



**ALPHA**  **CHALLENGE**  
Kenan-Flagler Business School  
The University of North Carolina

**November 18<sup>th</sup>, 2016**



**Company:** Casey's General Stores, Inc. (NASDAQ: CASY)

**Action:** Long

**Price Target:** \$145

**Students:** Yamel Cotero, Jonathan Evans, Ian Ricks

# Long: CASY | Company Overview

## Casey's is the 5<sup>th</sup> Largest Pizza Chain in the US

### Highlights

- ✓ Casey's General Stores, is a chain of gas and convenience stores in the Midwestern United States
- ✓ Headquartered in Ankeny, IA
- ✓ 1933 stores operated as of Q1 2017 in 14 states
  - 99% of stores are owned
  - Iowa, Missouri, Illinois are its core markets
  - All but two stores sell gas
- ✓ Integrated supply chain for food, fuel, and grocery
- ✓ In house construction and transportation services
- ✓ 5th largest pizza chain in the US
- ✓ Accretive acquisition of small independent gas/convenience store chains highly likely
- ✓ Organic growth through new store development in Midwest and plains



### Market Value

Stock Price	\$	116.72
Shares Outstanding		39.1
Market Capitalization		4,563.8
Plus: Debt		872.4
Less: Cash		189.5
Enterprise Value		5,246.7

### 2016 Financial Data

Revenue	\$	7,122.1
EPS	\$	5.73
Gross Margin		22.7%
EBITDA Margin		7.9%
Net Margin		3.2%

### Current Valuation

(Consensus)	
P/E 2016	23.2
P/E 2017	20.9
EV/ EBITDA 2016	10.5
EV/ EBITDA 2017	9.1

### Price Target

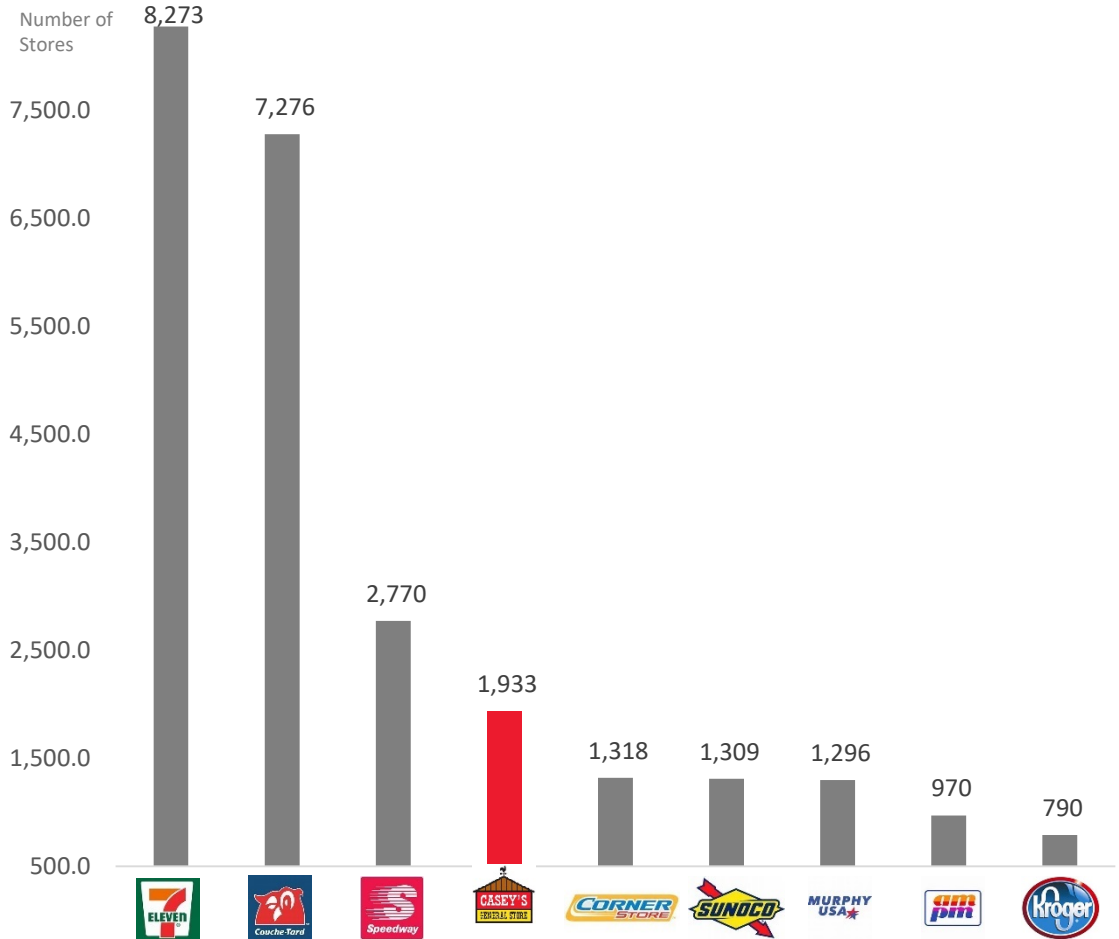
(In US\$ MM)	
FY 2017 Price Target	\$ 145.00
Estimated Upside	24.23%

## Convenience Store Industry is Fragmented

### Highlights

- ✓ Convenience Store Industry is Fragmented
  - Couche-Tard controls 8% of market
  - Most majors confined to specific regions
  
- ✓ Less Than 5.0% of Stores Owned by Major Oil
  - Industry trend has been to divest retail operations
  - Transportation costs high in remote regions
  - Result is a shift towards independent operators
  
- ✓ Traditional Drivers of Gas & Convenience Stores
  - Oil prices
  - Total vehicle miles
  - Consumer spending
  - Energy related tax credits

### Fragmented Industry



## Significant Upside Opportunity

**1** Unique Business Model with Significant Competitive Advantages

- Small markets provide a moat against national convenience store and restaurant chains
- Internally managed supply chain and development
- Business can survive economic downturns

**2** Well Positioned for Growth and Industry Consolidation

- Accretive acquisition of small independent gas/convenience store chains highly likely
- Organic growth through new store development in Midwest and plains
- New distribution center allowing efficient entry into new markets

**3** There's a Domino's Pizza Hidden Inside

- Casey's is the 5<sup>th</sup> largest pizza chain in the U.S.
- Pizza represents ~50% of sales in Casey's highest margin prepared foods business
- Casey's is comping better than high growth Domino's Pizza and Papa John's Pizza

**4** Multiple Levers to Continue Driving High Margin Prepared Foods

- Store conversions to drive increased prepared food sales
- Rollout of delivery and app across store base
- Remodels and replacements

**5** Margin Improvement

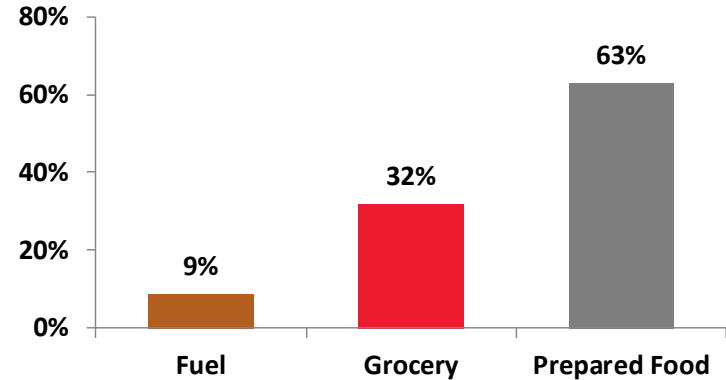
- Mix shift to prepared foods
- Strong operating leverage to drive margin upside
- ROIC normalization will drive multiple expansion

## Thesis #1: Unique Business Model with Significant Competitive Advantages

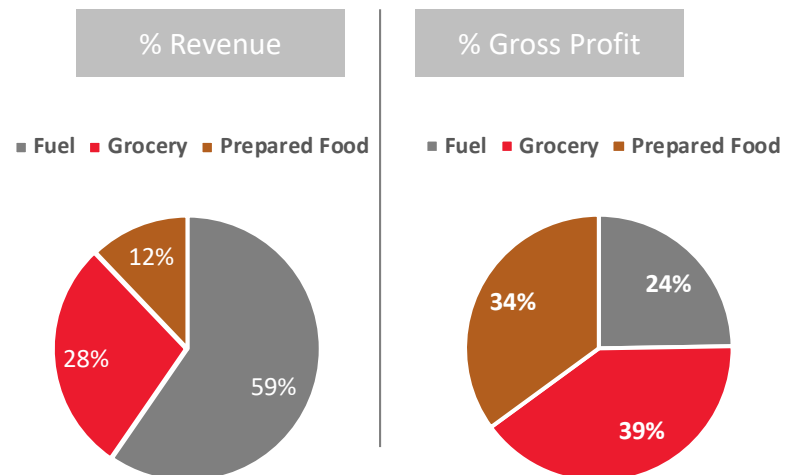
### Main Takeaways

- ✓ **Business Model Provides Superior Pricing Power and Barriers to Entry**
  - 59% of stores serve populations under 5,000, 82% of stores serve populations under 20,000
  - Management claims Casey's can successfully operate in towns with only 400 people
  - Often the only convenient and reliable option for gas, groceries, and prepared food
  - Price increases of 2-3% in 2013-2014 had no effect on demand
  
- ✓ **Integrated Wholesale, Transportation and Construction Provides Operating Leverage**
  - Two owned distribution centers provide over 3,000 products to Casey's stores
  - No long-term supply contracts with suppliers allows for flexibility
  - In house construction team manages new store builds and renovations

### Gross Margin by Segment



### % Gross Profit | % Total Revenue

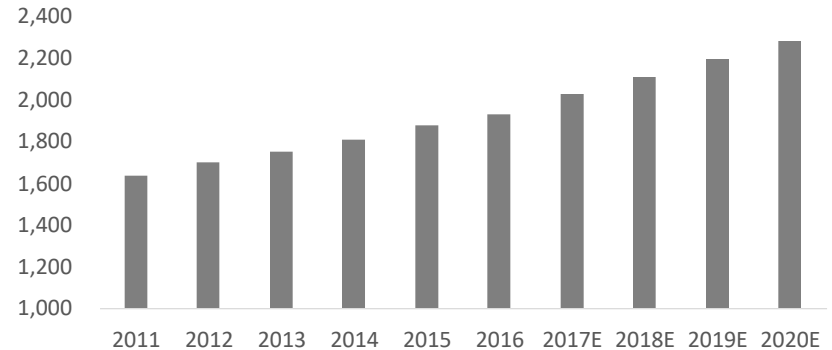


## Thesis #2: Well Positioned for Growth and Industry Consolidation

### Main Takeaways

- ✓ **Since 2011, number of stores increased 18%**
  - Net income has increased 139%
  - Historical net store increases have averaged 3.5% primarily from new development
  - New store growth guided to be 4-6% per year organic, augmented by acquisitions
  - **HSD Comps at incremental margins drive investment rationale**

### Continued Growth of Store Base



### Significant Runway for Continued Growth in Existing Territory



## Thesis #2: Well Positioned for Growth and Industry Consolidation

### New Distribution Center to Expand Acquisition Opportunities

- ✓ **Terre Haute, IN Distribution Center Facilitates Expansion to the South/East**
  - Second distribution center serves 600 stores and has eliminated most 2-day trucking routes
  - First store in Ohio expected to open in January 2015
- ✓ **Company is Actively Looking for Acquisitions**
  - Casey's non-core rural markets characterized by smaller chains with limited scale
  - Current Net Debt/EBITDA is 1.1x
  - Southeastern states have highest percentage of rural areas in the country
  - Highest tobacco use prevalence
  - High miles driven per licensed driver
- ✓ **Significant Acquisition Synergies**
  - Historical Casey's acquisitions purchased at 5-7x EV/EBITDA
  - Historical acquisitions have seen 2-9% improvements in grocery margins due to distribution synergies
  - Acquisition strategy involves adding SF for prepared foods

### Distribution Center Terre Haute Indiana



Distribution Center  
Terre Haute, Indiana

## Thesis #3: There's a Domino's Hidden Inside

### Main Takeaways

- ✓ **Casey's is the 5<sup>th</sup> largest pizza chain in the US**
  - In 2015, CASY sold 19 million pizzas and 62 million slices
  - Pizza represents ~50% of CASY's Prepared Foods
  - Pizza is made fresh in each CASY location
  - Since January, the company now offers online ordering in all of its stores

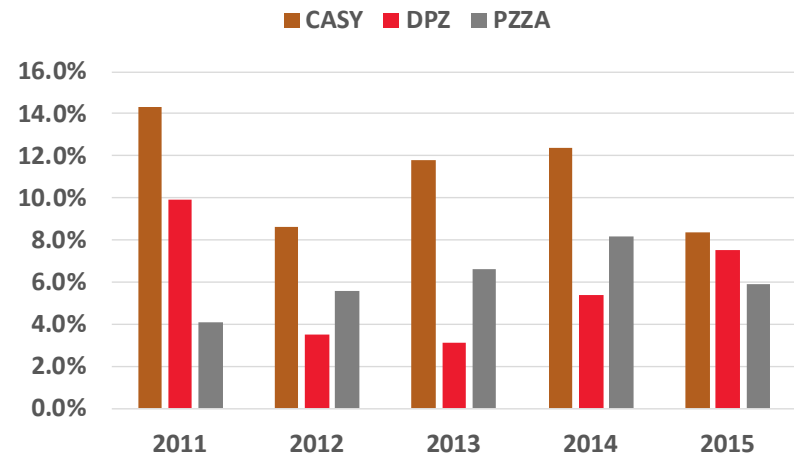
### Pizza Chains in the US

Restaurant Name	# Stores
Pizza Hut	15,605
Domino's	11,629
Papa John's International	4,708
Little Caesars Pizza	4,059
<b>Casey's</b>	<b>1,933</b>
Papa Murphy's International	1,425
Sbarro	820
Marco's Pizza	640
Chuck E. Cheese's	577
CiCi's Pizza	519
California Pizza Kitchen	290

### Casey's is the 5<sup>th</sup> largest pizza chain in the US



### Comping better than high growth DPZ and PZZA





**Thesis #4: Multiple Levers to Drive High Margin Prepared Foods**

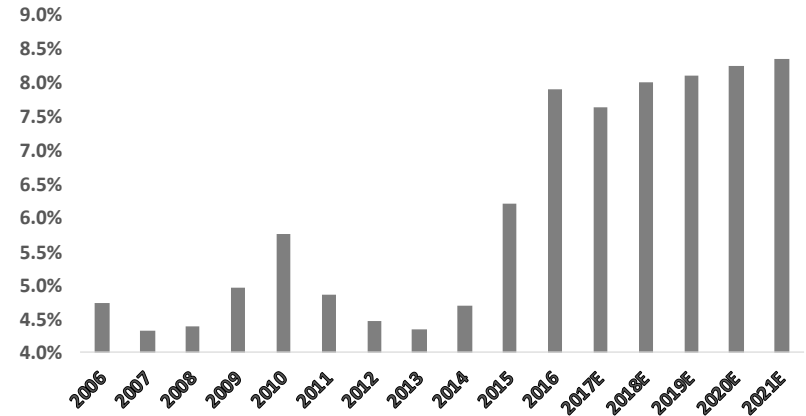
<b>Initiative</b>	<b>Incremental Sales</b>	<b>Progress</b>
<b>1) Stores Offering Pizza Delivery</b>	30%-40% in pizza 20%-30% in prepared foods	Adding 100 stores over NTM 75% of stores yet to offer delivery
<b>2) Online Ordering and Mobile App</b>	13% higher basket than phone order Promotions convert outside sales inside	533k downloads YTD
<b>3) Extended Store Hours</b>	20%-30% increase in prepared food sales for 24 hour locations	Only half of stores currently converted
<b>4) Acceleration of Store Remodels/Replacements</b>	5%-15% increase in grocery revenue 25%-35% increase in prepared foods	80% of stores yet to be remodeled ~7% to be remodeled/replaced in NTM

## Thesis #5: Margin Improvement

### Main Takeaways

- ✓ CASY sales mix is shifting towards its higher margin prepared food and grocery business
- ✓ Declining gas margins offset by improving mix
- ✓ We forecast operating margins to remain high and improve overtime

### EBITDA Margins poised to grind higher



### eCommerce and Int'l Growth to drive margin

	% of 2016 Gross Profit	Sales Growth Rate	% of 2021E Gross Profit	Gross Margin Range
Fuel	24%	MSD	17%	6-9%
Grocery	39%	9%-11%	40%	30%-32%
Prepared Food	34%	11%-17%	40%	60%-63%
Other	3%	5%	3%	15%-25%

### Improved Cost Absorption of New IN Distribution Center



# Long: CASY | Investment Risks

## Risks

## Mitigation

**1** Weak Farm Economy Reduces Inside Sales

- Flexibility of wholesale and distribution model allows versatility in product offerings
- Above market fuel comps combined with promotions convert fuel sales to inside sales
- Gross profit has increased every year since 1997

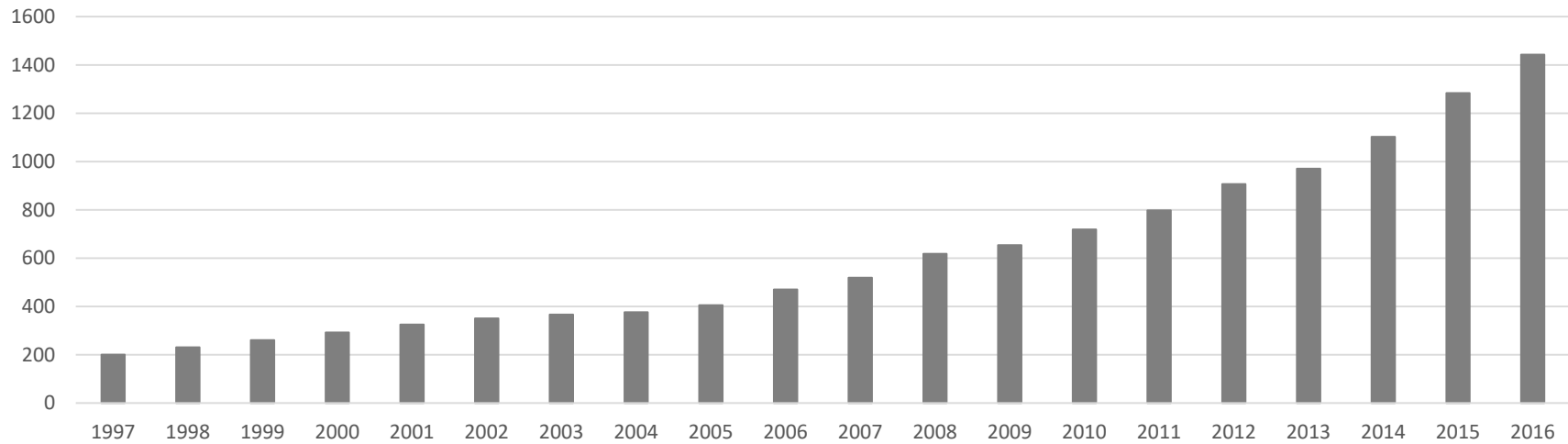
**2** Secular Decline in Tobacco and Fuel Sales

- Casey's operates in states with the highest tobacco use per capita in the US
- Tobacco is a smaller component of grocery gross profit vs. peers – not driving comps
- Existing and new markets among highest miles driven

**3** RINs price declines lower fuel margins

- Casey's has historically used incremental RINs margin to keep prices low and take market share
- Historical price increases demonstrate significant pricing power in many store locations

## Historical Gross Profit



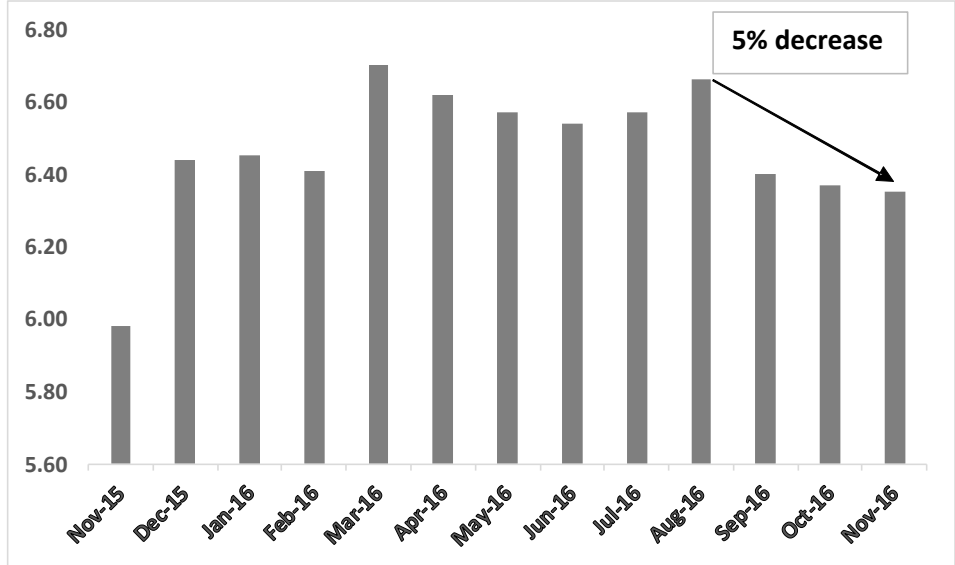
Source: Company Filings, American Cancer Society

# Long: CASY | Recent Update

## CASY has missed two consecutive quarters

Period	Event Date	After Event	Mean	Surp (%)
Oct '16E	-	-	1.61	-
Jul '16	07 Sep '16	1.70	1.81	-5.8
Apr '16	06 Jun '16	1.19	1.22	-2.1
Jan '16	08 Mar '16	0.97	0.94	3.1
Oct '15	08 Dec '15	2.00	1.50	33.0
Jul '15	09 Sep '15	1.57	1.40	12.1
Apr '15	09 Jun '15	1.05	0.86	22.7
Jan '15	10 Mar '15	1.01	0.85	19.0
Oct '14	11 Dec '14	1.28	1.17	9.1
Jul '14	09 Sep '14	1.34	1.25	7.1
Apr '14	10 Jun '14	0.59	0.53	11.4
Jan '14	11 Mar '14	0.39	0.49	-20.3
Oct '13	10 Dec '13	1.06	1.15	-8.0
Jul '13	10 Sep '13	1.43	1.26	13.7
Apr '13	14 Jun '13	0.69	0.62	12.1
Jan '13	12 Mar '13	0.40	0.47	-14.0
Oct '12	11 Dec '12	0.85	0.85	0.1
Jul '12	11 Sep '12	1.01	0.95	5.8
Apr '12	13 Jun '12	0.60	0.67	-10.2
Jan '12	06 Mar '12	0.43	0.44	-2.9
Oct '11	07 Dec '11	0.98	0.98	0.0

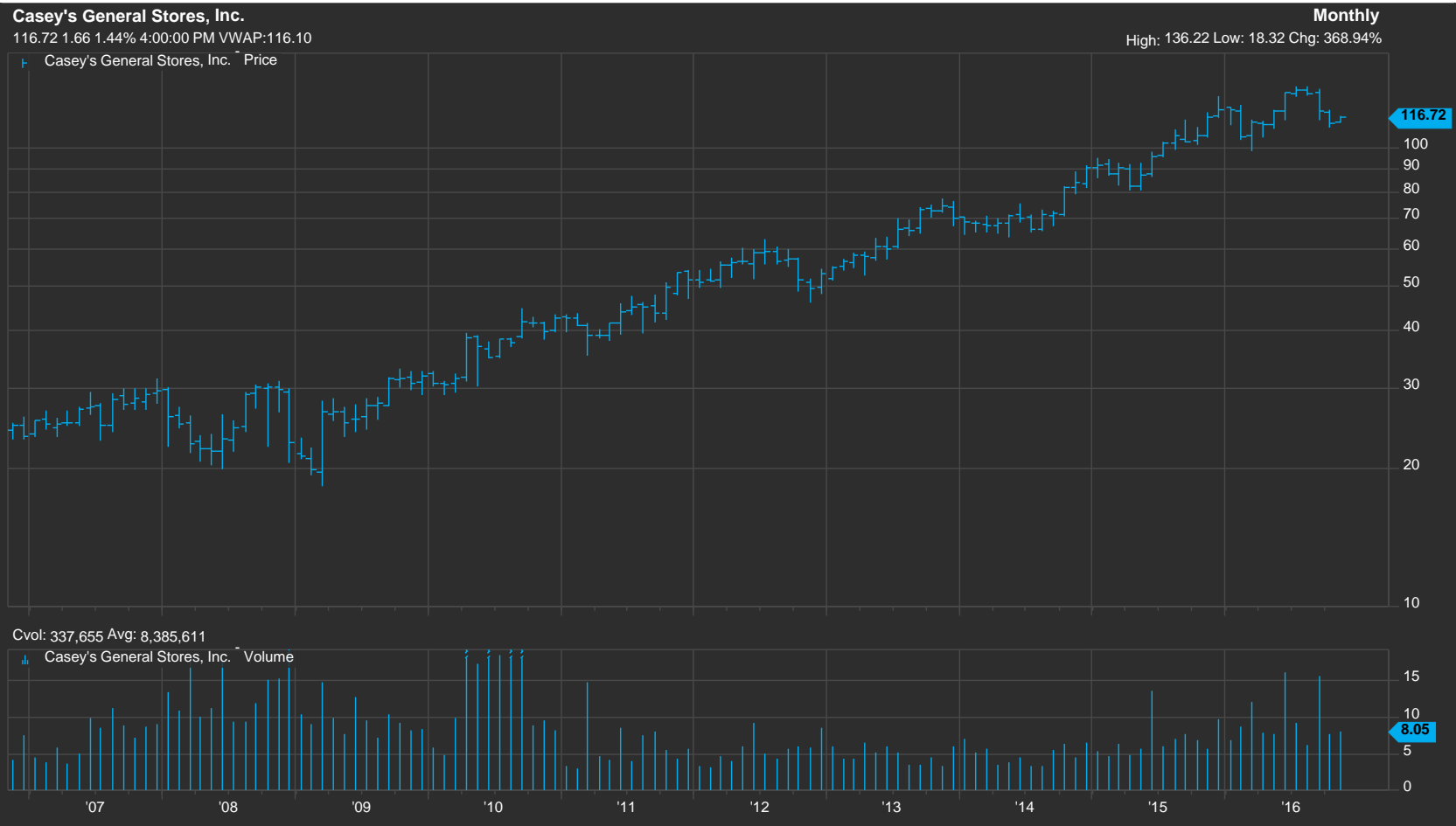
## And 2018E EPS estimates have fallen due to transitory headwinds



CASY also recently filed an 8-K that revealed weak October quarter Grocery comps

# Long: CASY | Stock Price History

**Casey's has declined 14% from its all-time high of \$135.92 in July**



# Long: CASY | Differentiation

	2017E EPS	2018E EPS	2017E EBITDA	2018E EBITDA
<b>Consensus View</b>	\$5.59	\$6.35	\$575mm	\$642mm
<b>Our View</b>	\$5.79	\$6.97	\$587mm	\$687mm
<b>Δ</b>	3.6%	9.7%	2.0%	7.0%

Consensus View	Variant Perception
<ul style="list-style-type: none"> <li>✓ Soft comps in grocery and prepared foods continue through 2018</li> </ul>	<ul style="list-style-type: none"> <li>✓ July 4<sup>th</sup> weather was a significant factor in 1Q16 grocery slowdown</li> <li>✓ Converted stores accelerate inside sales comps to HSD in 2H17 and 2018</li> </ul>
<ul style="list-style-type: none"> <li>✓ Gross margin will contract as fuel prices recover and margins revert</li> </ul>	<ul style="list-style-type: none"> <li>✓ Gas prices unlikely to rebound quickly</li> <li>✓ Margins can remain at 17-19 CPG in near term</li> <li>✓ Sales mix shift mitigates fuel risks over time</li> </ul>
<ul style="list-style-type: none"> <li>✓ Operating expenses increase 10+% per year due to wage growth and new store initiatives</li> </ul>	<ul style="list-style-type: none"> <li>✓ Online/App ordering introduce some operating leverage</li> <li>✓ Second distribution center improves operating efficiencies as store count grows</li> </ul>

- 1-Year Price Target: \$145
- Downside Case: \$93
- Upside Case: \$166

	FY2018E (April 2018) Scenarios				
	FY2016	FY2017E	Bear	Base	Bull
<b>Revenue</b>	<b>\$7,122.1</b>	<b>\$7,700.7</b>	<b>\$8,009</b>	<b>\$8,604</b>	<b>\$8,856</b>
Y/Y Growth	-8.3%	8.1%	4.0%	11.7%	15.0%
<b>EBIT</b>	<b>\$390.5</b>	<b>\$393.4</b>	<b>\$416</b>	<b>\$465.1</b>	<b>\$514</b>
Margin	5.5%	5.1%	5.2%	5.4%	5.8%
<b>EPS</b>	<b>\$5.73</b>	<b>\$5.79</b>	<b>\$6.17</b>	<b>\$6.97</b>	<b>\$7.77</b>
P/E Multiple			15.0x	20.8x	21.4x
<b>EBITDA</b>	<b>\$561.4</b>	<b>\$586.6</b>	<b>\$638.6</b>	<b>\$687.2</b>	<b>\$735.8</b>
Margin	7.9%	7.6%	8.0%	8.0%	8.3%
<b>EV/EBITDA</b>			<b>7.0x</b>	<b>9.5x</b>	<b>10.0x</b>
<b>Per Share Value</b>			<b>\$92.86</b>	<b>\$145.03</b>	<b>\$166.05</b>
Upside/Downside			-20%	24%	42%

### Bear Case: \$93 Target

Grocery sales come under pressure and Prepared Foods comps decelerate pressuring margins

### Base Case: \$145 Target

Re-acceleration of Inside Sales comps, flat gross margins, stable gas prices and minor Fuel margin compression

### Bull Case: \$166 Target

Re-acceleration of Inside Sales comps, gross margin expansion, stable or decrease in average gas price and stable Fuel margins

20% Downside

24% Upside

42% Upside

Sum-of-Parts suggests meaningful value could be realized as Prepared Foods gains recognition

	Revenue	% of Revenue	EBITDA	% of EBITDA	EV/EBITDA	Value	/Share
Fuel/Grocery	7387	86%	\$432	63%	8.5x	\$3,672	\$92.96
Prepared Food	1159	14%	\$255	37%	14.0x	\$3,570	\$90.38
<b>Segment Total</b>	<b>8546</b>	<b>100%</b>	<b>\$687</b>		<b>10.5x</b>	<b>\$7,242</b>	<b>\$183.34</b>
Net Debt						\$698	\$17.67
<b>CASY Equity</b>			<b>\$687</b>		<b>10.5x</b>	<b>\$6,544</b>	<b>\$165.67</b>
						<b>2018E EPS</b>	<b>\$6.97</b>
						<b>P/E</b>	<b>23.8x</b>

Ticker	Company	US (\$mm)		P/E		EV/EBITDA		P/CF	EBITDA Margin	ROIC
		Market Cap	EV	FY1	FY2	FY1	FY2	TTM	TTM	TTM
ATD.B-CA	Alimentation Couche-Tard	35,989	38,907	18.9	16.6	11.3	9.4	12.2	4.9%	27.2
CST	CST Brands	3,642	5,464	30.5	25.4	13.9	12.7	12.5	2.3%	7.0
MUSA	Murphy USA	2,350	2,821	14.2	12.5	6.9	6.5	8.5	2.0%	10.4
<b>Average</b>				<b>21.2</b>	<b>18.2</b>	<b>10.7</b>	<b>9.5</b>	<b>11.1</b>	<b>3.1%</b>	<b>14.9</b>
DPZ	Domino's Pizza	7,674	9,752	37.6	31.1	20.1	17.8	33.7	18.3%	56.3
PZZA	Papa John's Pizza	3,108	3,422	33.5	30.1	17.9	16.6	20.1	8.3%	25.6
<b>Average</b>				<b>35.6</b>	<b>30.6</b>	<b>19.0</b>	<b>17.2</b>	<b>26.9</b>	<b>13.3%</b>	<b>40.9</b>
<b>CASY</b>	<b>Casey's General Stores</b>	<b>4,573</b>	<b>5,271</b>	<b>20.9</b>	<b>18.4</b>	<b>9.7</b>	<b>8.2</b>	<b>8.9</b>	<b>5.5%</b>	<b>12.9</b>



# Long: CASY | Valuation

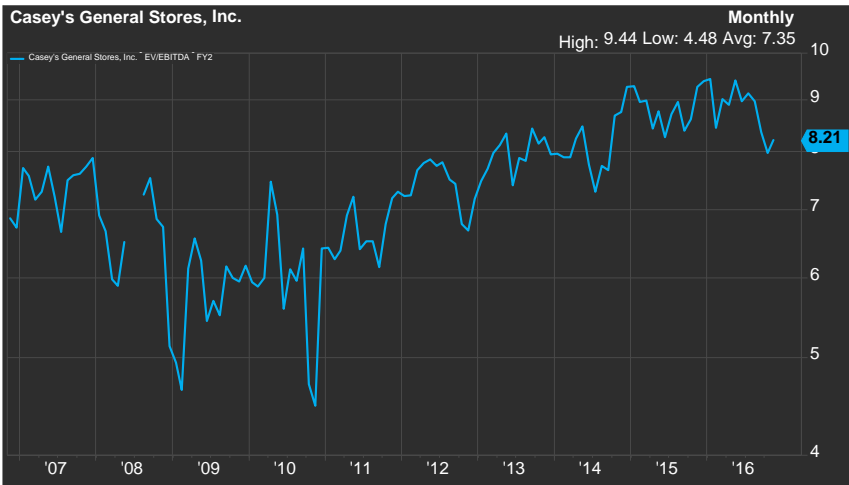
**CASY FY2 P/E**



**CASY Price/Cash Flow**



**CASY FY2 EV/EBITDA**



**CASY Relative FY2 EV/EBITDA**



Source: Company Filings, FactSet

# Long: CASY | Appendix



# Long: CASY | Income Statement

## CASY

### Income Statement

Fiscal Year Ends April

(\$ in Millions, except EPS)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
<b>Revenues</b>	<b>\$5,635.2</b>	<b>\$6,987.8</b>	<b>\$7,250.8</b>	<b>\$7,840.3</b>	<b>\$7,767.2</b>	<b>\$7,122.1</b>	<b>\$7,700.7</b>	<b>\$8,603.7</b>	<b>\$9,285.5</b>	<b>\$9,992.7</b>	<b>\$10,750.1</b>
COGS	\$4,754.2	\$5,987.7	\$6,179.8	\$6,618.2	\$6,327.4	\$5,508.5	\$5,960.3	\$6,644.5	\$7,137.7	\$7,638.9	\$8,173.6
<b>Gross Profit</b>	<b>\$881.1</b>	<b>\$1,000.1</b>	<b>\$1,071.1</b>	<b>\$1,222.0</b>	<b>\$1,439.8</b>	<b>\$1,613.6</b>	<b>1,740.4</b>	<b>1,959.2</b>	<b>2,147.8</b>	<b>2,353.8</b>	<b>2,576.5</b>
Gross Margin	15.6%	14.3%	14.8%	15.6%	18.5%	22.7%	22.6%	22.8%	23.1%	23.6%	24.0%
SG&A	\$607.3	\$688.2	\$756.7	\$854.8	\$958.6	\$1,052.2	\$1,153.8	\$1,272.0	\$1,395.6	\$1,531.3	\$1,680.1
D&A	\$82.4	\$96.6	\$111.8	\$131.2	\$156.1	\$170.9	\$193.2	\$222.1	\$246.8	\$271.1	\$295.4
<b>Operating Income</b>	<b>\$191.4</b>	<b>\$215.4</b>	<b>\$202.6</b>	<b>\$236.1</b>	<b>\$325.0</b>	<b>\$390.5</b>	<b>\$393.4</b>	<b>\$465.1</b>	<b>\$505.4</b>	<b>\$551.4</b>	<b>\$601.0</b>
Operating Margin	3.4%	3.1%	2.8%	3.0%	4.2%	5.5%	5.1%	5.4%	5.4%	5.5%	5.6%
Interest and other	\$40.2	\$35.4	\$39.0	\$42.4	\$43.0	\$41.8	\$41.9	\$41.9	\$41.9	\$41.9	\$41.9
Pre-tax Income	\$151.2	\$180.0	\$163.6	\$193.7	\$282.0	\$348.7	\$351.5	\$423.2	\$463.5	\$509.5	\$559.1
Income Tax	\$56.6	\$65.3	\$59.8	\$66.8	\$101.4	\$122.7	\$123.0	\$148.1	\$162.2	\$178.3	\$195.7
<b>Net Income (Recurring)</b>	<b>\$94.6</b>	<b>\$114.7</b>	<b>\$103.8</b>	<b>\$126.9</b>	<b>\$180.6</b>	<b>\$226.0</b>	<b>\$228.5</b>	<b>\$275.1</b>	<b>\$301.3</b>	<b>\$331.2</b>	<b>\$363.4</b>
<b>EPS</b>	<b>\$2.22</b>	<b>\$2.99</b>	<b>\$2.69</b>	<b>\$3.26</b>	<b>\$4.62</b>	<b>\$5.73</b>	<b>\$5.79</b>	<b>\$6.97</b>	<b>\$7.63</b>	<b>\$8.38</b>	<b>\$9.19</b>
Average Fully Diluted Shares	42.6	38.4	38.6	38.9	39.1	39.4	39.5	39.5	39.5	39.5	39.5
<b>DPS</b>	<b>\$0.48</b>	<b>\$0.59</b>	<b>\$0.64</b>	<b>\$0.70</b>	<b>\$0.77</b>	<b>\$0.85</b>	<b>\$0.96</b>	<b>\$1.08</b>	<b>\$1.23</b>	<b>\$1.38</b>	<b>\$1.56</b>
Payout Ratio	21.7%	19.9%	23.8%	21.4%	16.7%	14.8%	16.6%	15.6%	16.1%	16.5%	17.0%
EBIT	\$191.4	\$215.4	\$202.6	\$236.1	\$325.0	\$390.5	\$393.4	\$465.1	\$505.4	\$551.4	\$601.0
D&A	\$82.4	\$96.6	\$111.8	\$131.2	\$156.1	\$170.9	\$193.2	\$222.1	\$246.8	\$271.1	\$295.4
<b>EBITDA</b>	<b>\$273.8</b>	<b>\$311.9</b>	<b>\$314.4</b>	<b>\$367.3</b>	<b>\$481.1</b>	<b>\$561.4</b>	<b>\$586.6</b>	<b>\$687.2</b>	<b>\$752.2</b>	<b>\$822.5</b>	<b>\$896.4</b>
Margin	4.9%	4.5%	4.3%	4.7%	6.2%	7.9%	7.6%	8.0%	8.1%	8.2%	8.3%
<b>Margin Analysis</b>											
Gross Margin	15.6%	14.3%	14.8%	15.6%	18.5%	22.7%	22.6%	22.8%	23.1%	23.6%	24.0%
SG&A (% of Sales)	10.8%	9.8%	10.4%	10.9%	12.3%	14.8%	15.0%	14.8%	15.0%	15.3%	15.6%
Operating Margin	3.4%	3.1%	2.8%	3.0%	4.2%	5.5%	5.1%	5.4%	5.4%	5.5%	5.6%
EBITDA Margin	4.9%	4.5%	4.3%	4.7%	6.2%	7.9%	7.6%	8.0%	8.1%	8.2%	8.3%
Income Tax Rate	37.4%	36.3%	36.6%	34.5%	36.0%	35.2%	35.0%	35.0%	35.0%	35.0%	35.0%

# Long: CASY | Balance Sheet

## CASY

### Balance Sheet

Fiscal Year Ends April

(\$ in millions, except EPS)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
<b>ASSETS</b>											
Cash & cash equivalents	59.6	55.9	41.3	121.6	48.5	75.8	65.6	59.3	76.3	119.3	189.0
Short-term investments											
Restricted cash											
Accounts receivable	20.2	21.7	20.9	25.8	22.6	27.7	23.2	25.9	28.0	30.1	32.4
Inventories	159.2	170.8	189.5	204.8	197.3	205.0	179.6	200.2	215.1	230.2	246.3
Other current assets	55.0	30.9	27.3	37.2	36.8	17.4	17.4	17.4	17.4	17.4	17.4
<b>Total current assets</b>	<b>293.9</b>	<b>279.3</b>	<b>279.0</b>	<b>389.6</b>	<b>305.3</b>	<b>325.9</b>	<b>285.9</b>	<b>302.9</b>	<b>336.8</b>	<b>397.1</b>	<b>485.1</b>
PP&E	1217.3	1378.7	1581.9	1779.0	2019.4	2252.5	2584.2	2889.4	3191.0	3490.2	3787.9
Other assets	99.8	116.8	129.3	136.4	145.3	147.8	147.8	147.8	147.8	147.8	147.8
<b>Total assets</b>	<b>1611.0</b>	<b>1774.8</b>	<b>1990.2</b>	<b>2304.9</b>	<b>2470.0</b>	<b>2726.1</b>	<b>3017.9</b>	<b>3340.1</b>	<b>3675.6</b>	<b>4035.0</b>	<b>4420.8</b>
<b>LIABILITIES</b>											
Short-term debt	0.6		59.1				0.0	0.0	0.0	0.0	0.0
Accounts payable	215.7	211.2	232.9	250.8	226.6	241.2	228.6	254.9	273.8	293.0	313.5
Other current liabilities	78.2	95.5	120.8	140.1	138.3	146.4	146.4	146.4	146.4	146.4	146.4
<b>Total current liabilities</b>	<b>293.9</b>	<b>306.6</b>	<b>353.7</b>	<b>390.9</b>	<b>364.9</b>	<b>387.6</b>	<b>375.0</b>	<b>401.2</b>	<b>420.1</b>	<b>439.4</b>	<b>459.9</b>
Long term debt	678.7	667.9	653.1	853.6	838.2	814.0	872.4	872.4	872.4	872.4	872.4
Other noncurrent liabilities	528.4	600.8	743.7	748.0	756.5	828.7	828.7	828.7	828.7	828.7	828.7
<b>Total liabilities</b>	<b>1207.1</b>	<b>1268.8</b>	<b>1396.8</b>	<b>1601.6</b>	<b>1594.7</b>	<b>1642.7</b>	<b>1701.1</b>	<b>1701.1</b>	<b>1701.1</b>	<b>1701.1</b>	<b>1701.1</b>
Shareholders' equity	403.9	506.0	593.4	703.3	875.2	1083.5	1316.8	1639.0	1974.5	2333.9	2719.7
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>1611.0</b>	<b>1774.8</b>	<b>1990.2</b>	<b>2304.9</b>	<b>2470.0</b>	<b>2726.1</b>	<b>3017.9</b>	<b>3340.1</b>	<b>3675.6</b>	<b>4035.0</b>	<b>4420.8</b>

# Long: CASY | Statement of Cash Flows

## CASY

### Statement of Cash Flows

Fiscal Year Ends April

(\$ in millions, except EPS)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
Net Income	94.6	114.7	103.8	126.8	180.6	226.0	228.5	275.1	301.3	331.2	363.4
D&A	83.3	96.9	112.0	131.2	156.1	170.9	193.2	222.1	246.8	271.1	295.4
Other	73.5	57.6	38.5	23.6	50.6	61.2	60.0	60.0	60.0	60.0	60.0
Working capital and other, net:											
Receivables	-8.0	-1.5	0.8	-4.9	3.2	-5.1	4.5	-2.7	-2.1	-2.1	-2.3
Inventories	-26.5	-8.6	-16.2	-13.7	10.4	-7.4	25.4	-20.6	-14.9	-15.1	-16.1
Payables	70.3	-4.5	21.7	17.9	-33.3	3.0	-12.6	26.2	18.9	19.2	20.5
Other	-25.8	40.3	25.7	33.3	-25.9	16.1	0.0	0.0	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>261.5</b>	<b>294.9</b>	<b>286.4</b>	<b>314.2</b>	<b>341.7</b>	<b>464.7</b>	<b>499.0</b>	<b>560.1</b>	<b>610.0</b>	<b>664.3</b>	<b>720.9</b>
Development costs	-214.6	-240.9	-305.3	-308.6	-360.7	-392.8	-450.0	-527.3	-548.4	-570.3	-593.1
Acq capex	-113.6	-39.4	-29.5	-31.6	-41.2	-7.3	-75.0	0.0	0.0	0.0	0.0
Capex	-328.2	-280.3	-334.8	-340.2	-401.9	-400.1	-525.0	-527.3	-548.4	-570.3	-593.1
Other	2.7	2.2	3.5	3.3	2.8	0.0	0.0	0.0	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-325.5</b>	<b>-278.1</b>	<b>-331.3</b>	<b>-336.9</b>	<b>-399.1</b>	<b>-400.1</b>	<b>-525.0</b>	<b>-527.3</b>	<b>-548.4</b>	<b>-570.3</b>	<b>-593.1</b>
Share repurchases	-501.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share Issued	3.7	3.2	4.7	3.4	11.5	3.7	3.7	3.7	3.7	3.7	3.7
Dividends paid	-20.5	-22.8	-24.7	-27.1	-30.2	-33.5	-37.9	-42.8	-48.4	-54.7	-61.8
Debt Issued	569.6	0.0	59.1	200.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0
Debt Repaid	-69.2	-2.0	-10.8	-75.0	-0.6	-15.4	0.0	0.0	0.0	0.0	0.0
Other	-10.7	1.2	1.9	1.8	3.6	2.7	0.0	0.0	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>-28.0</b>	<b>-20.4</b>	<b>30.3</b>	<b>103.1</b>	<b>-15.6</b>	<b>-42.5</b>	<b>15.8</b>	<b>-39.1</b>	<b>-44.7</b>	<b>-51.0</b>	<b>-58.1</b>
Exchange rate effects	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash	-92.1	-3.7	-14.6	80.4	-73.1	22.1	-10.2	-6.3	17.0	43.0	69.7
Beginning cash	151.7	59.6	55.9	41.3	121.6	48.5	75.8	65.6	59.3	76.3	119.3
<b>Ending cash</b>	<b>59.6</b>	<b>55.9</b>	<b>41.3</b>	<b>121.6</b>	<b>48.5</b>	<b>75.8</b>	<b>65.6</b>	<b>59.3</b>	<b>76.3</b>	<b>119.3</b>	<b>189.0</b>
Free cash flow	-66.7	14.6	-48.4	-26.0	-60.2	64.6	-26.0	32.8	61.7	94.0	127.8
FCF/Share	\$ (1.57)	\$ 0.38	\$ (1.25)	\$ (0.67)	\$ (1.54)	\$ 1.64	\$ (0.66)	\$ 0.83	\$ 1.56	\$ 2.38	\$ 3.23
CFFO/NI	276.4%	257.2%	275.9%	247.8%	189.2%	205.6%	218.4%	203.6%	202.5%	200.6%	198.4%

# Long: CASY | DCF Analysis

<u>Free cash flow calculation</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Revenue	\$7,700.7	\$8,603.7	\$9,285.5	\$9,992.7	\$10,750.1	\$11,287.6	\$11,851.9	\$12,444.5	\$13,066.8	\$13,720.1
Operating Margin	5.1%	5.4%	5.4%	5.5%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Operating Profit (EBIT)	\$393.4	\$465.1	\$505.4	\$551.4	\$601.0	\$631.1	\$662.6	\$695.7	\$730.5	\$767.1
Less: Taxes	\$137.7	\$162.8	\$176.9	\$193.0	\$210.4	\$220.9	\$231.9	\$243.5	\$255.7	\$268.5
Tax Rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>NOPAT</b>	<b>\$255.7</b>	<b>\$302.3</b>	<b>\$328.5</b>	<b>\$358.4</b>	<b>\$390.7</b>	<b>\$410.2</b>	<b>\$430.7</b>	<b>\$452.2</b>	<b>\$474.8</b>	<b>\$498.6</b>
Less: CapEx	(\$525.0)	(\$527.3)	(\$548.4)	(\$570.3)	(\$593.1)	(\$500.0)	(\$500.0)	(\$500.0)	(\$500.0)	(\$500.0)
Less: Changes in net working capital	\$17.3	\$2.9	\$2.0	\$2.0	\$2.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Add: Depreciation & Amortization	\$193.2	\$222.1	\$246.8	\$271.1	\$295.4	\$310.1	\$325.6	\$341.9	\$359.0	\$377.0
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>FCFF</b>	<b>(\$58.8)</b>	<b>\$0.0</b>	<b>\$28.9</b>	<b>\$61.2</b>	<b>\$95.0</b>	<b>\$220.3</b>	<b>\$256.3</b>	<b>\$294.2</b>	<b>\$333.9</b>	<b>\$375.6</b>

## Terminal Value Calculation

Year 6-10 growth rate	5.0%
Terminal value growth rate	2.0%
Projected FCF	\$383.1
E/(E+D)	57.1%
Discount Rate (WACC)	5.7%
Terminal enterprise value	\$10,336.4
Implied Term. Value EBITDA multiple	9.0x

## Summary Valuation

DCF Enterprise Value	\$7,060.2
Less: Net Debt	(\$806.8)
	-----
Equity Value	\$6,253.4
Diluted shares	39.4
<b>DCF value per diluted share</b>	<b>\$158.63</b>

## DCF Value Per Share

Terminal Growth	<u>WACC</u>		
	4.7%	5.7%	6.7%
1.5%	\$200.00	\$139.00	\$102.00
2.0%	\$237.00	\$158.00	\$113.00
2.5%	\$290.00	\$183.00	\$127.00

# Long: CASY | Revenue Build

## CASY

### Revenue Build

Fiscal Year Ends April

(\$ in Millions, except EPS)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
<b>Revenues</b>											
Retail - Convenience Stores											
Fuel	3,998.7	5,092.3	5,229.2	5,554.6	5,144.4	4,214.8	4,448.4	4,961.0	5,236.8	5,528.0	5,835.3
Grocery & Other Merchandise	1,195.6	1,365.0	1,418.7	1,583.2	1,794.8	1,974.1	2,203.7	2,425.7	2,664.5	2,921.4	3,197.6
Prepared Food & Fountain	415.2	499.7	564.9	659.2	780.9	880.7	993.5	1,159.2	1,323.4	1,479.5	1,650.1
Other	25.7	30.8	38.0	43.3	47.1	52.5	55.1	57.9	60.8	63.8	67.0
<b>Total Revenues</b>	<b>5,635.2</b>	<b>6,987.8</b>	<b>7,250.8</b>	<b>7,840.3</b>	<b>7,767.2</b>	<b>7,122.1</b>	<b>7,700.7</b>	<b>8,603.7</b>	<b>9,285.5</b>	<b>9,992.7</b>	<b>10,750.1</b>
<b>Gas Revenue</b>											
Gallons per Store	869	870	833	932	968	1,015	1,040	1,061	1,077	1,093	1,110
Avg. Price Per Gallon \$	\$ 2.87	\$ 3.45	\$ 3.41	\$ 3.33	\$ 2.83	\$ 2.16	\$ 2.16	\$ 2.26	\$ 2.26	\$ 2.26	\$ 2.26
Gas Margin	15.21	15.35	14.06	14.30	17.67	18.01	16.29	15.79	14.80	14.80	14.80
RINs Contribution (CPG)		-	0.36	1.78	1.66	1.59	2.46	2.46	2.20	2.20	2.20
Total Gas Margin CPG	15.21	15.35	14.42	16.08	19.33	19.6	18.75	18.25	17.00	17.00	17.00
Margin %	5.30%	4.45%	4.23%	4.83%	6.83%	9.07%	8.68%	8.08%	7.52%	7.52%	7.52%
<b>Store Buildout</b>											
# Stores year end	1,637	1,699	1,749	1,808	1,878	1,931	2,028	2,109	2,193	2,281	2,372
Average Stores		1,668	1,724	1,779	1,843	1,905	1,980	2,069	2,151	2,237	2,327
% store growth		3.8%	2.9%	3.4%	3.9%	2.8%	5.0%	4.0%	4.0%	4.0%	4.0%
<b>Same Store Comps by Segment</b>											
Fuel Gallons		-1.5%	0.1%	3.1%	2.6%	3.0%	2.5%	2.0%	1.5%	1.5%	1.5%
Grocery & Other Merchandise		6.7%	0.8%	7.4%	7.8%	7.1%	6.2%	6.0%	6.0%	6.0%	6.0%
Prepared Food & Fountain		14.3%	8.6%	11.8%	12.4%	8.4%	6.5%	12.0%	10.0%	8.0%	8.0%
Total	1.6%	8.7%	3.0%	8.7%	9.2%	7.5%	6.3%	7.9%	7.3%	6.7%	6.7%
<b>Implied Existing Store Revenue</b>											
Fuel Gallons							4,339.4	4,863.7	5,134.1	5,419.6	5,720.9
Grocery & Other Merchandise				1,523.7	1,706.7	1,922.3	2,096.5	2,336.0	2,571.2	2,824.4	3,096.7
Prepared Food & Fountain				631.6	740.9	846.5	938.0	1,112.7	1,275.1	1,429.3	1,597.9
<b>Implied New Store Revenue</b>											
Fuel Gallons							109.0	97.3	102.7	108.4	114.4
Grocery & Other Merchandise				59.5	88.1	51.8	107.3	89.7	93.3	97.0	100.9
Prepared Food & Fountain				27.6	40.0	34.2	55.5	46.4	48.3	50.2	52.2
<b>Gross Margin by Segment</b>											
Fuel	5.3%	4.4%	4.2%	4.8%	6.8%	9.1%	8.7%	8.1%	7.5%	7.5%	7.5%
Grocery & Other Merchandise	32.2%	32.5%	32.6%	32.1%	32.1%	31.9%	31.0%	32.0%	32.5%	32.5%	32.5%
Prepared Food & Fountain	62.2%	60.7%	61.8%	61.1%	59.7%	62.5%	62.0%	62.5%	62.5%	62.5%	62.5%
Other	99.8%	99.8%	99.9%	99.9%	99.9%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Total Gross Profit</b>	<b>15.6%</b>	<b>14.3%</b>	<b>14.8%</b>	<b>15.6%</b>	<b>18.5%</b>	<b>22.7%</b>	<b>22.6%</b>	<b>22.8%</b>	<b>23.1%</b>	<b>23.6%</b>	<b>24.0%</b>

## Top 15 Institutions / Top 5 Insiders/Stakeholders

Type	%OS	Position (000)	Pos Chg (000) [6M]	Mkt Val (MM)	% Port
<b>Total</b>	<b>40.77</b>	<b>15,975</b>	<b>3,298</b>	<b>1,865</b>	<b>-</b>
<b>Institutions</b>	<b>39.98</b>	<b>15,664</b>	<b>3,291</b>	<b>1,828</b>	<b>-</b>
The Vanguard Group, Inc.	8.05	3,156	9	368	0.01
BlackRock Fund Advisors	6.62	2,592	-493	303	0.02
Vontobel Asset Management, Inc.	3.16	1,240	915	145	0.60
ClearBridge Investments LLC	2.73	1,070	15	125	0.14
Perkins Investment Management LLC	2.68	1,050	-45	123	1.72
JPMorgan Investment Management, Inc.	2.61	1,023	864	119	0.03
Janus Capital Management LLC	2.11	826	13	96	0.10
Chilton Investment Co. LLC	1.89	740	740	86	3.05
Brookside Capital LP	1.78	696	696	81	3.34
Northern Trust Investments, Inc.	1.65	648	-257	76	0.02
First Trust Advisors LP	1.63	640	594	75	0.20
Eagle Asset Management, Inc.	1.42	558	-160	65	0.41
Aberdeen Asset Managers Ltd.	1.31	515	103	60	0.07
Atlanta Capital Management Co. LLC	1.26	492	-38	57	0.38
Point72 Asset Management LP	1.07	419	336	49	0.38



# Long: CASY | Management and Incentives

Name	Title	Years in Role	Years with CASY	Ownership	Minimum (X of Base Salary)
Robert Myers	Chairman	7	28	0.23%	4x
Terry Handley	CEO	1	33	0.08%	3x
William Walljasper	CFO	12	26	0.07%	3x

Incentive Metrics
1) Diluted EPS (75%)
2) ROIC (25%)