

# Performance Foods / Core-Mark



## Acquisition Insights

*May 18<sup>th</sup>, 2021*





# Transaction Overview

- Performance Food Group Company (PFG)(NYSE: PFGC) announced the acquisition of Core-Mark (NASDAQ: CORE)
- Core-Mark is one of the largest wholesale distributors to the convenience retail industry in North America with approximately \$17 billion in net sales
- The purchase price is a combination of cash and PFG stock. The transaction values Core-Mark at approximately \$2.6 billion, including the assumption of Core-Mark's net debt
- The deal is subject to regulatory approval including the FTC's approval
- Pending approvals, the transaction is expected to close in the first half of calendar year 2022
- PFG expects to realize \$40 million in cost synergies by the 3<sup>rd</sup> year of operation – the bulk of these to be realized to be in corporate and buying/procurement, with lesser amounts in warehousing and trucking/distribution
- Pro forma net debt / EBITDA for PFG is expected to be 3.8x, based on 2022 estimates

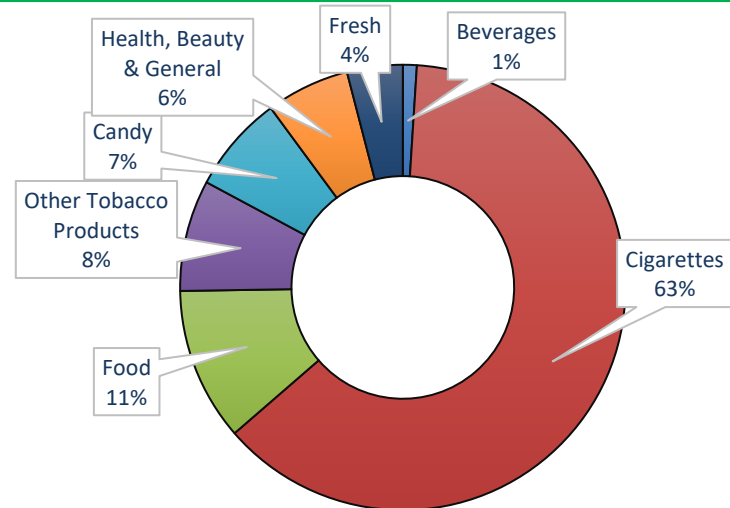


# Core-Mark

## OPERATIONAL PROFILE

- **32 distribution centers**
- **Operations in U.S. (27 warehouses) & Canada (5 warehouses)**
- **~ 60,000 SKUs**
- **40,000 customers**
- **~ 7,500 employees**
- **Operate 5 consolidation centers**
- **As of 12/31/20, 1,600 leased tractors & trailers along with 1,100 owned tractors & trailers – most of which are “tri-temp”**

## LTM SALES BY PRODUCT MIX



Source: PFG Presentation

## LTM FINANCIAL PROFILE

\$ in MMs	
<b>Net Sales</b>	<b>\$17,000</b>
<b>Gross Profit</b>	<b>\$887</b>
% Margin	5%
<b>Adj EBITDA</b>	<b>\$211</b>
% Margin	1%

## WORKING CAPITAL OBSERVATIONS (2020)

- **Inventory Days (All products)** ~18 days
- **Inventory Days (Tobacco)** ~14 days
- **Inventory Days (Food/Non Food)** ~27 days
- **A/R Days** ~9 days
- **A/P Days (Excl Prepaids)** ~10 days

Source: PFG Press Release & CORE SEC filings



# Deal Metrics

## Transaction Highlights:

- The transaction includes a cash and stock portion.
- PFG will purchase the outstanding shares of Core-Mark for \$23.875
- PFG will also give every shareholder of Core-Mark .44 shares of PFG for every share owned of Core-Mark
- Core-Mark's enterprise value is approximately \$2.6 billion based on our analysis
- This equates to a 12.6x Adj. LTM 3/31/21 EBITDA multiple. If synergies are fully realized, the implied multiple is 10.6x

	45,163,705	Core-Mark Shares Outstanding
\$	23.875	Transaction price per share
<b>\$</b>	<b>1,078,283,457</b>	<b>Core-Mark's Equity Value</b>

	0.44	Shares of PFG to Core-Mark shareholders
	45,163,705	Core-Mark Shares Outstanding
	19,872,030	PFG Shares to Core-Mark Shareholders
\$	51.75	PFG Share Price (Close Price as of March 17, 2021)
<b>\$</b>	<b>1,028,377,563</b>	<b>PFG Shares value to Core-Mark shareholders</b>

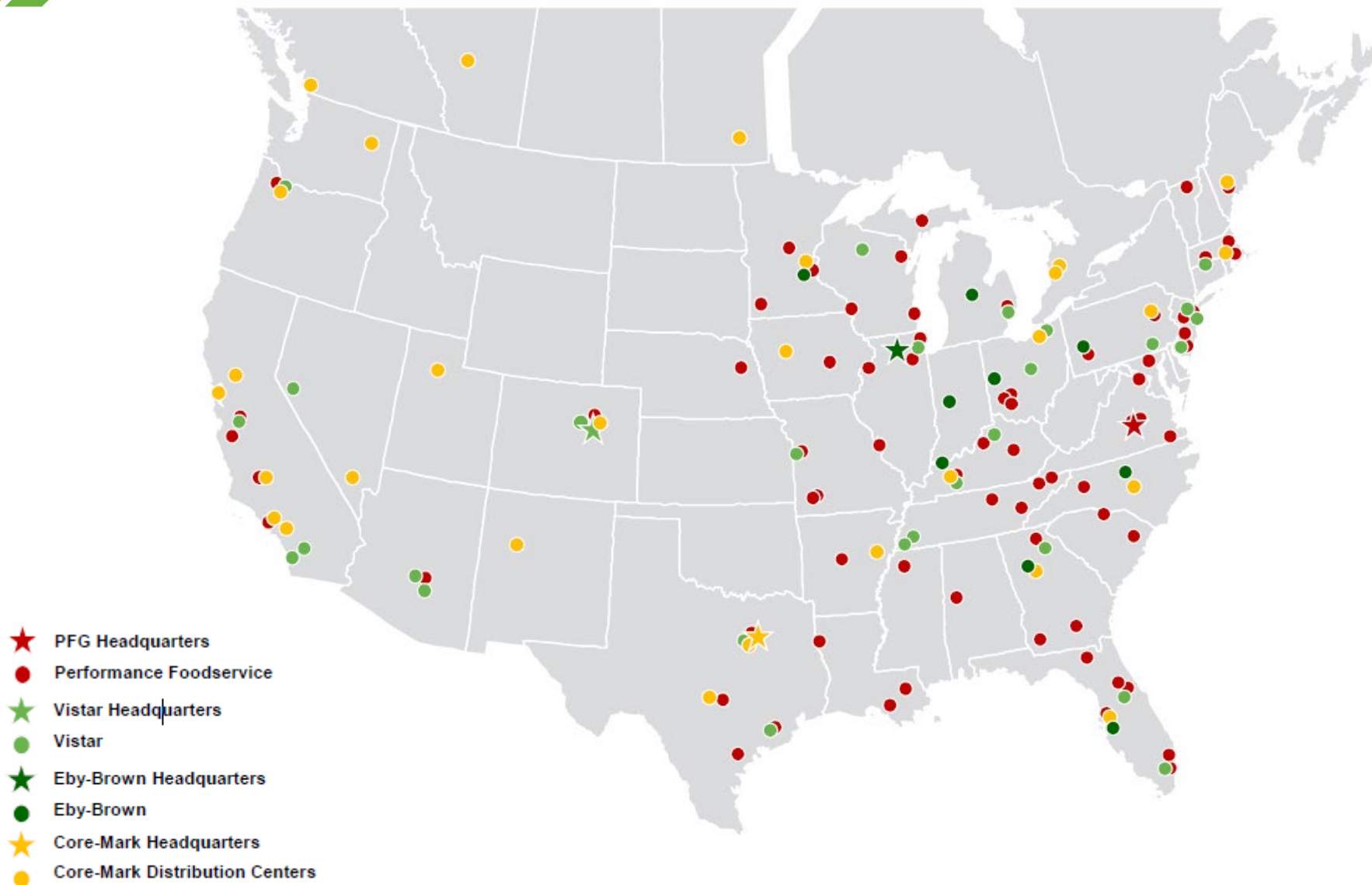
<b>\$</b>	<b>2,106,661,020</b>	<b>Transaction Value (as of March 17, 2021)</b>
\$	598,800,000	Core-Mark Debt (as of March 2021)
\$	(43,500,000)	Core-Mark Cash (as of March 2021)
<b>\$</b>	<b>2,661,961,020</b>	<b>Core-Mark Enterprise Value</b>

\$	211,000,000	Adj EBITDA
	<b>12.6x</b>	<b>Multiple of Adj EBITDA</b>

Source: PFG Press Release, CapitalIQ and KA estimates



# Geographic Footprint – PFG & CORE





- The acquisition of Core-Mark continues to diversify PFG's revenue streams and adds a well-managed business to its portfolio. It is worth noting that Core-Mark grew revenue thru the pandemic
- PFG will have pro forma revenues of ~\$44 billion, second only in revenue now to Sysco in foodservice. PFG is also the second largest convenience distributor, second only to The McLane Company
- The acquisition expands PFG's capabilities in the Western United States and is the first expansion into a market outside of the United States (Canada)
- PFG has acquired a significant amount of revenue in three transformative acquisitions over the past 2+ years
 

• Eby Brown (2019)	\$5.3 billion
• Reinhart (2019)	\$6.1 billion
• Core-Mark (2021-pending)	<u>\$17 billion</u>
<b>TOTAL</b>	<b>\$28.4 billion</b>
- PFG remains open to pursuing additional acquisitions, including in the foodservice segment