



Investment Banking | **Industry Spotlight**



Downstream Petroleum | Q3 2018

Downstream Petroleum Investment Banking

Commitment to Downstream Petroleum

- Fifth Third is a leading financial partner and capital markets advisor in the Convenience Store and Downstream Fuel and Lubricant Distribution industries (collectively “Downstream Petroleum”)
- Fifth Third has extensive credit exposure to the Downstream Petroleum industry and is actively engaged in the M&A marketplace
- Fifth Third has relationships with the largest operators in the U.S., reflecting our dedication to the C-Store industry with M&A advisory, capital markets activity, lending, and risk management strategies

Representative Services

Capital Raising & Advisory

- M&A Advisor
- Lead Credit Provider
- Co-Manager on Bond Transactions
- Syndicated Lending

Risk Management

- Treasury Management
- Commodities Hedging
- Foreign Exchange Risk Management
- Interest Rate Risk Management

Key Downstream Petroleum Contacts

Investment Banking

Rob Bohn
Director
Robert.Bohn@53.com
(404) 279 - 4542

Zac Kennedy
Vice President
Zac.Kennedy@53.com
(704) 808 - 5141

Corporate Banking

Craig Wolf
C&R Group Head
Craig.Wolf@53.com
(312) 704 - 2994

Mike Ross
Sr. Vice President
Mike.Ross@53.com
(972) 532 - 5884

James Holacka
Vice President
James.Holacka@53.com
(972) 543-1375

Debt Capital Markets

Kirk Johnson
Managing Director
Kirk.Johnson@53.com
(513) 534 - 8922

Equity Capital Markets

Mike Ryan
Managing Director
Michael.Ryan@53.com
(615) 687 - 3123

Sector Leadership Team

Robert Bohn Director

- Rob has 12+ years of investment banking and capital markets experience, including merger & acquisition advisory services and public and private debt placements with Citigroup, Ewing Bemiss & Co. and Fifth Third Securities
- Rob has been active in developing Fifth Third’s C-store relationships, advising on M&A and capital structuring issues

Zac Kennedy Vice President

- Zac has 5+ years of investment banking and capital markets experience, with a focus on merger & acquisition advisory services, debt capital markets, and equity capital markets.
- Zac is a key part of the Downstream Petroleum investment banking team and has worked on several M&A transactions in the space.

Recent M&A Transactions

 <p>has been acquired by</p>  <p>Sell-Side Advisor</p> 	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p> 	<p>\$425,000,000</p>  <p>has been acquired by</p>  <p>Sell-Side Advisor</p> 
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Transaction Details

Overview

- On December 4th, 2017, FTS successfully closed the sale of Clyde’s Market, Inc. to Enmarket Stations, Inc. for an undisclosed amount
- Clyde’s Market, Inc. (“Clyde’s”) owns and operates a chain of 35 convenience stores, as well as a fuel wholesaler business, Woodland Oil Inc., and a transportation company, Red Star Petroleum, LLC

Transaction Highlights

- FTS was tasked with crafting a process that would generate a premium valuation to satisfy the liquidity needs of the Company’s ownership
- FTS immediately recognized both the underlying strengths of the business and significant issues that would hinder a sale process
- To develop a competitive dynamic and achieve a premium valuation, FTS initiated a customized “dual-track” process
 - Track 1: Prepare the Company for a broad auction sale though improved financial reporting and corporate documentation
 - Track 2: Preview the opportunity with the most likely buyer, Enmarket
- FTS achieved a premium valuation due to the positioning of Clyde’s Market’s attributes within Enmarket’s strategic goals and the maintenance of competitive pressure through the possibility of a broad auction

Key Management Commentary

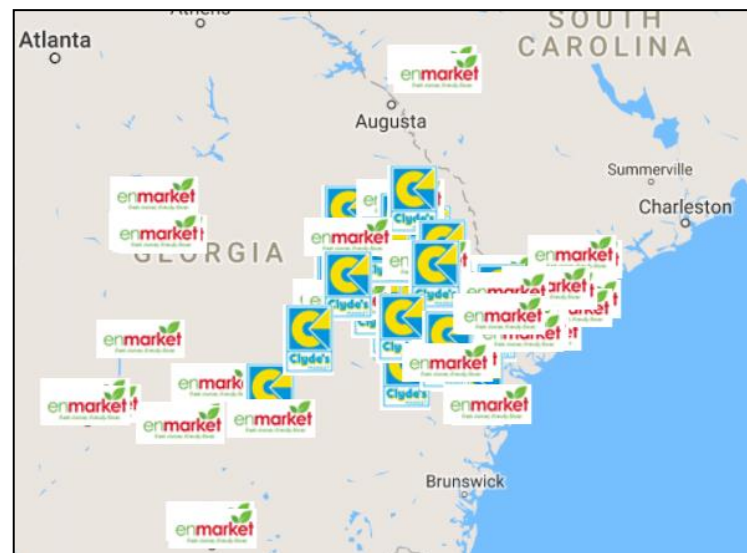
- “When we first started this endeavor I never thought that me, my 3 siblings, and my 2 parents would be able to all agree and be happy with the outcome of a sale. You and your group at Fifth Third did a wonderful job from start to finish. You were very honest about what you felt and what you knew. You guys never lead in a direction that was not based on fact. We got a great price and were very pleased with the service you and your team provided, VERY HAPPY!”
 - Greg Woolard, CEO, Clyde’s Market, Inc., Dec 4th, 2017

Strategic Rationale

Immediate Scale and Synergies

- **Geography:** Clyde’s Market locations were in a strategically complementary geography within Enmarket’s existing infrastructure
- **Scale:** Enmarket has focused on regional expansion; this transaction increased store count by 36% to 90 stores in their core geography
- **Synergies:** Clyde’s Market sold 80% unbranded fuel, providing immediate synergies for Enmarket’s parent company, Colonial Group, which has extensive wholesale fuel operations and its own proprietary fuel brand

Geographic Overlap

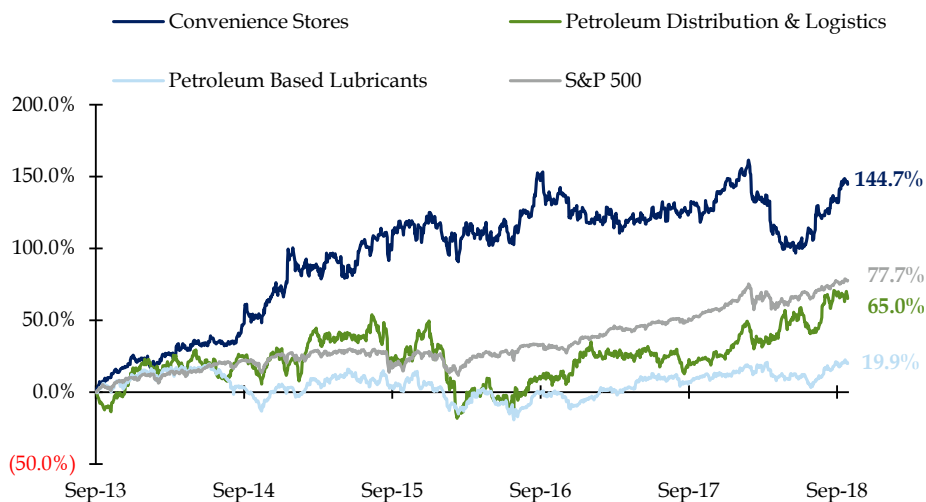


Clyde’s Market, Inc.

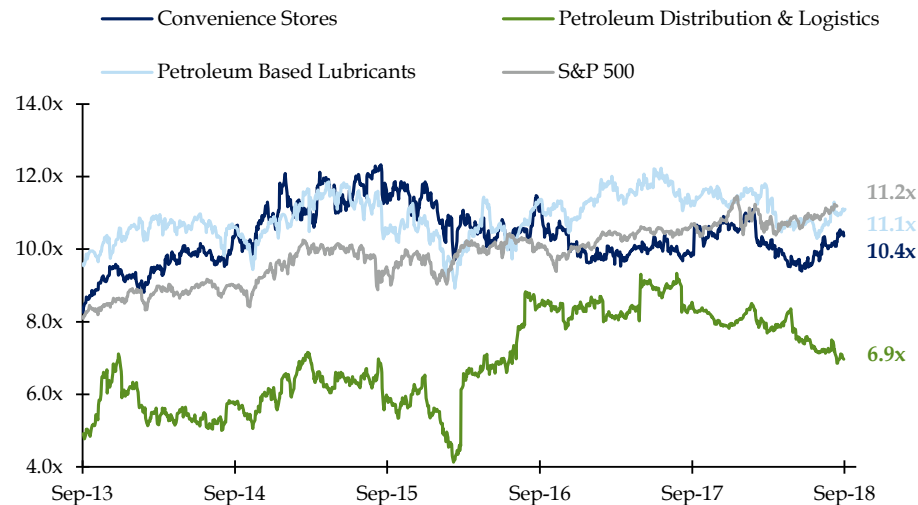


Enmarket Stations, Inc.

5-Year Share Price Performance



5-Year EV / Forward EBITDA Performance



Sub-Sector Indices' Stock Price Performance

Sub-Sector	Number of Companies	Median Enterprise Value \$ in millions	Median % Change in Price	Median TEV / LTM Multiples		Median TEV / Forward Multiples	
			YTD	Revenue	EBITDA	Revenue	EBITDA
C-Stores	3	\$6,037.5	10.6%	0.6x	11.4x	0.6x	11.0x
Petroleum Distribution & Logistics	8	3,644.8	(5.0%)	0.4x	8.6x	0.4x	8.9x
Petroleum Based Lubricants	4	6,597.6	46.8%	0.6x	12.5x	0.7x	11.7x
S&P 500	500		8.4%	2.6x	13.1x	2.3x	10.7x

Public Company Comparables

Downstream Petroleum | Industry Spotlight
Q3 2018

(\$ in thousands, except per share pricing)

	Stock Price at 9/30/18	% of 52-Week High	Market Cap	Enterprise Value	LTM Financials		Revenue Growth		LTM Margins		Debt / EBITDA	Price / Earnings	Enterprise Value /			
					Revenue	EBITDA	'16A - '17A	'17A - '18E	Gross	EBITDA			Revenue		EBITDA	
													LTM	2018E	LTM	2018E
C-Stores																
Alimentation Couche-Tard Inc.	\$50.11	95.3%	\$28,155	\$36,316	\$56,334	\$3,195	35.6%	10.7%	17.8%	5.7%	2.7x	25.0x	0.6x	0.6x	11.4x	11.0x
Casey's General Stores, Inc.	129.62	99.3%	4,748	6,037	7,947	494	12.5%	27.0%	22.4%	6.2%	2.7x	28.9x	0.8x	0.6x	12.2x	11.1x
Murphy USA Inc.	85.37	95.2%	2,770	3,570	11,645	404	12.7%	28.6%	4.7% *	3.5%	2.2x	24.8x	0.3x	0.3x	8.8x	8.8x
Mean							20.3%	22.1%	20.1%	5.1%	2.5x	26.2x	0.6x	0.5x	10.8x	10.3x
Median							12.7%	27.0%	20.1%	5.7%	2.7x	25.0x	0.6x	0.6x	11.4x	11.0x
Petroleum Product Distribution and Logistics																
Energy Transfer Partners, L.P.	\$22.28	91.4%	\$25,544	\$67,453	\$31,754	\$6,220	33.1%	27.5%	21.4% *	19.6% *	5.4x	NM	2.1x *	1.8x *	10.8x	8.6x
Marathon Petroleum Corporation	82.16	92.9%	37,452	54,583	73,689	6,580	20.1%	27.3%	11.9%	8.9%	2.6x	10.0x	0.7x	0.6x	8.3x	7.8x
Sunoco LP	29.46	89.0%	2,413	5,086	14,337	611	17.4%	7.4%	13.1%	4.3%	4.4x	NM	0.4x	0.4x	8.3x	9.7x
Delek US Holdings, Inc.	43.22	70.2%	3,670	4,756	9,771	632	73.1%	31.7%	10.3%	6.5%	3.2x	NM	0.5x	0.5x	7.5x	8.0x
World Fuel Services Corp.	28.11	76.7%	1,940	2,533	36,747	291	24.7%	13.9%	3.0%	0.8%	2.6x	18.5x	0.1x	0.1x	8.7x	7.5x
Global Partners LP	18.25	86.7%	606	1,894	10,490	224	8.3%	(0.1%) *	6.6%	2.1%	5.8x	NM	0.2x	0.2x	8.4x	9.3x
CrossAmerica Partners LP	18.06	65.2%	616	1,154	2,234	86	12.5%	20.0%	8.2%	3.9%	6.3x	NM	0.5x	0.5x	13.4x	9.3x
Sprague Resources LP	27.04	93.2%	608	1,169	3,496	108	19.5%	21.8%	9.7%	3.1%	5.3x	13.8x	0.3x	0.3x	10.8x	9.2x
Mean							26.1%	21.4%	9.0%	4.2%	4.5x	14.1x	0.4x	0.4x	9.5x	8.7x
Median							19.8%	21.8%	9.7%	3.9%	4.8x	13.8x	0.4x	0.4x	8.6x	8.9x
Petroleum Based Lubricants																
Brenntag AG	\$61.76	96.4%	\$9,542	\$11,794	\$13,953	\$893	27.2%	5.8%	22.2%	6.4%	2.9x	23.0x	0.8x	0.8x	13.2x	10.9x
Fuchs Petrolub SE	55.98	93.9%	7,386	7,250	2,960	495	24.1%	6.9%	37.0%	16.7% *	0.0x *	NA	2.4x *	2.3x *	14.7x	13.3x
Parkland Fuel Corporation	33.63	99.0%	4,444	5,945	9,956	506	63.4%	39.4% *	11.0%	5.1%	3.1x	NM	0.6x	0.6x	11.7x	12.6x
Calumet Specialty Products Partners, L.P.	6.47	65.0%	497	2,182	3,606	204	8.3%	(21.8%) *	11.2%	5.7%	8.4x	NM	0.6x	0.7x	10.7x	8.6x
Mean							30.8%	6.3%	20.3%	5.7%	4.8x	23.0x	0.7x	0.7x	12.6x	11.4x
Median							25.7%	6.3%	16.7%	5.7%	3.1x	23.0x	0.6x	0.7x	12.5x	11.7x
Mean							26.2%	19.0%	14.2%	4.8%	4.1x	20.6x	0.5x	0.5x	10.6x	9.7x
Median							20.1%	20.9%	11.2%	5.1%	3.2x	23.0x	0.5x	0.5x	10.8x	9.3x

* Excluded from mean and median NA - Not available NM - Not meaningful E - Estimate

Enterprise value equals market capitalization plus minority equity plus debt minus cash.

Source: Company filings and S&P Capital IQ.

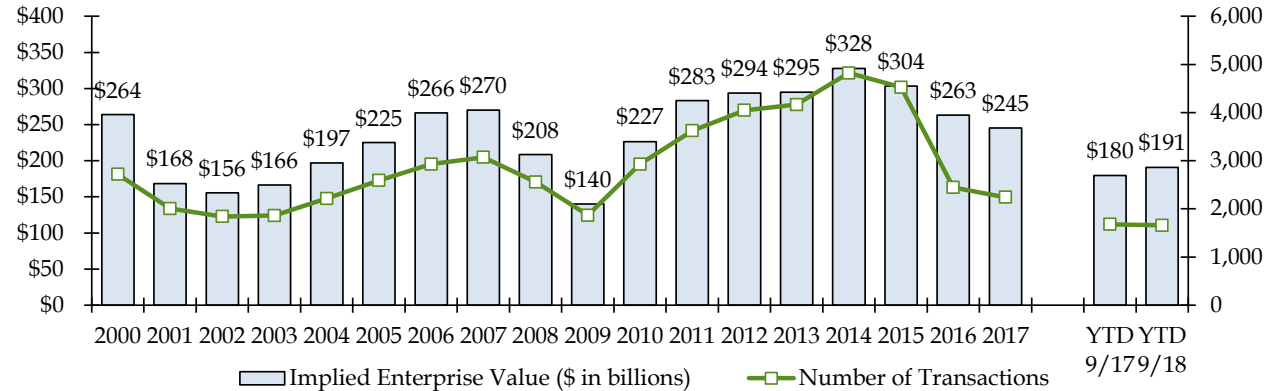
High levels of demand remain with an increasing number of interested buyers chasing a limited supply

M&A Market Commentary

- **We are in the 9th year of the post-Great Recession recovery**
 - Typical expansion lasts 7 years
 - M&A deal flow and transaction volume have declined for 3 straight years, though still above pre-recession levels
- **We expect 1 - 2 more years of strong M&A market conditions**
 - Recent momentum, tax reform may provide a boost after several years of ~2% growth
 - The labor market is tight, but job-seekers may be tempted to return after low participation
 - Interest rates are low/stable, but have nowhere to go but up
 - Financial leverage is at cyclical highs, representing a risk
- **It is still a seller's market given:**
 - Record levels of un-invested private equity capital
 - Healthy corporate profits and strategic buyer balance sheets

U.S. Middle Market M&A Activity

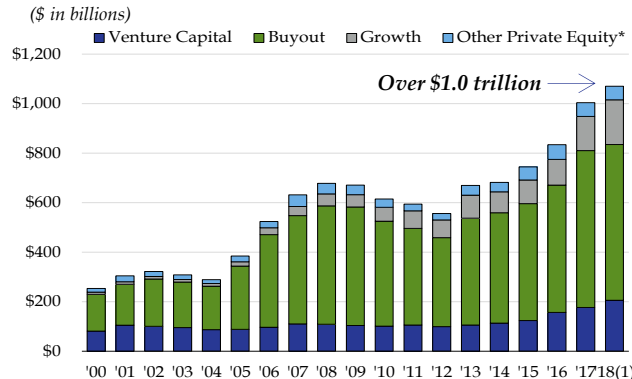
- Historically, M&A cycles have not extended past seven years; 2017 was the 8th year of the current cycle
- 2017 demonstrated signs that the buyout cycle is slowing, however, numerous positive drivers remain
 - 2018 tax policy changes and cash repatriation expected to support continued M&A activity



Market Conditions Today Make the Environment a "Sellers' Market"

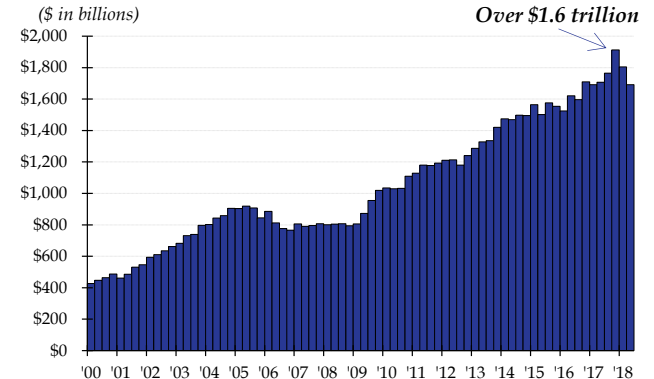
Private Equity Dry Powder by Fund Type

Private equity firms continue to sit on a built up level of dry powder, driving a need to deploy it for acquisitions



Strategic Buyer (Corporate) Cash

U.S. corporate cash balances remain at record levels and are driving activity in strategic buyer M&A

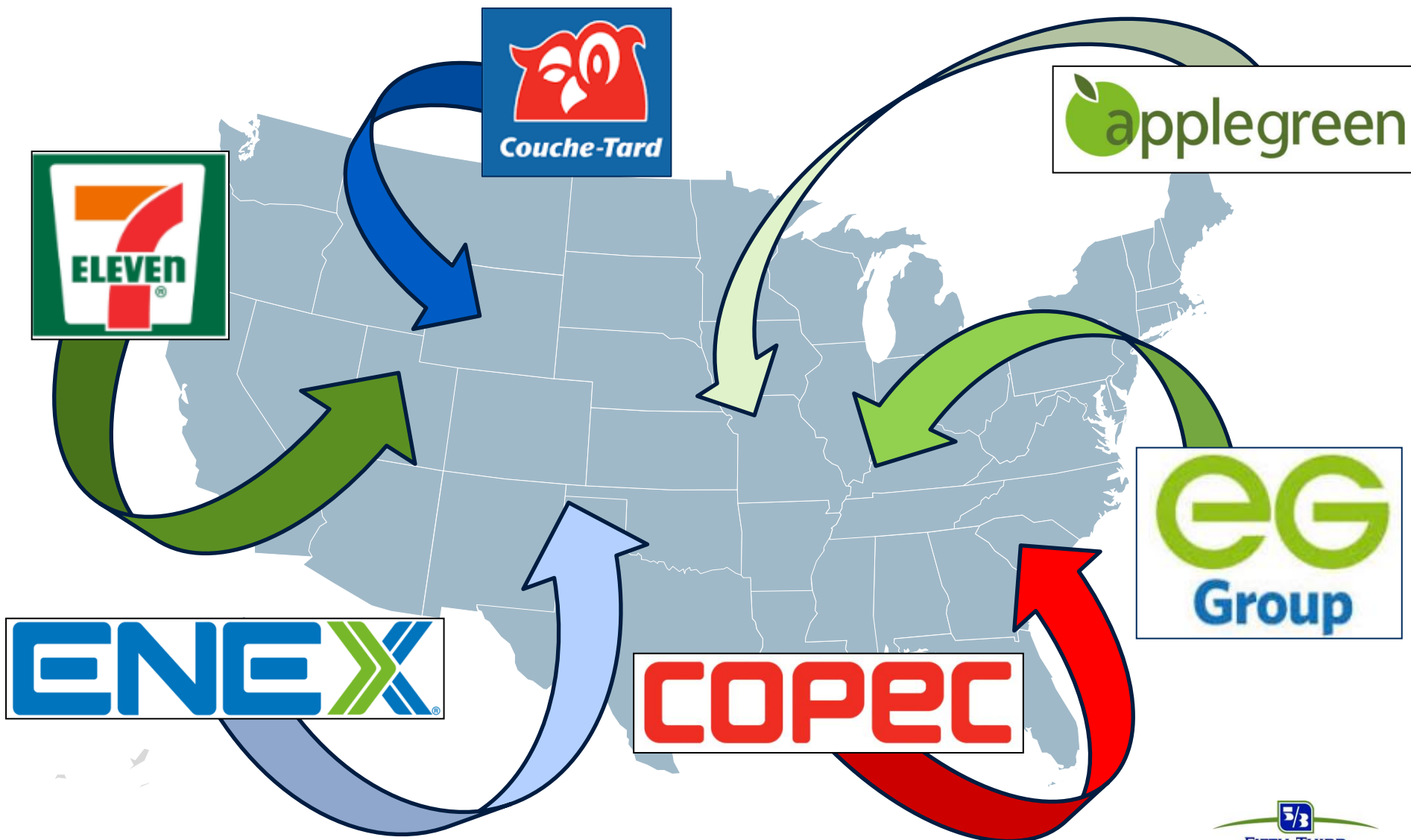


(1) As of June 30, 2018

* = "Other Private Equity" includes balanced, co-investment, co-investment multi-manager, direct secondaries, and turnaround funds

Source: Pitchbook, Prequin, and S&P Capital IQ

Foreign buyers have led c-store consolidation as strategic investors recognize the growth and stability of the American c-store market



Transaction Details

- TravelCenters of America LLC (NasdaqGS: TA) entered into a definitive agreement on September 4th, 2018 to sell 225 Minit Mart convenience stores in 9 states to EG Group for ~\$331 million (~13.5x est. LTM 6/30/18 EBITDA)
- TA's convenience store business, Minit Mart, generated EBITDA of \$24.5 million during the 12 months ended 6/30/2018
- TA expects the net cash proceeds from transaction to be approximately ~\$320 million
- The portfolio TA has agreed to sell includes 225 standalone Minit Mart convenience stores and certain other related assets

Strategic Rationale

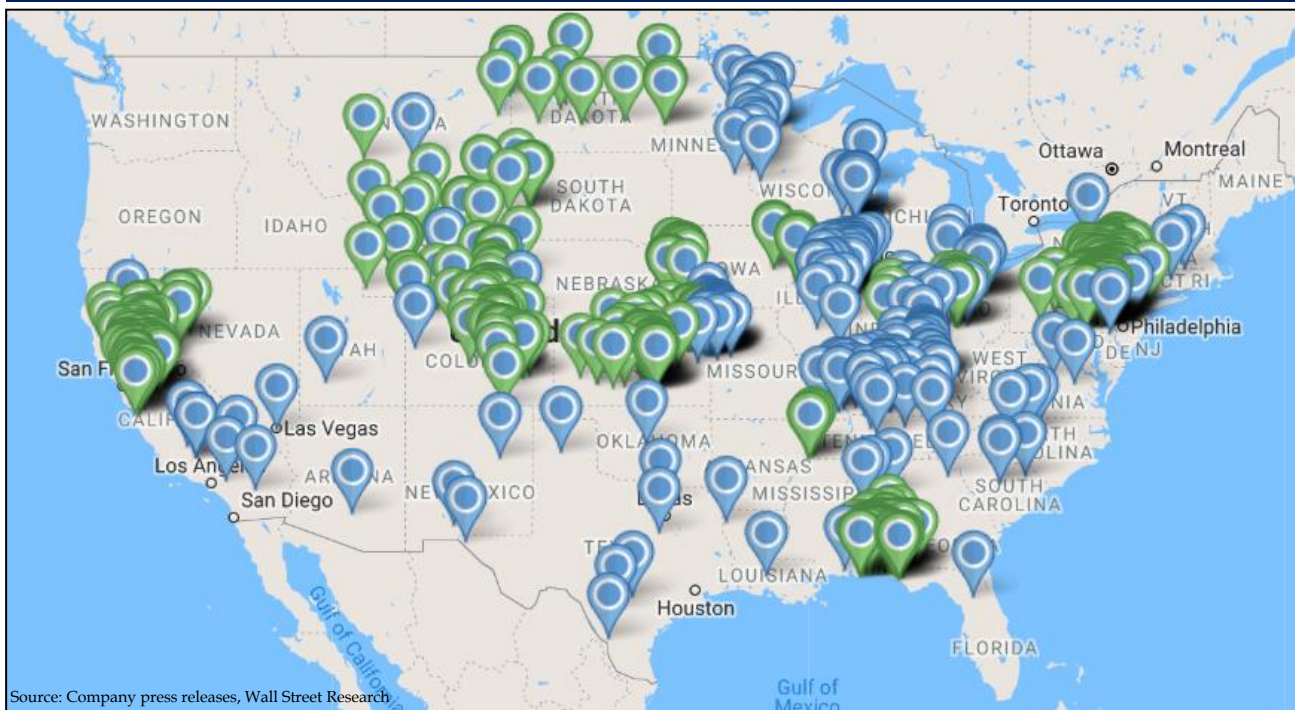
TravelCenters of America LLC

- Exit Standalone C-Store Business:** TA will focus on its core travel center business after transaction closing expected in Q4 2018
- De-Leveraging:** Transaction proceeds will be used to reduce TA outstanding debt and other liabilities
- Eliminating SG&A Costs:** The Company plans to eliminate approximately \$10.2 million of selling, general & administrative costs annually as a result of the sale

EG Group Limited

- U.S. Market Growth:** EG Group boosts U.S. C-Store presence and supplements Kroger C-Store acquisition in February 2018
- Increased Scale:** EG Group will own and operate 4,800+ sites in Europe and the U.S. after the transaction

EG Significantly Expands U.S. Footprint



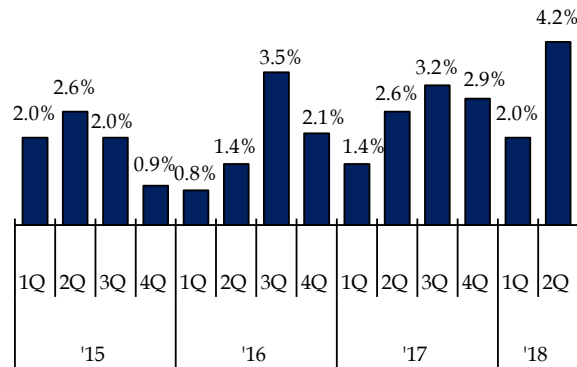
Source: Company press releases, Wall Street Research



Downstream Petroleum continues to benefit from macroeconomic trends

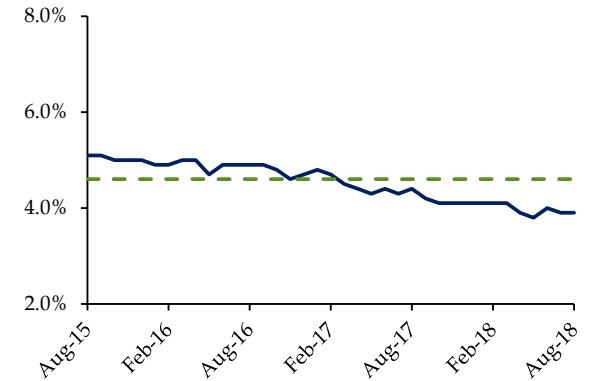
- Expectations for deregulation and increased infrastructure spending have increased consumer and business confidence
- Improved economic growth and consumer confidence could offset any increases in retail gasoline prices while spurring continued in-store merchandise sales
- A sustained rebound in manufacturing is likely to increase petroleum based lubricant demand, in addition to diesel consumption from distribution networks

Real GDP Growth



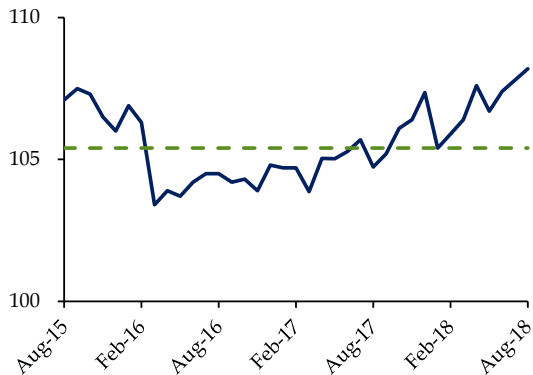
Source: Bureau of Economic Analysis

National Unemployment Rate



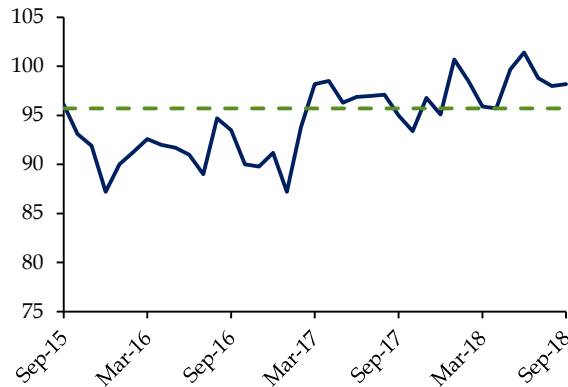
Source: Bureau of Labor Statistics

PMI Manufacturing Index



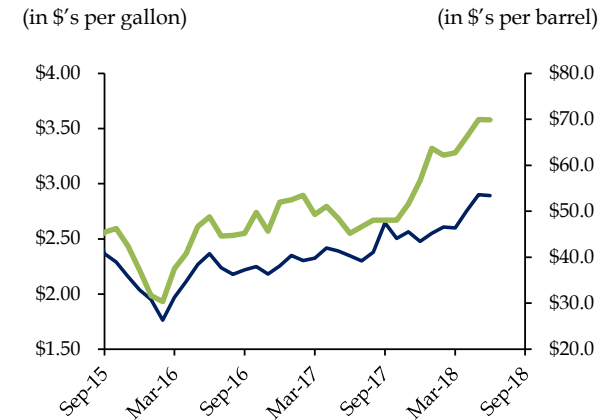
Source: S&P Capital IQ

Consumer Sentiment Index



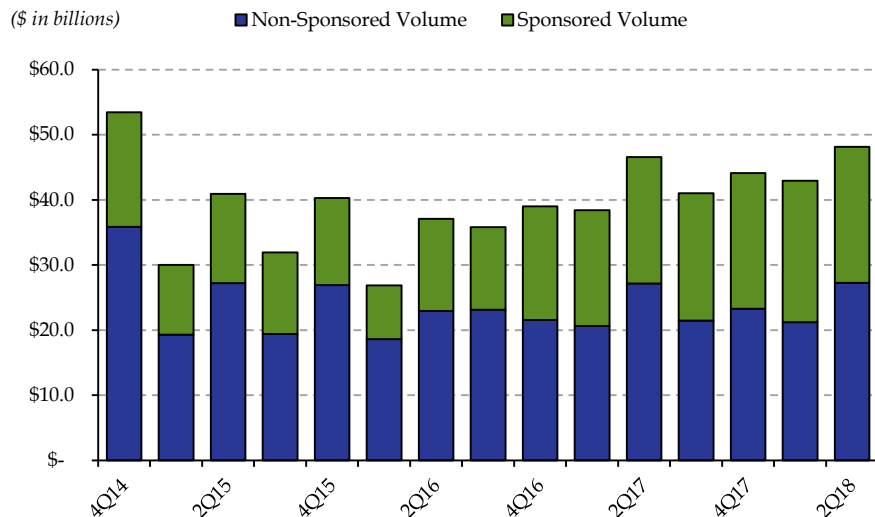
Source: University of Michigan

Oil & Retail Gas Prices

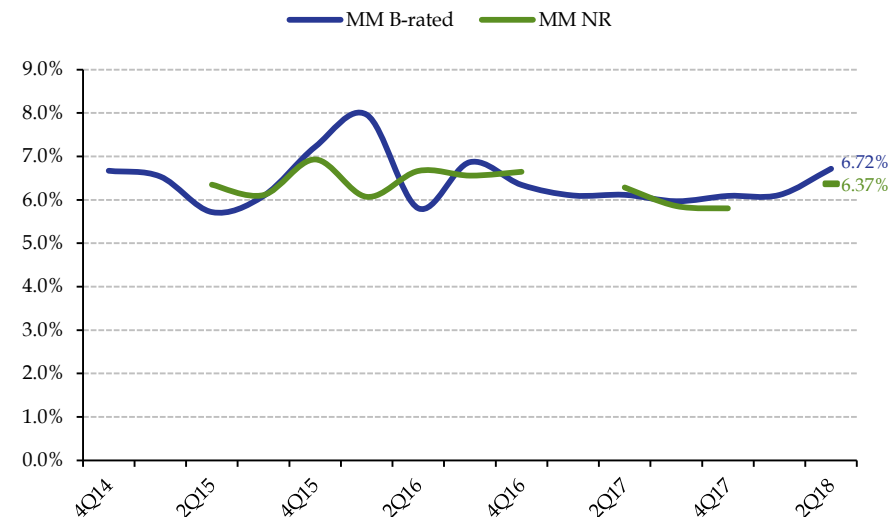


Source: Energy Information Administration

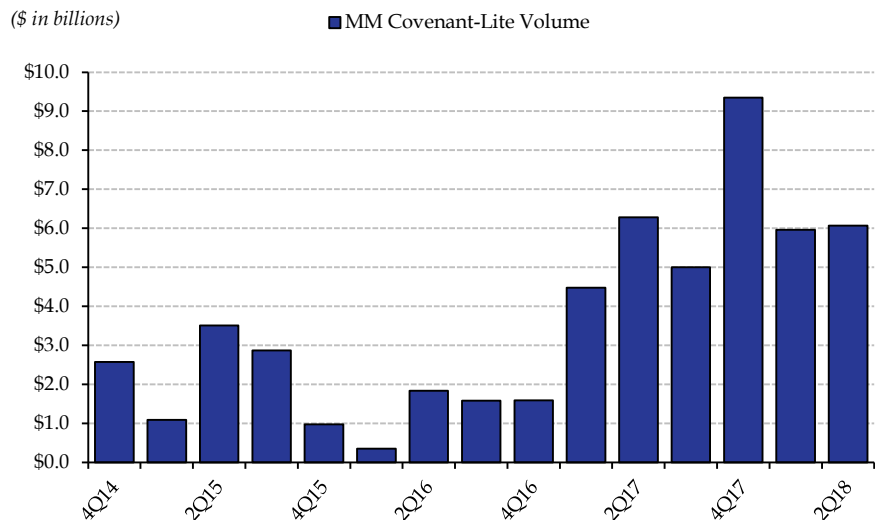
Loan Volume: Level of Supply Regains Momentum in 2Q 2018



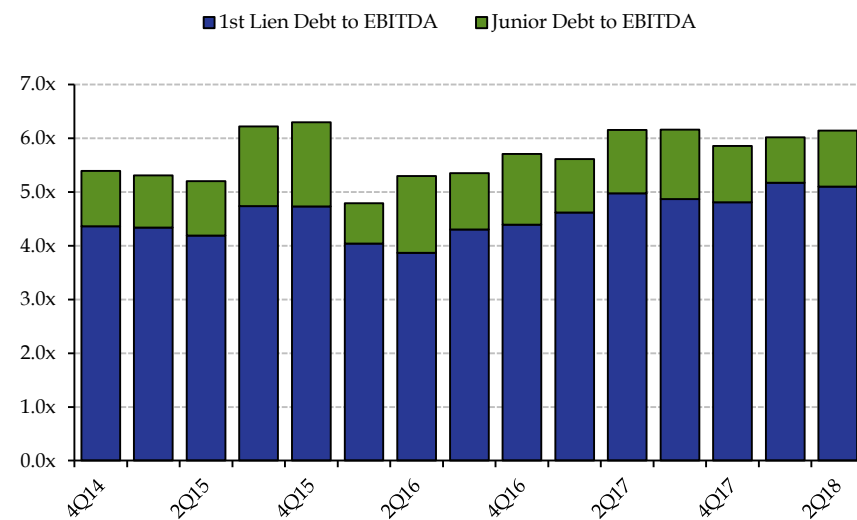
After Relative Stability in 1Q, B-rated Yields Widen in 2Q 2018 [1]



Middle Market Covenant-Lite Volume Remains Flat in 2Q 2018



Middle Market LBO Leverage Levels Stay Consistent Around 6.0x



Note: This data represents the entire U.S. middle market (all industries)
 Note: The middle market is defined as deal size ≤ \$100 million and borrower sales ≤ \$500 million
 [1] Includes both non-sponsored and sponsored transactions; sufficient data not available for MM NR loans in 1Q15, 1Q17, and 1Q18
 Source: Bloomberg, S&P Capital IQ LCD, and Thomson Reuters LPC

S&P 500 Index- A broad index that includes American Companies.

EBITDA- A company's earnings before interest, taxes, depreciation, and amortization, is an accounting measure calculated using a company's net earnings, before interest expenses, taxes, depreciation and amortization are subtracted, as a proxy for a company's current operating profitability.

Dry Powder- Refers to cash reserves kept on hand to cover future obligations or to purchase assets.

GDP- Gross domestic product is the market value of the goods and services produced by labor and property located in the United States

Consumer Sentiment Index- The University of Michigan Consumer Sentiment Index is a consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in December 1964

National Unemployment Rate- the percentage of the total labor force that is unemployed but actively seeking employment and willing to work.

Non-Farm Payroll- Nonfarm payroll employment is a compiled name for goods, construction and manufacturing companies in the US. It does not include farm workers, private household employees, non-profit organization employees, or government employees . It is an economic indicator released monthly by the United States Department of Labor as part of a comprehensive report on the state of the labor market.

Housing Starts- are the number of new residential construction projects that have begun during any particular month.

The Economist- offers authoritative insight and opinion on international news, politics, business, finance, science, technology and the connections between them

LBO -- leveraged buyout (LBO) is the acquisition of another company using a significant amount of borrowed money to meet the cost of acquisition. The assets of the company being acquired are often used as collateral for the loans, along with the assets of the acquiring company.

Industrial Production Index (IPI)- is an economic indicator published by the Federal Reserve Board of the United States that measures the real production output of manufacturing, mining, and utilities Capital Goods Orders.

Covenant-lite loans- means that debt is being issued, both personally and commercially, to borrowers with less restrictions on collateral, payment terms, and level of income.

IRR-Internal Rate of Return.

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