Financing and Merger & Acquisition Activity in Today's Dynamic Market

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NRC REALTY & CAPITAL ADVISORS

Southeast Petro-Food Marketing Exposition
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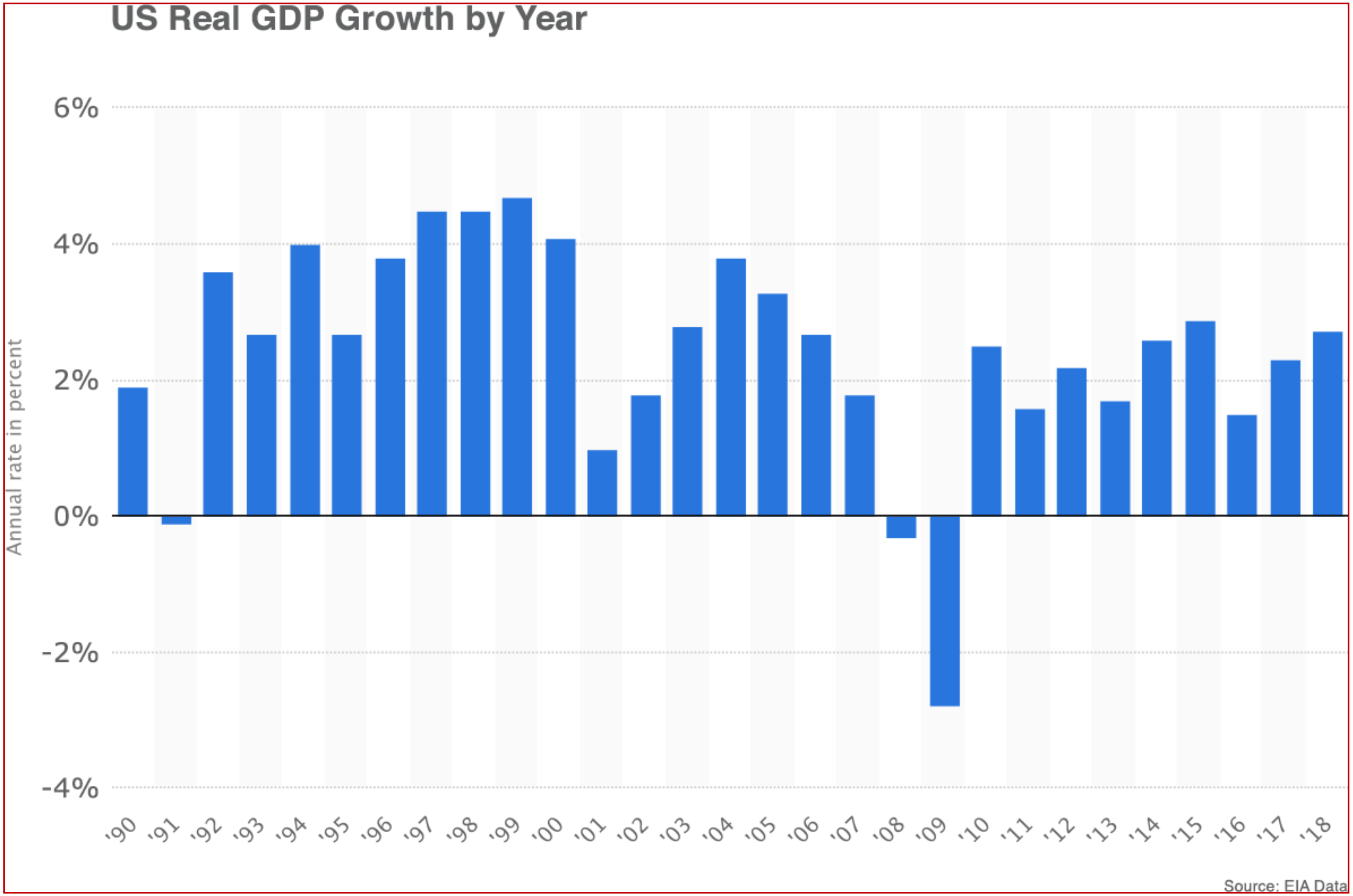
US Real GDP Growth by Year
6%
4%
2%
0%
-2%
-4%
Annual rate in percent
'90
'91
'92
'93
'94
'95
'96
'97
'98
'99
'00
'01
'02
'03
'04
'05
'06
'07
'08
'09
'10
'11
'12
'13
'14
'15
'16
'17
'18
Source: EIA Data

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- Recovery in tenth year – record
- Trump tax breaks wearing off, but have helped increase purchase price multiples
- Unemployment at record lows, yet shortages in skilled workers
- Domestic and international political and economic uncertainties affecting both consumers and businesses

- ❑ Key benchmark determining lending rates for acquisitions activity
- ❑ Rate is currently 2.65%
- ❑ Low historically, but many variables

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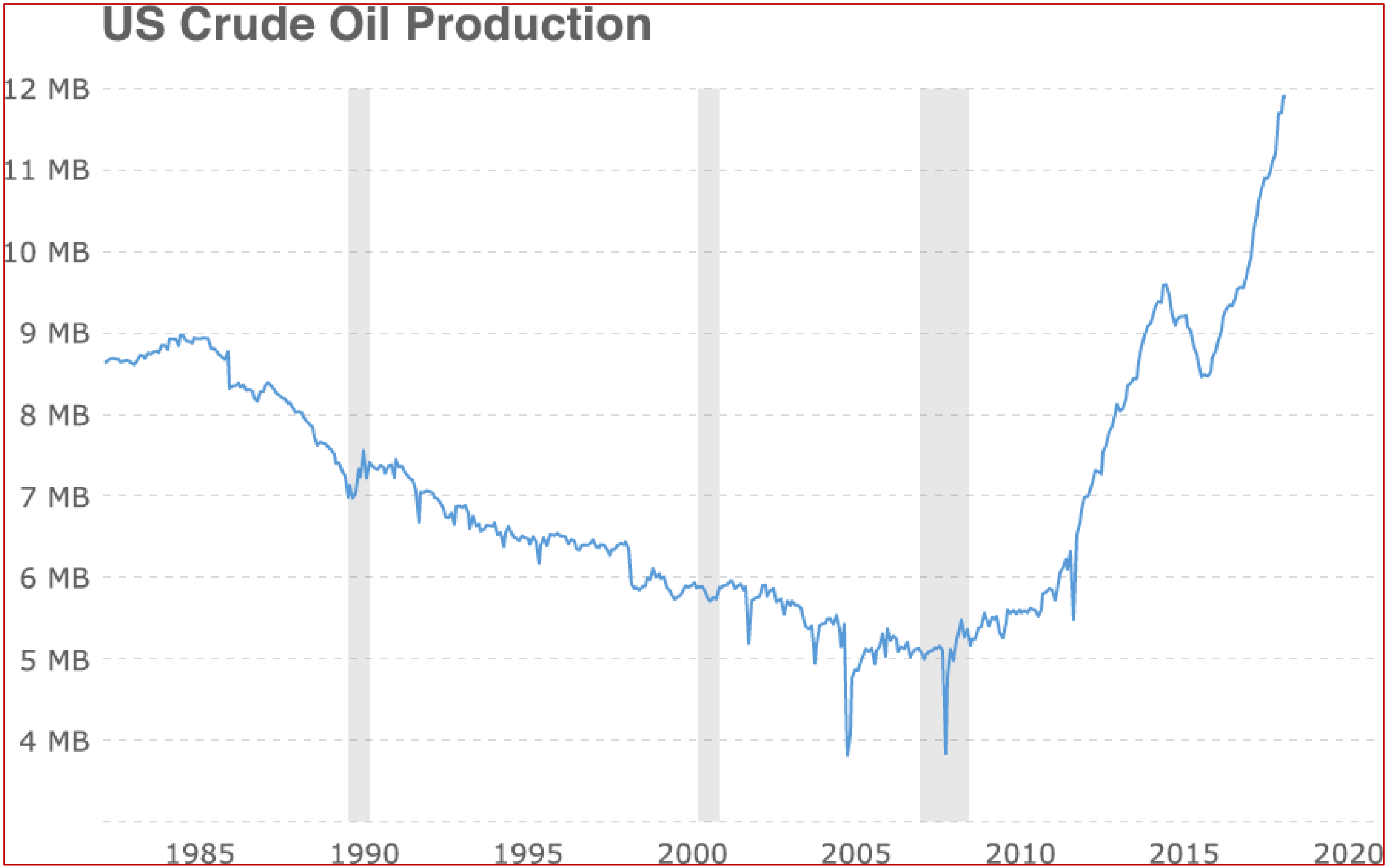



WTI Crude Oil Price
140
120
100
80
60
40
20
0
Dollars per Barrel
'88
'90
'92
'94
'96
'98
'00
'02
'04
'06
'08
'10
'12
'14
'16
'18
Source: St. Louis Federal Reserve Bank

OIL PRICE ENVIRONMENT (CONT.)

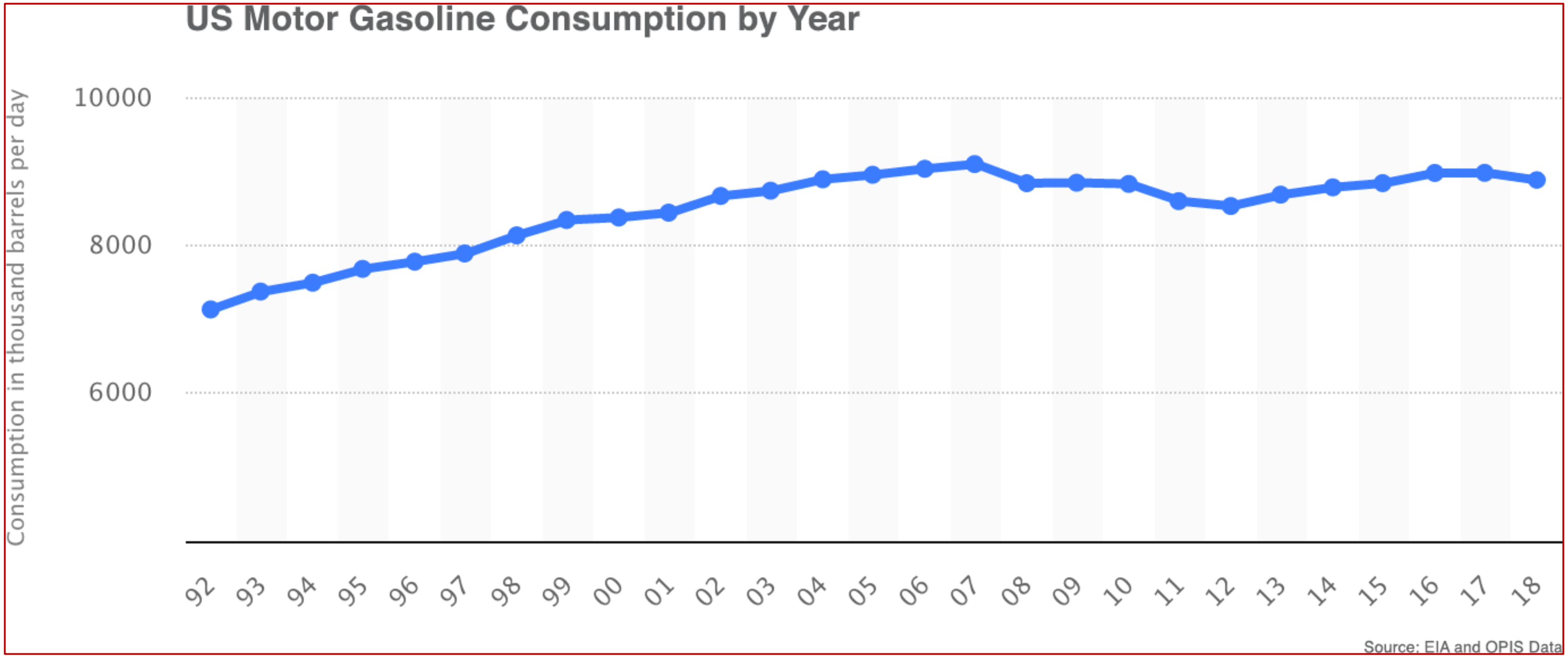
- Greatly reduced dependence on foreign oil

- Affects US refiners and retailers' gross margins

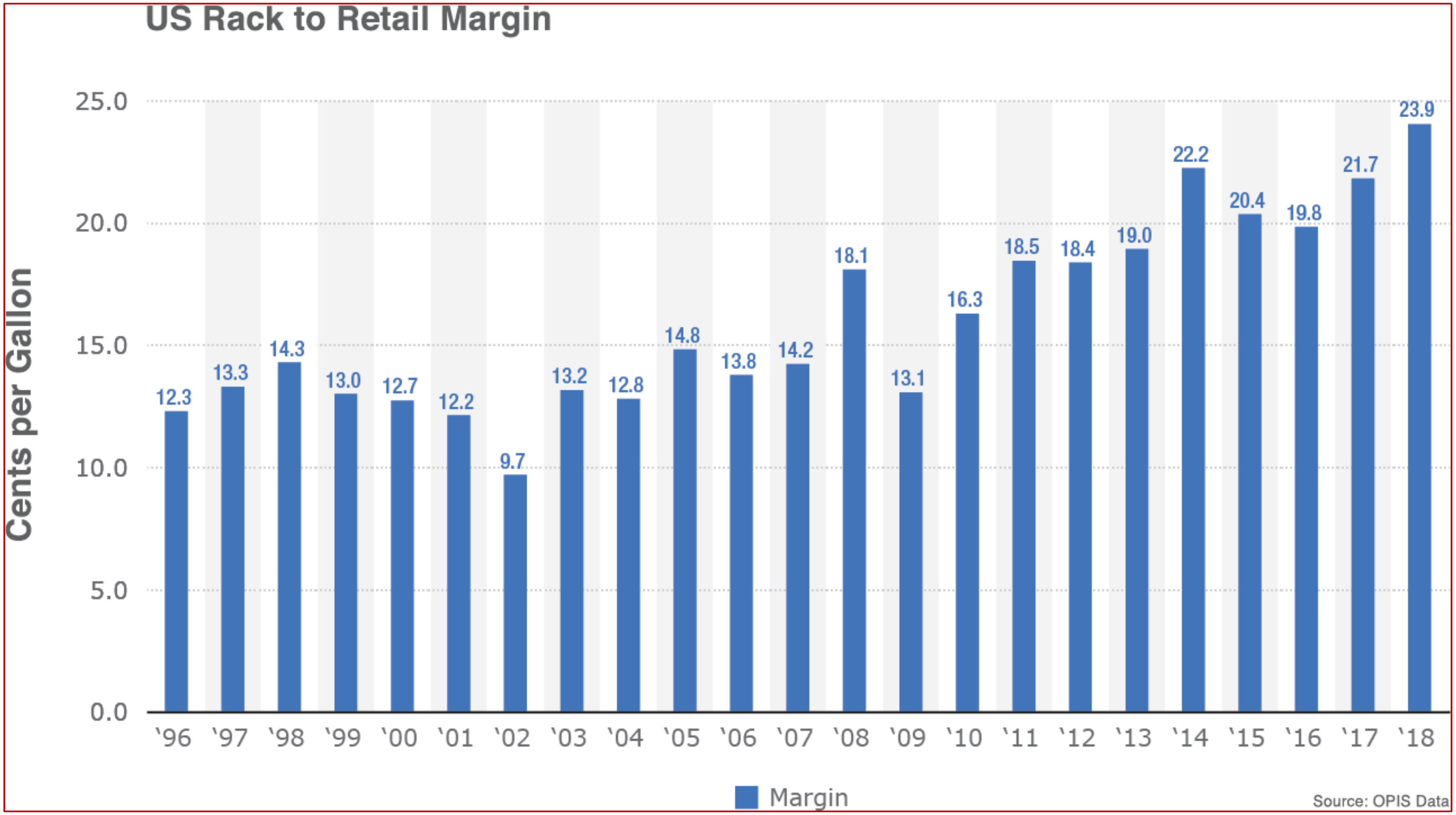
  - Surplus world crude oil capacity
  - Refiners importance of secure volume
  - Surplus of gasoline-producing capacity versus diesel

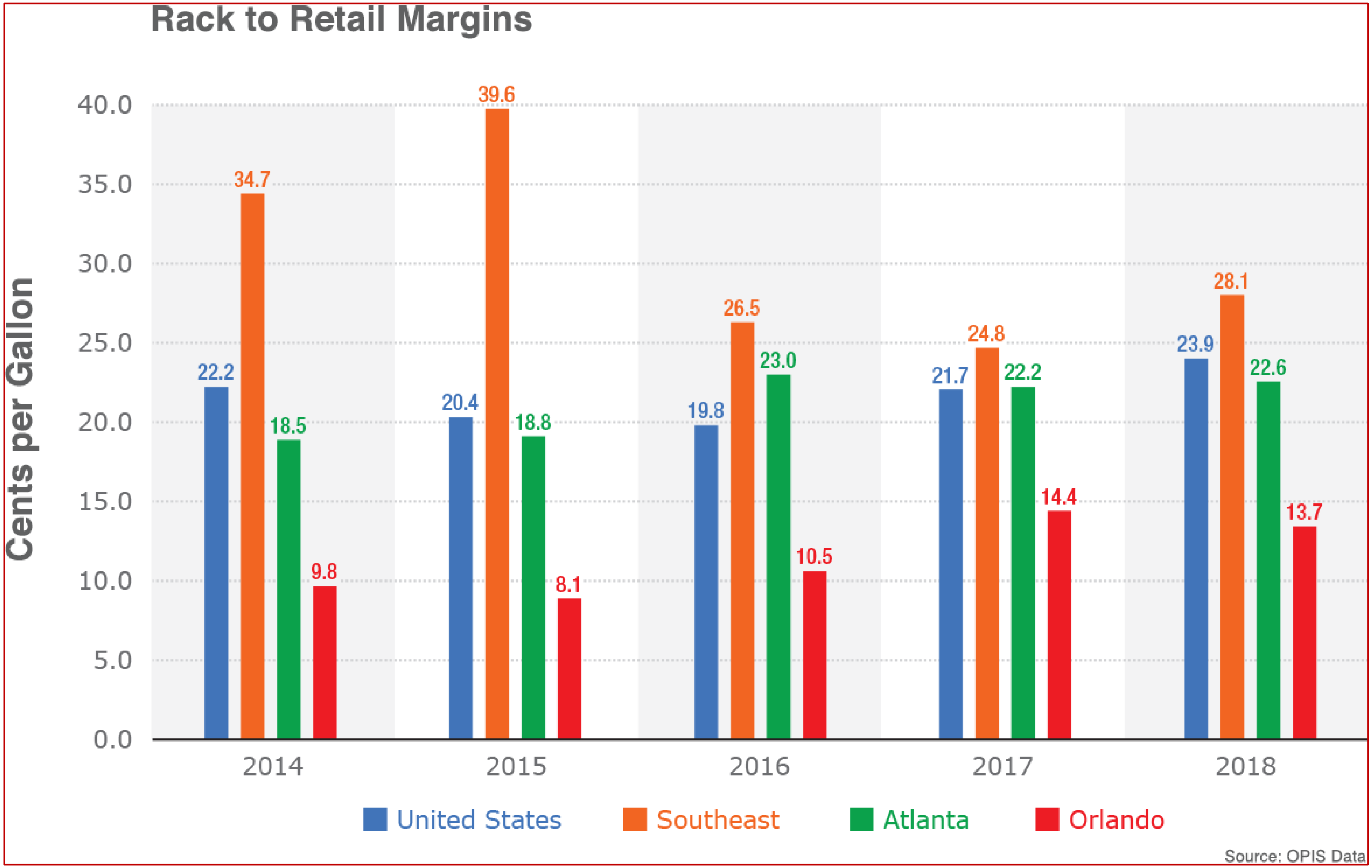
- Stimulates M&A activity (both retail and wholesale) and results in higher purchase price multiples

US Gasoline Demand



US Rack to Retail Margin




Rack to Retail Margins
Cents per Gallon
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
22.2
34.7
18.5
9.8
20.4
39.6
18.8
8.1
19.8
26.5
23.0
10.5
21.7
24.8
22.2
14.4
23.9
28.1
22.6
13.7
2014
2015
2016
2017
2018
United States
Southeast
Atlanta
Orlando
Source: OPIS Data

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- ❑ Labor costs and availability of skilled workers
- ❑ Increasing overhead costs (greater economies of scale for larger operators)
- ❑ Credit card issues (fees, EMV compliance, cyber security, fraud)
- ❑ Changing shopping trends
  - Millennials
  - Fewer customer visits
  - Growing importance of food service
  - Home delivery
  - Grocery store alternatives
- ❑ New and increased competition (Amazon/AmazonGo, Walmart, Costco, Dollar Stores, etc.)

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- Technological advances
  - Improved efficiency of automobiles
  - Hybrid and electric vehicles
  - Drones
- Branding issues and loyalty programs
- Growth dilemma facing operators (build vs. buy?)
  - High cost of purchasing desirable land and building large stores
  - Record high purchase price multiples make acquisitions expensive
- Management and ownership succession issues

- Traditional Bank Financing
  - Senior Debt (primarily fee properties as collateral)
    - 20-25 year amortization
    - 5-7 year maturity
    - 30-day LIBOR plus 275-325 bp (floating)
    - Advance rate—65-80% of the lesser of the appraised value or purchase price
    - Prepayment penalties (lockout, declining percentages or other)
    - Covenants (fixed charge coverage ratio, leverage ratio)
    - Personal guaranties (full or “bad boy”)

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- Sale-Leaseback Financing
  - Typically greater proceeds than with senior debt financing
  - No financial covenants
  - Typically no personal guaranties
  - 15-20 year primary lease term, with up to 20 years of renewal terms
  - Initial lease cap rate of 7-8% of purchase price
  - Typically 2% annual rent increases
  - Typically no purchase options available
  - Purchasers are real estate investment trusts, specialty finance companies and private investors
  - Operational challenges

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- Other Types of Financing
  - Mezzanine
  - Equity
    - Preferred
    - Common
  - Joint Ventures

- Valuation and pricing based on multiples of EBITDA (earnings before interest, taxes, depreciation and amortization)

- Little or no reliance on real estate appraised value by major players

- Three different ways of looking at EBITDA:
  - Store-level or four-wall EBITDA (most commonly used)
  - EBITDA after corporate G&A
  - EBITDA after synergies and efficiencies to be realized from the merger or acquisition

- Buyers evaluate the attributes of the portfolio as a whole and each individual store

- Factors affecting purchase price multiples:
  - Fee vs. leased locations (for leased sites, length of lease term with extensions) – perhaps less relevant than previously
  - Lot and building size
  - Zoning, permitting, use restrictions, etc.
  - Competition
  - Urban vs. rural locations
  - Branded vs. unbranded (fuel supply agreements to be assumed?)
  - Age and condition of USTs
  - Environmental issues (ongoing remediation?)
  - CapEx requirements

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- Current purchase price multiple trends (based on store-level EBITDA)
  - Fee sites which are company-owned and operated– 6x-10x typically, and perhaps as high as 12x plus (outlier bids)
  - Leased sites which are company-owned and operated– 2x-8x, and perhaps higher, depending on length of lease term with extensions and lease economics
  - Dealer units owned in fee will vary widely depending on real estate value, contract terms, brand, etc.
  - Wholesale contract multiples range from 2x-5x plus, based on contract term and/or length or relationship
  - Transportation assets are a positive factor, based on the value of the underlying assets

Company Profile: Company X has 40 company-operated convenience stores in mostly urban areas of North and South Carolina. Of the total, 30 are owned in fee and 10 are leased (under leases with extensions averaging 15 years).

Purchase Price of $70,000,000 for all assets. Closed in January, 2019.

Properties	Store-level EBITDA for 2018	Multiple	Imputed Value
20 fee stores	$7,000,000	8x	$56,000,000
10 leased stores	$2,500,000	4x	$10,000,000
Total:	**$9,500,000**		**$66,000,000**
Blended Multiple Based on Store-level EBITDA and Purchase Price of $70,000,000			**7.37x**

Corporate G&A of $90,000 / store per NACS SOI= $2,700,000
EBITDA after Corporate G&A= $6,800,000
Blended Multiple Based on Store-level EBITDA after Corporate G&A and Purchase Price of $70,000,000 10.29x

NOTABLE M&A TRANSACTIONS WITHIN THE LAST 24 MONTHS

Seller	Purchaser	Transaction
Thorntons Inc.	BP/ArcLight Capital Partners	191 stores in six states
Ricker Oil Co	Giant Eagle Inc.	56 stores in Indiana
Travel Centers of America LLC	EG Group	225 stores in 11 states ($330.8 million)
Road Ranger	Enex/Quinenco	38 Travel plazas in 6 states ($289 million)
Champlain Oil Co	Global Partners LP	37 stores plus 24 fuel-only sites, and 65 fuel supply contracts in VT and NH ($134 million)
Various sellers	Yesway	150 stores in 9 states
Andeavor	Marathon Petroleum Corp.	Merger
Petr-All Petroleum Corp.	Speedway LLC	78 stores in Syracuse, NY market
The Kroger Co.	EG Group	784 stores in 18 states ($2.15 billion)
E-Z Mart Stores Inc.	GPM Investments, LLC	273 stores in 4 states
Sunoco, LP	7-Eleven, Inc.	1,108 stores in 19 states ($3.306 billion)
Holiday Cos.	ACT / Circle K Stores, Inc.	374 company-operated stores and 148 franchised locations
Mountain Empire Oil Co.	GPM Investments, LLC	92 stores in 4 states
Western Convenience Stores, Inc.	Pester Marketing Company	42 stores in Colorado
CST Brands, Inc.	ACT / Circle K Stores, Inc.	2,000 locations + GP interest in CrossAmerica Partners LP

Who Are the Buyers?

- Large industry players
  - Alimentation Couche-Tard / Circle K Stores, Inc.
  - 7-Eleven, Inc.
  - GPM Investments, LLC
  - Cumberland Farms
  - Casey's General Stores, Inc.
  - Petroleum Marketing Group

- Integrated refiners
  - Marathon / Speedway
  - BP
  - Chevron
  - Shell
  - Sunoco (wholesale)
  - ConocoPhillips

- Master Limited Partnerships (MLPs)
  - Global Partners, LP
  - CrossAmerica Partners, LP / Circle K Stores, Inc.
- Foreign buyers
  - EG Group
  - Enex/Quinenco
  - COPEC
  - Applegreen
- New players
  - Yesway
- Private equity firms
  - Fortress / United Pacific
- Others
  - New Americans
  - Regional and local operators

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- ❑ Evaluate your options (buy, sell, build or stand still)
- ❑ Value your portfolio
- ❑ Consider selling less profitable or desirable stores or markets
- ❑ Consider your capital structure and whether it makes sense to refinance or recapitalize your company
- ❑ Consider how the ongoing industry consolidation will affect your business
- ❑ Determine if this is the right time to sell your company
- ❑ Evaluate whether you have an adequate ownership and management succession plan