

# Convenience Store Market Quarterly Newsletter

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## About Trefethen Advisors, LLC

Trefethen Advisors is a privately held investment bank. Trefethen is unique in its ability to maximize value for its clients by providing strategy-led, consultative investment banking services in situations requiring specialized industry, analytical, and/or structuring expertise. We offer skilled transaction execution capabilities and a full range of financial and strategic advisory services:

- Mergers & Acquisitions (Buy-Side & Sell-Side)
- Corporate Finance
- Financial Restructuring and Distressed M&A
- ESOP Buyouts

### Corporate Finance Products Include:

- Family Offices
- Venture Capital
- Debt/Sub-Debt
- Private Equity
- Financial Companies
- Sale-Leaseback Financing

For more company information, please visit our website at [www.trefethenib.com](http://www.trefethenib.com)

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*Trefethen Advisors, LLC is pleased to bring you this quarterly edition of its market update. This periodical is designed to provide current information on the public equity markets, convenience retailing markets, M&A activity as well as market and sector commentary. If you would like to add any colleagues to this newsletter, please contact us at [mokeefe@trefethenib.com](mailto:mokeefe@trefethenib.com)*

## **Market Summary**

Fourth quarter ended the year with some surprises. OPEC agreed to cut output by 1.2 million barrels a day by January in its first output cut decision since 2008. This sent oil prices soaring; WTI Crude futures rose to \$50 a barrel. The Republican nominee, Donald Trump, won the U.S. Presidential election in an upset; however, the stock market catapulted higher based on expected business friendly policies. The Fed raised its policy benchmark rate by 25 bps in December and signaled its intention to raise rates three times next year. Fixed

## **C-Store Market Summary**

In the industry's biggest M&A news, Tesoro Corp. has announced a definitive agreement to acquire Western Refining, Inc. for \$37.30 per share in a stock transaction. This represents an enterprise value of \$6.4 billion, including the assumption of approximately \$1.7 billion of Western's net debt and the \$605 million market value of non-controlling interest in Western Refining Logistics LP. Refiner-marketer Delek U.S. Holdings, Inc. has offered to purchase all of the remaining 53% of the Alon USA Energy, Inc. that it doesn't already own. Alon USA is the largest 7-Eleven licensee in the United States, which operates approximately 300 c-stores that sell motor fuels in central and western Texas and New Mexico.



# Money & Commodity Markets

## Money Markets

12/31/2016 -1 Week -1 Month -6 Month -1 Year

### Treasury Rates

6 Month	0.62%	0.65%	0.60%	0.37%	0.49%
1 Year	0.85%	0.87%	0.82%	0.45%	0.65%
5 Year	1.93%	2.04%	1.90%	1.00%	1.76%
10 year	2.45%	2.55%	2.45%	1.46%	2.27%
30 year	3.06%	3.12%	3.10%	2.24%	3.01%

### Swaps

3 Year	1.19%	1.19%	1.19%	0.83%	1.40%
5 year	1.36%	1.36%	1.36%	1.00%	1.72%
10 year	1.71%	1.71%	1.71%	1.37%	2.18%
30 year	2.07%	2.07%	2.07%	1.83%	2.61%

### LIBOR

1 Month	0.77%	0.76%	0.63%	0.47%	0.43%
3 Month	1.00%	1.00%	0.94%	0.65%	0.61%
1 year	1.69%	1.69%	1.64%	1.23%	1.18%

### Other Key Rates

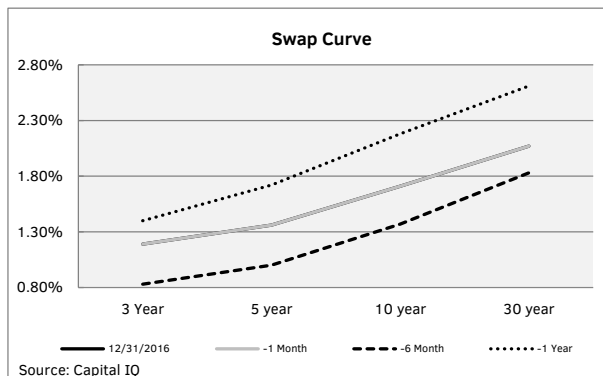
Prime	3.75%	3.75%	3.50%	3.50%	3.50%
Discount	1.25%	1.25%	1.00%	1.00%	1.00%

### Foreign Exchange

Dollar Index (USD/Basket)	95.42	95.51	95.99	94.83	96.28
Pound/USD	1.23	1.22	1.26	1.33	1.47
Euro/USD	1.06	1.04	1.06	1.11	1.09
USD/Yen	116.75	117.27	114.42	102.54	120.20
USD/CNY	6.94	6.94	6.89	6.66	6.49

### Market Commentary

In response to President-elect Trump's victory and the Fed's decision on an interest rate hike, the 10-year U.S. Treasury yield soared past the 2% mark for the first time since early January and the U.S. Dollar experienced a sharp rise. Our featured economic statistic this issue is the EURO/USD exchange rate curve



### Featured Economic Graphic:



## Commodity Markets

12/31/2016 -1 Week -1 Month -6 Month -1 Year

### Energy Markets

Crude (W. TX Cushing Spot)	54.66	53.92	51.96	49.65	38.17
Crack Spread (NYMEX 3-2-1)	16.32	15.53	13.28	15.87	13.49
Retail Gasoline (US Avg.)	2.32	2.27	2.13	2.28	2.00
Retail Fuel Margins (CPG)	13.50	16.60	27.80	22.20	16.80

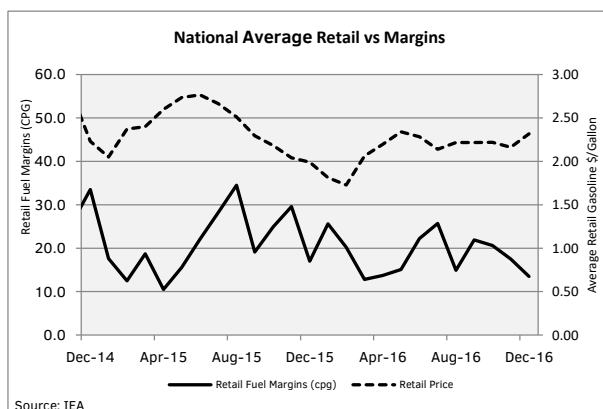
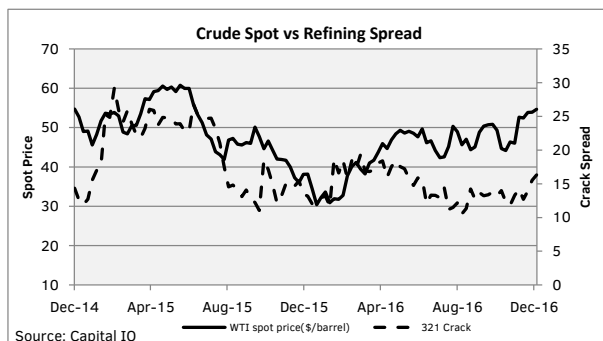
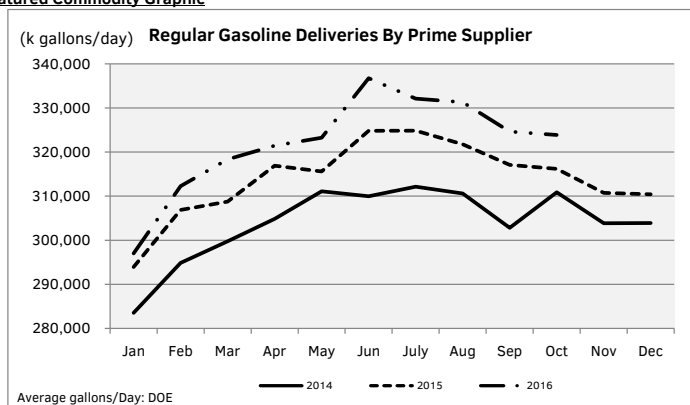
### Other Commodity Markets

Gold	1,151.7	1,133.6	1,169.4	1,339.0	1,060.2
Silver	15.99	15.72	16.45	19.59	13.80
Wheat	4.08	3.93	3.95	4.30	4.70
Corn	3.52	3.45	3.42	3.60	3.58

### Market Commentary

On the last day of November, OPEC agreed to cut output by 1.2 million barrels per day. It was the first output cut decision since 2008. This sent oil prices soaring, with WTI Crude futures passing \$50 per barrel. Our featured commodity graphic this issue focuses on gasoline demand measured by average deliveries of gasoline by prime suppliers. Data through October 2016 show a modest increase in demand over the previous year reflecting the slow turn around of the economy.

### Featured Commodity Graphic



# Equity Markets

( \$MM, Except per Share Data )			\$ in Local Currency			Selected Financial Data (US \$)					Price/Earnings			TEV/EBITDA			Leverage			
Security	Most Recent Ticker	Qtr. End	Last	52 W High	52 W Low	Market Cap (MM)	Net Debt	TEV	TTM EPS	LTM EBITDA	LTM	NTM (Est)	+2Y (Est)	LTM	NTM (Est)	+2Y (Est)	Total Debt	LTM EBITDA	Lease Adj. Leverage (Est)	
			<b>Indices</b>																	
DOW JONES INDUS. AVG	^DJI		19,763	19,975	15,660															
S&P 500 INDEX	^SPX		2,239	2,272	1,829															
SPDR S&P RETAIL ETF	ARCA:XRT		44.07	48.26	37.80															
TREFETHEN C-STORE INDEX			55.66	63.17	45.59															
<b>Convenience</b>																				
ALIMENTATION COUCHE-TARD -B	TSX:ATD.B	10/16	45.32	51.09	38.12	25,900	3,023	28,924	2.15	2,331	23.1	17.4	16.6	12.4	10.2	9.7	3,854	1.7	2.5	
CASEY'S GENERAL STORES	NasdaqGS:CASY	10/16	118.88	136.22	98.80	4,659	752	5,411	5.56	543	22.4	20.2	20.2	10.0	8.9	8.7	930	1.7	1.7	
CST BRANDS, INC.*	NYSE:CST	12/16	48.15	48.43	29.73	3,645	1,446	5,641	1.63	390	11.0	27.2	27.2	14.5	13.7	11.2	1,583	4.1	4.5	
MURPHY USA, INC.	NYSE:MUSA	12/16	61.47	80.44	51.68	2,373	516	2,889	4.08	395	12.0	13.2	13.2	7.3	6.8	6.3	670	1.7	2.0	
TRAVELCENTERS OF AMERICA	NasdaqGS:TA	12/16	7.10	9.58	5.65	276	279	556	0.24	118	95.5	18.2	18.2	4.7	4.0	3.2	340	2.9	6.4	
<b>Refining/Wholesale/Retail</b>																				
ALON USA ENERGY INC	NYSE:ALJ	12/16	11.38	15.09	5.86	811	433	1,230	(1.17)	96	NM	NM	NM	12.9	7.2	5.9	569	6.0	6.5	
CROSSAMERICA PARTNERS LP	NYSE:CAPL	12/16	25.19	27.91	17.39	844	544	1,350	0.22	103	87.9	52.5	52.5	13.0	12.0	10.6	545	5.3	4.3	
DELEK US HOLDINGS INC	NYSE:DK	12/16	24.07	25.14	11.41	1,489	150	2,251	(3.88)	70	NM	NM	NM	32.1	10.6	9.3	839	12.0	9.9	
GLOBAL PARTNERS LP	NYSE:GLP	12/16	19.45	19.95	12.28	652	1,444	1,952	(5.91)	197	NM	NM	NM	9.9	9.8	10.0	1,454	7.4	6.6	
HOLLYFRONTIER CORP	NYSE:HFC	12/16	32.76	41.29	22.07	5,759	1,100	7,505	(1.48)	682	NM	17.3	17.3	11.0	6.8	5.8	2,235	3.3	3.8	
MARATHON OIL CORP	NYSE:MRO	12/16	17.31	19.28	6.52	14,665	4,775	19,990	(2.61)	1,868	NM	NM	NM	10.7	8.1	6.4	7,275	3.9	3.7	
MURPHY OIL CORP	NYSE:MUR	12/16	31.13	37.48	14.30	5,361	2,008	7,484	(1.59)	837	NM	NM	NM	8.9	6.0	4.9	2,993	3.6	3.3	
PHILLIPS 66	NYSE:PSX	12/16	86.41	90.87	71.74	45,007	7,427	52,934	2.92	4,833	22.6	16.9	16.9	11.0	9.0	8.2	10,138	2.1	2.6	
SUNOCO LP	NYSE:SUN	12/16	26.89	40.00	21.01	3,011	4,395	7,409	(4.34)	686	18.8	15.8	15.8	10.8	9.9	9.0	4,514	6.6	6.8	
TESORO CORP	NYSE:TSO	12/16	87.45	109.24	67.80	10,223	3,638	16,213	6.04	2,109	15.1	14.4	14.4	7.7	6.7	5.8	6,933	3.3	4.1	
VALERO ENERGY CORP	NYSE:VLO	12/16	68.32	72.49	46.88	30,926	3,185	34,720	4.93	4,848	14.5	12.8	12.8	7.2	6.0	5.5	8,001	1.7	2.5	
WESTERN REFINING INC	NYSE:WNR	12/16	37.85	40.09	18.14	4,104	1,668	6,552	1.24	616	24.8	21.3	21.3	10.6	9.9	7.4	1,936	3.1	3.6	
<b>Major Oil</b>																				
BP PLC	LSE:BP.	12/16	6.29	6.34	3.08	122,433	34,772	155,479	0.01	19,985	NM	18.4	18.4	7.8	6.1	5.1	58,300	2.9	NA	
CHEVRON CORP	NYSE:CVX	12/16	117.70	119.00	75.33	222,190	39,125	261,255	(0.27)	20,135	NM	30.8	30.8	13.0	8.0	6.0	46,126	2.3	2.0	
CONOCOPHILLIPS	NYSE:COP	12/16	50.14	53.17	31.05	62,125	23,615	86,776	(2.91)	5,373	NM	NM	NM	16.1	7.1	6.4	27,275	5.1	5.0	
EXXON MOBIL CORP	NYSE:XOM	12/16	90.26	95.55	71.55	374,281	39,105	421,756	1.88	31,822	42.3	22.4	22.4	13.3	8.0	8.3	42,762	1.3	1.5	
ROYAL DUTCH SHELL PLC-A SHS	ENXTAM:RDSA	12/16	27.43	27.85	17.44	229,407	73,346	304,245	0.58	36,395	55.3	16.4	16.4	8.4	7.0	5.6	92,476	2.5	2.6	
TOTAL SA	ENXTPA:FP	12/16	51.43	51.60	37.17	124,335	28,095	156,601	2.51	20,954	33.9	13.3	13.3	7.5	6.2	5.2	57,199	2.7	2.5	
<b>Drug</b>																				
CVS CAREMARK CORP	NYSE:CVS	12/16	78.91	106.67	69.30	84,153	24,073	108,628	4.91	12,995	16.9	13.6	13.6	8.4	8.6	8.2	27,531	2.1	2.9	
WALGREEN CO	NasdaqGS:WBA	11/16	82.76	88.00	71.50	89,305	9,274	98,895	3.78	8,675	21.7	16.5	16.5	11.4	10.6	8.9	18,872	2.2	3.7	
<b>Restaurant</b>																				
DARDEN RESTAURANTS INC	NYSE:DRI	11/16	72.72	79.43	55.77	8,950	324	9,274	3.45	945	21.1	17.8	17.8	9.8	9.3	8.8	441	0.5	2.1	
MCDONALD'S CORP	NYSE:MCD	12/16	121.72	131.96	110.33	101,082	24,733	124,822	5.44	9,606	22.9	20.3	20.3	13.0	13.0	12.5	25,957	2.7	3.5	
STARBUCKS CORP	NasdaqGS:SBUX	10/16	55.52	61.79	50.84	80,804	1,397	82,207	1.90	5,368	29.2	26.0	26.0	15.3	14.3	12.0	3,660	0.7	2.0	
YUM! BRANDS INC	NYSE:YUM	12/16	63.33	91.99	59.57	23,242	8,423	29,597	2.48	2,848	16.3	24.0	24.0	10.4	14.3	14.3	9,127	3.2	3.6	
<b>Grocery</b>																				
KROGER CO	NYSE:KR	11/16	34.51	42.42	28.71	32,375	13,462	45,855	2.08	5,893	16.6	16.2	16.2	7.8	7.7	7.4	13,836	2.3	2.4	
<b>Home Improvement</b>																				
HOME DEPOT INC	NYSE:HD	10/16	134.08	139.00	109.62	163,331	19,292	182,623	6.16	15,011	21.8	19.3	19.3	12.2	11.3	11.2	22,881	1.5	1.9	
LOWE'S COS INC	NYSE:LOW	10/16	71.12	83.65	62.62	61,864	14,112	76,085	2.72	7,490	26.1	16.0	16.0	10.2	9.1	9.1	15,195	2.0	2.3	
<b>Discount</b>																				
DOLLAR GENERAL CORP	NYSE:DG	10/16	74.07	96.88	66.50	20,463	2,974	23,437	4.26	2,389	17.4	16.0	16.0	9.8	9.0	9.2	3,175	1.3	2.9	
WAL-MART STORES INC	NYSE:WMT	10/16	69.12	75.19	60.20	212,419	44,903	260,104	4.61	33,291	15.0	16.1	16.1	7.8	8.0	8.0	50,842	1.5	1.6	

\*Stock price reached an all-time high for the pending acquisition by Alimentation Couche-Tard

# Alimentation Couche Tard, Inc.

Ticker: TSX:ATD.B

Alimentation Couche-Tard, Inc. operates a network of 24-hour convenience stores in the United States and Canada. In Europe, Couche-Tard is also a leader in convenience store and road transportation fuel retail in the Scandinavian and Baltic countries with a significant presence in Poland. The Company offers a variety of food and other products, fast-food services, lottery and gasoline sales, and automated banking machines.

(\$USD MM, Except per Share Data and Where Otherwise Noted)

## Valuation Analytics (USD)

Latest Fiscal Year:

LTM as of:

52-Week High

52-Week Low

Daily Volume (30 Day Average, Thousand)

Current Price (USD)

52-Week High (% Chg)

52-Week Low (% Chg)

% 52 Week Price Range High/Low

Shares Outstanding (MM)

Market Capitalization (USD)

Total Debt

Preferred Stock

Minority Interest

Cash and Equivalents

Enterprise Value

Relative Stock Price Performance

YTD Change

YTD % Change

Spider Retail Index YTD % Change

4/24/2016

10/9/2016

51.09

38.12

997.77

45.32

(11.3%)

18.9%

34.0%

567.9

25,900

3,854

-

-

831

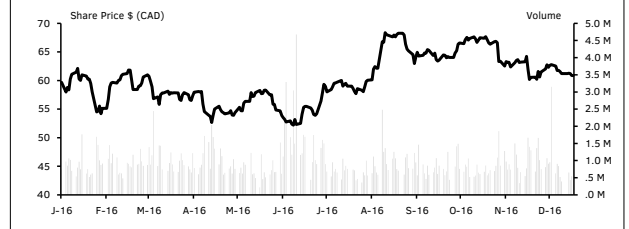
28,924

1.30

(0.0%)

1.9%

## Share Price and Volume



## Market Data

Dividend Yield %	0.59%
Beta 5Y	(0.77)
Float %	71.9%
Short Int. (Short Interest to Total Shares Outstanding)	-
1 Yr Return on Equity	21.9%
YTD Return	(0.0%)
Relative Strength Index	39.03
S&P STARS Ranking	NA
S&P Quality Ranking	A+
<b>Valuation</b>	
Enterprise Value / Revenue	Last Fiscal 0.8, LTM 0.9, FY+1 0.8, FY+2 0.6
Enterprise Value / EBITDA	12.6, 12.4, 11.1, 9.3
Price / Earnings (P/E)	22.9, 23.1, 19.2, 15.7

## Income Statement (USD Millions)

	Fiscal Year Ended					Prev LTM	Cur LTM	FY+1	FY+2	FQ+1	FQ+2
	4/29/2012	4/28/2013	4/27/2014	4/26/2015	4/24/2016						
Sales	22,980	35,543	37,962	34,530	34,145	33,586	33,594	38,074	47,892	11,138	9,772
Gross Profit	2,975	4,610	4,988	5,268	6,082	6,182	6,198	NA	NA	NA	NA
Operating Expense	2,397	3,757	3,999	3,911	4,420	4,454	4,513	NA	NA	NA	NA
Operating Income	578	853	989	1,358	1,662	1,728	1,686	NA	NA	NA	NA
EBITDA	839	1,390	1,591	1,913	2,289	2,357	2,331	2,604	3,118	755	605
Net Income	458	573	811	929	1,194	1,220	1,125	1,276	1,604	NA	NA
Normalized Diluted EPS	0.81	1.11	1.35	1.80	2.09	2.11	2.08	2.36	2.88	0.68	0.53

## Margins:

Gross Profit (%)	12.9%	13.0%	13.1%	15.3%	17.8%	18.4%	18.5%
Operating Income (%)	2.5%	2.4%	2.6%	3.9%	4.9%	5.1%	5.0%
EBITDA Margin (%)	3.7%	3.9%	4.2%	5.5%	6.7%	7.0%	6.9%
Net Income (%)	2.0%	1.6%	2.1%	2.7%	3.5%	3.6%	3.3%

## Fuel Operations (U.S. Stores):

Fuel Volume (MM Gallons)	3,896	4,276	4,612	5,119	7,260	7,331	7,401
Fuel Gross Profit	537	783	796	1,093	1,479	1,525	1,441
Fuel margin (CPG)	17.0	18.8	18.1	21.7	20.2	NA	NA
Same Store Fuel Vol in U.S. (%Chg)	0.1%	0.6%	1.7%	3.4%	6.6%	NA	NA

## Merchandise /Service (U.S. Stores):

Merchandise /Service Sales	4,134	4,549	4,822	5,311	7,367	7,419	7,462
Merchandise /Service Gross Profit	1,370	1,506	1,576	1,748	2,452	2,471	2,490
Merchandise /Service Margin (%)	33.1%	33.1%	32.7%	32.9%	33.3%	33.3%	33.4%
Same Store Merch /Serv Sale in US (%Chg)	2.7%	1.0%	3.8%	3.9%	4.6%	NA	NA

## Other Information:

Number of U.S. Stores (Co-op)	4,569	6,235	6,236	7,787	7,929	7,965	8,007
Capital Expenditures	317	537	529	635	906	949	944

## Balance Sheet

<b>Assets:</b>	
Total Current Assets	3,339
<b>LT Assets:</b>	
Net Fixed Assets	6,880
Other	3,290
Long Term Investments	97
Total LT Assets	10,267
Total Assets	13,606
<b>Liabilities:</b>	
ST Liabilities	2,720
<b>LT Liabilities:</b>	
LT Debt	3,825
Other LT	1,475
Total Liabilities	8,020
<b>Shareholder's Equity:</b>	
Paid in Capital	16
Preferred Equity & Minority	-
Retained Earnings	5,602
Comprehensive Income	(733)
Treasury Stock	-
Common Stock	701
Total Liabilities & Equity	13,606

## Credit Ratings

S&P Credit Rating	BBB
S&P Outlook	Stable

## Credit Metrics

Funded Debt / EBITDA	1.6
Lease Adjusted Leverage*	2.5
Total Debt to Capital	41%
Current Ratio	1.2

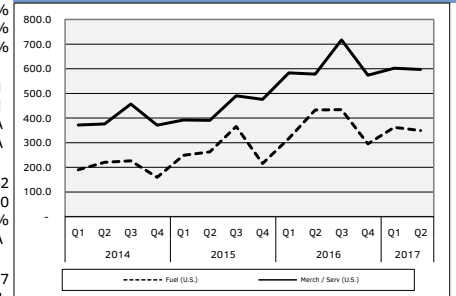
## Profitability Metrics

Return on Capital (LTM)	12.7%
Return on Common Equity (LTM)	21.9%

## Notes

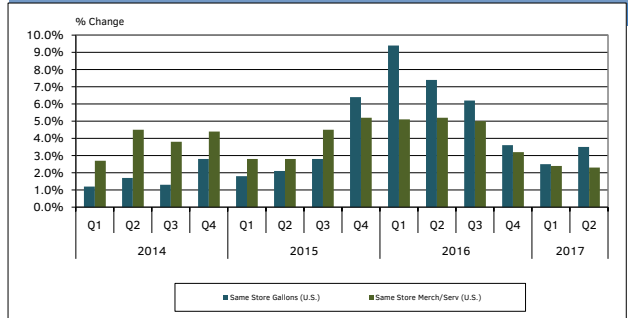
\*Calculated as follows: [(Net Rent Expense\* 8) + LT debt] / EBITDAR

## Quarterly Gross Profit (USD Millions)

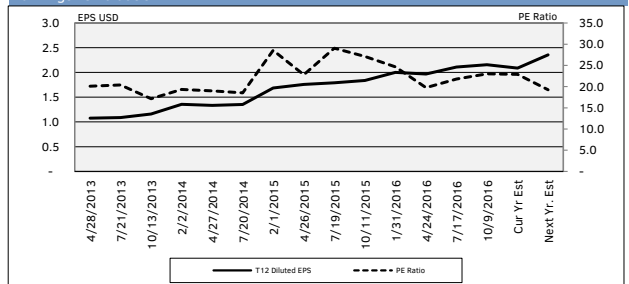


## Graphics

### Annual Same Store Sales/Volume % Change (US stores)



## Earnings vs Valuation



# Casey's General Store, Inc.

Ticker: NasdaqGS:CASY

Casey's General Stores, Inc. operates convenience stores in the Midwest. The Company's stores, operating under the name Casey's General Store, carry a selection of food, beverages, tobacco products, health and beauty aids, automotive products, and other non-food items, as well as sells gasoline.

(\$USD MM, Except per Share Data and Where Otherwise Noted)

## Valuation Analytics

Latest Fiscal Year:			
LTM as of:			
52-Week High		7/26/2016	136.22
52-Week Low		3/8/2016	98.80
Daily Volume (30 Day Average, Thousand)			532.93
Current Price		12/31/2016	118.88
52-Week High % Change			(12.7%)
52-Week Low % Change			20.3%
% 52 Week Price Range High/Low			37.9%
Shares Outstanding (MM)			39.2

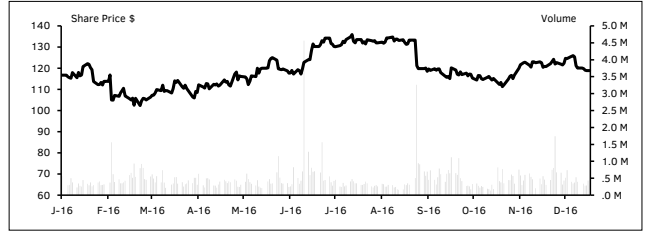
## Market Capitalization

Total Debt		4,659
Preferred Stock		930
Minority Interest		-
Cash and Equivalents		-
Enterprise Value		5,411

## Relative Stock Price Performance

YTD Change		(1.57)
YTD % Change		(1.3%)
Spider Retail Index YTD % Change		1.9%

## Share Price and Volume



## Market Data

Dividend Yield	0.81%
Beta 5Y	0.47
Float %	98.9%
Short Int. (Short Interest to Total Shares Outstanding)	6.8%
1 Yr Return on Equity	19.0%
YTD Return	(1.3%)
Relative Strength Index	40.38
S&P STARS Ranking (1 - 5)	3
S&P Quality Ranking	A+

## Valuation

	Last Fiscal	LTM	FY+1	FY+2
Enterprise Value / Revenue	0.9	0.8	0.7	0.6
Enterprise Value / EBITDA	9.7	10.0	9.6	8.4
Price / Earnings (P/E)	20.7	22.4	22.4	19.3

## Income Statement (USD Millions)

	Fiscal Year Ended					Prev LTM	Cur LTM	FY+1	FY+2	FQ+1	FQ+2
	4/30/2012	4/30/2013	4/30/2014	4/30/2015	4/30/2016	7/31/2016	10/31/2016	4/30/2017	4/30/2018	1/31/2017	4/30/2017
Sales	6,461	6,655	7,194	7,052	6,304	6,226	6,221	7,605	8,693	1,806	1,898
Gross Profit	1,000	1,071	1,222	1,440	1,614	1,652	1,653	NA	NA	NA	NA
Operating Expense	785	869	986	1,115	1,223	1,258	1,292	NA	NA	NA	NA
Operating Income	215	203	236	325	391	394	360	NA	NA	NA	NA
EBITDA	315	329	377	479	560	570	543	563	641	119	135
Net Income	115	104	127	181	226	232	210	210	243	NA	NA
Normalized Diluted EPS	3.04	2.91	3.46	4.62	5.73	5.94	5.30	5.31	6.16	0.97	1.19

## Margins:

	4/30/2012	4/30/2013	4/30/2014	4/30/2015	4/30/2016	7/31/2016	10/31/2016	4/30/2017	4/30/2018	1/31/2017	4/30/2017
Gross Profit (%)	15.5%	16.1%	17.0%	20.4%	25.6%	26.5%	26.6%	NA	NA	NA	NA
Operating Income (%)	3.3%	3.0%	3.3%	4.6%	6.2%	6.3%	5.8%	NA	NA	NA	NA
EBITDA Margin (%)	4.9%	4.9%	5.2%	6.8%	8.9%	9.1%	8.7%	NA	NA	NA	NA
Net Income (%)	1.8%	1.6%	1.8%	2.6%	3.6%	3.7%	3.4%	NA	NA	NA	NA

## Fuel Operations:

	4/30/2012	4/30/2013	4/30/2014	4/30/2015	4/30/2016	7/31/2016	10/31/2016	4/30/2017	4/30/2018	1/31/2017	4/30/2017
Fuel Volume (MM Gallons)	1,476	1,535	1,666	1,817	1,952	1,987	2,022	NA	NA	NA	NA
Fuel Gross Profit	227	233	268	351	382	398	375	NA	NA	NA	NA
Fuel margin (CPG)	15.4	15.2	16.8	19.3	19.6	NA	NA	NA	NA	NA	NA
Same Store Fuel Vol (%Chg)	(1.5%)	0.1%	3.1%	2.6%	2.6%	NA	NA	NA	NA	NA	NA

## Grocery & Other Merchandise:

	4/30/2012	4/30/2013	4/30/2014	4/30/2015	4/30/2016	7/31/2016	10/31/2016	4/30/2017	4/30/2018	1/31/2017	4/30/2017
Grocery & Other Merchandise Sales	1,365	1,419	1,583	1,795	1,974	2,014	2,042	NA	NA	NA	NA
Grocery & Other Merchandise Gross Profit	443	463	508	576	629	637	648	NA	NA	NA	NA
Grocery & Other Merchandise Margin (%)	32.5%	32.6%	32.1%	32.1%	31.9%	31.6%	31.8%	NA	NA	NA	NA
Same Store Grocery/Merch Sale (%Chg)	6.7%	0.8%	7.4%	7.8%	7.1%	NA	NA	NA	NA	NA	NA

## Other Information:

	4/30/2012	4/30/2013	4/30/2014	4/30/2015	4/30/2016	7/31/2016	10/31/2016	4/30/2017	4/30/2018	1/31/2017	4/30/2017
Number of Stores (Co-op)	1,699	1,749	1,808	1,878	1,931	1,933	1,941	NA	NA	NA	NA
Capital Expenditures	241	305	309	361	393	375	386	NA	NA	NA	NA

## Balance Sheet

Assets:	
Total Current Assets	426
<b>LT Assets:</b>	
Net Fixed Assets	2,377
Other	149
Long Term Investments	-
Total LT Assets	2,526
Total Assets	2,952
<b>Liabilities:</b>	
ST Liabilities	387
<b>LT Liabilities:</b>	
LT Debt	915
Other LT	451
Total Liabilities	1,753
<b>Shareholder's Equity:</b>	
Paid in Capital	-
Preferred Equity & Minority	-
Retained Earnings	1,116
Comprehensive Income	-
Treasury Stock	-
Common Stock	83
Total Liabilities & Equity	2,952

## Credit Ratings

S&P Credit Rating	-
S&P Outlook	-

## Credit Metrics

Funded Debt / EBITDA	1.7
Lease Adjusted Leverage*	1.7
Total Debt to Capital	44%
Current Ratio	1.1

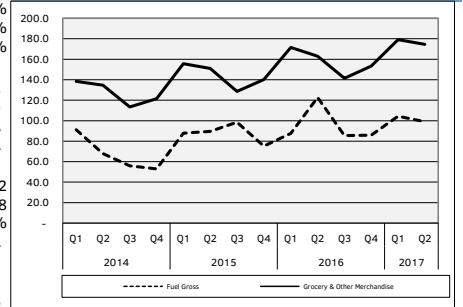
## Profitability Metrics

Return on Capital (LTM)	11.3%
Return on Common Equity (LTM)	19.0%

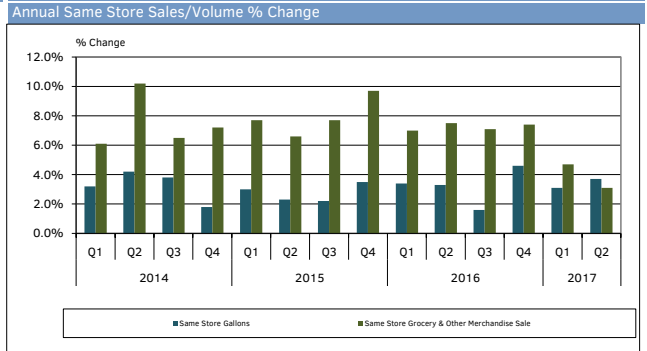
## Notes

\*Calculated as follows: [(Net Rent Expense \* 8) + LT debt] / EBITDAR

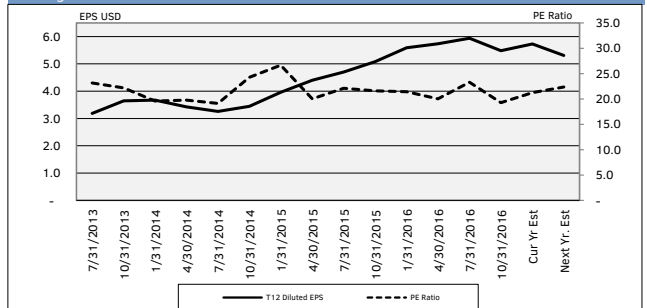
## Quarterly Gross Profit (USD Millions)



## Annual Same Store Sales/Volume % Change



## Earnings vs Valuation



# CST Brands, Inc.

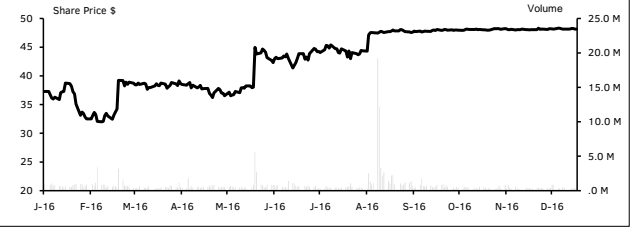
Ticker: NYSE:CST

CST Brands, Inc. operates as an independent retailer of motor fuel and convenience merchandise items in the United States and eastern Canada. The Company's retail operations include sale of motor fuel at convenience stores, commission agents, and cardlocks; food, merchandise items, and services at convenience stores; and heating oil to residential customers, as well as heating oil and motor fuel to small commercial customers  
(USD MM, Except per Share Data and Where Otherwise Noted)

## Valuation Analytics

Latest Fiscal Year:	12/31/2016
LTM as of:	12/31/2016
52-Week High	12/27/2016
52-Week Low	2/19/2016
Daily Volume (30 Day Average, Thousand)	396.9
Current Price	12/31/2016
52-Week High % Change	48.15
52-Week Low % Change	(0.6%)
% 52 Week Price Range High/Low	62.0%
Shares Outstanding (MM)	62.9%
Market Capitalization	75.7
Total Debt	3,645
Preferred Stock	1,583
Minority Interest	-
Cash and Equivalents	550
Enterprise Value	137
Enterprise Value / Revenue	5.641
Enterprise Value / EBITDA	14.5
Price / Earnings (P/E)	24.7

## Share Price and Volume



## Market Data

Dividend Yield	0.00%
Beta 5Y	1.09
Float %	98.0%
Short Int. (Short Interest to Total Shares Outstanding)	2.3%
1 Yr Return on Equity	18.3%
YTD Return	23.0%
Relative Strength Index	49.26
S&P STARS Ranking (1 - 5)	3
S&P Quality Ranking	NR

## Valuation

	Last Fiscal	LTM	FY+1	FY+2
Enterprise Value / Revenue	0.6	0.6	0.5	0.5
Enterprise Value / EBITDA	14.5	14.5	13.1	11.2
Price / Earnings (P/E)	24.7	11.0	32.2	24.9

## Income Statement (USD Millions)

	Fiscal Year Ended					Prev LTM	Cur LTM	FY+1	FY+2	FQ+1	FQ+2
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016						
Sales	11,058	10,750	10,708	9,510	9,061	8,559	9,061	10,650	11,882	2,549	2,751
Gross Profit	1,133	1,097	1,273	1,394	1,442	1,426	1,442	1,472	1,682	350	368
Operating Expense	820	853	974	1,127	1,253	1,214	1,253	NA	NA	NA	NA
Operating Income	313	244	299	267	189	212	189	NA	NA	NA	NA
EBITDA	-	366	441	432	388	420	390	429	503	82	116
Net Income	208	139	200	149	324	331	324	136	165	19	38
Normalized Diluted EPS	2.12	1.89	2.38	2.19	1.49	1.78	1.54	1.94	2.48	0.26	0.54

## Margins:

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Prev LTM	Cur LTM
Gross Profit (%)	10.2%	10.2%	11.9%	14.7%	15.9%	16.7%	15.9%
Operating Income (%)	2.8%	2.3%	2.8%	2.8%	2.1%	2.5%	2.1%
EBITDA Margin (%)	-	-	4.1%	4.5%	4.3%	4.9%	4.3%
Net Income (%)	1.9%	1.3%	1.9%	1.6%	3.6%	3.9%	3.6%

## Fuel Operations (U.S. Retail):

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Prev LTM	Cur LTM
Fuel Volume (MM Gallons)	1,843	1,915	1,890	1,826	1,953	NA	NA
Fuel Gross Profit	258	298	262	383	376	391	407
Fuel margin (CPG)	15.0	16.0	14.0	20.1	19.5	NA	NA
Same Store Fuel Vol (%Chg)	NA	NA	(3.2%)	(4.6%)	(0.9%)	NA	NA

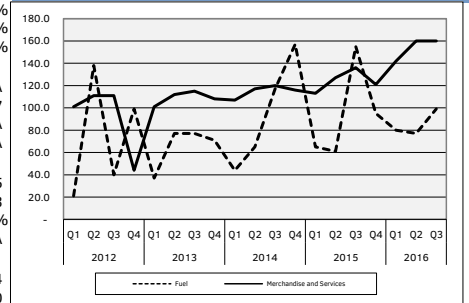
## Merchandise/Service (U.S. Retail):

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Prev LTM	Cur LTM
Merchandise/Service Sales	1,276	1,295	1,335	1,396	1,514	1,665	1,735
Merchandise/Service Gross Profit	406	367	436	460	497	559	583
Merchandise/Service Margin (%)	31.8%	28.3%	32.7%	33.0%	32.8%	33.6%	33.6%
Same Store Merch Sale (%Chg)	NA	NA	(0.7%)	1.1%	2.9%	NA	NA

## Other Information:

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Prev LTM	Cur LTM
Number of Stores (Co-op)	998	1,032	1,036	1,021	1,049	1,225	1,154
Capital Expenditures	156	200	285	352	370	384	370

## Quarterly Gross Profit (USD Millions)



## Balance Sheet

Assets:	
Total Current Assets	627
<b>LT Assets:</b>	
Net Fixed Assets	2,550
Other	1,183
Long Term Investments	-
Total LT Assets	3,733
Total Assets	4,360
<b>Liabilities:</b>	
ST Liabilities	615
<b>LT Liabilities:</b>	
LT Debt	1,427
Other LT	539
Total Liabilities	2,581
<b>Shareholder's Equity:</b>	
Paid in Capital	629
Preferred Equity & Minority	550
Retained Earnings	713
Comprehensive Income	(25)
Treasury Stock	(89)
Common Stock	1
Total Liabilities & Equity	4,360

## Credit Ratings

S&P Credit Rating	BB
S&P Outlook	NM

## Credit Metrics

Funded Debt / EBITDA	3.2
Lease Adjusted Leverage*	4.5
Total Debt to Capital	47%
Current Ratio	1.0

## Profitability Metrics

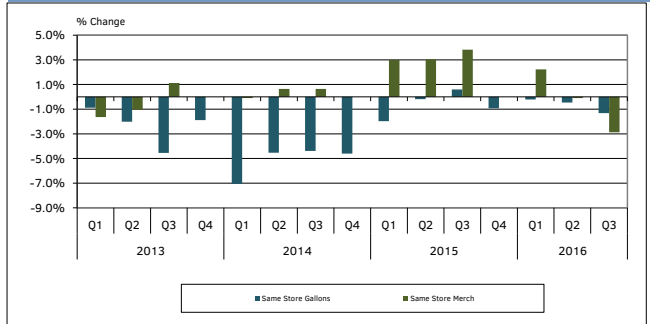
Return on Capital (LTM)	3.7%
Return on Common Equity (LTM)	30.3%

## Notes

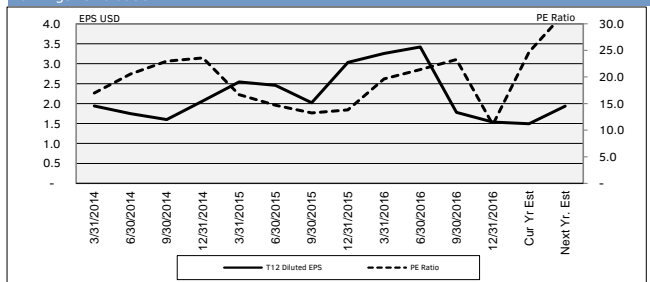
\*Calculated as follows: [(Net Rent Expense\* 8) + LT debt] / EBITDAR

## Graphics

### Annual Same Store Sales/Volume % Change



### Earnings vs Valuation



# Murphy USA, Inc.

Ticker: NYSE:MUSA

Murphy USA, Inc. operates a chain of retail stores in the United States. The Company's retail stores offer motor fuel product and convenience merchandise.

(\$USD MM, Except per Share Data and Where Otherwise Noted)

## Valuation Analytics

Latest Fiscal Year:

LTM as of:

52-Week High 8/4/2016

52-Week Low 1/26/2016

Daily Volume (Thousand)

Current Price 12/31/2016

52-Week High % Change

52-Week Low % Change

% 52 Week Price Range High/Low

Shares Outstanding (MM)

## Market Capitalization

Total Debt

Preferred Stock

Minority Interest

Cash and Equivalents

Enterprise Value

## Relative Stock Price Performance

YTD Change

YTD % Change

Spider Retail Index YTD % Change

12/31/2016

12/31/2016

80.44

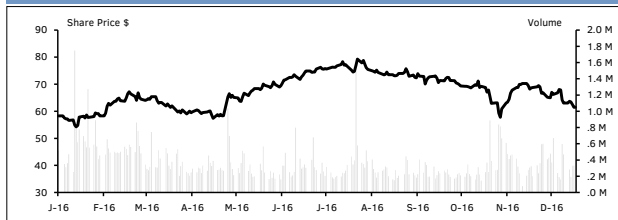
51.68

370.7

61.47

(23.6%)

## Share Price and Volume



## Market Data

Dividend Yield 0.00%

Beta 5Y 0.78

Float % 95.5%

Short Int. (Short Interest to Total Shares Outstanding) 7.1%

1 Yr Return on Equity 29.7%

YTD Return 1.2%

Relative Strength Index 33.26

S&P STARS Ranking (1 - 5) NA

S&P Quality Ranking NA

## Valuation

Enterprise Value to Revenue Last Fiscal LTM FY+1 FY+2

Enterprise Value to EBITDA 0.3 0.2 0.2 0.2

Price to Earnings (P/E) 7.3 7.3 6.6 6.3

19.6 12.0 15.1 12.6

## Income Statement (USD millions)

	Fiscal Year Ended					Prev LTM	Cur LTM	FY+1	FY+2	FQ+1	FQ+2
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016						
Sales	17,339	15,930	15,055	10,731	9,633	9,492	9,633	13,474	15,604	3,130	3,386
Gross Profit	398	466	565	472	523	501	523	1,123	1,088	238	242
Operating Expense	186	189	200	217	223	224	223	NA	NA	NA	NA
Operating Income	212	277	365	255	300	277	300	NA	NA	NA	NA
EBITDA	-	340	475	343	397	374	395	438	458	80	110
Net Income	84	235	244	176	221	244	221	182	189	28	44
Normalized Diluted EPS	-	3.27	5.11	4.05	4.08	5.13	4.07	4.88	5.43	0.73	1.23

## Margins:

Gross Profit (%) 2.3% 2.9% 3.8% 4.4% 5.4% 5.3% 5.4%

Operating Income (%) 1.2% 1.7% 2.4% 2.4% 2.9% 2.9% 3.1%

EBITDA Margin (%) - - 3.2% 3.2% 4.1% 3.9% 4.1%

Net Income (%) 0.5% 1.5% 1.6% 1.6% 2.3% 2.6% 2.3%

## Fuel Operations:

Fuel Volume (Million Gallons) 3,716 3,796 3,800 3,981 4,124 NA NA

Fuel Gross Profit 625.7 556.7 550.4 653.9 510.2 NA NA

Fuel margin (CPG) 15.6 12.9 13.0 15.8 12.5 NA NA

Avg Per Store Month Fuel Vol (%Chg) (9.4%) (0.3%) (3.1%) 0.7% (0.9%) NA NA

## Merchandise:

Merchandise Sales 2,116 2,144 2,159 2,161 2,274 NA NA

Merchandise Gross Profit 264 289 282 302 327 NA NA

Merchandise Margin (%) 12.5% 13.5% 13.1% 14.0% 14.4% NA NA

APSM Merch Sales (%Chg) 3.0% (1.1%) (2.5%) (3.7%) 0.6% NA NA

## Other Information:

Number of Stores (Co-op) 1,128 1,165 1,203 1,263 1,335 NA NA

Capital Expenditures 105 163 135 205 262 253 262

## Balance Sheet

Assets:

Total Current Assets 516

## LT Assets:

Net Fixed Assets 1,533

Other 41

Long Term Investments -

Total LT Assets 1,573

Total Assets 2,089

## Liabilities:

ST Liabilities 515

## LT Liabilities:

LT Debt 630

Other LT 247

Total Liabilities 1,392

## Shareholder's Equity:

Paid in Capital 555

Preferred Equity & Minority -

Retained Earnings 749

Comprehensive Income -

Treasury Stock (608)

Common Stock 0

Total Liabilities & Equity 2,089

## Credit Ratings

S&P Credit Rating BB+

S&P Outlook Stable

## Credit Metrics

Funded Debt / EBITDA 1.6

Lease Adjusted Leverage\* 2.0

Total Debt to Capital 49%

Current Ratio 1.0

## Profitability Metrics

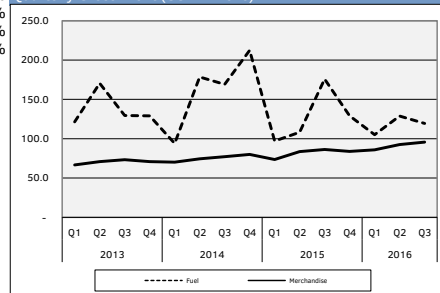
Return on Capital (LTM) 14.1%

Return on Common Equity (LTM) 29.7%

## Notes

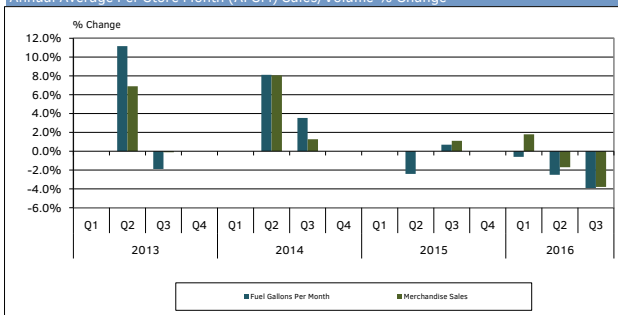
\*Calculated as follows: [(Net Rent Expense\* 8) + LT debt] / EBITDAR

## Quarterly Gross Profit (USD Millions)

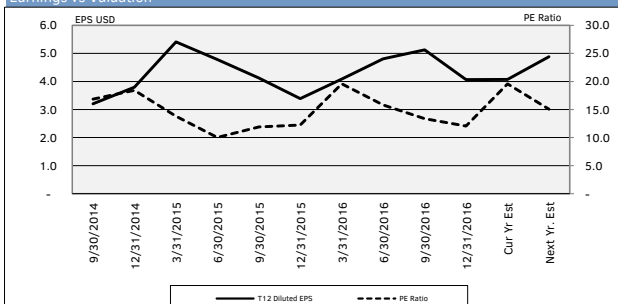


## Graphics

### Annual Average Per Store Month (APSM) Sales/Volume % Change



## Earnings vs Valuation





# TravelCenters of America LLC

Ticker: NasdaqGS:TA

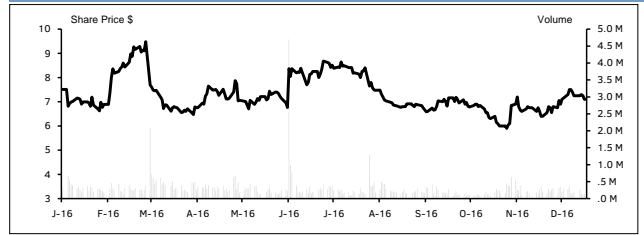
TravelCenters of America LLC operates and franchises travel center and convenience store. The Company's convenience store business, operating under the Minit Mart brand, offers gasoline, packages food and snack items, non-prescription drug and beauty supplies, tobacco products and video products. The Company also provides roadside truck service program for truck and trailer repair services.

(\$USD MM, Except per Share Data and Where Otherwise Noted)

## Valuation Analytics

Latest Fiscal Year:	12/31/2016
LTM as of:	12/31/2016
52-Week High	3/11/2016
52-Week Low	11/8/2016
Daily Volume (Thousand)	231.9
Current Price	7.10
52-Week High % Change	(25.9%)
52-Week Low % Change	25.7%
% 52 Week Price Range High/Low	69.6%
Shares Outstanding (MM)	38.9
Market Capitalization	276
Total Debt	340
Preferred Stock	-
Minority Interest	1
Cash and Equivalents	61
Enterprise Value	556
Relative Stock Price Performance	(2.30)
YTD Change	(24.5%)
YTD % Change	1.9%
Spider Retail Index YTD % Change	

## Share Price and Volume



## Market Data

Dividend Yield	0.00%
Beta 5Y	2.65
Float %	91.8%
Short Int. (Short Interest to Total Shares Outstanding)	2.0%
1 Yr Return on Equity	(0.3%)
YTD Return	(24.5%)
Relative Strength Index	52.80
S&P STARS Ranking (1 - 5)	NA
S&P Quality Ranking	B-
Valuation	
Enterprise Value to Revenue	0.1
Enterprise Value to EBITDA	4.7
Price to Earnings (P/E)	9.8
LTM	0.1
FY+1	0.1
FY+2	3.8
FQ+1	213.1
FQ+2	14.4

## Income Statement (USD millions)

	Fiscal Year Ended					Prev LTM	Cur LTM	FY+1	FY+2	FQ+1	FQ+2
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016						
Sales	7,996	7,945	7,779	5,851	5,511	5,851	5,511	6,241	6,503	1,465	1,581
Gross Profit	387	397	503	504	516	504	516	NA	NA	NA	NA
Operating Expense	346	366	390	426	494	426	494	NA	NA	NA	NA
Operating Income	42	31	114	78	22	78	22	NA	NA	NA	NA
EBITDA	93	80	179	150	118	114	118	147	173	19	44
Net Income	32	32	61	28	(2)	28	(2)	19	34	(6)	10
Normalized Diluted EPS	1.15	0.54	1.64	0.97	0.03	1.00	0.08	0.49	0.80	(0.16)	0.24

## Margins:

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Prev LTM	Cur LTM	FY+1	FY+2
Gross Profit (%)	4.8%	5.0%	6.5%	8.6%	9.4%	8.6%	9.4%	1.3%	0.4%
Operating Income (%)	0.5%	0.4%	1.5%	1.3%	0.4%	1.3%	0.4%	1.9%	2.1%
EBITDA Margin (%)	1.2%	1.0%	2.3%	2.6%	2.1%	1.9%	2.1%	0.5%	0.0%
Net Income (%)	0.4%	0.4%	0.8%	0.5%	0.0%	0.5%	0.0%	0.0%	0.0%

## Fuel Operations:

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Prev LTM	Cur LTM	FY+1	FY+2
Fuel Volume (MM)	2,087	2,040	2,035	2,025	2,130	2,025	NA	NA	NA
Fuel Gross Profit	301	326	342	429	414	429	NA	NA	NA
Fuel margin (CPG)	15.0	16.7	17.2	19.8	20.5	19.8	NA	NA	NA
Same Store Fuel Vol. (%Chg)	0.0%	(4.2%)	(3.1%)	(4.3%)	0.7%	(4.3%)	NA	NA	NA

## Merchandise:

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Prev LTM	Cur LTM	FY+1	FY+2
Merchandise Sales	1,271	1,345	1,451	1,617	1,783	1,617	NA	NA	NA
Merchandise Gross Profit	723	745	798	878	963	878	NA	NA	NA
Merchandise Margin (%)	56.9%	55.4%	55.0%	54.3%	54.0%	54.3%	NA	NA	NA
Same Store Merch Sale (%Chg)	8.4%	3.2%	2.7%	4.1%	5.4%	4.1%	5.4%	NA	NA

## Other Information:

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Prev LTM	Cur LTM
Number of Stores (Co-op)	196	210	251	254	426	254	232
Capital Expenditures	189	164	170	295	330	295	330

## Balance Sheet

Assets:	
Total Current Assets	402
LT Assets:	
Net Fixed Assets	1,082
Other	130
Long Term Investments	46
Total LT Assets	1,258
Total Assets	1,660

## Liabilities:

Liabilities:	
ST Liabilities	330
LT Liabilities:	
LT Debt	319
Other LT	458
Total Liabilities	1,107

## Shareholder's Equity:

Paid in Capital	-
Preferred Equity & Minority	1
Retained Earnings	(135)
Comprehensive Income	0
Treasury Stock	-
Common Stock	686
Total Liabilities & Equity	1,660

## Credit Ratings

S&P Credit Rating	NR
S&P Outlook	NR

## Credit Metrics

Funded Debt / EBITDA	2.8
Lease Adjusted Leverage*	6.4
Total Debt to Capital	38%
Current Ratio	1.2

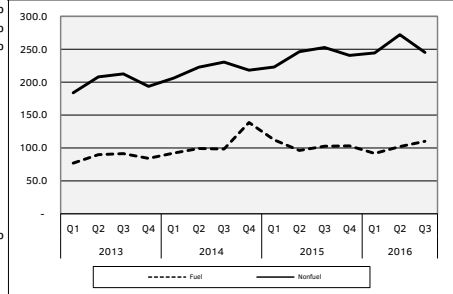
## Profitability Metrics

Return on Capital (LTM)	1.5%
Return on Common Equity (LTM)	(0.3%)

## Notes

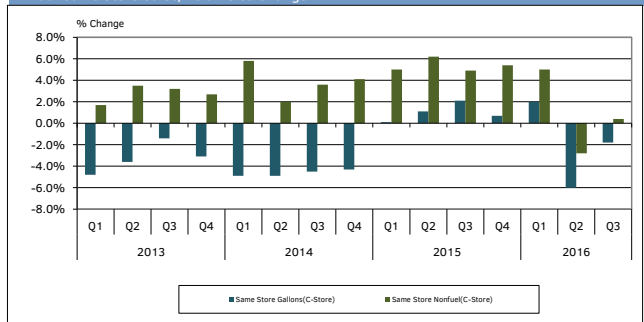
\*Calculated as follows: [(Net Rent Expense\* 8) + LT debt] / EBITDAR

## Quarterly Gross Profit (USD Millions)

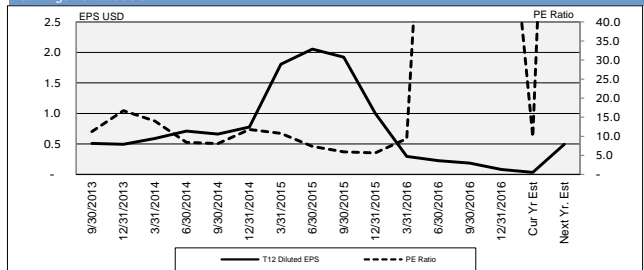


## Graphics

### Annual Same Store Sales/Volume % Change



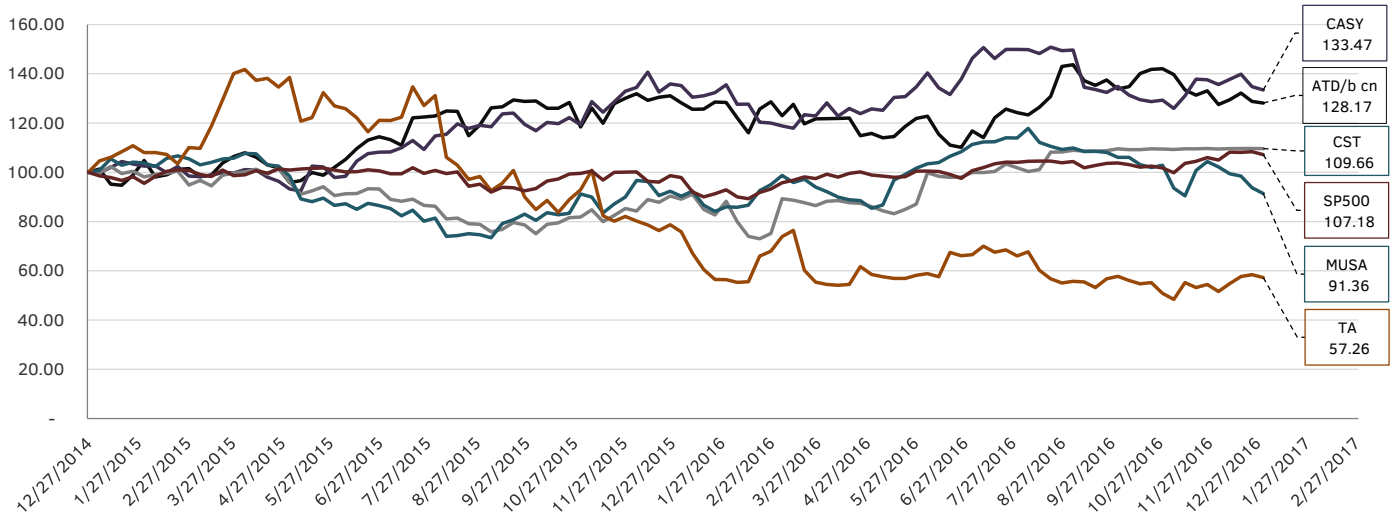
### Earnings vs Valuation





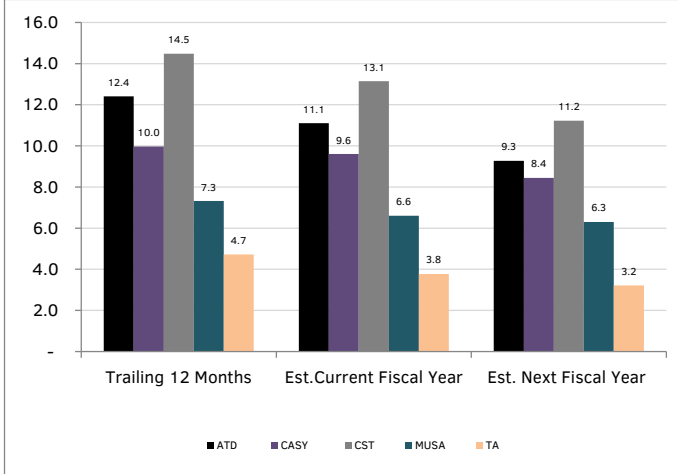
# Comparison Graphics: Convenience Retailing

## Historical Relative Performance

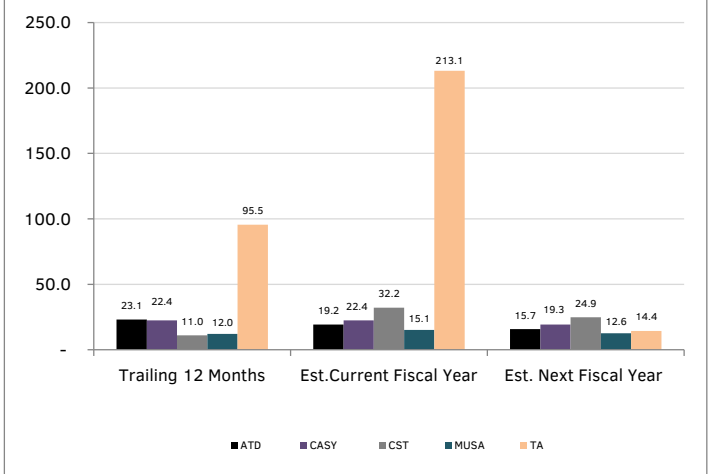


Index, 100 = December 27, 2014

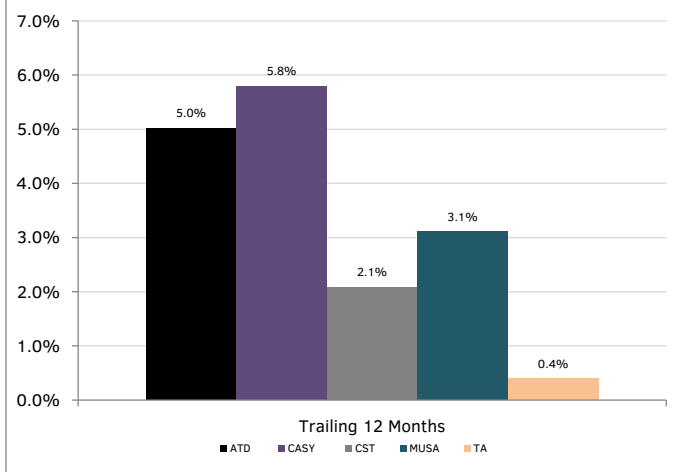
## EV / Corp. EBITDA



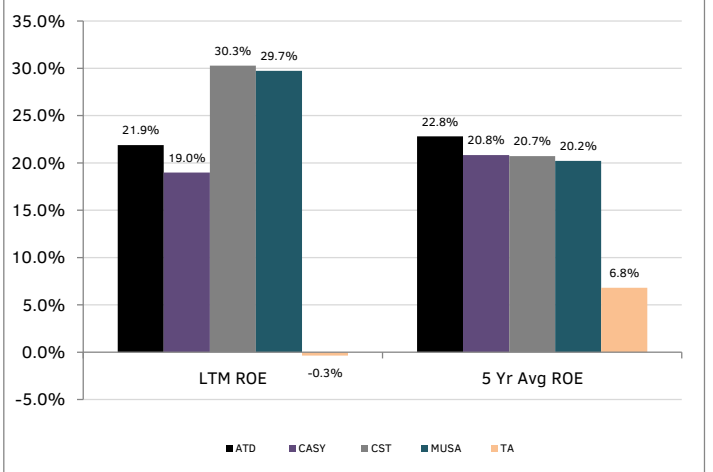
## Price / Earnings Ratio



## LTM Operating Margin (%)



## Return on Avg Common Equity



# Private Transactions

## Private Transaction Valuation Metrics

	Fee Owed Real Estate	
	Low	High
<b>Corporate EBITDA Multiple</b>	5.0	10.0
<b>Store Level EBITDA Multiple</b>	4.0	8.0

The above capital market multiples were derived by Trefethen Advisors, LLC based on an analysis of private transactions involving the sale of petroleum retailing/convenience store companies and/or specific assets, from interviews with active buyers and sellers and from analysis of publicly available information relating to the industry. All transactions were analyzed using a consistent methodology. The multiples above reflect a composite of transactions, interviews and other publicly available information and do not reflect the multiple for any individual transaction. The above multiples do not reflect transactions involving individual assets which may be significantly higher (or lower) for certain types of assets. For leasehold, the above multiples would generally be lower.

It is important that the methodology utilized to derive the multiples be understood. The multiples reflect the gross purchase price (cash plus any liabilities assumed before transaction costs) divided by various measures of EBITDA (earnings before interest, taxes, depreciation, and amortization) for the most recent; 12-month period prior to the transaction adjusted for non-recurring and extraordinary items. Corporate EBITDA reflects EBITDA after all corporate G&A expenses. Store level EBITDA reflects EBITDA before G&A expenses and approximates store level EBITDA. G&A generally includes all corporate expenses not directly incurred at the store level such as area managers, corporate staff, home office expenses, advertising/marketing, etc.

## Announced Transactions

Date	Buyer	Seller	Purchase Price(MM)	Units	Location	Comments
Dec-16	Northeast Petro Holdir	First Coast Energy LP	\$14.4	13	FL	
Dec-16	Fred's Inc.	Walgreens & Rite Aid	\$950.0	865	Various	Sale of 865 pharmacy locations to satisfy antitrust concerns
Nov-16	Institutional real-estate investor	CrossAmerica Partners LP	\$29.0	20	IL	Sale-leaseback
Nov-16	Petro Serve USA	Valley Dairy		9	MN	Local chain of nine c-stores, two with fuel and four car washes
Nov-16	Sunoco Logistics Partners LP	Energy Transfer Partners LP			Various	Merger transaction
Nov-16	Tesoro Corp.	Western Refining	\$6,400.0			The combined retail operations will include more than 3,000 gas stations operating under 12 retail and c-store brands
Nov-16	Parkland Fuel Corp.	7-Eleven		3	WY	Include two truckstops and one gas station
Nov-16	Island Energy Services LLC	Chevron USA Inc.			HI	Chevron's refining, distribution and retail assets in Hawaii
Nov-16	Mega Co-Op	Dan and Phyllis Acker		5	WI	Five Travel Stop locations
Oct-16	Nouria Energy Corp.	F.L. Roberts & Co. Inc.		26	MA, CT	Include 22 Golden Nozzle car washes

# Earnings Announcements

**Alimentation Couche-Tard, Inc. (ATD)** reported on November 22, 2016 the results for the second quarter of fiscal 2017. Annual same-store merchandise revenue grew in all markets: 2.3% in the U.S., 3.4% in Europe and 1.2% in Canada. They announced an agreement with Parkland Fuel Corporation pursuant to sell certain Canadian assets of CST to Parkland after the merger with CST for approximately \$750 million. Highlights include:

Income: Net earnings totaled \$324.0 million in the second quarter of 2017, down 22.1% over second quarter of 2016 due to a lower road transportation fuel average selling price and lower fuel gross margin.

EBITDA: EBITDA decreased by 10.4% compared with the same quarter last year, reaching \$622.1 million for second quarter.

Merchandise & Service: During the second quarter of 2017, merchandise and service gross margin increased by 0.2% in the U.S, an increase of 0.7% in Europe and an increase of 0.7% in Canada.

Fuel: For the second quarter of 2017, U.S and Europe same-store road transportation fuel volumes grew 3.5% and 0.1%, respectively. In Canada same-store road transportation fuel volumes decreased slightly 0.8%. Fuel gross margin were \$0.199 per gallon in the U.S., \$0.091 per liter in Europe and of C\$0.0675 per liter in Canada.

**Casey's General Stores, Inc. (CASY)** reported on December 7, 2016 the results for the second quarter of fiscal 2017. Highlights include:

Income: Net income declined to \$57.2 million, down from \$79.0 million the same quarter last year.

Merchandise & Service: For the second quarter, grocery same-store sales were up 3.1% with an average margin of 32.0%.

Prepared Foods & Fountain: For the second quarter, same-store sales were up 5.1% with an average margin of 62.9%. Casey's implemented on-line ordering in all stores and continue to roll out major remodels, 24-hour conversions, and pizza delivery.

Fuel: For the quarter, same-store gallons sold were up 3.7% with an average margin of 19.5 cents per gallon, compared to a 18.6 cent margin in the same quarter a year ago. The Company sold 17.8 million RINs for \$15.9 million during the quarter.

**CST Brands, Inc. (CST)** reported on November 8, 2016 the third quarter 2016 results. Highlights include:

Income: Third quarter net income was \$256 million, up from \$90 million the prior year. The increase primarily relates to the sale of California and Wyoming convenience store operations during the quarter.

EBITDA: EBITDA was \$120 million for the quarter compared to \$181 million for the prior year.

Merchandise & Service: U.S. Merchandise and Services Gross Profit growth of 18.5% year-over-year was driven by 17.3% sales growth. Same Store Merchandise and Services declined 2.9% in the U.S. and increased 3.0% in Canada (excluding foreign currency impact).

Fuel: Gross Profit on U.S. fuel sales declined to \$95 million from \$150 million in the same quarter of 2015, driven by an overall unfavorable margin environment and lower average fuel selling price.

# Earnings Announcements (Cont')

**Murphy USA, Inc. (MUSA)** reported on November 3, 2016 the third quarter 2016 results. Highlights include:

Income: Net income was \$45.5 million in Q3 2016, compared \$60.5 million last year. The lower income was caused by lower retail and wholesale fuel prices in 2016.

EBITDA: Adjusted EBITDA declined to \$105.3 million in the third quarter, down from \$128.5 million the prior year, due to lower retail fuel margin per gallon and slightly higher total operating expenses.

Merchandise & Service: Total merchandise sales increased 1.3% to \$599.0 million in 2016 from \$591.6 million in 2015 despite a decrease in non-tobacco sales of 2.4% average per store month (APSM) combined with a decrease in tobacco products revenue of 4.3% APSM. Merchandise margins were higher at 16.0% for the current period due primarily to higher cigarette margins due to price increases in certain jurisdictions.

Fuel: Total fuel sales volumes per station were down 3.9% to 268,259 gallons per store month in the 2016 period from 279,086 gallons per store month in 2015. This decline continues to reflect the impact from a higher mix of Midwest locations that historically perform below the chain average. Retail fuel margin declined 24.3% in the 2016 quarter to 13.7 cpg, compared to 18.1 cpg in the prior year quarter. Retail fuel margins were pressured by flat to rising wholesale prices compared to a large decline in the 2015 quarter.

**TravelCenters of America LLC (TA)** reported on November 8, 2016 the results for the third quarter 2016. Highlights include:

Income: Net income for the third quarter was \$10.9 million, compared to \$9.8 million for the 2015 third quarter. The change in net income is primarily due to the decrease of wholesale price of fuel.

EBITDA: EBITDA for the 2016 third quarter was \$45.8 million, a increase of \$6.9 million, or 17.7%, compared to the 2015 third quarter EBITDA of \$38.9 million primarily due to the increase in depreciation and amortization expense.

Nonfuel: Nonfuel revenue was up 10.7% to \$525.5 million, up from \$474.6 million, with gross margin on nonfuel sales increasing slightly from 53.2% to 53.3%.

Fuel: Fuel sales volume increased 17.1 million gallons, or 3.1%, in the 2016 third quarter to 567.4 million gallons compared to the 2015 third quarter of 550.3 million gallons. Fuel revenue declined by \$83.6 million, or 8.1%, due to significantly lower market prices for fuel compared to the 2015 quarter.

## Other M&A News

**Northeast Petro Holdings** announced December 28, 2016 that it has acquired 13 convenience stores from First Coast Energy LLP, which will retain gasoline distribution rights to the 13 sites.

**Fred's Inc.** announced December 20, 2016 that it has signed an agreement with Walgreens Boots Alliance Inc. and Rite Aid Corp. to purchase 865 stores and other assets in the eastern and western United States for \$950 million in cash. The companies are entering into the deal with Fred's to respond to Federal Trade Commission (FTC) concerns in its review of the proposed acquisition of Rite Aid by Walgreens announced in October 2015.

**Casey's General Stores Inc.** announced December 15, 2016 that it has acquired five Guppy's from Fauser Energy Resources as it is exiting the retail sector.

**CrossAmerica Partners LP** announced November 30, 2016 that it has entered into an agreement with a leading institutional real-estate investor for the sale of leaseback of 20 properties acquired as part of the State Oil acquisition for net proceeds for approximately \$29 million.

**Petro Serve USA** announced November 29, 2016 that it will acquire Valley Dairy, a local chain of nine convenience stores, two with fuel, and four car washes in Grand Forks, N.D., and East Grand Forks, Minn.

**Sunoco Logistics Partners LP** announced November 21, 2016 that it has entered a merger agreement providing for the acquisition of Energy Transfer Partners LP by Sunoco Logistics in a unit-for-unit transaction.

**Tesoro Corp.** announced November 17, 2016, a definitive agreement under which Tesoro will acquire Western Refining for \$37.30 per share in a stock transaction valued at \$4.1 billion.

**Parkland Fuel Corp.** announced November 8, 2016 that it will purchase three gas stations and convenience stores in Wyoming from 7-Eleven Inc.

**Island Energy Services LLC** announced November 4, 2016 that they has completed its acquisition of Chevron USA Inc.'s refining, distribution and retail assets in Hawaii.

**Mega Co-Op** announced November 2, 2016 that it has entered into a definitive agreement to purchase five Travel Stop locations from Dan and Phyllis Acker.

**Supervalu Inc.** announced October 17, 2016 that it has entered into a definitive agreement with private-equity firm Onex Corp. for Onex to acquire Supervalu's Save-A-Lot hard-discount, limited-assortment grocery-store business for \$1.3565 billion in cash.

**7-Eleven Inc.** announced October 6, 2016 that it will add 1,100 location through its fiscal 2019.

# Capital Markets

	Senior Term Debt	Senior Asset Based Debt	Mortgage Financing	High Yield	Mezzanine / Subordinated Debt	Private Equity	Sale Lease-Back
Issuers / Providers	Reduced base of traditional lenders including national, super-regional, regional and local banks	Bank and non-bank lenders (e.g. captive subs. of large commercial banks, stand-alone finance companies, and finance arms of large diversified corporations)	Bank and non-bank lenders (e.g. captive subs. of large commercial banks, stand-alone finance companies, and finance arms of large diversified corporations)	Institutional investors	Private investment funds / hedge funds, captive subsidiaries of large commercial banks and stand-alone finance companies	Private equity / hedge funds and captive subsidiaries of large commercial banks	Individual retail investors, private real estate companies, REIT's, developers and private equity / hedge funds
General Structure / Issue Size	Revolver and/or funded term loan. Issue size may determine need for syndication on a best efforts or underwritten basis	Revolver - generally	Term loan	Non-amortizing; bullet maturity. Suggested minimum transaction size of \$125.0 to \$150.0 million. Absolute minimum EBITDA of \$30 million	Amortizing term loan \$5 to \$50 million	Issue size generally \$20.0 to \$200.0 million	From a single asset to a total issue size up to \$300 million
Cost of Capital	Libor + 150-350 bps	Libor + 225-375 bps	Fixed: Swaps + approx. 175-300 bps. Variable: Libor + approx. 175-300 bps.	2.69%-9.86% depends on ratio	Generally pricing in the teens. May include warrants	20%-30%	5.5% to 10.5% depending on asset quality, escalation provisions, unit economics and tenant credit
Interest Type	Fixed to swaps and variable	Variable	Long-term fixed rate financing (can be variable)	Fixed	Fixed / Variable. May include PIK component	May include preferred dividends - cash or PIK	Fixed - with periodic escalations
Advance Rate	Capacity limited by leverage. Availability up to 6.0x lease adjusted leverage	Capacity limited by asset coverage. Typically <70% of A/R and inventory balances	60% to 65% loan to real estate value	Generally up to 5X firm cash flow	Generally up to 5X firm cash flow depending on nature of assets (fee RE vs leased RE)	Investors will typically desire aggressive levels of leverage in order to maximize return on investment	100% of real estate value
Term / Amortization	Term of 5 years. Amortization up to 20 years	1 to 3 years - generally. Interest only.	5-10 years term 20-30 years amortization	Generally 7 to 10 years. Non-amortizing; bullet maturity	Term is generally less than 7 years. Amortization varies	Generally 3 to 5 years	Primary term 15 to 20 years plus multiple tenant option terms
Collateral / Security	Senior lien on all long-term assets. Personal guaranties most likely required for smaller companies	A/R, inventory and other available assets	Specific real estate assets	Senior, senior-subordinated or subordinated lien on specific or all long-term assets	First or second lien on all assets. Personal guaranties may be required for smaller companies	Warrants / shares with put rights and other substantial minority protections. May have outright control	Lessor owns assets
Typical Covenants	Numerous balance sheet and income statement covenants	Numerous balance sheet and income statement covenants	Minimum balance sheet covenants. Moderate income statement coverage types of covenants	Numerous balance sheet and income statement covenants but generally less restrictive than bank covenants	Moderate balance sheet and income statement covenants (subject to senior lender requirements). May contain control provisions	Control provisions / board representations	Minimal covenants
Call Protection	Yield maintenance for fixed little or no premium for floating rate	Pre-payable with little or no call premiums	Yield maintenance for fixed little or no premium for floating rate	Non-callable for 3/4 years; thereafter at set premiums	Non-callable / make-whole payments	N/A	N/A
Other General Advantages / Disadvantages	No public disclosure of financial performance	No public disclosure of financial performance	No public disclosure of financial performance	Least restrictive covenant package. S&P and Moody's rating required. Public disclosure requirements / Sarbanes Oxley	No public disclosure of financial performance. Premium pricing to public bond	Negotiable control and governance issues. No public disclosure of financial performance	Minimal covenants, higher advance rates and ability to control the property for up to 50 years through options
Other General Comments	Select lenders are getting more active in the industry. Underwriting is conservative, but there is debt available	The Asset Based Lending market is driven by current economic conditions, contraction in the traditional bank market and a renewed focus on structure and collateral by issuers	May be expensive to pre-pay	The high yield market may entertain lower rated issuers as investors may be willing to take on greater risk in the search for yield	Credit requirements include a strong, sustainable cash flow, growth potential in revenue and cash flow, strong asset base and experienced management teams with ownership position	May be useful for growth capital / acquisitions / large project financing. Requirements would include current or near term profitability, strong management team	Market is gaining some liquidity resulting in compressed cap rates

## Featured Article: How C-Stores Can Capitalize on RINs

The creation of Renewable Identification Numbers (RINs) through the Energy Policy Act of 2005 was meant to improve the environment, however, like many government programs has been highly controversial and systematically flawed. Refiners, Ethanol producers, and convenience store operators all voiced their views on how to fix the system. Carl Icahn, owner of CVR Energy, successfully lobbied President-elect Donald J. Trump to weigh in on the debate in favor of the refiner's point-of-view, further raising political pressure. The outcome of this debate remains unknown, however, as long as a trading market to buy and sell RIN certificates exists, hedging strategies and money-making opportunities will remain.

The introduction of RINs caused dramatic market changes throughout the midstream and downstream markets. Ethanol producers built blending divisions to mix E15 and E85 fuels and sell excess RINs for a profit to refineries. Large refiners built blending operations to reduce the impact of trading market uncertainties. Big convenience store operators created blending operations and then sell their RIN certificates to refineries. Big c-stores operators initially implemented these changes to reduce uncertainty and control their costs, but quickly realized the competitive advantage this offered over smaller operators.

Meanwhile, large financial institutions on Wall Street organized trading desks to facilitate the exchange of RIN credits, with a built-in profit margin. Once large financial institutions get involved and the first signs of RIN certificate price volatility ensues, speculation regarding potential financial misdeeds runs rampant.

So what does all this mean to the small c-store operator without a blending business? It comes down to three options: 1) business as usual with the incremental business risk that larger c-store competitors may be subsidizing their fuel prices through RIN certificate sales; 2) hedging business risk by purchasing call options on RIN certificates from Wall Street; or 3) invest in a blending business where the RIN certificates are sold back to the refineries, thus controlling costs and potentially subsidizing your fuel expenditures.

Regardless of the lobbying efforts to change the structure of the program, opportunities will remain to hedge and/or make money through RIN certificate trading. The system may be tweaked, but operators and financial institutions will closely scrutinize any new regulations and find loopholes that can be exploited for financial gain. As an informed operator, you should invest the time and effort to understand the system and select how best to protect your livelihood.

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## About Trefethen Advisors, LLC

Trefethen Advisors, LLC is an independent financial and strategic advisory firm, serving leading middle-market public and private corporations, family offices, institutional investors, operating executives and individual business owners. Our hands-on senior partners have negotiated, structured, and completed more than \$8 billion in transactions. Trefethen's sector-focused model enables us to provide our clients with a complete perspective of the micro and macro economic trends affecting their industry and business, and influencing their complex strategic decisions.

Trefethen's collaborative approach consists of developing and executing value-maximizing strategies that are aligned with our clients' objectives. We offer a full range of financial and strategic advisory services (e.g., M&A; Corporate Finance; Real Estate Finance; Financial Restructuring; ESOP Buyouts), and skilled transaction execution capabilities. Our principals have significant experience in convenience store and have extensive relationships with industry and capital markets participants. Our focus on value-added research provides our clients with insight on industry specific and macro issues affecting their business.

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# Maximizing Value for Clients

M&A – Buy Side \$830 million



**ConocoPhillips**

The bankers of Trefethen Advisors acted as a financial advisor to Couche-Tard, Inc. in the acquisition of 1,663 retail assets of Circle K Stores from ConocoPhillips

M&A – Buy Side 130 Retail Assets



The bankers of Trefethen Advisors acted as a financial advisor to Fortress Investment Group in the acquisition of 130 retail sites from United Oil Co.

M&A – Buy Side 44 Stores



The bankers of Trefethen Advisors acted as a financial advisor to Southwest Georgia Oil Co. in the acquisition of 44 stores from Scaff's, Inc.

M&A – Sell Side Undisclosed



The bankers of Trefethen Advisors acted as a financial advisor to Garvin Oil Company, Inc. d/b/a Kent's Korner in the sale of 15 retail assets to Couche-Tard

M&A Sell Side Undisclosed



The bankers of Trefethen Advisors acted as a financial advisor to Valentine Stores on its sale to a subsidiary of Sunoco LP

M&A – Sell Side 251 Retail Assets



The bankers of Trefethen Advisors acted as a financial advisor to Pacific Convenience and Fuels, LLC. in the sale of 251 retail assets to United Oil

Corporate Finance \$372 million



The bankers of Trefethen Advisors acted as a financial advisor to Pacific Convenience and Fuels, LLC. in the recapitalization of the senior debt of the company

M&A – Sell Side 46 Retail Assets

CB Mart,



The bankers of Trefethen Advisors acted as a financial advisor to CB Mart, Inc. in the sale of 46 retail assets to 7-Eleven

M&A – Sell Side 55 Retail Assets



The bankers of Trefethen Advisors acted as a financial advisor to Sam's Mart, LLC. in the sale of 55 retail assets to 7-Eleven

## Contact Trefethen Advisors

For questions about Trefethen Advisors, its businesses and opportunities  
Visit our website [www.trefethenib.com](http://www.trefethenib.com)

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