

THE DISAPPEARING MIDDLE

Several midsize chains are gobbled up
by this year's Top 20 Growth Chains
A Convenience Store News Staff Report





HOLIDAY STORES, WESTERN REFINING, ROADRUNNER MARKETS, PDQ FOOD STORES, JET-PEP, HONEY FARMS, FLYERS ENERGY, MAD MAX, PIC QUIK, JIFFY STOP, SAV-O-MAT, WES-T-GO.

These are just some of the midsize convenience store chains that were sold and acquired in the past year, gobbled up by the 2018 *Convenience Store News* Top 20 Growth Chains.

Led by Alimentation Couche-Tard Inc. — which alone grew its U.S. store count by 23.4 percent between January 2017 and January 2018 by adding 1,253 net new stores — this year's top growth chains combined added 2,573 stores, equating to an 11.5-percent increase. What's more, they added nearly 1,200 more stores year over year than 2017's top growers. The 2017 Top 20 Growth Chains added 1,396 stores combined, equating to a 5.9-percent increase.

"Consolidate, then fragment. Consolidate, then fragment again. It seems like it's been going on for many years," Jeff Miller, president of Norfolk, Va.-based Miller Oil Co., said in reference to the past 40 years of mergers, acquisitions and breakups in the convenience store industry.

Lately, interest rates for buyers have been so low and EBITDA multiples (earnings before interest, taxes, depreciation and amortization) for sellers have been so high that a midsize retailer who's even thinking of selling, or has no family succession plan, is greatly tempted to sell, according to Miller, who himself is a midsize retailer, operating 20 c-stores in Virginia.

"One thing that's changed from the past is that technology has advanced to the point where an acquirer can scale up pretty efficiently. In the past, it was much more difficult to absorb large groups of stores because of all the infrastructure changes they'd have to make," he added.

With many midsize convenience store chains being private, family-owned and operated businesses, Dennis Ruben, executive managing director of NRC Realty & Capital Advisors LLC, also sees succession planning, or rather lack thereof, contributing to the disappearing middle.

"We've seen a lot of instances with these companies where the guy who started

TOP 20 GROWTH CHAINS

NO. 1 ALIMENTATION COUCHE-TARD INC.

Tempe, Ariz. (U.S. headquarters)
2018 Store Count: 6,597
2017 Store Count: 5,344
Increase: 1,253 (23.4%)

About the company's growth: Alimentation Couche-Tard had a big year in 2017, adding more than 1,200 stores through three key acquisitions. In June, the retailer completed a \$4.4-billion purchase deal for CST Brands Inc., the San Antonio-based parent company of Corner Store. Couche-Tard closed out the year by tying up its purchase of Holiday Stationstores, a chain of 522 Midwest convenience stores. Both transactions required some divestures as part of their regulatory approvals. In between, Circle K Stores Inc., a subsidiary of Couche-Tard, acquired 18 retail sites, a fuel terminal and associated trucking equipment from Alabama-based Jet-Pep for an undisclosed amount.

NO. 2 ANDEAVOR CORP.

San Antonio
2018 Store Count: 815
2017 Store Count: 277
Increase: 538 (194.2%)

About the company's growth: Formerly known as Tesoro Corp., Andeavor saw most of its growth in the past year come from a June 1 acquisition of El Paso, Texas-based Western Refining Inc. — last year's No. 1 growth chain. The \$4.1-billion deal made

Andeavor a 3,000-station company and on the convenience store side, gave it locations in Arizona, Colorado, Minnesota, New Mexico, Texas and Wisconsin, operating primarily under the Giant, Howdy's and SuperAmerica brands. Before the summer was over, Andeavor also purchased and added the 39 c-stores and gas stations of Auburn, Calif.-based Flyers Energy to its portfolio.

NO. 3 GPM INVESTMENTS LLC

Richmond, Va.
2018 Store Count: 933
2017 Store Count: 849
Increase: 84 (9.9%)

About the company's growth: GPM Investments has been on a shopping spree for several years, and 2017 was no different. In the spring, the retailer began operating 92 Roadrunner Markets in North Carolina, South Carolina, Virginia and Tennessee. GPM acquired these stores from Johnson City, Tenn.-based Mountain Empire Oil Co. The company then grew in Missouri with the addition of seven stores from Jiffy Stop Food Mart, based in Lake of the Ozarks. Looking ahead, GPM is already poised to appear on next year's Top 20 Growth Chains ranking as the company is in the process of acquiring 273 stores from Texarkana, Texas-based E-Z Mart Stores Inc. This move will expand its footprint into the Southwest.

NO. 4 KWIK TRIP INC.

La Crosse, Wis.
2018 Store Count: 607
2017 Store Count: 525
Increase: 82 (15.6%)

and is running the business wants to retire and there's nobody to run it. So, a lot of times, [these businesses] are selling just because they have no one to take them over," Ruben explained.

He also believes midsize retailers are selling — or, in other cases, buying other midsize retailers — because of the increasing difficulty of competing in a marketplace with a lot of bigger players. Going up against the Circle Ks and 7-Elevens of the industry is especially challenging on account of their greater buying power and lower overhead costs.

"I think a lot of them have figured out that they need to grow or they need to get out," Ruben said of those convenience channel players currently sandwiched in the middle.

To stay competitive, smaller operators must invest in larger-format stores, but may be limited by property size, financial constraints, overall scale, and continuous competitive pressure, noted Mark Radosevich, president of PetroActive Real Estate Services LLC.

"The overall timing is right for a strategic exit, and many have finally realized that there is life after the c-store business," Radosevich said. "Purchase multiples continue to hold at historic levels. The large guys have an insatiable desire to grow and can finance said growth through sale-leaseback and debt financing. New international players continue to enter and explore the viability of the U.S. c-store business."

Other factors contributing to the exodus of the middle men, according to John Schaninger, marketing guru and owner of The Schaninger Group LLC, are:

- Channel-blurring, with convenience products now available in many outlets;
- Escalating wage costs;
- Uncertainty around the fuel needs of the future; and
- A decline in fuel and c-store trips being caused by remote working, online ordering and delivery services.

Given the staying power of these factors, and the continuing desire among convenience channel growers to expand their brands and efficiencies, Schaninger — a former top marketing executive for New Jersey-based QuickChek Corp. — expects the trend of small and midsize chains being acquired to continue for the foreseeable future.

In fact, the acquisition of midsize chains is so appealing to the market right now that some smaller retailers are growing just to become a midsize chain and go up for sale.

"I am presently representing a private equity group that is consolidating small chains of stores, from five to 50 stores in size, in hopes of getting to the 200-plus-store size. When I asked them why they wanted to be a 200-store chain, they said it makes them an easier acquisition target by a larger chain," Terry Monroe, a professional mergers and

About the company's growth:

A mix of acquisitions and organic growth landed Kwik Trip at No. 4 on this year's ranking. In early October, the retailer took ownership of the PDQ Food Stores chain in Middleton, Wis., with 34 c-stores across the state. In addition, new stores under construction in 2017 totaled 56, including 36 in its home state. Kwik Trip is now undertaking a \$300-million capital investment project to meet the needs of the growing company.

NO. 5 CASEY'S GENERAL STORES INC.**Ankeny, Iowa**

2018 Store Count: 2,020
2017 Store Count: 1,947
Increase: 73 (3.7%)

About the company's growth:

Casey's opened its second distribution center, in Indiana, in 2016 with a goal to expand its reach into new markets and accommodate further growth. The retailer made progress on that goal throughout 2017. The publicly traded company had 47 new stores, 27 replacement stores and 16 major remodels under construction as of September, and celebrated the milestone of its 2,000th store opening in November.

NO. 6 CROSSAMERICA PARTNERS LP**Allentown, Pa.**

2018 Store Count: 133
2017 Store Count: 76
Increase: 57 (75%)

About the company's growth:

CrossAmerica made its way into this year's Top 20 Growth Chains with a late-in-

the-year acquisition of assets from Holly Pond, Ala.-based Jet-Pep for \$72 million, plus working capital and closing costs. The purchase consisted of 101 commission-operated retail sites. CrossAmerica Partners' general partner, CrossAmerica GP LLC, is indirectly owned and controlled by Alimentation Couche-Tard Inc.

NO. 7 YESWAY**Des Moines, Iowa**

2018 Store Count: 77
2017 Store Count: 31
Increase: 46 (148.4%)

About the company's growth:

Yesway is appearing for the first time on the Top 20 Growth Chains ranking. The operating banner of BW Gas & Convenience took several steps in the past 12 months to boost its footprint, including the acquisitions of Kansas-based KAPS LLC, a five-store chain; 35 Wes-T-Go and Chillerz Convenience Stores in Texas; five Pic Quik stores in Kansas; and the New Deal Travel Center in Texas. BW has publicly stated its plans to acquire, improve and rebrand approximately 500 convenience stores in selected regions of the U.S. over the next several years.

NO. 8 STINKER STORES**Boise, Idaho**

2018 Store Count: 106
2017 Store Count: 64
Increase: 42 (65.6%)

About the company's growth:

Stinker Stores kicked off 2017 with the purchase of Bradley Petroleum Inc. and Sav-O-Mat Inc. in February. This deal

acquisitions expert in the convenience store and petroleum properties industry, shared with CSNews.

Meanwhile, on the buyers' side, in addition to low interest rates and low cost of capital, the timing is right to acquire midsize retailers because of the economies of scale gained in both store operations and the purchasing of fuel; the trend in the market to diversify income given changes in the fuels landscape; and the fact that it takes almost the same amount of work to buy a large package of stores as it does a small package of stores, explained John C. Flippen Jr., a managing director of Petroleum Capital & Real Estate LLC (PetroCapRE).

What's a Midsize Retailer to Do?

Although the past year saw the disappearance of multiple midsize chains in the convenience store industry, many remain. This beckons the question: What's a midsize retailer to do?

Step one is to have a professional assessment (network rationalization process) done on the chain and each site within the chain, including facility, financial, operational and competitive considerations, says Radosevich of PetroActive Real Estate Services. This should result in a strategic plan that illustrates various actions, such as a sale, investment or divestment.

"You need to know where you are (current state) before you know where you are going (desired state), and most small to midsize operators don't really have a clue," he stated.

PetroCapRE's Flippen agrees that operators need to take stock of their current situation. He suggests they consider the following questions: Who are my current competitors? Do I have a strategic advantage? How can I increase that advantage? What is my long-term strategy for the business? How do I increase my competitive advantage through growth?

"If your competitive advantage is eroding away, then you should look to sell," said Flippen.

Monroe advises those without any succession plan to sell for the retirement cash, but he thinks those that do have



gave the retailer 40 convenience stores in Colorado and one location in Wyoming. Founded in 1936 with one service station in Twin Falls, Idaho, Stinker Stores today employs more than 500 people and its holdings include a mix of convenience stores and truck stops, mainly in its home state.

NO. 9 SUNOCO LP

Dallas

2018 Store Count: 2,285

2017 Store Count: 2,244

Increase: 41 (1.8%)

About the company's

growth: After completing \$335 million in merger and acquisition activity in 2016, which added 38 company-operated locations and more than 300 million gallons of fuel annually, Sunoco had a mixed 2017. The partnership worked on a project to rebuild and outfit locations along the Indiana Toll Road, expanding its network of locations westward. But, also during the year, Sunoco struck a deal with 7-Eleven Inc. to sell more than 1,000 of its c-stores for \$3.3 billion, marking the start of its exit from the retail scene.

NO. 10 EXXON MOBIL CORP.

Irving, Texas

2018 Store Count: 3,404

2017 Store Count: 3,365

Increase: 39 (1.2%)

About the company's

growth: In addition to inching its store count higher in the United States last year, Exxon Mobil set forth plans to move south of the border into Mexico's fuels market with the opening of eight Mobil-branded stations and a new signature

line of advanced Synergy gasoline and diesel fuels. The corporation intends to open more than 50 Mobil stations in Mexico during the first quarter of 2018.

NO. 11 WAWA INC.

Media, Pa.

2018 Store Count: 791

2017 Store Count: 753

Increase: 38 (5%)

About the company's

growth: Wawa jumped seven spots in this year's ranking. The retailer's portfolio increase was driven by organic growth, particularly the opening of its first stores in northeast Florida. Wawa expects to open six northeast Florida stores in 2018 and three to five annually for the following several years, eventually reaching 25. This past year also saw Wawa enter Washington, D.C., with its first store in the nation's capital opening in mid-December. The D.C. store is the chain's largest to date at 9,200 square feet.

NO. 12 REID PETROLEUM

Lockport, N.Y.

2018 Store Count: 87

2017 Store Count: 50

Increase: 37 (74%)

About the company's

growth: After years in the fuels business, Reid Petroleum entered the convenience store arena in 2002 and has since steadily grown its footprint in southwest New York and northwest Pennsylvania under the Crosby's retail banner. The company expanded further in 2017 with the acquisition of Arrow Mart stores and Yellow Goose Markets from MWS Enterprises Inc. These new additions are located in New York.

a solid succession plan and an ability to keep the business growing should do so. And for those in the latter camp, he has two key pieces of advice.

"They should constantly be culling through their list of stores and selling or leasing the weak stores that do not have a lot of upside to them, and taking the money and investing it in making their good stores great," he said as his first recommendation. "Don't hang onto stores that are underperforming, but instead build on the good stores."

His second recommendation: Keep growing by building or acquiring additional stores.

"The convenience store business is a great business and is going to be around for a long time. And if you have a good location, you are going to have a profitable business for a long time, but you have to grow," he said. "Too many times, I see the family getting bigger and more people trying to live out of a certain number of stores without building or acquiring additional stores. The cash flow starts to get tight and before long, they have themselves in a jam."

"You have to have zero tolerance for inefficiencies and high costs or you won't make it. You really have to be a great operator."

— Jeff Miller, Miller Oil Co.

Van Tarver, president of the Van Tarver Group and chairman of GreenPrint Corp., advises midsize operators — and really c-store operators of all sizes — to take a hard look at what their goals are; what do they want to accomplish? Then, secondly, he says they should ask: What is the value to me of selling? What is the value to me of acquiring stores?

The industry as a whole also needs to address the problem of "secondary locations," Tarver said, which he describes as small properties that don't have the space available to make the improvements necessary to succeed in today's convenience retailing industry, where competition is getting better and the consumer is getting more and expecting more.

"There's secondary locations in the big companies, midsize companies, and small companies," the former CEO of The Kroger Co.'s c-store division said. "You have to ask: Am I going to relocate, reposition or dispose of these sites?"

After addressing secondary locations, Tarver said another crucial piece of the puzzle is to make sure your business model is keeping pace with today's customers, and change it if it doesn't. "Build around product, programs and infrastructure based on customer data," he stated.

He foresees the following business model changes increasing in the industry: home delivery, click-and-collect, scan-bag-go

**NO. 13
GLOBAL PARTNERS LP/
ALLIANCE ENERGY LLC**
Waltham, Mass.
2018 Store Count: 241
2017 Store Count: 205
Increase: 36 (17.6%)

About the company's growth: Global Partners and Alliance Energy have been strategically growing over the past two years, shedding non-core assets while expanding in key geographies. Its boost in 2017 came largely from an October acquisition of Honey Farms for approximately \$36 million. The deal comprised 11 company-operated retail sites with fuel and convenience stores, and 22 standalone c-stores. The combined portfolio of Global Partners and Alliance Energy includes company-operated, dealer-leased and commissioned-agent sites.

**NO. 14 LOVE'S TRAVEL
STOPS & COUNTRY
STORES INC.**
Oklahoma City
2018 Store Count: 452
2017 Store Count: 416
Increase: 36 (8.7%)

About the company's growth: Love's said 2017 was going to be a busy year and it was true to its word. The company opened 36 new locations — all ground-up new builds — including eight in the month of December alone. The expansion brought Love's into Montana for the first time, marking its 41st state of operation. With these new locations, Love's also added approximately 2,600 new truck parking spaces and 190 more showers to the nation's interstates and highways.

NO. 15 MURPHY USA INC.
El Dorado, Ark.
2018 Store Count: 290
2017 Store Count: 255
Increase: 35 (13.7%)

About the company's growth: Murphy USA prefers to take the organic path to growth. In 2017, the company was not only occupied with opening new Murphy Express convenience stores, but also razing and rebuilding existing locations to fit its new business model. The retailer has been proceeding with its Independent Growth Plan since early 2016 when it was announced that Murphy USA would no longer purchase land from Walmart, but instead source new sites from third parties to build new Murphy Express stores.

**NO. 16 ENMARKET
STATIONS INC.**
Savannah, Ga.
2018 Store Count: 96
2017 Store Count: 62
Increase: 34 (54.8%)

About the company's growth: Enmarket took ownership of 35 Clyde's Market convenience stores in southeast Georgia at the end of 2017. With the close of this acquisition, the chain's footprint jumped to just four stores shy of 100 locations across Georgia, North Carolina and South Carolina. Formerly known as Enmark, the company opened its first two stores branded as enmarket in 2015 and has been continuing the rebranding process since.

**NO. 17 MARATHON
PETROLEUM CORP.**
Findlay, Ohio
2018 Store Count: 4,401

programs, meal kits, and services like lockers.

"Be very disciplined about your investment of capital. Invest in programs that deliver the best returns. Don't get emotionally attached to programs that are not performing," Tarver stressed. "You need to be where the customer is going, and they're changing faster than ever. ... And remember, some midsize chains have the best programs in this industry."

Midsize operators will continue to survive as long as they remember to take care of their customers, develop a personal relationship with them, and become a key part of the local community, according to Miller. They can also continue to grow if they are very strategic. "It's hard to compete with the huge consolidators with what they are willing to pay, but you can go where they ain't," he said.

The Future C-store Landscape

Most of the industry insiders CSNews spoke to for this article believe the convenience channel will see continuing consolidation in the years ahead, with more midsize retailers disappearing from the landscape and possibly some of the larger chains merging.

Monroe points to demographics. "There are 77 million baby boomers in the U.S. and they are getting older and tired. A lot of them do not have a succession plan for someone in their family to take the business over, so they are wanting to sell their business and use the proceeds from the sale to retire on," he said as to why he sees the midsize consolidation trend continuing.

As long as the acquirers keep getting the returns on their invested capital, consolidation will continue, Tarver agrees. "Given the strong performance of our industry year after year, it sets the table for people to say either we need to be in this or we need to be further in this," he said.

Tarver also wonders if the oil companies are poised to make a return to company-operated stores. He cites Andeavor Corp. (formerly Tesoro), this year's No. 2 top growth chain behind Couche-Tard, which recently got back into company ops through acquisitions. In the past year, Andeavor increased its store count by a whopping 194 percent, adding 538 net new stores.

"I'm wondering if some of the major oil companies are standing back right now and saying, 'Gee, did we make a mistake?'" Tarver said. "They have tons of cash."

NRC's Ruben not only expects to see more buying and selling of c-stores in the months and years to come, but he also expects to see companies rethink some of the acquisitions they've already made.

"I've been getting some phone calls from people wanting to basically optimize their portfolio by selling stores that either aren't profitable or aren't in good locations, or maybe are duplicative of a store across the street," he said. "...I think you're going to see people try to shed stores that don't make sense over the next couple of years."

2017 Store Count: 4,369
Increase: 32 (0.7%)

About the company's

growth: Marathon Petroleum operates stores under several names, including Marathon and Rich Oil, but its most notable retail network is Enon, Ohio-based Speedway LLC. The company had explored selling Speedway in 2017, but ultimately decided to keep the retail midstream segment as a focus. This year, Marathon expects to invest \$530 million in Speedway, a \$150-million increase from the previous year's plan. This investment boost is reflective of Marathon's renewed commitment to aggressively grow the Speedway business and build up an industry-leading position.

NO. 18 QUIKTRIP CORP.

Tulsa, Okla.
2018 Store Count: 775
2017 Store Count: 745
Increase: 29 (3.9%)

About the company's

growth: QuikTrip continued its steady growth in 2017, boosting its footprint by 29 stores, up from 20 stores in the year prior. One key area of in-store growth for the chain is its QT Kitchens foodservice concept. Plans are in the works for a new 250,000-square-foot manufacturing and distribution facility in north Tulsa to accommodate QT Kitchens growth. QuikTrip will also expand this year into more Texas markets, with the first of roughly 100 stores opening in the

San Antonio and Austin regions this summer.

NO. 19 SHEETZ INC.

Altoona, Pa.
2018 Store Count: 565
2017 Store Count: 544
Increase: 21 (3.9%)

About the company's

growth: Sheetz marched along an organic growth path in 2017, opening 21 stores across its six-state footprint. That number included its sixth location in State College, Pa., close to its Altoona headquarters. Also in its home state of Pennsylvania, Sheetz spent 2017 adding beer caves to several stores, taking advantage of the change in the state's liquor laws.

NO. 20 MAVERIK INC.

Salt Lake City
2018 Store Count: 312
2017 Store Count: 292
Increase: 20 (6.8%)

About the company's

growth: 2017 proved to be a banner year for Maverik, which opened its 300th convenience store. Located in Spokane, Wash., the nearly 5,000-square-foot store is one of the company's "adventure stores," a concept Maverik is using for new builds. The retailer's current growth schedule calls for opening 25 to 30 new locations each year, and to continue remodeling locations that still have its old store format. At its current growth rate, Maverik expects to reach the 400-store mark in the next four to five years.

Radosevich agrees. He, too, expects many sites to come back on the market "as some store aggregators choke on subpar sites (within packages) that can't [generate] cash flow enough to support rents or mortgage payments. This will be exacerbated when/if large unbranded operators arrive to eat their lunch, or if retailers like national dollar store chains embrace fuel, thereby putting innumerable (currently viable) rural sites in jeopardy."

With interest rates already creeping up, Miller thinks the industry will eventually settle down to another "calm" period for mergers and acquisitions. He also points out, "Eventually, the consolidators will realize they have to actually operate these stores they are buying."

The convenience store industry is very strong. It's also very competitive, and there's little room for just average operators, Miller added. "You have to have zero tolerance for inefficien-



THE MAKINGS OF A NO. 1 TOP GROWTH CHAIN

Industry insiders say Alimentation Couche-Tard is just plain good at acquisitions

Alimentation Couche-Tard Inc. is no stranger to the annual *Convenience Store News* Top 20 Growth Chains ranking. In the seven years that this report has been published, the Circle K operator has earned a spot on the list six times — and each time, within the top six.

Couche-Tard is also no stranger to finding itself at No. 1 on the ranking, as it does again this year. The first time was in 2016, when it acquired The Pantry Inc. and added 1,510 net new stores, growing its U.S. footprint by 39.4 percent. This past year, it acquired CST Brands Inc. and added 1,253 net new stores, growing its U.S. store count by 23.4 percent.

The way mergers and acquisitions expert Terry Monroe sees it, Couche-Tard will end up as the largest convenience store chain in the country before long. "They will eventually be the McDonald's of the convenience store business because of their business model," he said of the now roughly 6,600-store operator. "They will become the national brand for convenience stores."

Monroe commends Laval, Quebec-based Couche-Tard for being a good acquirer of stores, with a business model that makes things easy for the seller.

"Let's say that Couche-Tard was buying a 500-store chain. Chances are about a third of the stores they are intending to acquire do not fit the corporate business model, but they have a dealer program whereby the stores that may not fit the corporate business will fit the dealer model.

cies and high costs or you won't make it. You really have to be a great operator."

He can also foresee the future of the c-store industry perhaps including a further bifurcation of the industry's store formats between large, high-volume operators with 8,000- to 10,000-square-foot stores and smaller, more convenient neighborhood outlets that are easier and quicker for consumers to get in, buy what they want, and get out.

"Sometimes, smaller is better," Miller noted.

While it is an increasingly difficult time

for some, Schaninger sees "tremendous" promise for the future, and said there are four knowns to remember when it comes to convenience:

- We deliver convenience better than anyone.
- We can't win on price or promotions alone.
- The key for product sales is to deliver the ultimate value equation for your target consumer.
- A strong strategy, process and execution to drive customer loyalty wins every time. **CSN**

Methodology

The *Convenience Store News* Top 20 Growth Chains report is based on store count figures provided by TDLinx, a service of Nielsen. This is the seventh year that *CSNews* has partnered with TDLinx to identify the c-store retailers that added the most convenience stores in the past year. A convenience store is defined as a store that includes a broad merchandising mix, extended hours of operation and a minimum of 500 SKUs. Fueling stations with small kiosk stores do not meet the official definition and thus are not reflected in TDLinx's store count figures.

Therefore, Couche-Tard will keep two-thirds of the stores as corporate and company-owned stores and the rest will be sold or leased to dealers who will carry the Circle K brand and contribute to the profitability of the parent company," Monroe explained. "Everyone wins — the seller, the buyer and the dealers."

Couche-Tard's size, access to capital and adeptness at assimilating assets into the company make the retailer a formidable consolidator and "just a very good operator," according to Dennis Ruben, executive managing director of NRC Realty & Capital Advisors LLC.

"They're just very efficient in how they operate their acquisitions. Part of what they're able to do is eliminate a lot of their corporate overhead because as they grow, their overhead per store keeps going down. So then, they've been able to pay more," he explained. "And the larger the company, the more buying power they're going to have with suppliers and other vendors."

Petroleum Capital & Real Estate LLC Managing Director John C. Flippen Jr. similarly points to Couche-Tard's economies of scale in both operations and cost of capital. "If you can save more than the

next competitor, you can pay more than your competitor," he stated.

"One of the first things we typically advise our clients on when bidding on a package of assets is that it is not about the current business EBITDA, but the projected EBITDA that your company can produce. If the acquiring company is able to cut overhead, increase inside sales/margins and increase fuel margins, they will produce a higher EBITDA," Flippen continued. "And if you combine those advantages with both traditional and non-traditional financing, that is how you win these bids."

But what impact is Couche-Tard's continued growth having on the c-store industry at large?

Flippen believes the retailer is motivating other players to speed up the industry's consolidation due to concerns about "missing out," while Ruben foresees Couche-Tard's growth leading to fewer players bidding and buying c-store companies — and then falling prices.

"The more big players that they or somebody else buys, the fewer bidders there are going to be for some of these deals, which probably means it's going to maybe drive prices down a little bit," Ruben pointed out.

For now, Mark Radosevich, president of PetroActive Real Estate Services LLC, says Couche-Tard is keeping the multiples high for quality, high-performing facilities. However, he questions if all of the assets Couche-Tard is buying can withstand the test of time. He believes the likelihood is high that the retailer will have to divest many underperforming sites.

Aside from its booming store count and geographic reach, Couche-Tard's strength also lies in the pricing pressure at the pump it is able to exert on competing retailers, and its investment in fresh, said David Bishop, managing partner of sales and marketing firm Balvor LLC.

Couche-Tard's fuel rewards program additionally offers consumers significant savings in the price per gallon they pay, which in turn drives more customers onto its store lots. At the same time, by investing in fresh with its new hot dispensed beverage and bakery programs, Couche-Tard is improving in-store traffic and margins, according to Bishop.

"The combination of these two factors, along with the fact that they have a strong private label cigarette program, makes [Couche-Tard] a formidable competitor for most," he said.