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Capital Solutions for Strategic Growth: Navigating the Current Capital Markets Landscape

NATSO Fast Forward Focus 2023

RAYMOND JAMES

Panel speakers



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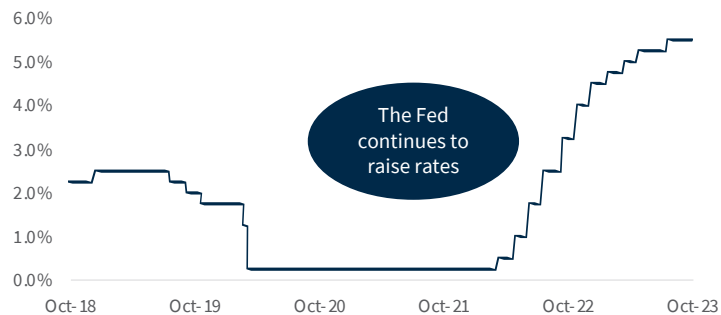


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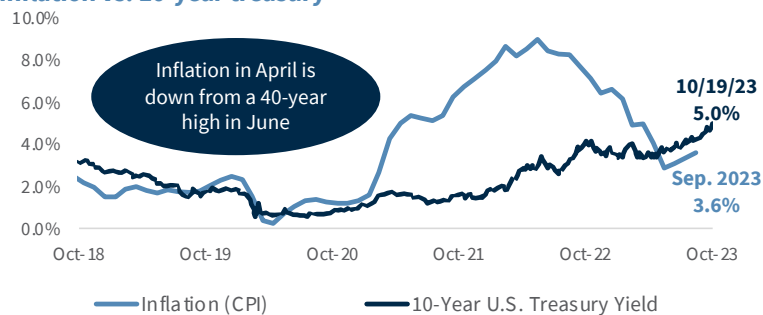
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Macroeconomic indicators

Fed funds rate

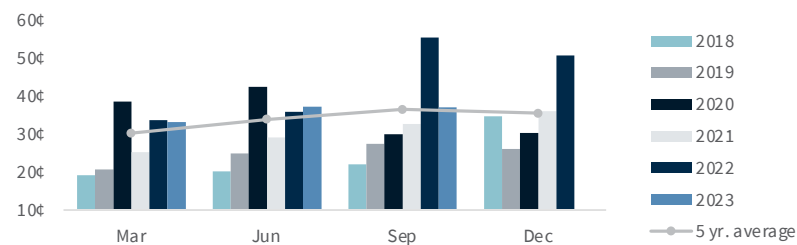


Inflation vs. 10-year treasury



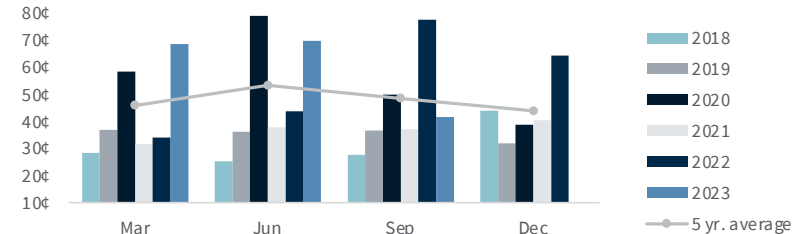
Quarterly national retail gasoline margins

(cents per gallon)



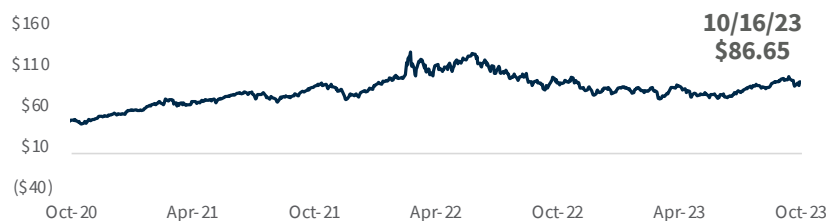
Quarterly national diesel margins

(cents per gallon)



West Texas intermediate

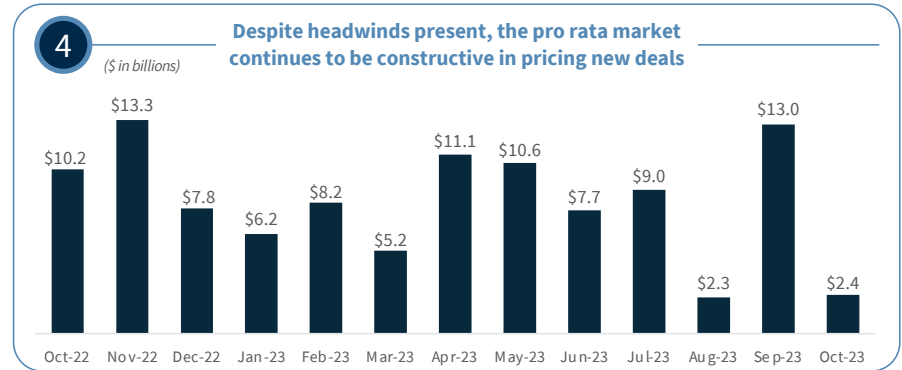
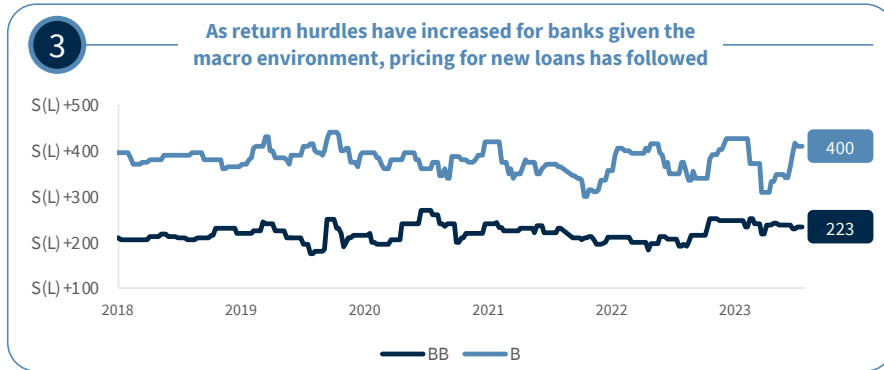
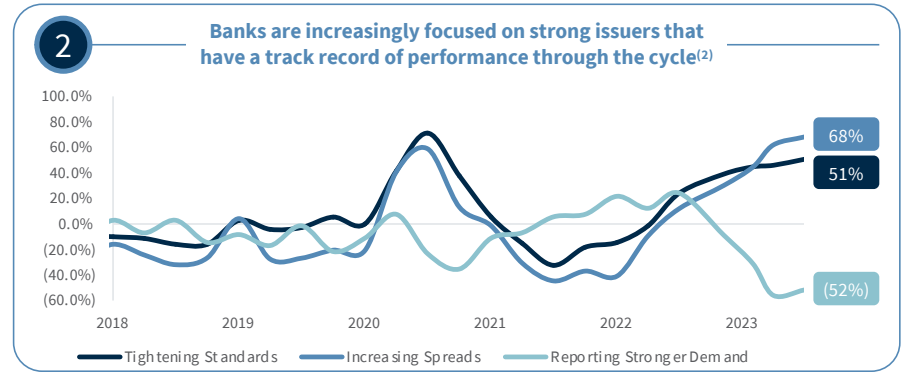
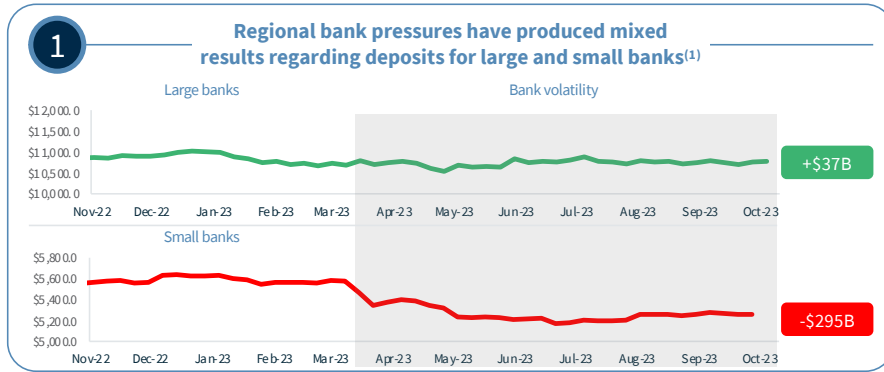
(\$ per barrel)



Source: Bureau of Economic Analysis, St. Louis Federal Reserve, Bureau of Labor Statistics, Institute for Supply Management, Capital IQ, OPIS and Raymond James equity research. All data as of 10/19/2023

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State of the pro rata bank market



Source: Pitchbook Leveraged Commentary & Data, Federal Reserve, FRED St. Louis Fed

Notes: Loan Quality, Credit Standards, and Pro Rata Spreads updated on a quarterly basis ~ 1.5 months after quarter end

(1) As of 10/4/2023; Large banks defined as the top 25 domestically chartered commercial banks ranked by domestic assets; Small banks defined as those other than the top 25

(2) Represented by the responses to senior loan officers survey on bank lending practices for large and medium C&I loans

Accessible lender universe is much broader than traditional commercial banks

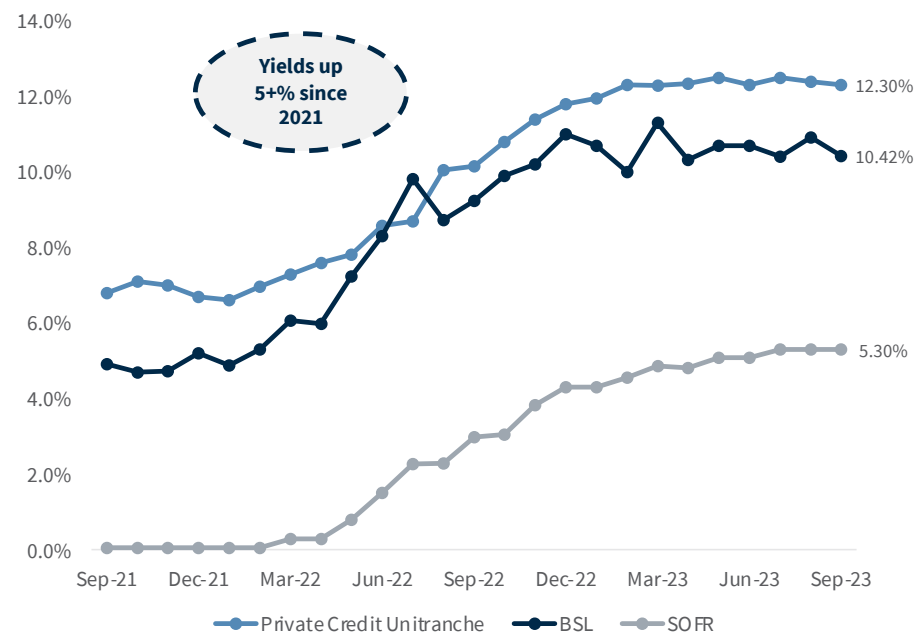
	Traditional banks	Alternative lenders		
		Private debt / asset management firms / BDCs	Pension / insurance	Private equity / opportunistic / hedge funds
Key benefits	<ul style="list-style-type: none"> ✓ Cost-of-capital ✓ Treasury offerings ✓ Ancillary services ✓ Local relationship 	<ul style="list-style-type: none"> ✓ Higher leverage 	<ul style="list-style-type: none"> ✓ Structural flexibility 	<ul style="list-style-type: none"> ✓ Speed of execution ✓ Large hold sizes
Representative lender universe				

State of the institutional debt capital markets

Broadly syndicated M&A loan volume (\$ billions)



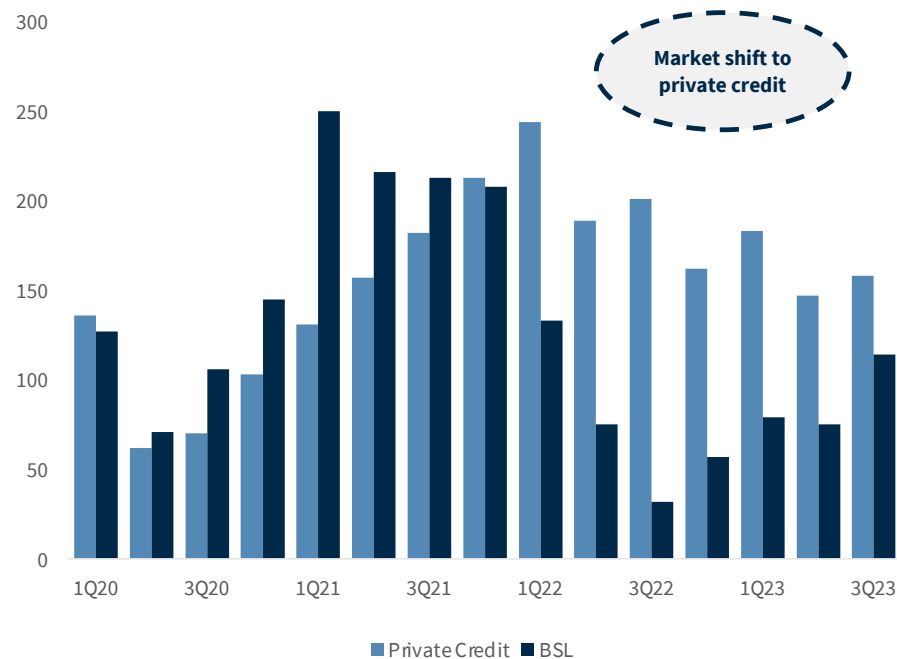
Market pricing (all-in yield)



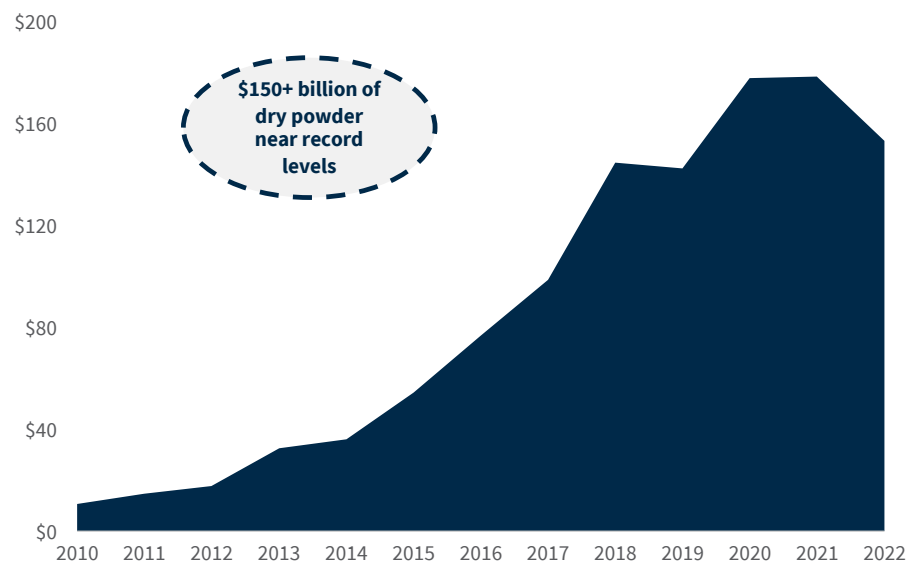
Note: BSL refers to broadly syndicated loans
Source: Direct Lending Deals, LCD.

Private credit has been a beacon of hope

Market volume (deal count)



Private debt dry powder (\$ billions)⁽¹⁾



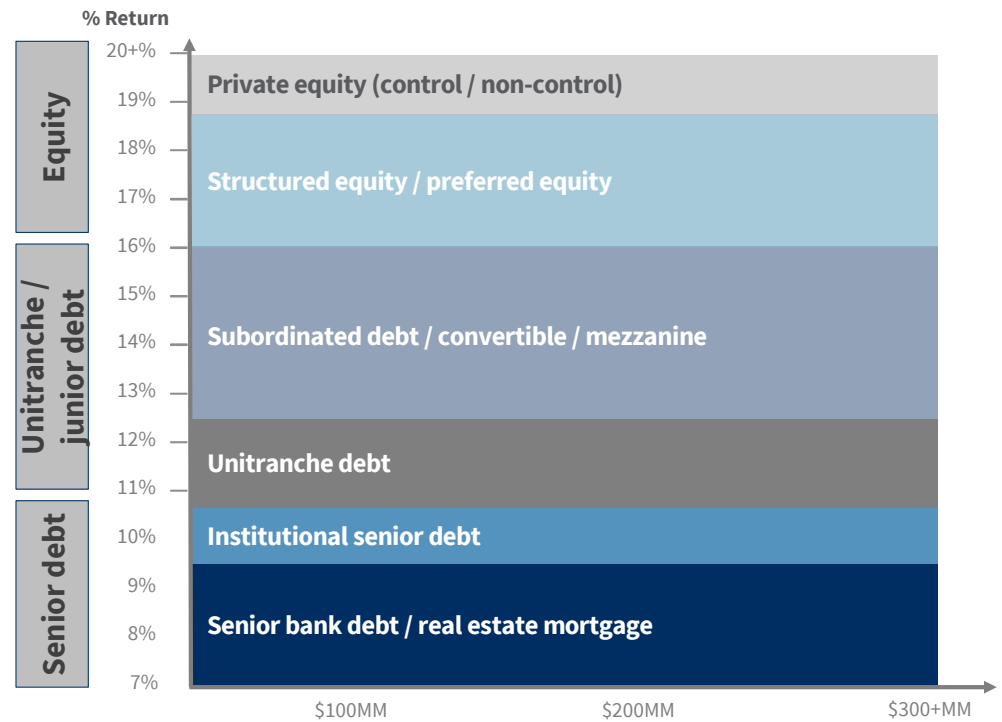
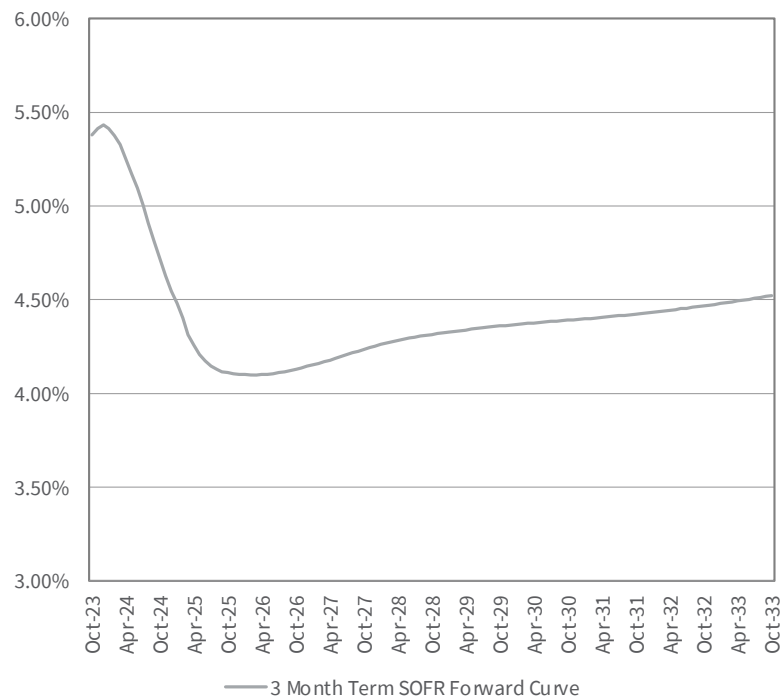
Note: BSL refers to broadly syndicated loans
Source: Direct Lending Deals, FRED Economic Data.

Varying attributes across capital structure alternatives

CAPITAL STACK	LEVERAGE	ATTRIBUTES					PRODUCTS
SENIOR DEBT	~3.0x	-	-	-	+	-	<ul style="list-style-type: none"> • Revolver • Term loan(s) • Mortgage debt
UNITRANCHE / JUNIOR DEBT	~2.0x	Cost	Time to maturity	Flexibility / customization	Investor protections	Dilution	<ul style="list-style-type: none"> • Sub debt • Convertible debt • Preferred equity • Second lien debt
EQUITY		+	+	+	-	+	<ul style="list-style-type: none"> • Private equity • Public equity • Monetization of existing assets

“Unitranche”

Returns vary based on the type of capital but are expected to remain elevated

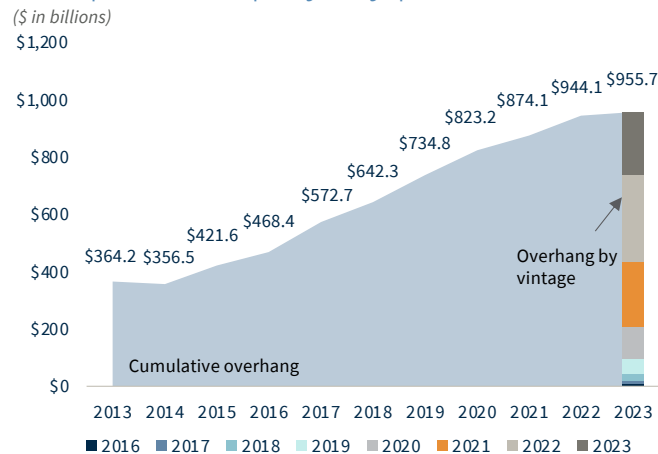


Private equity investment activity in the sector

Interest in the space

- The truck stop and travel center industry offers many attractive attributes to private equity:
 - Industry fragmentation offers consolidation opportunities
 - Resilience of channel profitability during volatile markets
 - Competitive advantages accruing to scale players
 - Real estate holdings offer downside investment protection
 - Lack of high return opportunities across energy value chain

U.S. private equity dry powder⁽¹⁾



Source: PitchBook.
(1) As of 3/31/2023.

Acquirer / Investor	Target / Seller
BERKSHIRE HATHAWAY INC.	PILOT COMPANY
ARCLIGHT	Pride
SQUARE	OFFEN PETROLEUM
Energy Capital Partners	TEG TRANSIT ENERGY GROUP
FORTRESS PHILLIPS 66	Alta
FIRST RESERVE	refuel
ARCLIGHT bp	THORNTONS
Brookfield Business Partners	Loblaws
HP HARVEST PARTNERS STRUCTURED CAPITAL	GPM INVESTMENTS, LLC
STEELPATH	GPM PETROLEUM LP
TENEX CAPITAL MANAGEMENT	CADENCE PETROLEUM GROUP
Andax Group	RelaDyne Reliability in Motion
Brookwood	yes
GOLDEN GATE CAPITAL	PetroChoice Lubrication Solutions
FORTRESS	United Oil PACIFIC
CATTERTON partners	MACS

Additional financing option: sale-leaseback market overview



Demand for single tenant, net-leased real estate remains strong



Valuations of truck stop / travel center real estate in prime locations remain elevated



Companies are recognizing that growth is more difficult while capital is tied up in real estate



Institutional and retail investors continue to pursue sale-leaseback opportunities



Terms of transaction are dependent on credit rating of tenant, quality of assets, geographic market, historical cash flows and value of real estate

Sale-leaseback terms

Range

Average cap rates	7.0%-9.0%
Rent coverage ratios	2.0x- 3.0x
Initial lease terms	15-20 years
Renewal options	Four 5-year or two 10-year renewal options (typically includes rent escalations of 1%-2%)

Investment bankers interface with lenders to drive competition and position the company favorably

Investment banker role

- ✓ Independent advisor
- ✓ Opens opportunity to broad pool of investors / creates competition
- ✓ Interfaces with investors
- ✓ Leverages existing lending relationships
- ✓ Marketing positions company in most favorable light
- ✓ Clears the market for best possible deal
- ✓ Assists borrower in preparing projections, marketing materials
- ✓ Manages due diligence process
- ✓ Solicits / negotiates term sheets
- ✓ Manages definitive documentation process

Lenders' due diligence

Evaluation by lending institution



HISTORICAL FINANCIALS

- Heavy reliance on historical financials
- Consistency of results is important



QUALITY OF REVENUE / CASH FLOW

- Type of revenue (fuel, inside sales, car wash, QSR, services, etc.)
- Fuel trends (gallons sold / CPG)
- Overall margins
- Capital expenditure requirements of business



COLLATERAL

- Limited working capital assets (fuel, perishable inventory, A/R)
- Quality / location / branding of real estate locations



EQUITY

- Strength of equity sponsor / owners



OPERATIONS

- Strength of management team
- Geography / market location
- Quality of financials / due diligence info

Uncertainty remains in the current environment



Growth may be harder, but it is still doable



Q&A
