

February 13th, 2018

*Leverage automation
for expansion*

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Outline

1 *Overview*

2 *Solutions*

3 *Risks & Mitigation*

4 *How PwC can help*

5 *Summary*

Overview

Current situation

- Top 10 biggest c-store in the U.S.
- Hold reputation among communities as a family
- Experience drops in revenues and increase in operating expenses

Challenges



AUTOMATION



FINANCING



EXPANSION



**PERFORMANCE
ENHANCEMENT**



Solutions

Recommendation Timeline

2018

2019

2020

2021

2022

2023

2024

2025

Stage 1:
Realignment

Stage 2:
Expansion

Stage 3:
Acquisition

Performance Enhancement

Stage 1: Realignment

***Move to
automation***

Solve overstaffing

Reduce wages expenses

Reduce customer turnover

Leverage shopping experience

Operate stores more effectively

Stage 1: Realignment

Funding approaches

Short-term:

Issue 1,180,000 shares worth \$120 million for self-checkout machines set up

Why?

- *Company's current situation does not support debt financing*

Current ratio

0.8

Debt-to-assets

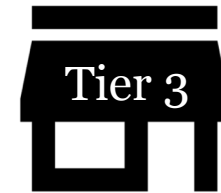
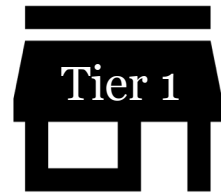
0.6

- *The stock market is doing well*



Stage 1: Realignment

Long-term: Self-fund through the reduction in operating expenses & increase in profit



2018

Set up **3** self-checkout machines per store
Lay off **12** employees per store

2019

Set up **2** self-checkout machines per store
Lay off **8** employees per store

Set up **2** self-checkout machines per store
Lay off **6** employees per store

Stage 1: Realignment

Consolidated Income Statement

(in thousands, except per share amounts) Years ended April 30,
2019

Total Revenue	\$7,773,807
Costs of Goods Sold (Exclusive of Depreciation and Amortization, Shown Separately Below)	\$6,012,724
<i>Gross Profit</i>	<i>\$1,761,082</i>
Operating Expenses	\$427,722
Depreciation and Amortization	\$186,579
Interest, Net	\$42,196
<i>Income before Income Taxes</i>	<i>\$1,104,585</i>
Federal and State Income Taxes	\$391,533
<i>Net Income</i>	<i>\$713,052</i>

Operating Expense



\$699 Million

Net Income



\$472 Million

Stage 1: Realignment

Consolidated Balance Sheet	
	April 30, 2019
(in thousands, except per share amounts)	
Assets	
Current Assets	
Cash and Cash Equivalents	\$396,564
Receivables	\$30,236
Inventories	\$223,746
Prepaid Expenses	\$4,781
Income Taxes Receivable	\$15,732
Total Current Assets	\$671,059
Property and Equipment, at Cost	
Land	\$684,311
Buildings and Leasehold Improvements	\$1,540,319
Machinery and Equipment	\$2,066,342
Leasehold Interest in Property and Equipment	\$17,167
Total Property and Equipment, at Cost	\$4,308,139
Less Accumuated Depreciation and Amortization	\$1,582,891
Net Property and Equipment	\$2,725,248
Other Assets, Net of Amortization	\$20,981
Goodwill	\$224,902
Total Assets	\$3,642,190
Liabilities and Shareholders' Equity	
Current Liabilities	
Current Maturities of Long-term Debt	\$16,782
Accounts Payable	\$263,279
Accrued Expenses	
Wages and Related Taxes	\$34,957
Property Taxes	\$26,295
Insurance	\$38,786
Other	\$42,937
Total Current Liabilities	\$423,036
Long-term Debt, Net of Current Maturities	\$898,167
Deferred Income Taxes	\$498,618
Deferred Compensation	\$19,443
Other Long-term Liabilities	\$21,282
Total Liabilities	\$1,860,546
Commitments and Contingencies	
Shareholder's Equity	
Preferred Stock, No Par Value, None Issued	—
Common Stock, No Par Value, 39,055,570 and 38,886,165 Shares Issued and Outstanding at April 30, 2016 and 2015 Respectively	\$12,112
Retained Earnings	\$1,769,532
Total Shareholders' Equity	\$1,781,644

Current Ratio



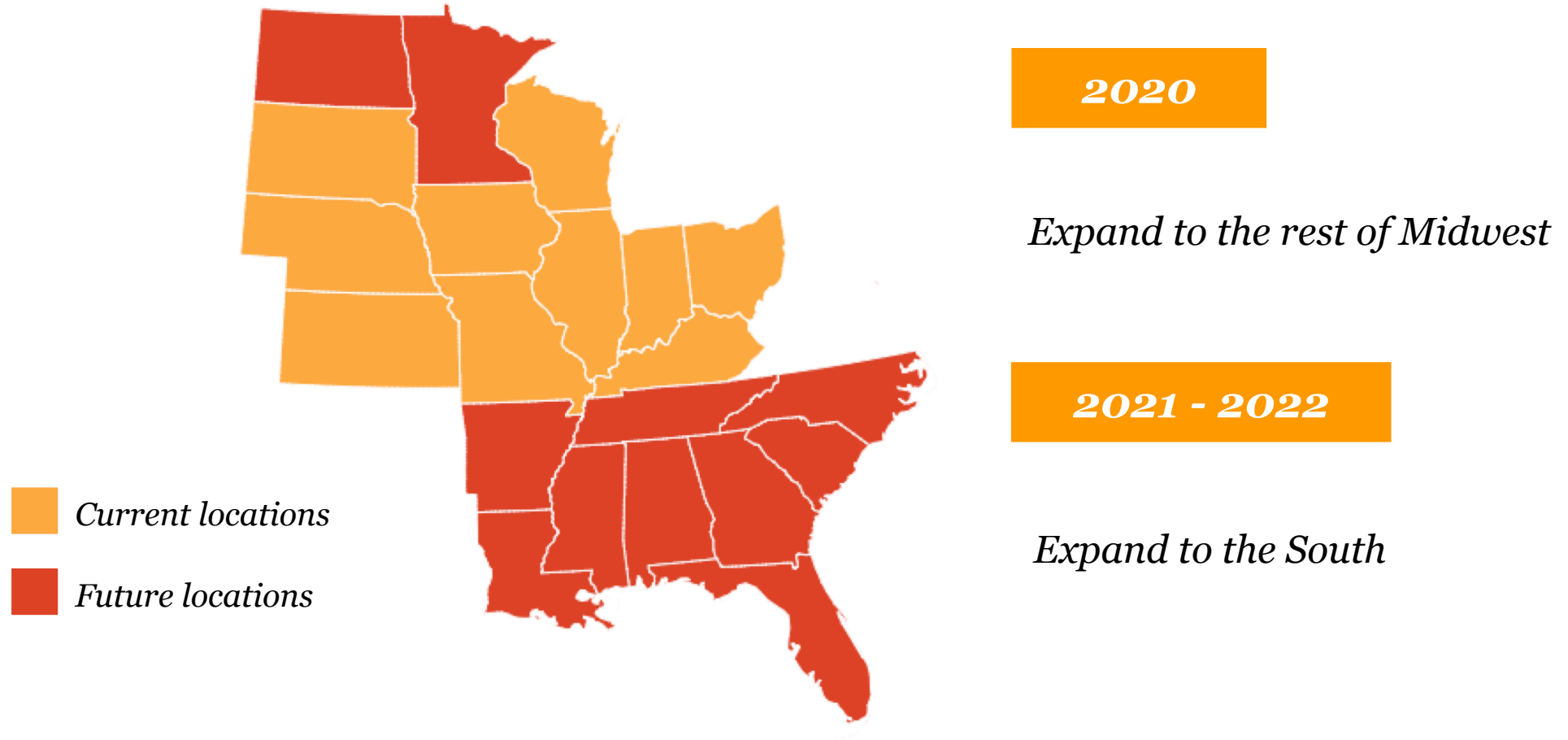
1.5 from 0.8
in 2016

Debt to Asset

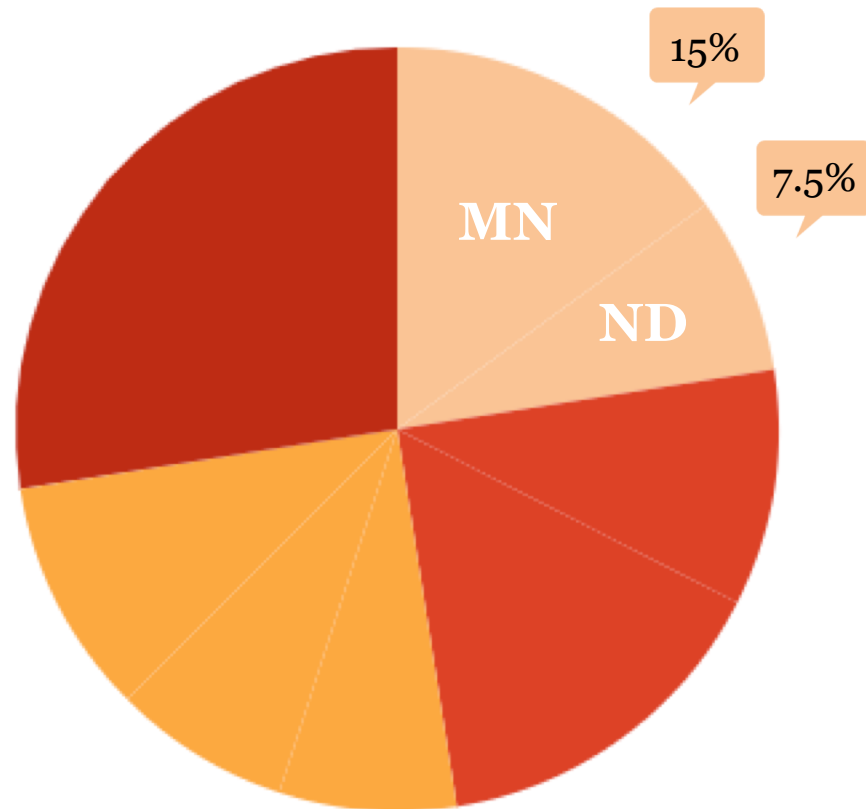


0.5 from
0.6 in 2016

Stage 2: Expansion (2020 – 2022)



Stage 2: Expansion (2020 – 2022)



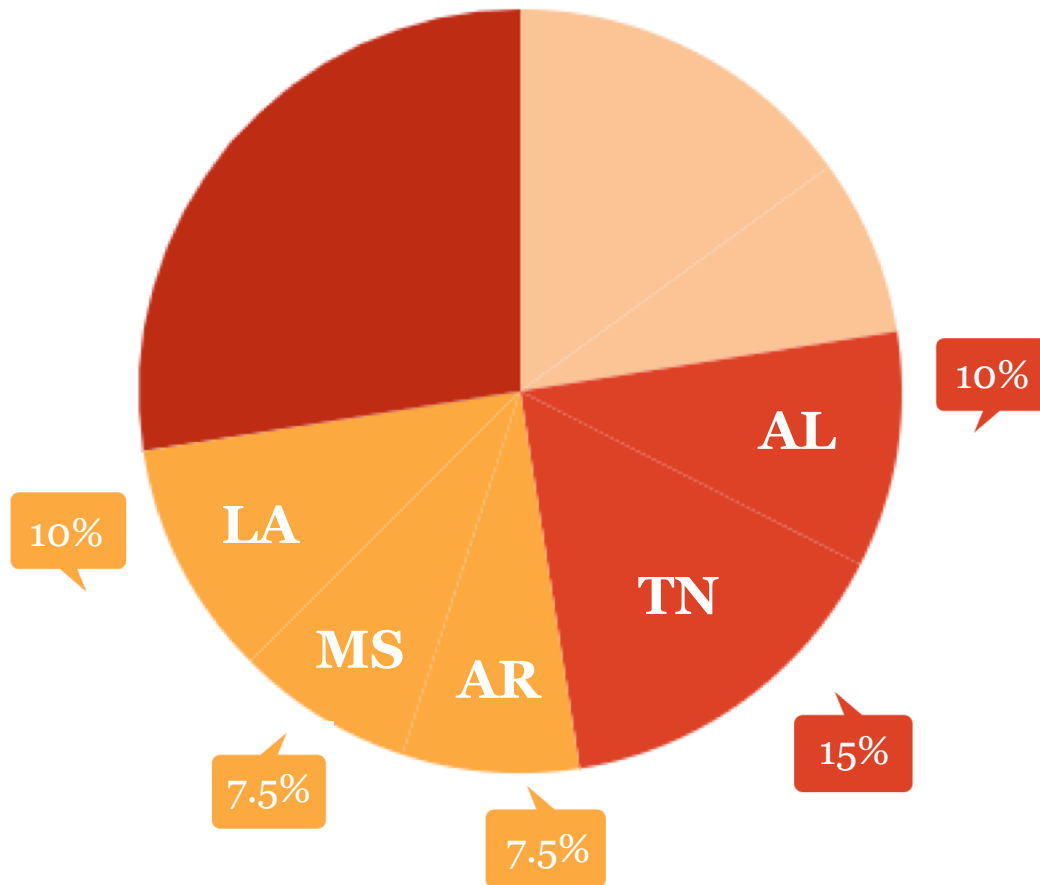
2020

Expand to the rest of Midwest: MN & ND

- Strong established reputation in the Midwest
- Pricing power
- Growing economy

Ratio: Tier 1 : Tier 2 : Tier 3 = 6 : 3 : 1

Stage 2: Expansion (2020 – 2022)



Ratio: Tier 1 : Tier 2 : Tier 3 = 6 : 3 : 1

Expansion strategies

- Location:
 - Reduce supply chain costs
 - Take advantage of reputation in current location
- Small competitors

Main goal

- Generate profits to absorb costs quickly

2021

Expand to the South: AL & TN

2022

Expand to the South: AR, MS & LA

Stage 2: Expansion

Consolidated Income Statement

(in thousands, except per share amounts)

Years ended April 30,
2022

Total Revenue	\$9,088,330
Costs of Goods Sold (Exclusive of Depreciation and Amortization, Shown Separately Below)	\$7,017,548
<i>Gross Profit</i>	<i>\$2,070,782</i>
Operating Expenses	\$1,009,193
Depreciation and Amortization	\$192,233
Interest, Net	\$42,196
<i>Income before Income Taxes</i>	<i>\$827,161</i>
Federal and State Income Taxes	\$293,197
<i>Net Income</i>	<i>\$533,964</i>

Total Revenue



\$1.3
billion

Stage 2: Expansion

Consolidated Balance Sheet	
	April 30, 2022
(in thousands, except per share amounts)	
Assets	
Current Assets	
Cash and Cash Equivalents	\$178,444
Receivables	\$35,349
Inventories	\$261,581
Prepaid Expenses	\$5,589
Income Taxes Receivable	\$18,392
Total Current Assets	\$499,355
Property and Equipment, at Cost	
Land	\$800,026
Buildings and Leasehold Improvements	\$1,854,031
Machinery and Equipment	\$2,444,593
Leasehold Interest in Property and Equipment	\$20,070
Total Property and Equipment, at Cost	\$5,118,720
Less Accumulated Depreciation and Amortization	\$1,867,856
Net Property and Equipment	\$3,250,864
Other Assets, Net of Amortization	\$24,529
Goodwill	\$137,566
Total Assets	\$3,912,314
Liabilities and Shareholders' Equity	
Current Liabilities	
Current Maturities of Long-term Debt	\$19,620
Accounts Payable	\$307,799
Accrued Expenses	
Wages and Related Taxes	\$40,868
Property Taxes	\$30,741
Insurance	\$45,345
Other	\$50,197
Total Current Liabilities	\$494,570
Long-term Debt, Net of Current Maturities	\$1,050,044
Deferred Income Taxes	\$582,933
Deferred Compensation	\$22,731
Other Long-term Liabilities	\$24,881
Total Liabilities	\$2,175,158
Commitments and Contingencies	
Shareholder's Equity	
Preferred Stock, No Par Value, None Issued	—
Common Stock, No Par Value, 39,055,570 and 38,886,165 Shares Issued and Outstanding at April 30, 2016 and 2015 Respectively	\$18,168
Retained Earnings	\$1,718,988
Total Shareholders' Equity	\$1,737,156
Total Liabilities and Shareholders' Equity	\$3,912,314

Favorable
Liquidity/
Solvency Ratio

Favorable Free
Cash Flow (\$300
million)



Good Position to
Acquire

Stage 3: Acquisition (2023 – 2025)

Acquire Enmarket

For the remaining **28.5%** of the expansion plan



Stage 3: Acquisition (2023 – 2025)

Consolidated Income Statement	
(in thousands, except per share amounts)	Years ended April 30,
	2025
Total Revenue	\$9,664,905
Costs of Goods Sold (Exclusive of Depreciation and Amortization, Shown Separately Below)	\$7,561,578
<i>Gross Profit</i>	<i>\$2,103,327</i>
Operating Expenses	\$1,098,295
Depreciation and Amortization	\$196,097
Interest, Net	\$42,196
<i>Income before Income Taxes</i>	<i>\$766,740</i>
Federal and State Income Taxes	\$271,780
<i>Net Income</i>	<i>\$494,960</i>

Total Revenue



6%
growth
rate

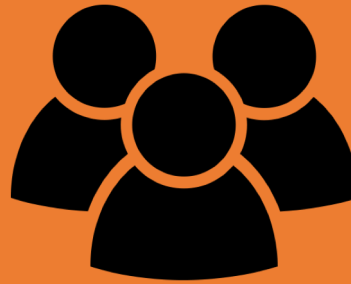
Net Income



Outgrow
industry
average

Performance Enhancement

Reinforce communication



Utilize social technologies

Provide training & development



Improve gas station management

Appoint VP of Analytics

Adopt Enmarket's resources

Risks & Mitigation

Risks

Mitigation

Fail to maintain the image of a community hub

Communicate clearly and early on changes

Provide information on job search and outplacement support

Increase in expenses (regulations, minimum wages, fuel costs)

Offset by growth in profits

Increase in theft

Offset by stores' small size

How PwC can help?

Stage 1

REALIGNMENT

- Cultural Evolution & Change Management
- Technology Consulting

Stage 2

EXPANSION

- Enterprise Risk Management
- Value Chain Transformation

Stage 3

ACQUISITION

- M&A Transformation
- Tax Services
- Deals Data & Analytics

Stage 4

ENHANCEMENT

- Workforce Management
- Customer Strategy
- Product & Service Innovation

Summary

2018

2019

2020

2021

2022

2023

2024

2025

Stage 1:
Realignment

Stage 2:
Expansion

Stage 3:
Acquisition

Performance Enhancement

Thank you

Any questions?

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