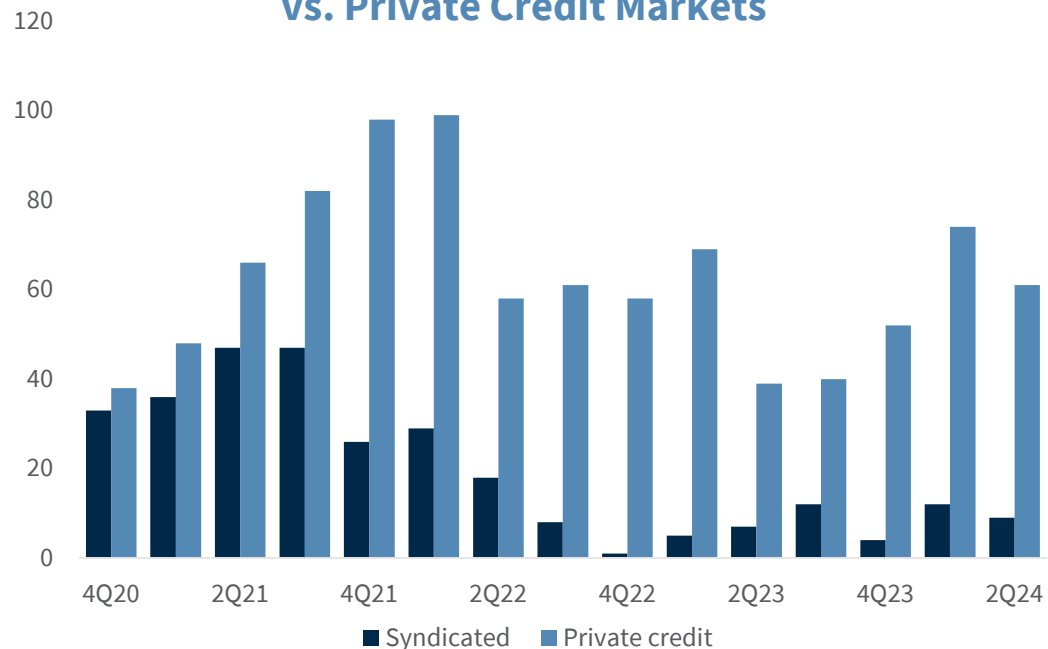
Average Synergies/EBITDA Ratio for Acquisition-Related Transactions



- The average Synergies/EBITDA ratio for acquisition-related transactions has decreased 45bps from 2023
- On an LTM basis as of 2Q24, the average synergies/EBITDA ratio sits at 8.15%, which is well below the historical averages from 2014 to 2019

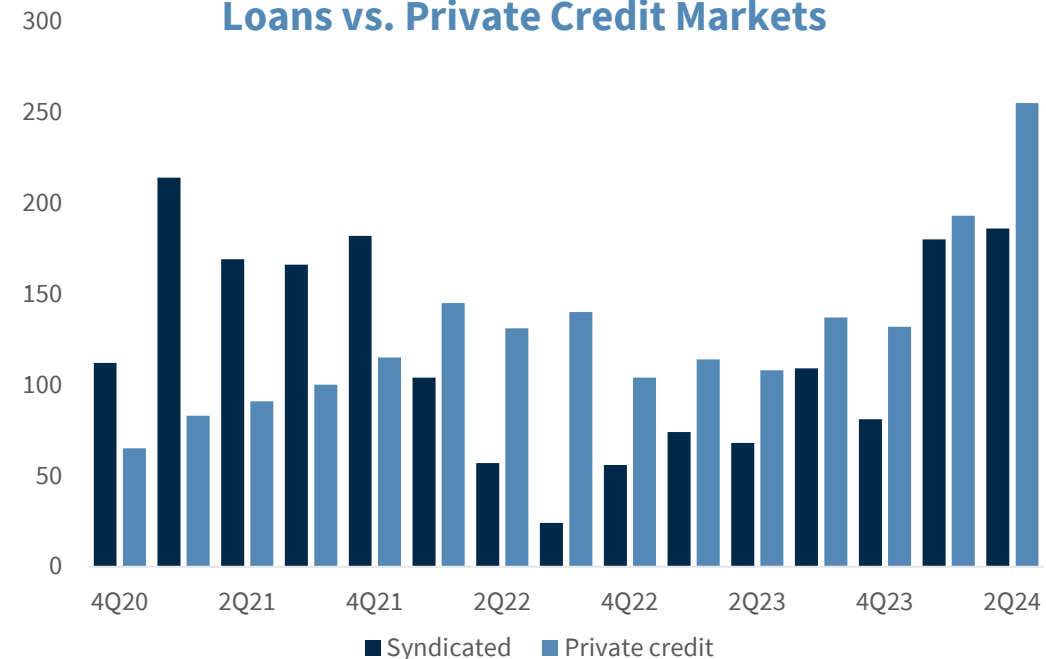
Debt market outlook (cont'd)

Count of LBOs Financed in Broadly Syndicated Loans vs. Private Credit Markets



- The private credit market continued to dominate over the broadly syndicated market in the number of LBO financings
- Since 4Q21, private credit has accounted for the overwhelming majority of buyout financings by count
- 2Q24 has witnessed 61 private credit LBOs vs. just 9 in the BSL market

Count of non-LBOs Financed in Broadly Syndicated Loans vs. Private Credit Markets



- Private credit has been outpacing syndicated loans for non-LBOs since 1Q22, and the trend has aggressively continued through 2Q24 as borrowers prioritized ease of execution. However, the difference between the two has again broadened considerably in 2Q24, as compared to 1Q24
- Syndicated loans, saw a rise to 186 transactions in 2Q24, up by 6 from 1Q24 and the private loans saw a rise to 255 transactions in 2Q24, up by 62 from 1Q24

What we're reading

“Interest rate cut expectations keep getting deeper as Powell’s ‘risk bias’ changes”

Fortune

[August 29, 2024](#) – “In his speech at Jackson Hole last week, Chair Powell said: “The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.”

[Read more](#)

“US consumer confidence scales six-month high, labor market angst rises”

Reuters

[August 27, 2024](#) – “U.S. consumer confidence rose to a six-month high in August amid optimism over the economic outlook, but Americans are becoming more anxious about the labor market after the unemployment rate jumped to near a three-year high of 4.3% last month.”

[Read more](#)

“Auto Industry’s EV Retreat Hastens”

The Wall Street Journal

[August 22, 2024](#) – “While surveys have shown that as many as half of U.S. consumers are open to buying an electric car, their relatively high prices and concerns over charger availability are dissuading many. EV sales in the U.S. and other regions are still growing, but the pace of the increase has decelerated sharply, despite many new models hitting the market.”

[Read more](#)

“Labor and Hiring in 2024: How C-Stores Are Managing in Today’s Employment Market”

CSP Daily News

[July 31, 2024](#) – “While the quantity of convenience-store employee applicants has grown in the past couple of years, the consistency of candidates is not always up to par with expectations... Inflation has remained a challenge, making it even more difficult for retailers to balance increasing prices and wages. But there are some bright spots.”

[Read more](#)

Your success is our business

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DEEP AND EXPERIENCED TEAM



8

investment bankers



+4

Dedicated equity capital market pros



+4

equity research analysts

ROBUST TRANSACTION EXPERIENCE⁽¹⁾



+80

relevant industry transactions



+25

years focused on the industry



>\$13B

total deal value

CLIENT FOCUS

Convenience retail	Carwash operators
Truck stop and travel center operators	Propane and heating oil marketers
Oil jobbers / wholesale fuel distributors	Terminal operators
Commercial Fuel and lube distributors	Merchandise / foodservice distributors
Alternative fuel providers	Mobile refueling

Representative transactions⁽²⁾

 Has entered into a definitive agreement to divest its Retail segment to (transaction pending)	 Has sold convenience store assets to A Family of Community Brands
 Has sold distribution assets to An Undisclosed Buyer	 \$350,000,000 Convertible Senior Notes Bookrunning Manager
 Has been acquired by 	 Has sold select convenience store assets to Wills Group

(1) All data as of 8/30/24.

(2) Select transactions which closed between March 2022 and August 2024 (unless otherwise noted).