



Sunoco Sells Majority of Its Stores to 7-Eleven

The \$3.3B deal is the company's first step in shifting to a fuel focus

By Melissa Kress

Sunoco LP is poised to undergo another transformative year in 2017 following the April 6 news that the Dallas-based company is selling roughly 1,100 company-operated convenience stores to 7-Eleven Inc. for a total consideration of \$3.3 billion in cash, plus fuel, merchandise and other inventories. The transaction also includes the associated trademarks and intellectual property of Sunoco's Laredo Taco Co. and Stripes brands.

The deal does not include Sunoco's proprietary c-store banner, APlus, nor approximately 200 stores primarily in North and West Texas, New Mexico and Oklahoma. Also excluded are APlus franchise operations and Aloha Petroleum, which will remain part of Sunoco.

"Both of those two assets are key to us going forward and things that we are interested in growing," explained Sunoco President and CEO Bob Owens.

As part of Irving, Texas-based 7-Eleven's purchase agreement, Sunoco will enter into a 15-year take-or-pay fuel supply pact with a 7-Eleven subsidiary, under which Sunoco will supply approximately 2.2 billion gallons of fuel annually. This supply agreement will have guaranteed annual payments to Sunoco, provides that 7-Eleven will continue to use the Sunoco brand at currently branded Sunoco stores, and includes commit-

ted growth in future periods.

As Owens pointed out, this is the first step in a strategic decision to divest Sunoco's company-operated convenience stores in the continental United States. "We feel 7-Eleven is a logical buyer of a majority of these assets," he said.

Once the transaction closes, 7-Eleven will be an "important large customer" as Sunoco moves roughly 20 percent of its wholesale fuel volume to the chain. Sunoco's branded distributors account for 31 percent of the remaining wholesale fuel volume, followed by long-term contracts (29 percent) and commercial (13 percent).

This move will result in a less capital- and people-intensive business model, and give Sunoco economies of scale — all things the company considers "attractive attributes," Owens said.

According to the chief executive, Sunoco continues to believe that one of the key assets of the corporation is the attractiveness of the iconic Sunoco fuel brand and that provides it with ongoing significant growth opportunities with 7-Eleven.

In addition, the brand is enhanced by its position in motorsports as the official fuel of NASCAR, Indy CAR, The National Hot Rod Association, and 35 other sanctioning bodies.