



C-Store Industry Overview

Fall 2020

Confidential

Executive Summary

Overview

- C-store with and without fuel is a \$649bn as of 2019, with over 150k operators and expected growth of ~2% across the industry
- 2019 total sales revenue below historic years yet in-store sales have grown, fuel sales are ~65% of total sales with cigarettes and grocery rounding out another 20% of total sales

Performance & Outlook

- C-store sales impacted by fuel costs and total VMT, in-store sales success factors include product availability, convenience, and repeat customer purchases
- In-store margins drive majority of overall profit margin, due to low, fluctuating fuel margins
- Behind purchases, wages are the largest, and growing, cost as percent of revenue
- Investing in innovation is crucial for c-store operators to stay relevant to consumers

Competitive Landscape

- Market is highly fragmented with over 95k single store operators (62% of total market)
- Since 2017 the total number of U.S. c-stores has been declining due to industry consolidation

Opportunity

- Large public c-stores acquisitions averaged ~11.6x EBITDA multiples, Casey's and GPM cited multiples between 6-9x for recent acquisitions
- Strong industry fundamentals, highly fragmented landscape, and quick-win investment opportunities make for an attractive investment in c-store
- Opportunity to target smaller, less sophisticated, rural chains at reasonable multiples

☐☐ C-stores account for more than one-third of brick-and-mortar retail in the U.S. and ~75 of c-store sell fuel

C-Stores with fuel

C-Stores without fuel

Definition

- Operators sell automotive fuels from stations that are collocated with convenience stores or food marts
- May also provide automotive repair services

- Retailer business that primarily sell basic food, beverage and tobacco merchandise
- Located in convenient locations
- Generally open during extended hours

Major Players



Main Activities

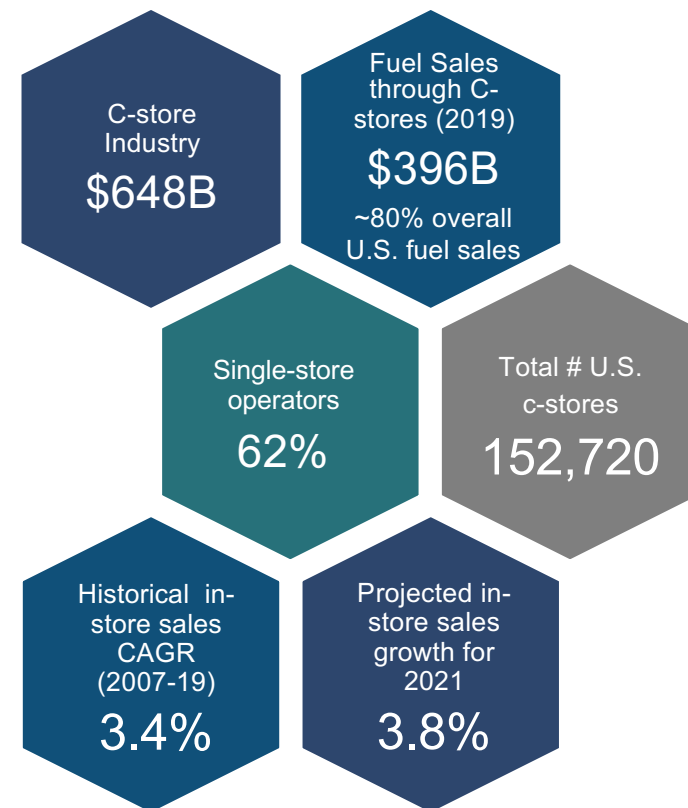
- Retailing automotive fuels
- Retailing limited assortment of food, beverages and sundries
- Major products/services
 - Regular gasoline
 - Groceries
 - Midgrade and premium gasoline
 - Diesel

- Retailing a limited line of goods, emphasis on basic food, beverages and tobacco
- Major products/services:
 - Tobacco products
 - Food service
 - Packaged beverages
 - Candy and snacks
 - Beer

□ C-store industry is attractive recession proof highly-fragmented industry with stable cash flows

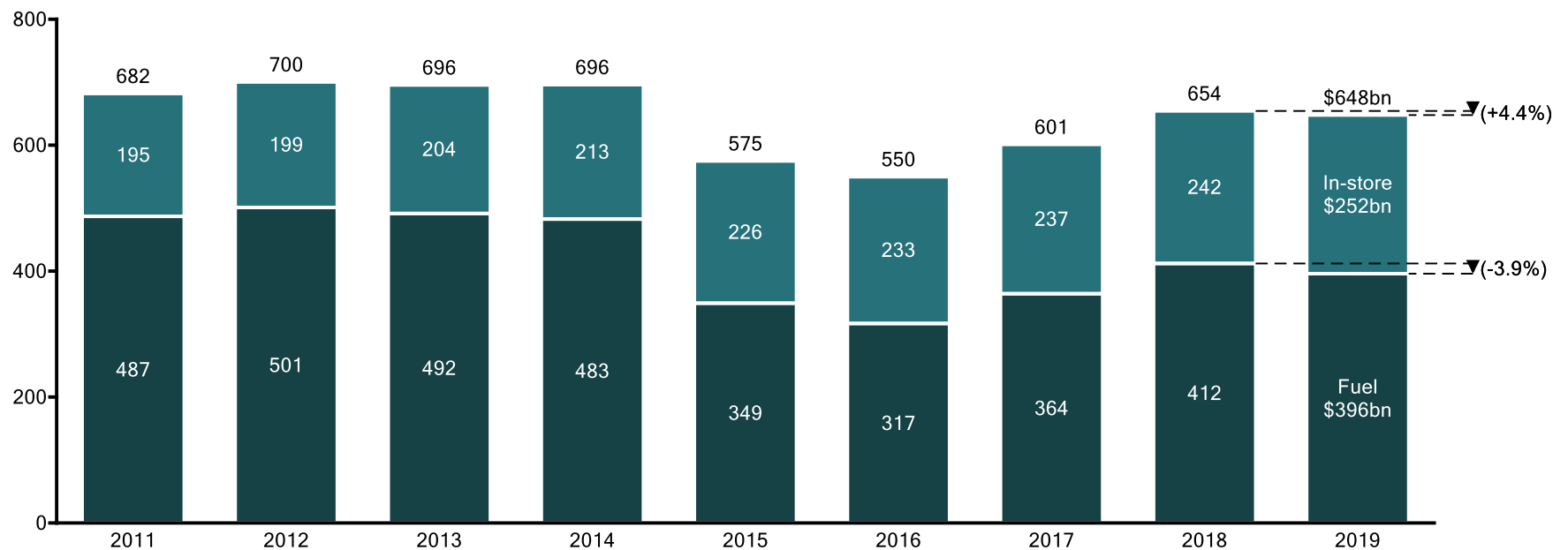
\$648bn c-store market has strong growing in-store sales reaching over \$252bn in 2019

- Overall c-store industry had negative annual growth 2015-2020 due to oil price fluctuations; however, in-store retail sales have grown steadily over the past decade
- Industry has proven recession proof, and is fairing well through COVID-19
- Highly fragmented landscape, Top 10 players control less than 20% of the store base in the US, long tail of 125k+ total convenience stores
- Margins have grown by ~1.5% from 2015-2020, average industry profit margin ~2.5%



□ Average fuel price and volume fluctuation drives recent industry decline; while, in-store sales grew at a 3.1% CAGR from 2011-2019

Sales of convenience stores 2011-2019 (in bn US dollars)

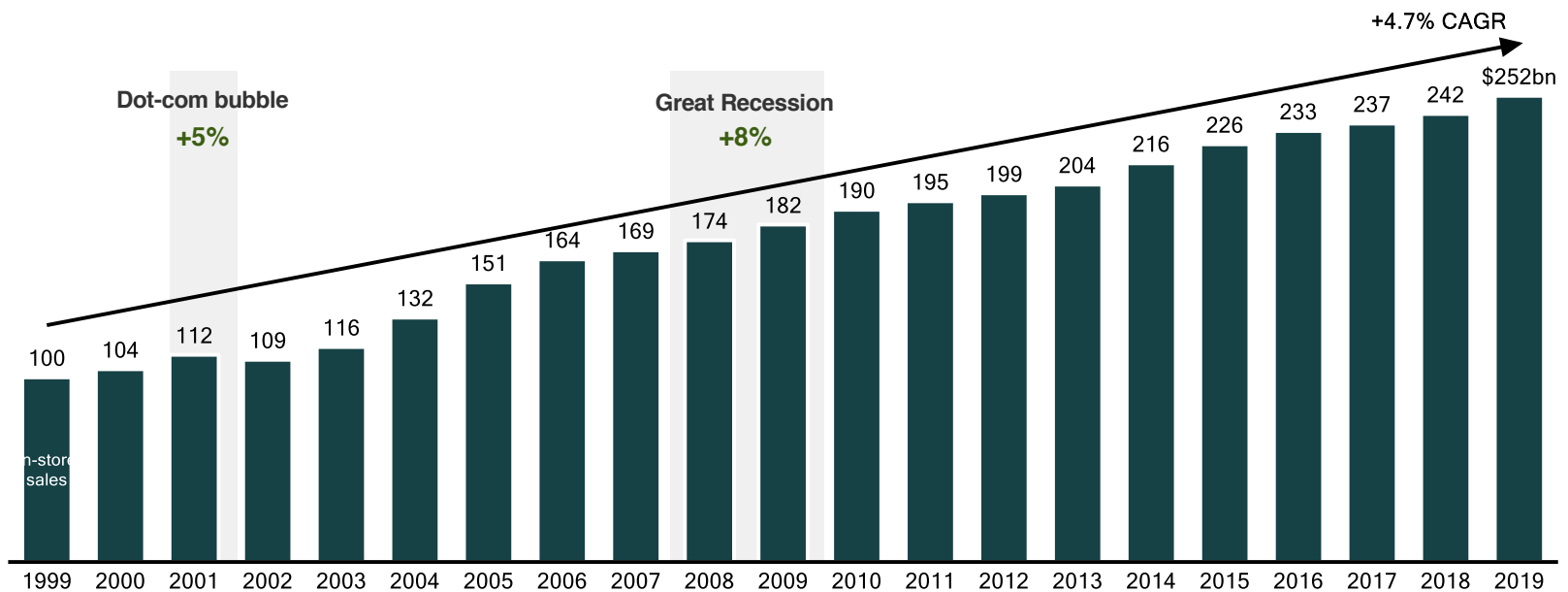


Since 2011, in-store sales have grown from 27% of total sales to ~39% in 2019 as fuel sales are largely dependent on macro factors. Operators are increasingly focused on increasing in-store sales due to higher margins derived from in-store products.










In-store sales have consistently grown; including during last recession

C-store in-store sales (in billion U.S. dollars)



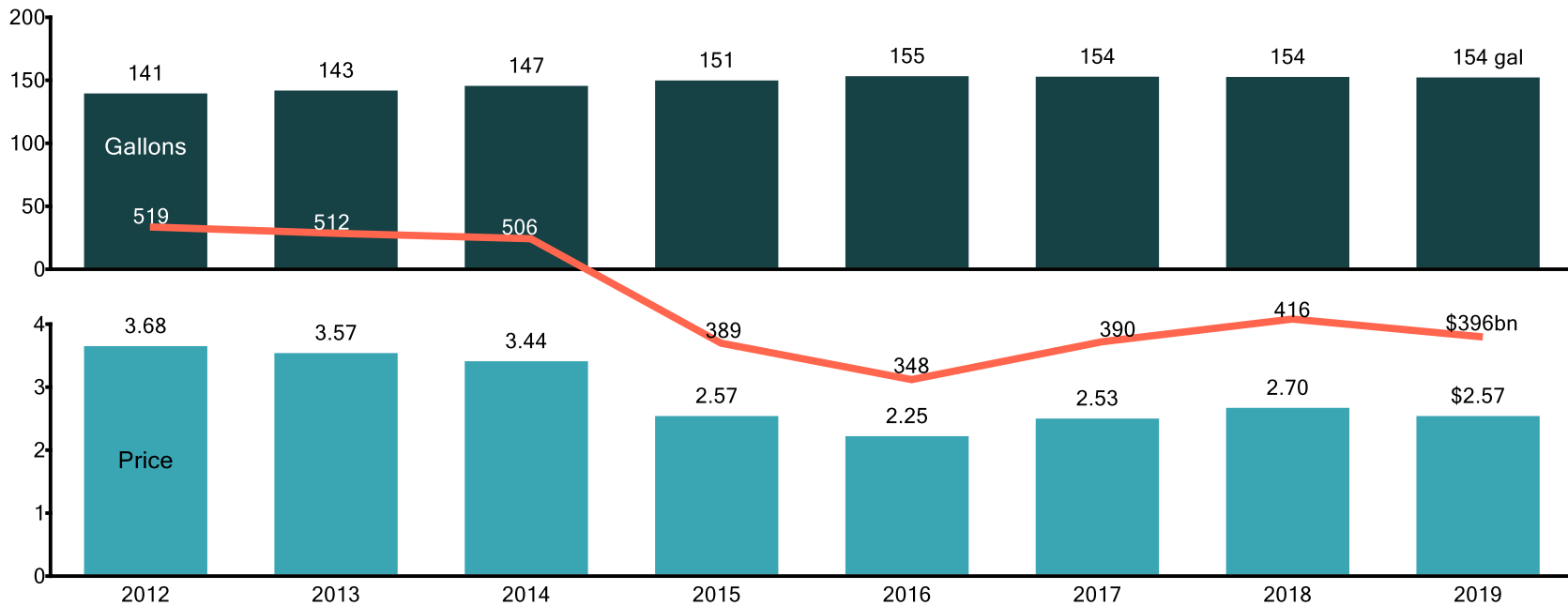
□ A number of factors drive success of an individual location

	Characteristic	Description
1	Location 	<ul style="list-style-type: none"> Proximity to residential areas for ease of access or proximity to high traffic areas Remote from other gas stations, food stores and related retailer channels (i.e. supermarkets, dollar and drug stores)
2	Economy 	<ul style="list-style-type: none"> Overall economic health –declining unemployment bolsters fuel and convenience demand, and vice versa Low fuel prices stimulate overall purchases COVID reduces demand for fuel, but c-stores are classified as essential
3	Consumer Trends 	<ul style="list-style-type: none"> Cigarette consumption is down in the long-term but increased sales of e-cigs has aided segment growth and c-store sales Shift to fuel efficient cars places downward pressure on fuel demand Public transit availability and use trends affect fuel consumption
4	Convenience 	<ul style="list-style-type: none"> Organized store with variant of merchandise in confined space - One stop shopping, grab and go food Extended hours of operation Speedy transactions, touchless payment, and no wait-time
5	Product Mix 	<ul style="list-style-type: none"> Demand for wider variety of snacks and beverages due to changing consumer tastes Correct selection of products is essential – c-stores are considered a source for fill-in items, supplementing trips to grocery stores Shift towards fresh food and snacks and wider variety of food prepared on-site
6	Focus 	<ul style="list-style-type: none"> Provide friendly helpful service to ensure repeat purchases Establish reputation for quick service Maintain a well-established presence and strong relationship with local consumer
7	In-store Experience 	<ul style="list-style-type: none"> Minimize unnecessary stock buildup while ensuring wide selection of popular products always available Store layout optimized for speedy purchasing and experience Clean appearance crucial to driving repeat purchases



Gas station fuel sales are expected to rise through 2023, though are not projected to hit previous year highs; fuel sales drive in-store purchases

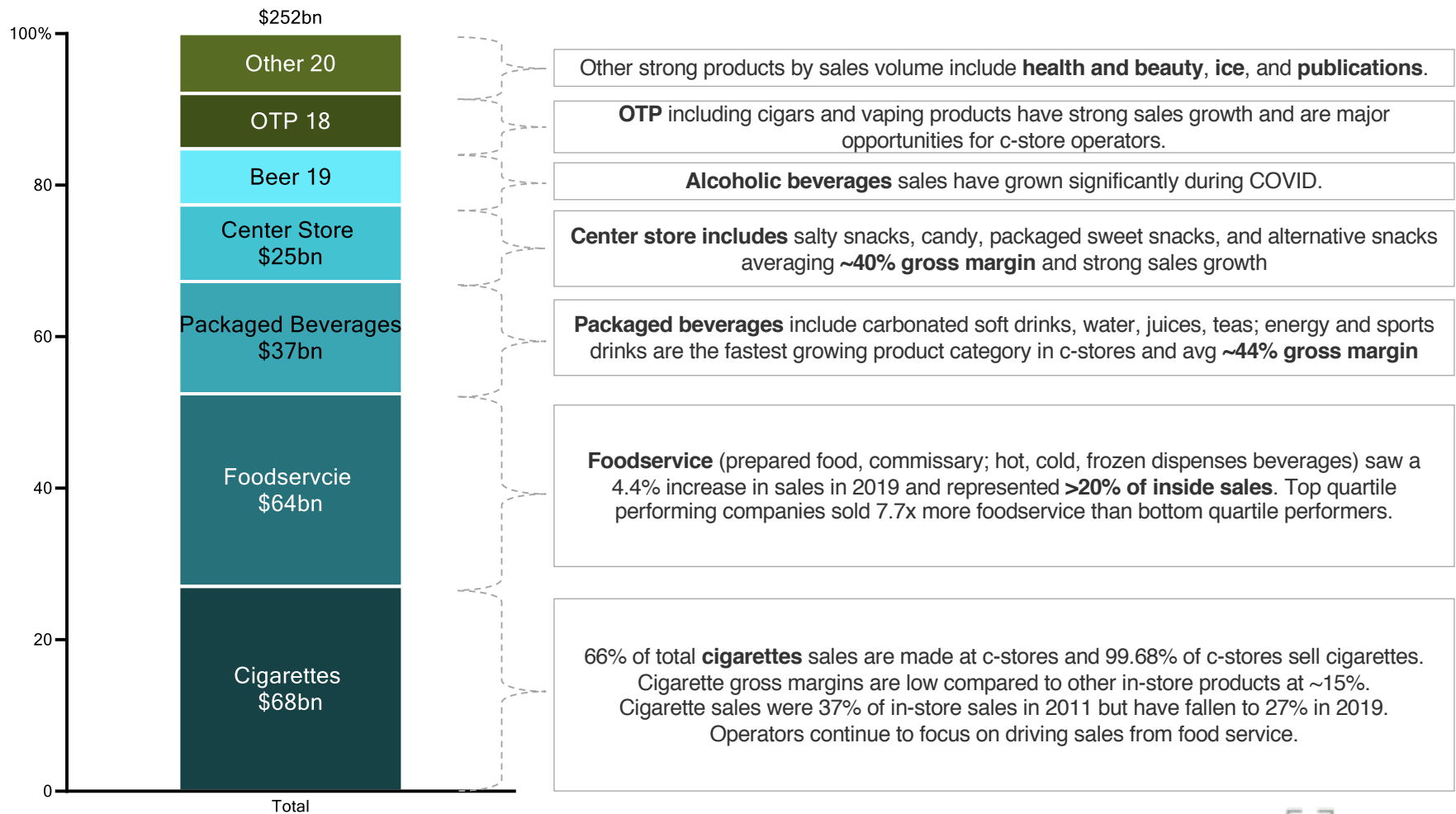
Amount of motor fuel sold at convenience stores in the United States from 2011 to 2019 (in billion gallons) & Average sales price per gallon for motor fuel in the United States from 2012 to 2019 (in U.S. dollars)



Total gasoline consumption has been steady over the past three years as overall fleet fuel efficiency has outpaced modest gains in vehicle miles traveled (VMT). U.S. gas station revenue is expected to steadily rise, reaching \$476.5bn by 2023. Gas sales directly translate to peripheral in-store sales.

□ In-store sales revenue is driven by tobacco products and food items; operators are increasingly focused on improving in-store sales volume

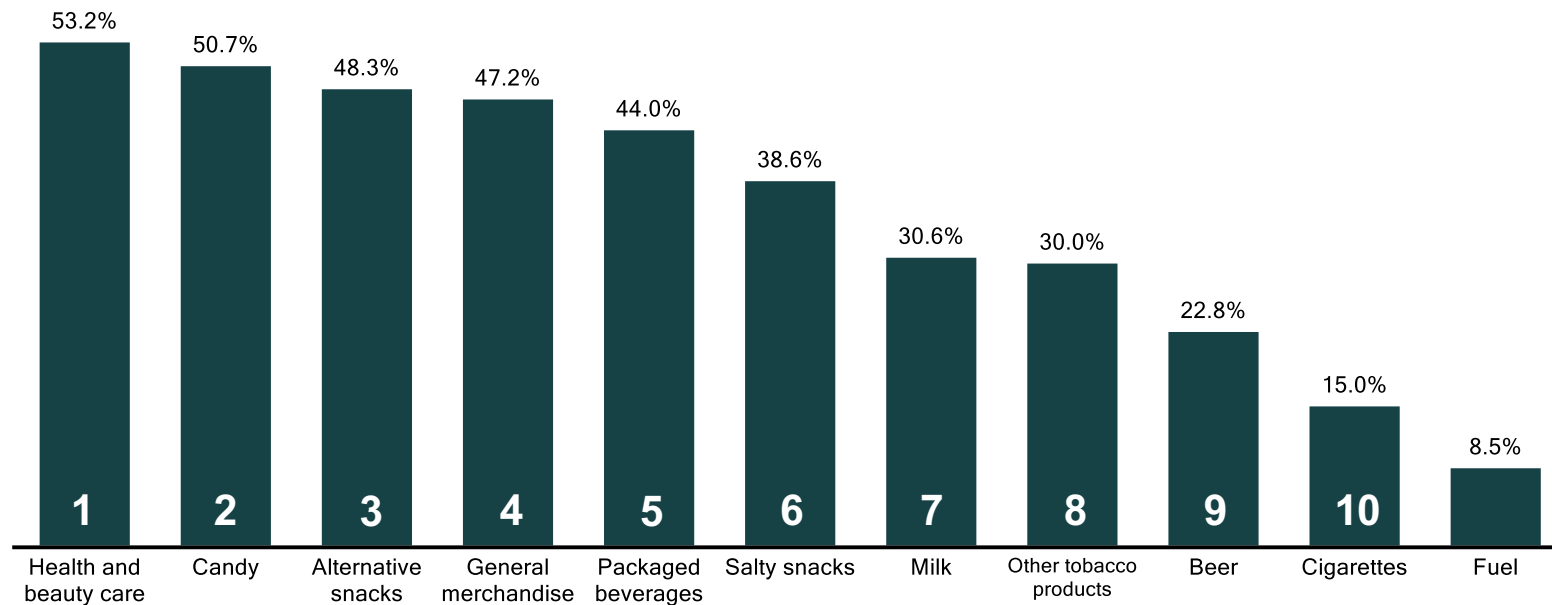
Top 10 in-store categories comprise 80% of all in-store sales



Source: Convenience Store News, 2019

Ranked c-store product categories by gross margins; center store items drive strong margins

Gross profit margins in convenience stores in the United States, by product category

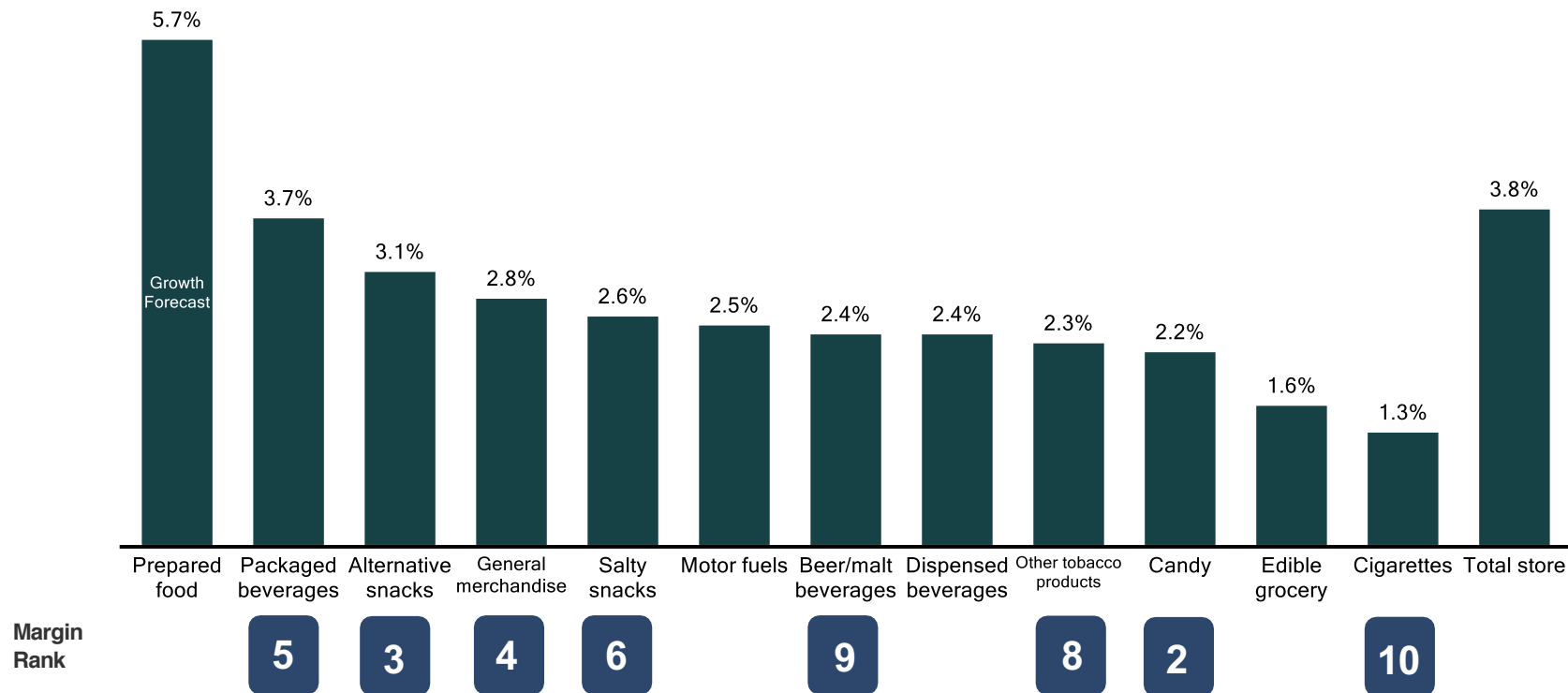


Ranked merchandise by profit margin show that all items inside the store carry a healthier profit margin than fuel at the pump.

Note: 1: Fuel margins are highly volatile, 8.5% represents average retailer gross margins from 2013-2018 (per gallon margins averaged 21.6 cents)

8 of 10 high margin categories were projected to have strong in-store sales growth for 2020

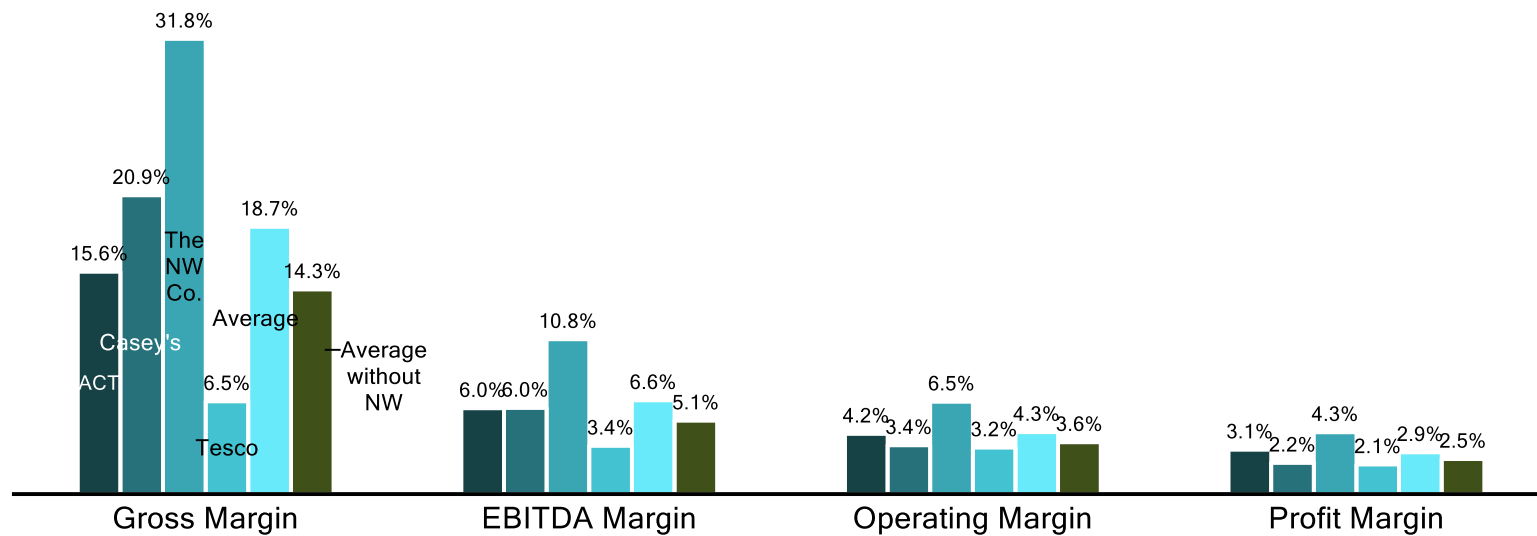
Dollar sales growth forecast of convenience store product categories in the United States for 2020 (in %)



Strong sales growth forecasted for 8 of 10 highest margin products. C-stores could also see a bump in beer, wine and liquor sales as consumers comply with stay-at-home orders and dine-in at home this year.

Overall margins are largely driven by in-store sales, average industry profit margins ~2.5-2.9%

C-store margin analysis 2019 financials



- The Northwest Co. is a publicly traded c-store chain without fuel operating in Canada. NW Co. financials benchmark the higher margin profile of non-gas c-stores.
- ACT, Casey's & Tesco are examples with blended margins across in-store and fuel sales.
- Operators are focusing on increasing the sale of in-store products due to higher margins as compared to fuel.
- Operators without fuel have seen downward pressure on profitability due to credit card fees and declining tobacco product profit.

Source: Profit margin analysis from publicly available financials 2019

□ Fuel drives strong in-store sales for combination c-stores, while standalone c-store have lower overall revenue per store but higher overall margins

C-store with fuel sample IS

	2019 Average	% Rev
Total Store Rev	\$ 4,243	
In-store	\$ 1,554	37%
Fuel	\$ 2,689	63%
Cost of Revenue	\$ 3,450	81%
Gross Profit	\$ 607	14%
Operating Expenses	\$ 454	11%
Wages	\$ 180	4.2%
Marketing	\$ 6	0.1%
Rent	\$ 75	1.8%
Utilities	\$ 33	0.8%
Other Costs	\$ 133	3.1%
Depreciation	\$ 27	0.6%
Operating Income	\$ 154	3.6%
Net Income	\$ 104	2.5%
EBITDA	\$ 218	5.1%

C-store only sample IS

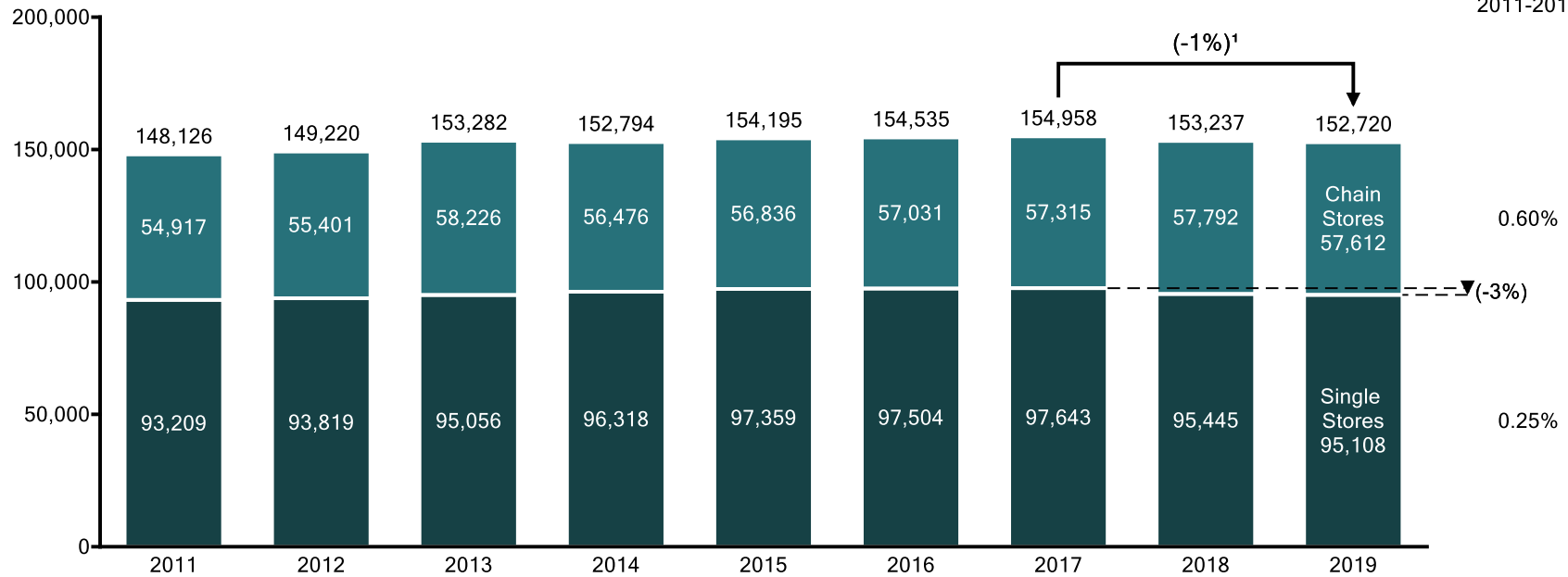
	2019 Average	% Rev
Total Store Rev	\$ 1,389	
In-store	\$ 1,389	100%
Fuel	N/A	
Cost of Revenue	\$ 947	68%
Gross Profit	\$ 442	32%
Operating Expenses	\$ 353	25%
Wages	\$ 140	10.1%
Marketing	\$ 4	0.3%
Rent	\$ 58	4.2%
Utilities	\$ 25	1.8%
Other Costs	\$ 104	7.5%
Depreciation	\$ 21	1.5%
Operating Income	\$ 90	6.5%
Net Income	\$ 60	4.3%
EBITDA	\$ 150	11%

The primary cost for all convenience stores is purchases (i.e. fuel, cigarettes, foodstuffs, & beverages) while wages makeup the second largest cost bucket. Wages have grown over the past five years and have increased substantially as a share of revenue due to falling revenue across industry.

□ Since 2000 U.S. store count has risen 28.3%, however, 2019 marks the fourth time U.S. c-store count has declined due to market consolidation

Number of stores of the c-store industry in the U.S. 2011-2019

CAGR
2011-2019



Broken out by company size, the 2019 store count vs. the 2018 store count is:

- 1 to 10 stores: Decreased 569
- 11-50 stores: Decreased 249
- 51-200 stores: Decreased 145
- 201-500 stores: Increased 134
- 501-plus stores: Increased 312

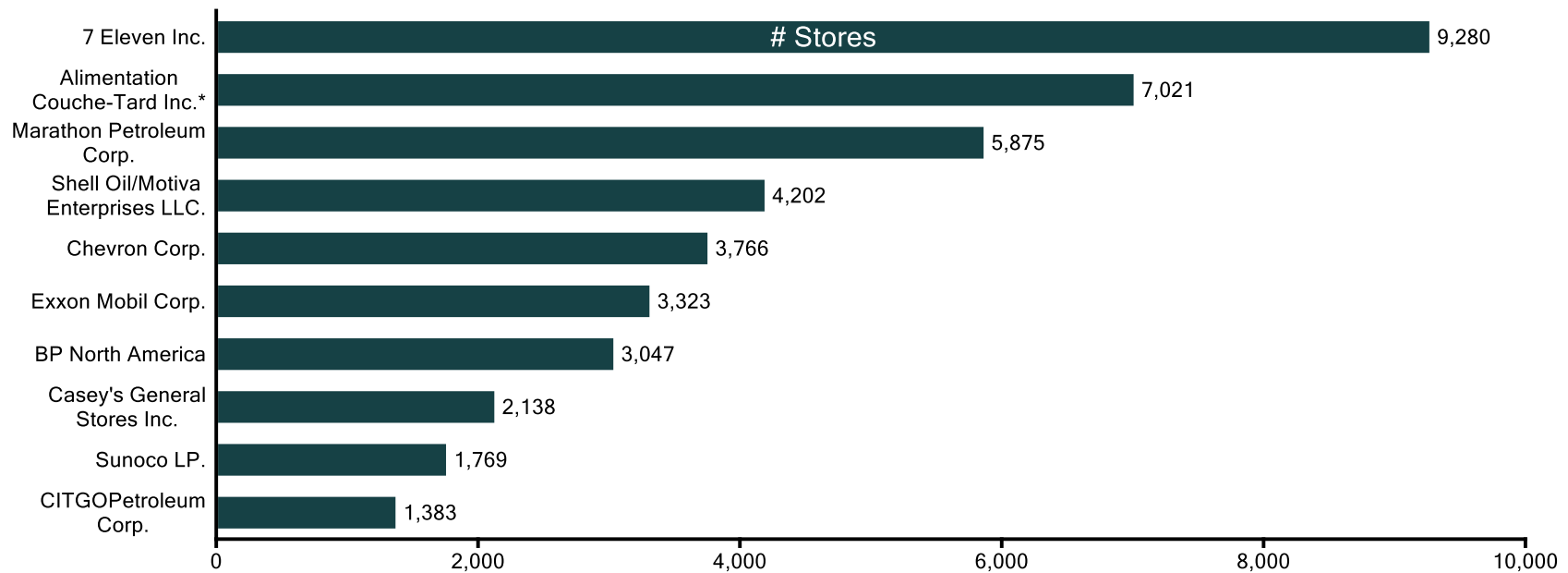
Overall, the industry is seeing less contraction than the grocery and drugstore channels, down 1.6% and 1.7%, respectively, while the dollar store channel continues to grow, adding 1,565 stores in 2019

Note: 1: Number of convenience stores that sell motor fuel decreased 0.5%

Source: Convenience Store News 2019: Nielsen

Market is highly fragmented with >95k single-store operators; consolidation is driving drop in single-stores

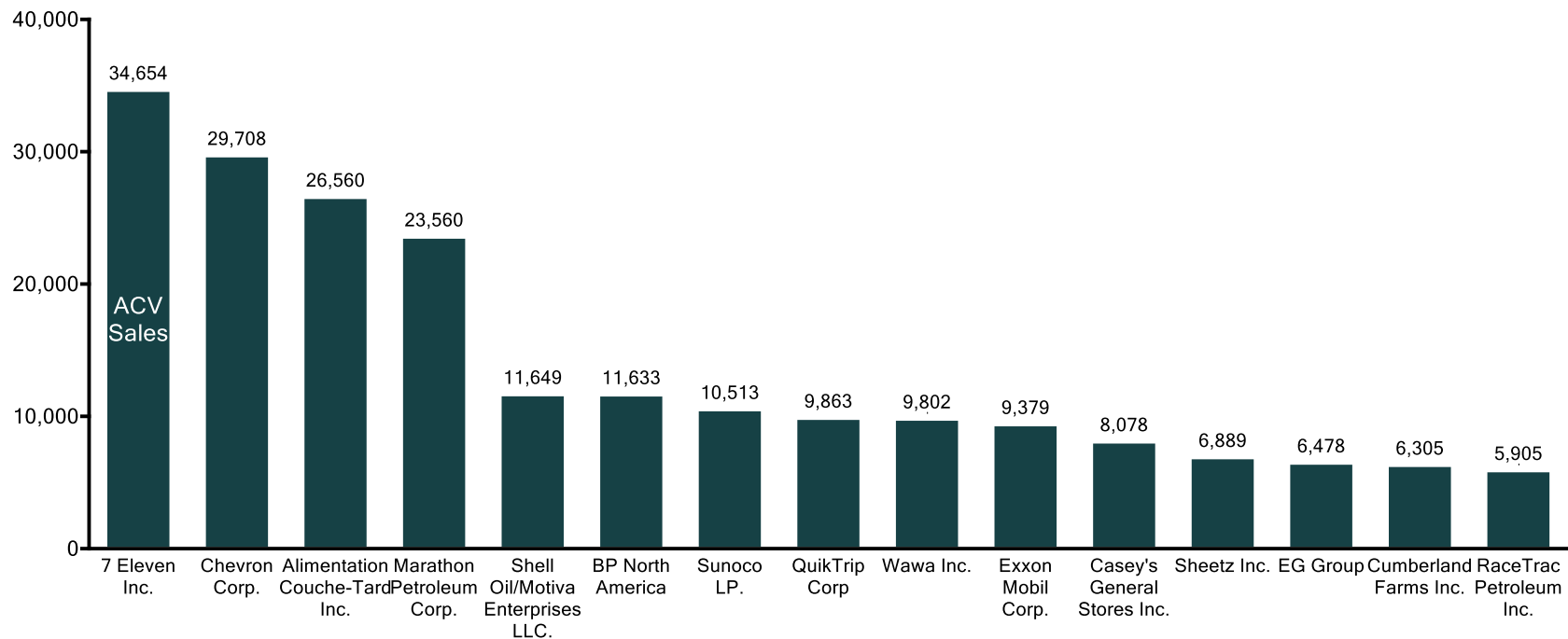
Number of stores of the top U.S. convenience stores 2019



- Top ten players control ~27% of all U.S. c-store locations
- Many gas stations with c-stores feature major oil company branded gasoline, yet only a few of these stores are owned by major oil companies
- 7-Eleven offers gasoline at only ~4,300 stores and gasoline accounts for nearly half of the company's overall sales

Top 15 players by ACV account for only ~32% of total c-store sales

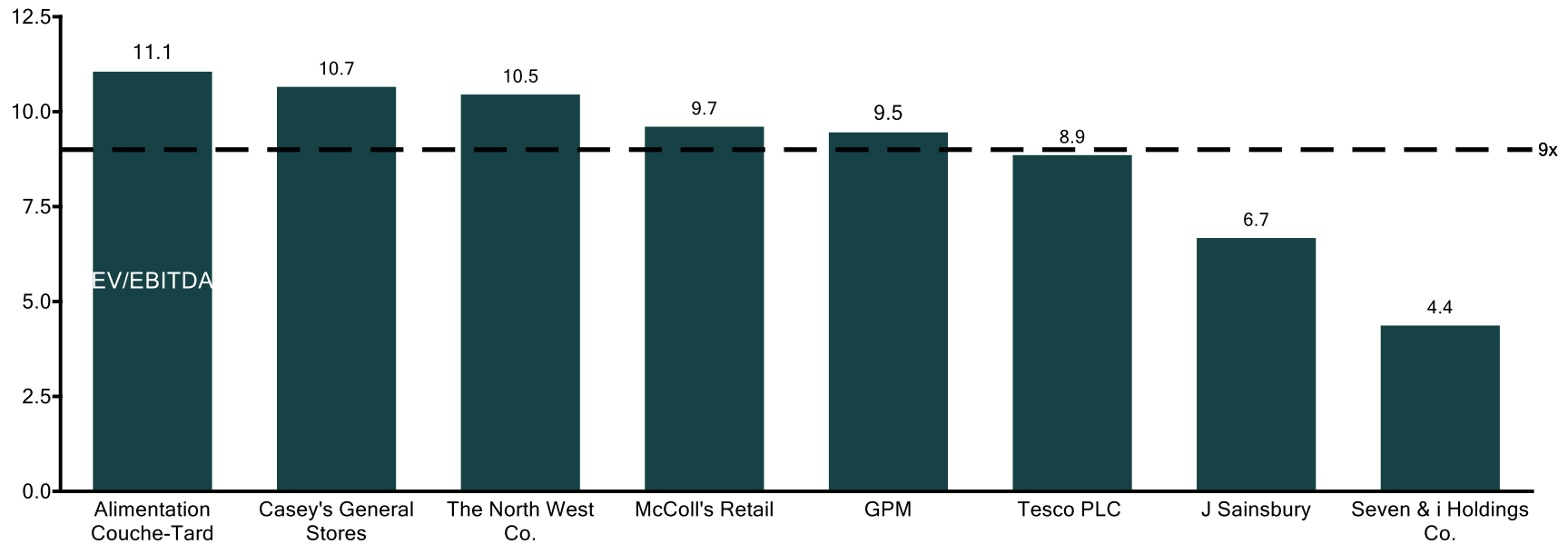
ACV of top U.S. convenience stores 2019 (in million U.S. dollars)



7-Eleven Inc has historically dominated the c-store industry; however, its share of the market has declined due to a maturing market and growing competition. Aside from industry leaders, 62% of c-stores are small, single-location operations, and 68% of stores in the industry employ fewer than five people.

Comparable c-stores without fuel have an average EBITDA multiple of 9x

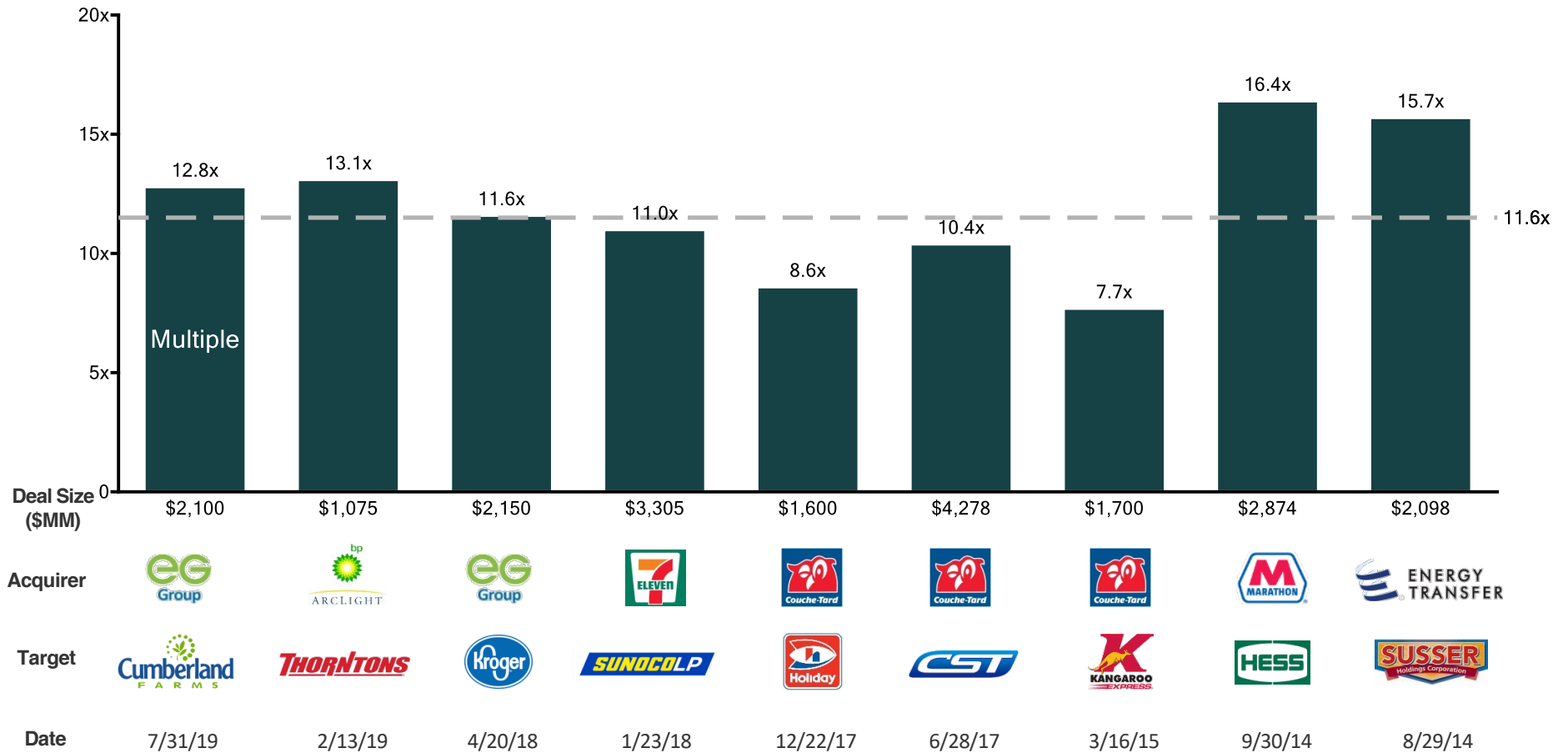
Convenience Stores Peers (EV/EBITDA) across U.S., CAD & UK



GPM cited 6.6x historical gross purchase multiple in 2020 investor presentation. Casey's cited 6-9x purchase multiple range for the ~345 stores acquired over past ten years.

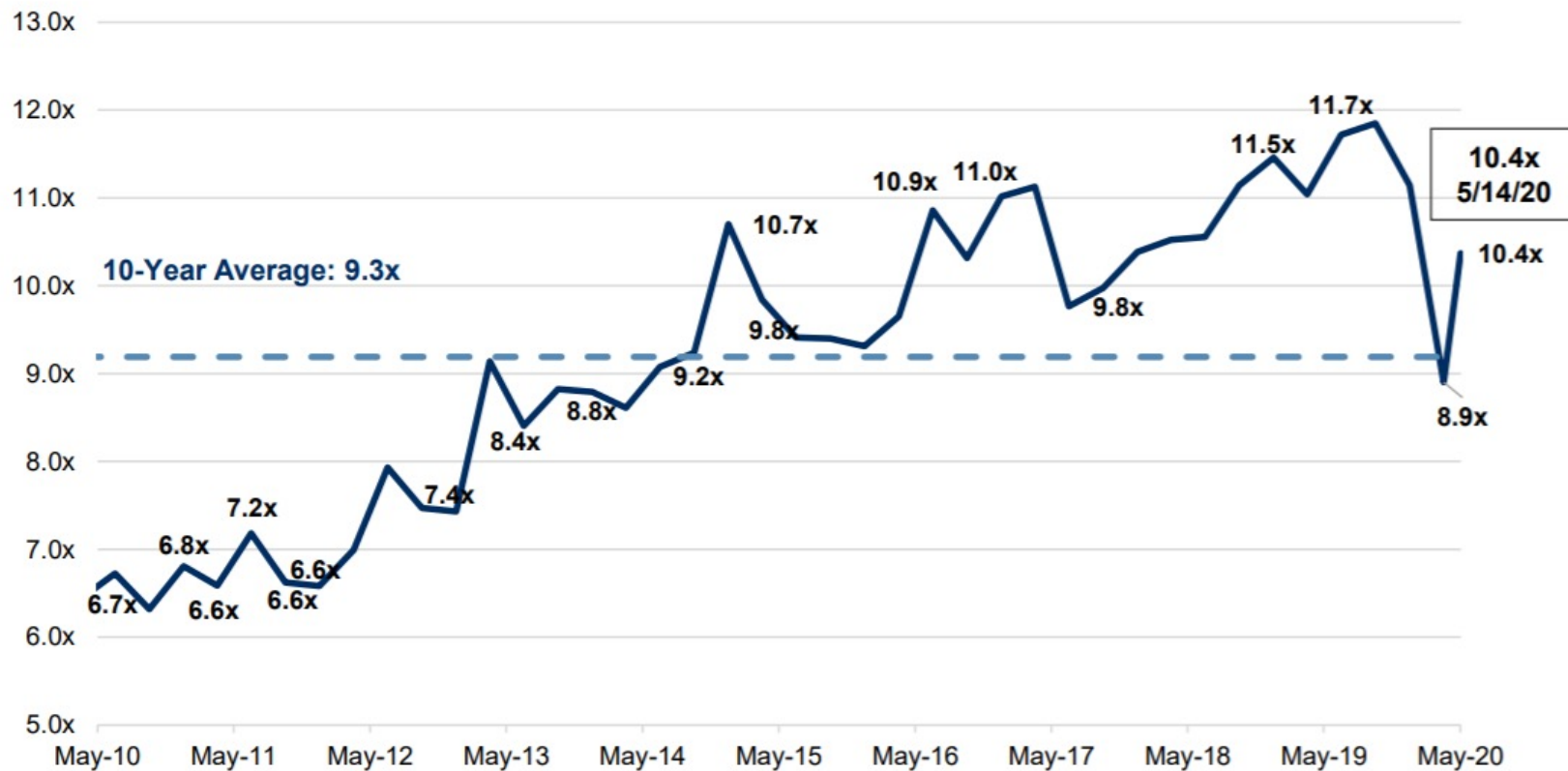
Publicly available data on acquisitions since 2014 shows that \$1B+ c-store deals trade at ~11.6x

Publicly discloses EV / EBITDA multiples









Convenience stores average 9.3x trading multiple over last ten-years, with overall upward trend

10-Year Convenience store historical trading multiples (EV/EBITDA)



C-store analysts began pointing to signs of a bubble in 2016 as multiples reached record highs, recently multiples have begun to level-off.

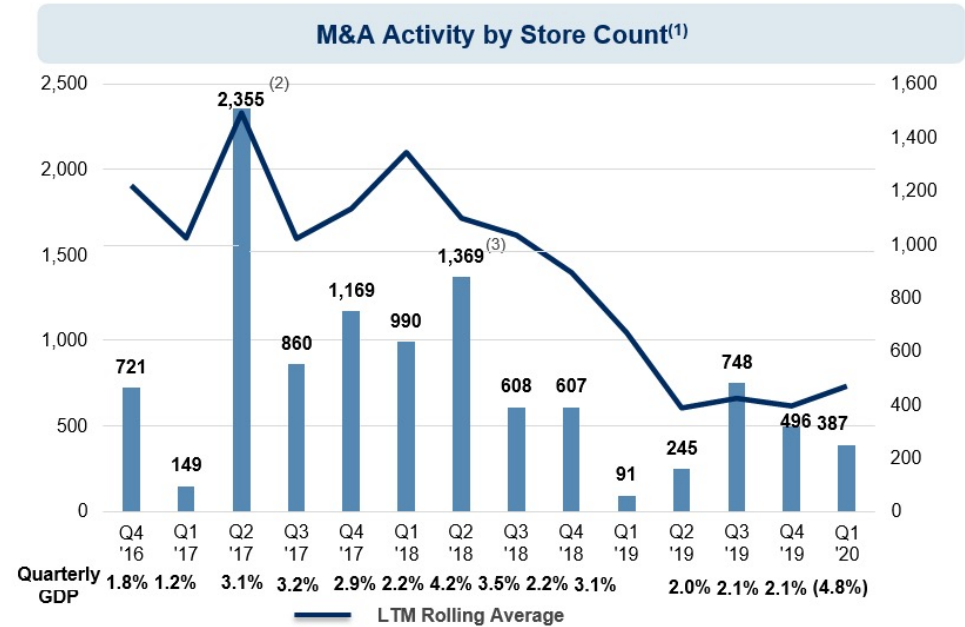
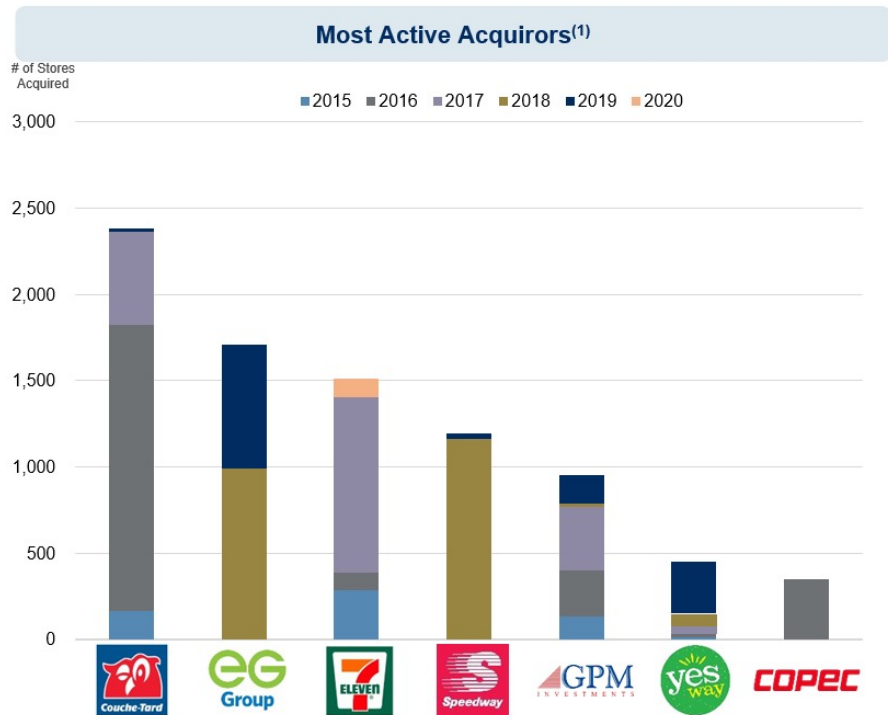
Recent, notable M&A activity

Sponsor	Overview	Target	Description	Date
	<p>Transaction Value: Undisclosed</p> <p>“These stores have carried the 7-Eleven name for 67 years, and today they officially join the global 7-Eleven family, we look forward to meeting the needs of Oklahoma customers and offering them the great products and services available in stores across the country.”</p> <p>– 7-Eleven Inc. CEO & President Joe DePinto</p>		<ul style="list-style-type: none"> The Company’s retail portfolio consists of 108 high quality retail stores located in OK Company has a significant market share position in central OK Transaction brings 7-Eleven Inc.’s U.S. and Canada store count to almost 9,800 	March 2020
	<p>Transaction Value: ~\$400M</p> <p>"Empire has a reputation for providing superior quality and service to its dealers, making it a logical combination with GPM, with a history of successful execution."</p> <p>- Empire CEO Rick Golman</p>		<ul style="list-style-type: none"> GPMI is one of the largest privately-owned companies in the convenience store channel, operating 1,272 c-stores and supplying 128 wholesale locations in 23 states EPP was founded in 1988 and is one of the largest fuel distributors in the U.S., growing primarily through 22 acquisitions completed since 2011 GPMI will acquire EPP’s wholesale fuel distribution operations and retail business totaling 1,534 sites (a majority of which are wholesale) Acquisition will increase GPMI’s annual gallons distributed to ~2.5 billion gallons and expand its U.S. footprint into 10 new states 	May 2020
	<p>Transaction Value: Undisclosed</p> <p>Operating only five stores in early 2019, transactions brings Refuel’s company operated c-store count to 89, keeping it on pace to surpass the 100-store milestone by the end of 2020.</p>		<ul style="list-style-type: none"> Transaction included 48 company operated c-stores and five stand- alone quick service restaurants in Mississippi and Arkansas Indianola, MS based Double Quick was founded in 1983 First Reserve backed Refuel, LLC has experienced tremendous growth via acquisitions since an investment by First Reserve in 2019 	April 2020



Since 2017 large players have been actively acquiring to grow their national presence and market share

Most active acquirers since 2015 & quarterly M&A Activity by store count



COVID has impacted M&A volume over the last several months, however, the c-store industry has performed relatively well compared to other retail, positioning it well for an M&A rebound as the pandemic abates.

Note: 1: Public company filings and press release – includes only U.S. deals
 Source: Raymond James Quarterly Newsletter Spring 2020 – Convenience Store Insight



Successful c-stores are leveraging technology and growing foodservice revenues with a mix of the following features:

	Characteristic	Description
1	Updated store format	Remodeling store for optimized consumer friendly floor space, maximized product capacity, well-lit, clean, and onsite patron restroom.
2	Upgraded foodservice	Consumer preferences have shifted towards healthy foods, c-stores expand fresh foods and high-quality prepared foods. Investment in quality coffee drives additional food sales.
3	Expanded product offering	Expanding product offering to appeal to wide range of customers: products appealing to local cultures, addition of CBD-infused snacks, drinks, and candy, and female geared products.
4	Customer service	Fast, friendly service drives repeat purchases, c-stores must invest in employee training in order to drive customer loyalty and enhance the customer experience.
5	Frictionless payments	Frictionless payment technology including RFID, scanner, biometric & sound wave tech attracts customers and fosters convenience.
6	Curbside & drive-thru pickup	Large chains began to expand curbside and drive-thru business pre-COVID. However, COVID has increased the demand for curbside optionality.
7	Customer engagement	Engaging with customers online through mobile apps for product promotion and customer loyalty programs to maintain a well-established relationship with local customers.
8	Automated unmanned stores	Unmanned stores allow for 24-hour convenience and wage cost reduction. Unmanned stores are expected to grow at a 50.1% CAGR globally through 2027.

Multiple potential avenues for growth post acquisition

- 1** Improve food-service; offer high-quality fresh foods
- 2** Remodeling/refreshing in-store and curbside design focused on optimized convenient customer experience
- 3** Introduce capabilities for enterprise-wide efficiency, optimizing supply chain
- 4** Investments in digital technology & data
- 5** Marketing initiatives – loyalty program expansion, mobile order, curbside pickup



Operators have the following challenges on their mind as they look to the future

Challenge	Description
Motor fuel prices	Volatile fuel prices affect operator profit on gas, and in-store sales volume due to varied store traffic
Healthy eating trends	Consumer preferences are heavily shifting towards high-quality fresh foods creating additional supply chain considerations for operators.
Labor issues/ regulations	Extremely high turnover rates >80%, increased labor demands due to expanding food service, and rising minimum wages all impactful to bottom line. A focus on increased employee training is necessary, yet costly.
Tobacco and electronic cigarette regulations	Tobacco sales have been strong, however, changing tobacco trends and regulation within the U.S. leaves c-stores uncertain about the future of tobacco related sales
Emerging technologies	Adoption of electric vehicles threatens gas consumption and residual in-store sales, adoption/implementation of tech (mobile apps, mobile ordering, data tracking, automation, unmanned tech, etc.) is expensive
Private label disruption	~6 percent units sold in c-stores are private label vs. 16 percent to 23 percent in other channels. Given the growth opportunity, c-stores are a prime target for UPC private label disruption.

□ In-store sales have increased in 2020 as compared to 2019 through pandemic

Topline sales data Jan-May 2019 vs. 2020

	Jan-May 2019	Jan-May 2020	Diff
Total Sales	\$480,410	\$387,515	-19.3%
Fuel Sales	\$359,364	\$262,897	-26.8%
Fuel Galons	141,407	119,839	-15.3%
Average Selling Price	\$3	\$2	-14.1%
In-store	\$128,158	\$129,428	1.0%
Foodservice	\$24,834	\$21,493	-13.5%
Merchandise	\$108,845	\$112,257	3.1%
Mdse less cigarettes	\$68,640	\$72,099	5.0%
Cigarettes	\$41,143	\$41,760	1.5%
Transactions	29,208	27,205	-6.9%

- Foodservice began showing positive sales growth in June for the first time since February, increasing 2.4% compared with June 2019.
- Commissary continued to gain momentum, up 19.3%.
- Hot dispensed beverage sales and cold and frozen dispensed beverages continued to lag

- Compared with the year-ago period, per store/per month NACS CSX data for May 2020 reveal:
 - 47.9% drop in fuels sales
 - 35.2% drop in total sales
 - 24.9% drop in fuel gallons
 - 17.4% drop in total transactions
- Ice cream/frozen novelties enjoyed a significant sales increase, up 37.6% in May compared with May 2019.
- Other categories that saw a significant year-over-year increase:
 - Perishable grocery: +14.9%
 - Packaged bread: +22.1%
 - Fluid milk products: +6.7%
 - Non-edible grocery: +26.7%

- COVID related considerations are top of mind through 2020, and some changes may sustain into future

	Description
Safety	Adhering to mask mandates, in-store signage, and plexiglass barriers are important for establishing a reputation as safe and proves commitment to best practices.
C-store vs. supermarket	Smaller in-and-out nature of c-stores likely driving increased traffic as c-stores might seem less intimidating than grocery stores. Key to attract older consumers.
Self-service	Self-service food and beverages have been halted during pandemic but can be replaced by full-service of pre-packaged formats. Operators are eager to return to a self-service format for high margin products. Implementing sanitation practices necessary to ensure customers feel safe and comfortable.
Delivery & curbside pickup	At a minimum curbside pickup should be offered. Operators were shifting towards these services prior to COVID, and their importance has been heightened due to the virus.
Beer & Tobacco	Consumers turned to c-stores for beer and cigarettes as they settled into homes during shelter-in-place. Consumers used c-stores as a convenience place to restock their pantries.
In-demand merchandise	During COVID the most sought-after products for convenience store shoppers were sanitizing products, household basics (like toilet paper and paper towels) and shelf-stable foods. Most shoppers chose to shop in a c-store based on which location they believed was the cleanest and most sanitized.

C-store's are attractive investments, an opportunity for NBG

**Strong fundamentals
stable cash flows**

C-store in-store sales has grown at a 4.74% CAGR since 2000

Stable margins

>2% overall margin with strong margins on in-store sales driving overall margins

Highly fragmented

62% of market is single-store operators with less than 5 employees

**Quick-win growth
opportunities**

Foodservice improvement, store refreshing, and expanded product mix

Recession resistance

Industry grew throughout the Great Recession and is performing strongly through COVID

**Attractive multiples
exist**

C-stores are selling for 5-9x multiples



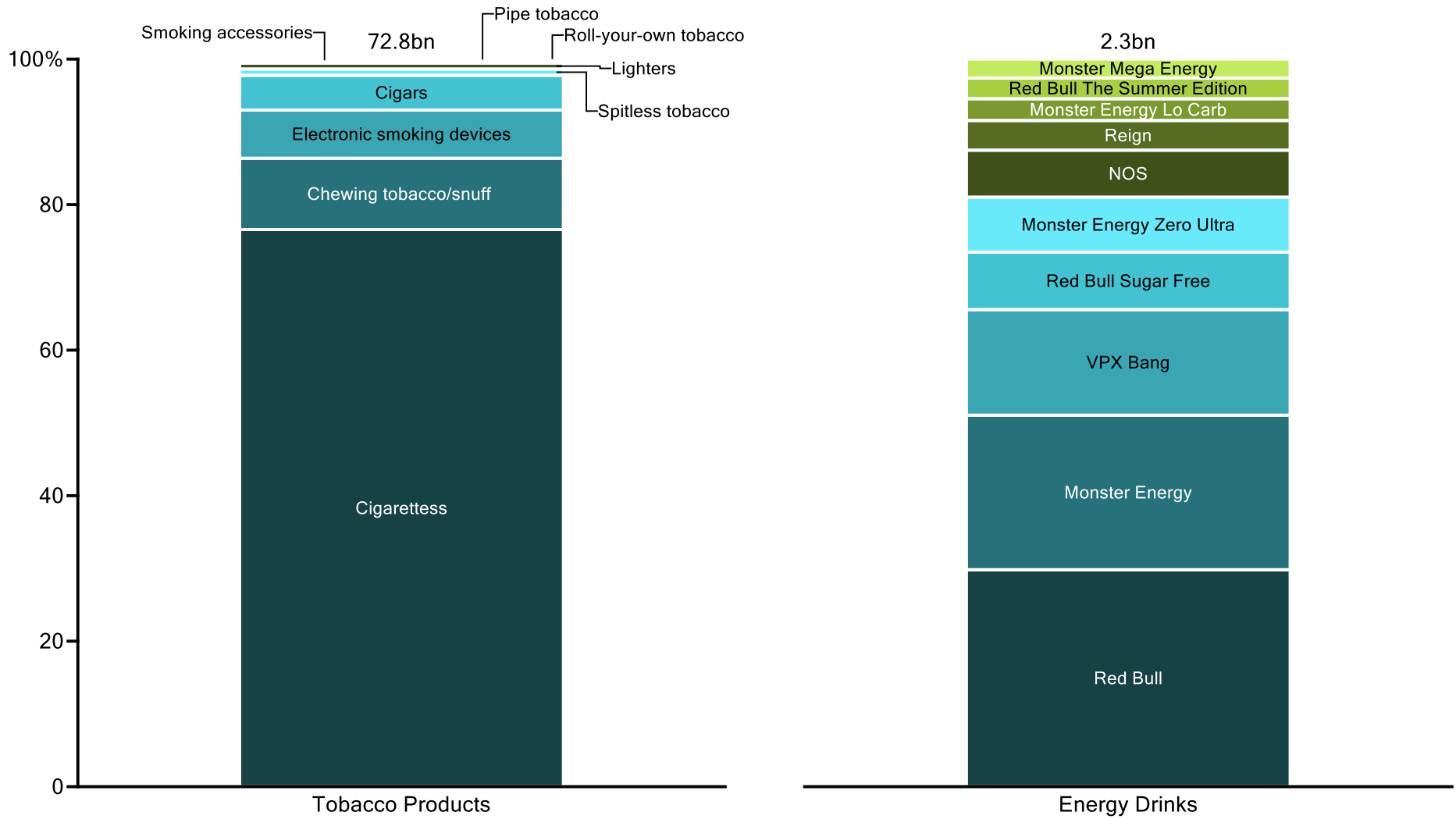
Appendix

M&A Activity

Announced Date	Acquiror	Target	TEV (\$MM)	Store Count
2/13/2020	ReFuel LLC	Gresham Petroleum (Double Quick)		48
1/17/2020	7-Eleven Inc.	7-Eleven Stores of Oklahoma		108
1/16/2020	CrossAmerica Partners, LP	Select Assets of Joe Topper	\$ 36	-
12/18/2019	GPM Investments	Empire Petroleum LLC	\$ 400	77
11/20/2019	Joe Topper	Cross America Partner's General Partner		-
11/18/2019	Par Mar Stores	Mountaineer Mart		17
10/16/2019	Campbell Oil	Ther Hartley Co.		21
10/8/2019	Brookwood Financial Partners	Allsup's Convenience Stores		304
9/30/2019	GPM Investments	Riiser Ennergy		63
8/28/2019	TrueNorth Energy	Schmuckal Oil Company		25
7/12/2019	EG Group	Cumberland Farms	\$ 2,100	562
6/26/2019	Applegreen	CrossAmerica Partners		46
5/13/2019	EG Group	Certified Oil		69
4/14/2019	Marathon	NOCO Energy		33
4/9/2019	EG Group	Fastrac		54
4/2/2019	GRPM Investments	Town Star Holdings LLC		18
2/21/2019	First Reserve	Refuel Inc. & West Oil Inc.		31
1/16/2019	TravelCenters of America LLC	Hospitality Properties Trust	\$ 308	20

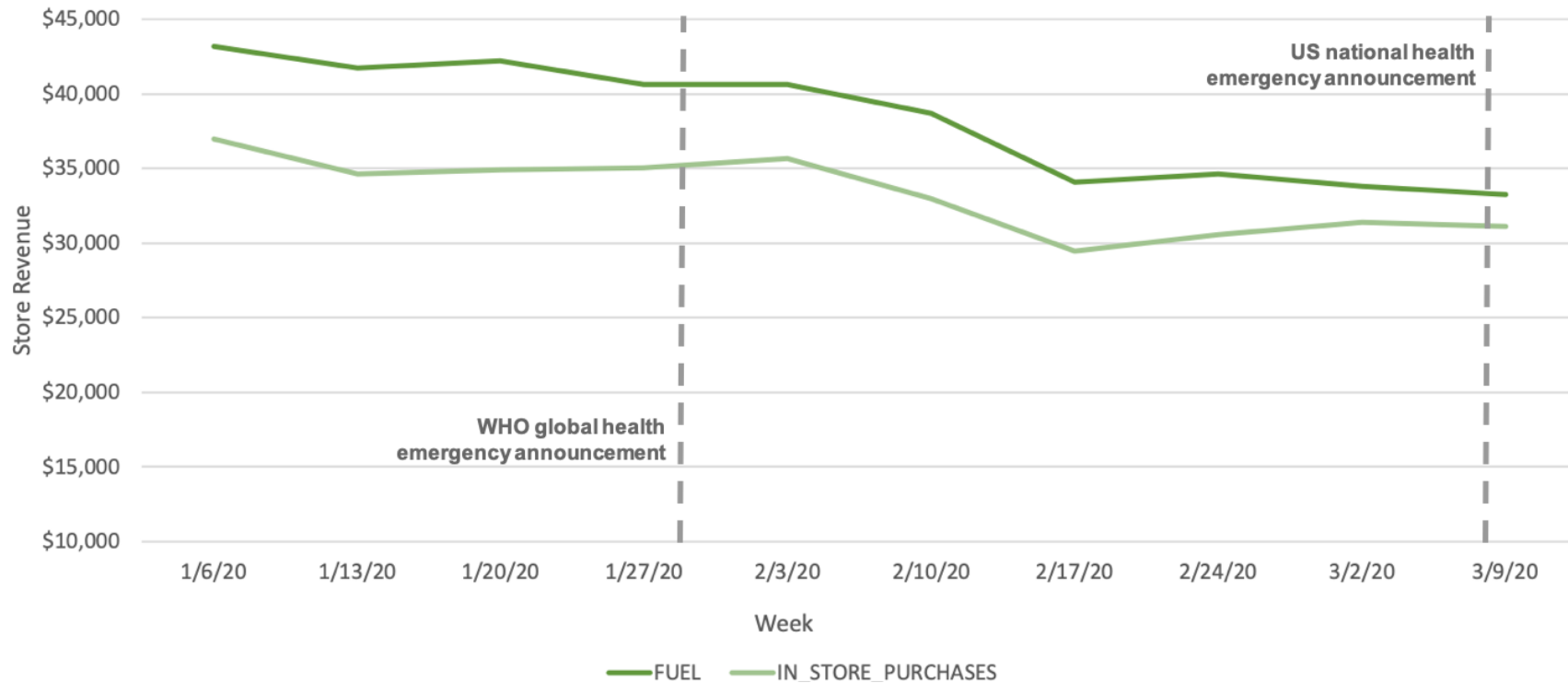


C-store popular category product mix, 2019



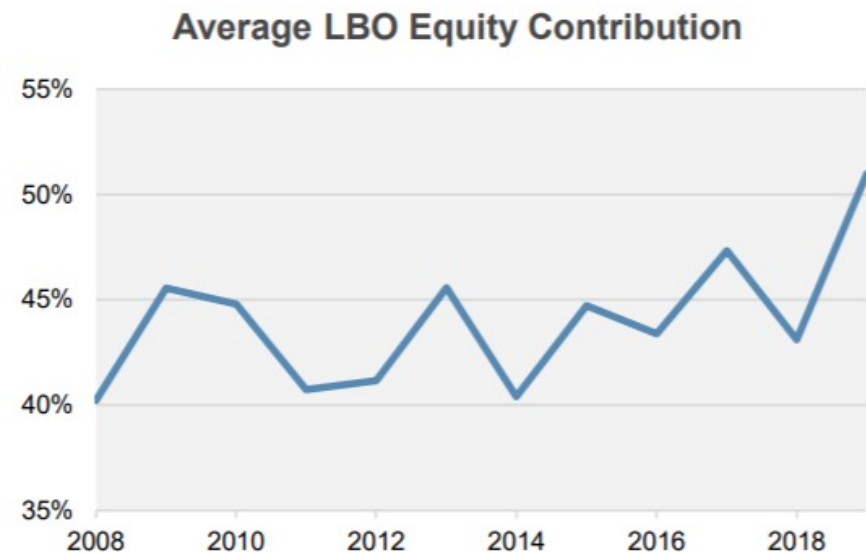
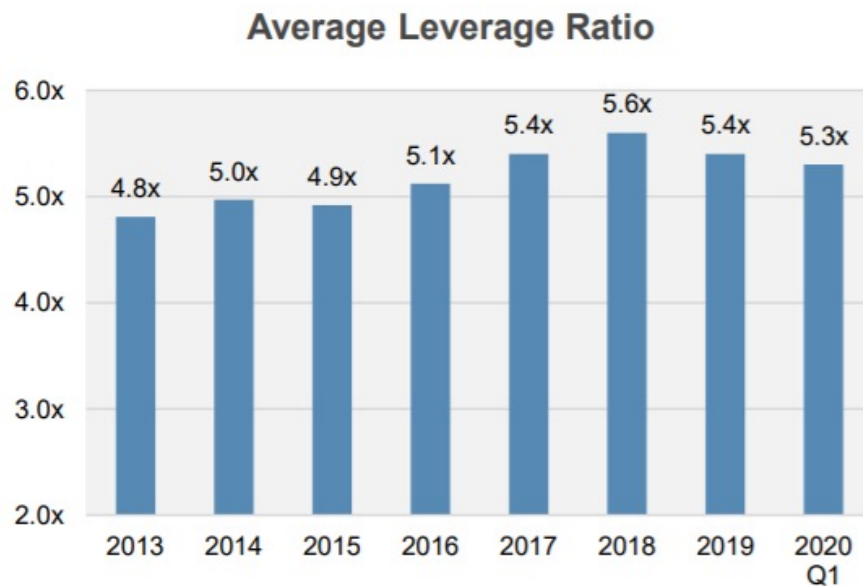
Average weekly revenue per store through beginning of U.S. COVID pandemic

Average weekly revenue per store



While consumer traffic patterns are quite different today, consumers continue to see value in the channel throughout the crisis. We expect continued in-store growth over the remainder of 2020

□ Average leverage ratio and LBO equity contribution over time



Note: Leverage trends based on middle market, companies with less than \$50M EBITDA
Source: Raymond James Quarterly Newsletter Spring 2020 – Convenience Store Insight