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‘Surprising’ Merger Report Is Also ‘Compelling’ and ‘a Good Strategic Fit’

Couche-Tard/EG Group deal would combine two giant global retail networks, shift top U.S. rankings

By [Greg Lindenberg](#) on May 03, 2022

LAVAL, Quebec, and BLACKBURN, U.K. — A surprised convenience-store industry is reacting positively to a deal that—if consummated—could challenge the U.S. dominance of 7-Eleven and Speedway. Major global and U.S. convenience-store companies Alimentation Couche-Tard Inc. and EG Group are in merger talks, according to a report by [The Wall Street Journal](#), citing people familiar with the matter. The combination could create a company with about 21,000 retail outlets worldwide—including about 8,850 in the United States—and approximately \$70 billion in revenue.

In recent weeks, Couche-Tard and EG Group have traded proposals that would value EG Group at \$16 billion or more including debt, the sources told the newspaper. The talks have so far failed to produce a deal, and may not, they said.

Should the companies combine, the new group would have more than \$70 billion in annual revenue and approximately 21,000 convenience stores, gas stations, grocery stores and quick-service restaurants (QSRs) in more than 30 countries, the report said. It would bring together EG’s network in the United Kingdom, western Europe and Australia with Couche-Tard’s in the United States, Canada, northern Europe and other countries.

The combined company would remain headquartered in Couche-Tard’s home of Laval, Quebec, the sources said.

In September 2021, Blackburn, U.K.-based EG Group said it was [exploring a potential sale](#), and it was then valued at about \$15 billion, the sources said. “EG Group regularly works with its advisers to explore a wide range of options to create value in its portfolio,” a company spokesperson told *CSP* at the time.

Industry Reaction

The possibility of a merger “comes as a surprise, especially given how EG has fervently grown over the past five-plus years,” Ken Shriber, managing director and CEO of Chappaqua, N.Y.-based Petroleum Equity Group (PEG) Ltd., told *CSP*. “Yet, it makes sense from an acquisition standpoint for Couche-Tard as it would add significantly to their existing footprint in the U.S. and Europe where they have a strong market share. This acquisition, if it happens, provides Couche-Tard with another portfolio of strong regional c-store brands in various key markets. While Couche-Tard has made several acquisitions over the past couple of years, it has not been of the large portfolio size that EG would bring.”

Analyst Irene Nattel of RBC Dominion Securities said a combination of two large chains would be a “compelling potential transaction” consistent with Couche-Tard’s five-year plan to double its size.

“Alimentation Couche-Tard has always been highly disciplined on M&A valuation and we would expect management to apply even more heightened financial oversight in the current environment, and for large-scale transactions,” she wrote in a note to clients cited by the [Canadian Press](#).

“We believe EG would be a good strategic fit,” Chris Li, analyst with financial services firm Desjardins, Montreal, in a research note concerning Couche-Tard, which trades as ATD. “Cost synergies vary by geography. Given ATD large scale in the U.S. ... we believe there would be significant cost synergy opportunities.”

He also said there is “potential for significant fuel procurement synergies” and “an opportunity to drive higher foodservice penetration for EG. There are also reverse synergies for ATD. EG is building on its ability to own and operate foodservice restaurants by expanding into the QSR space. Also, EG has longstanding partnerships with globally recognized brands in grocery and merchandise such as SPAR, Carrefour, Louis Delhaize and Woolworths.”

As for potential risks, he cited recent increased FTC scrutiny of c-store mergers following the 7-Eleven/Speedway transaction, although “we do not expect anti-trust to be a key issue,” he said, because EG’s footprint does not overlap with Couche-Tard’s top U.S. states, in Europe or in Australia. Couche-Tard “is largely under-penetrated in the northeastern U.S. The main overlap is in Florida.”

He also said that some European countries—especially France and Italy—have tougher operating conditions and industry regulations, which has prevented past expansion.

U.S. and Global Portfolio Consolidation

In the United States, the combination of Couche-Tard’s more than 7,100 c-stores—including Circle K, Holiday Stationstores and other brands—and EG Group’s approximately 1,750 stores—including Cumberland Farms, Turkey Hill and other brands—would create a portfolio of about 8,850 stores, not enough to dethrone 7-Eleven, with nearly 13,000 U.S. stores—including 7-Eleven, Speedway, Stripes and other flags—as the top U.S. c-store company according to CSP’s Top 202 ranking. But it would still represent a major consolidation among the Top 10 chains akin to the seismic shift from last year’s \$21 billion [7-Eleven and Speedway union](#).

- *Couche-Tard is [No. 2](#) on CSP’s [Top 40 update](#) to the [2021 Top 202](#) ranking of U.S. c-store chains by store count. EG America is [No. 5](#). Watch for the full 2022 Top 202 ranking in the June issue of CSP magazine and in CSP Daily News.*

Founded in 2001 as EuroGarages by co-CEOs Moshin and Zuber Issa, Blackburn, U.K.-based EG Group is a gasoline forecourt and retail convenience operator with more than 6,200 sites across the United Kingdom and Ireland, Europe, the United States and Australia. In 2018, EG Group established itself in the United States as EG America by acquiring [Kroger’s 762-site c-store network](#). It acquired [TravelCenters of America’s](#) Minit Mart convenience-store business for approximately \$330.8 million in 2018. The [portfolio included 225 c-stores](#). And in 2019, among other acquisitions, EG Group [acquired Cumberland Farms](#) and its nearly 660 c-stores in the Northeast and Florida, and EG America now has its headquarters in Westborough, Mass. U.S. c-store brands include Cumberland Farms, Certified Oil, Fastrac, Kwik Shop, Loaf N’ Jug, Minit Mart, Quik Stop, Tom Thumb and Turkey Hill.

Laval, Quebec-based Couche-Tard’s 26-country global network includes approximately 9,300 c-stores in North America, with more than 7,100 in the United States under the Circle K and [Holiday Stationstores](#) banners in 48 states, and approximately 2,100 in Canada under the Circle K, Mac’s and Couche-Tard banners. In Europe, under the Circle K and other banners, Couche-Tard operates a retail network in Scandinavia, Ireland, Poland, the Baltics and Russia including more than 2,700 stores and unmanned automated fuel stations. And under licensing agreements, more than 2,200 stores operate under the Circle K banner in 15 other countries and territories (Cambodia, Egypt, Guam, Guatemala, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam). This brings Couche-Tard’s worldwide total network to approximately 14,200 mostly Circle K-branded c-stores.