DOWNSTREAM ENERGY GROUP

MARKET PULSE

QUARTER 3 | 2026 | DEGADVISORS.COM

Rates went up and pump prices climbed, and the biggest buyers are still shopping. Here's who's buying, what changed, how owners chose to sell.

Who's buying: take them at their word

Pump prices spiked in the spring, eased in early summer and climbed again into September. The biggest companies in this business are telling their shareholders they plan to buy more stores, and many of them are looking at mid-market businesses. Public buyers have to say what they plan to do, so their earnings calls and filings are the most honest read on buyer appetite you can get.

Sunoco. The company's multi-year plan calls for at least $500 million a year in bolt-on acquisitions, and management said it expects to exceed that in 2026 and beyond. It also raised full-year 2026 adjusted EBITDA guidance by $400 million, to $3.5 billion to $3.7 billion. (Source: Sunoco SEC filings and Q2 2026 earnings call.)

Casey's. In June, Casey's laid out a three-year plan to add at least 400 stores through acquisitions and new builds, including at least 120 this fiscal year. Management said those will come from a mix of new builds and small-scale M&A. (Source: Casey's investor releases and Q1 FY2027 earnings call.)

ARKO Petroleum. The wholesale fuel business ARKO took public in February told investors it intends to “continue to grow our business through strategic and accretive acquisitions of wholesale distribution businesses,” and that it sees “considerable opportunity” to drive consolidation in a fragmented industry. In August, it agreed to buy U.S. Petroleum Partners, a Great Lakes fuel distributor, for $205 million in cash plus $30 million in stock. (Source: ARKO Petroleum IPO prospectus and August 2026 SEC filing.)

WHY IT MATTERS TO YOU

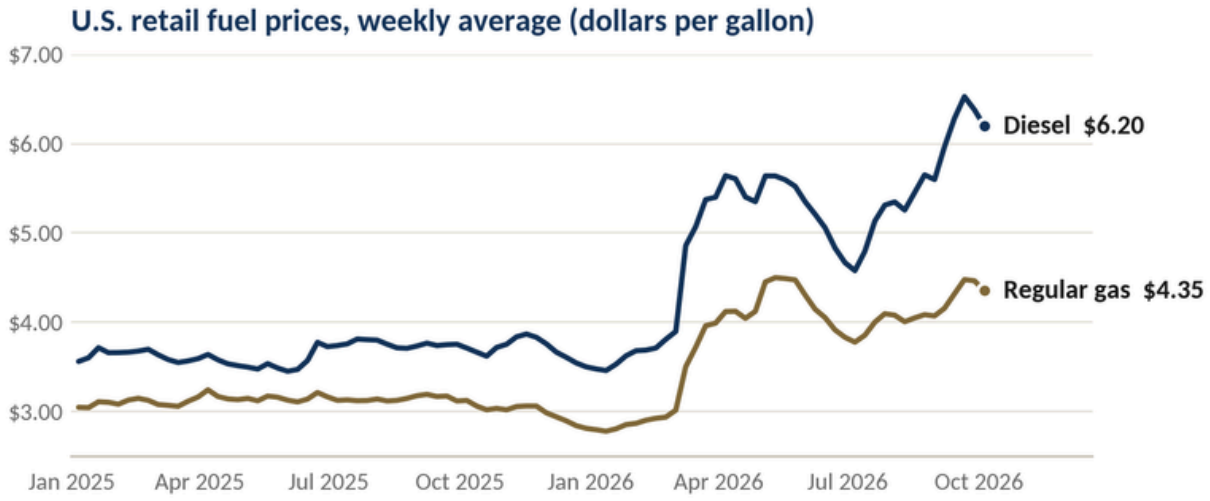
Casey's has said plainly that its growth plan runs on smaller deals. When public buyers commit to targets like these, they need a steady supply of good stores to hit them. For a well-run mid-market chain, that can mean more than one serious buyer at the table.

What Changed

The cost of money went up this quarter, and so did fuel.

The Federal Reserve raised its benchmark rate a quarter point on September 16, to 3.75% to 4%, its first increase since 2023. Higher rates make acquisition debt more expensive. The following week, Casey's announced a deal to buy a family-owned Oklahoma chain. (Source: Federal Reserve; CNBC; C-Store Dive.)

Pump prices climbed through most of the year. Diesel hit its high for the year in late September, and both fuels eased a little in early October. Both are still well above where they started 2026. The EIA now expects Brent crude to average about $105 a barrel in the fourth quarter, up $14 from last month's forecast. (Source: U.S. Energy Information Administration.)



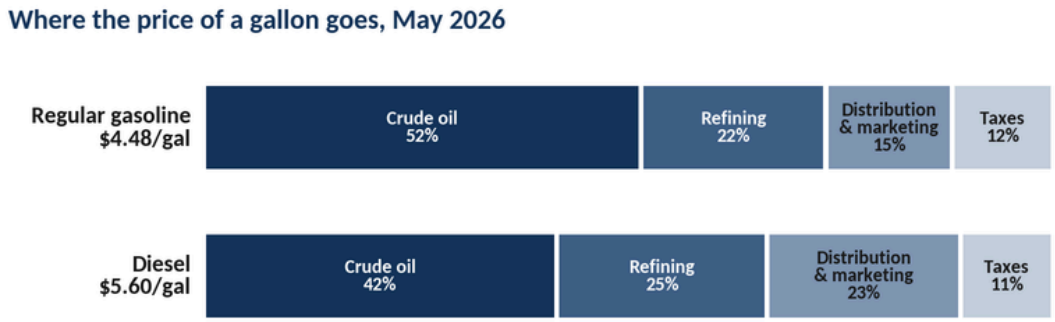
Source: U.S. Energy Information Administration, Gasoline and Diesel Fuel Update. Week of Jan. 6, 2025 through Oct. 5, 2026. Prices include taxes.

What those lines mean for you: fuel prices move traffic. ARKO Corp.'s CEO said consumer demand softened in the second quarter as sustained higher fuel prices pressured household budgets, and the company sold fewer gallons. Casey's same-store fuel gallons were roughly flat, down 0.3%. (Source: ARKO Corp. and Casey's quarterly results.)



Margins, Costs and Tax

Distribution and marketing, the slice of a gallon that covers getting fuel to the pump, including the station's margin, was 15% of the price of gas and 23% of the price of diesel in May. Crude oil is still the biggest piece. (Source: U.S. Energy Information Administration.)



Source: U.S. Energy Information Administration, "What we pay for in a gallon," May 2026. Shares as published by EIA; rounding may not total 100%.

Costs are still climbing. NACS data shows direct store operating expenses have grown faster than pretax profit over the past five years, and inside sales aren't producing enough gross profit to cover the increase. (Source: NACS State of the Industry.)

Following up on bonus depreciation. The 100% first-year bonus depreciation deduction is now permanent for qualifying property acquired and placed in service after January 19, 2025. The IRS issued guidance on it in January in Notice 2026-11. Ask your CPA how it applies to your situation before you go to market. (Source: Internal Revenue Service.)

What it means for you: the station's cut of each gallon is small, and rising costs are eating into what's left. That's why buyers look hard at inside sales and how tightly a store is run. The bonus depreciation rule works in a seller's favor. A buyer who can write off equipment in the first year has more room in the price. Clean books and a clear picture of your operating costs help you get credit for both.

What I'm Hearing Right Now

A note from Steve Griffin, Principal. The market reports tell you what already happened. This is what I'm hearing from owners and buyers this quarter.

The top of the food chain is shopping.

The biggest companies in this business have told their shareholders they plan to buy. Casey's went further and said its growth runs on smaller deals. A buyer that size needs a steady supply of good stores, and the mid-market is where it has to find them. When the big guys get hungry, family-owned regional chains get the first calls.

The rate hike hits some buyers harder than others.

The Fed's September increase made borrowing more expensive. The public companies on page 1 have more ways to pay for a deal, so a quarter point won't change their plans much. A private buyer financing a purchase with a bank loan feels it more. For a seller, that means the list of serious buyers can shift. I'd want to know early how a buyer plans to pay for my stores.

Fuel prices are showing up in the numbers.

Pump prices climbed most of the year. ARKO told investors demand softened as prices stayed high, and it sold fewer gallons. Buyers price your business on your last twelve months. If a tough fuel year is in there, go in knowing it, and know what else in your business is carrying the load. Inside sales and foodservice count for more when gallons soften.

Most owners who sell have a reason.

Sometimes nobody in the next generation wants the keys. Sometimes a big round of tank or canopy work is coming due and the owner would rather not write that check. The owners who come out best are the ones who call before they have to.

(Sources: Federal Reserve; Casey's and ARKO Corp. quarterly results and investor materials.)

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Why Owners Sold This Year

Every seller had a reason. Not every seller sold everything. One owner was ready to retire and sold to a buyer he'd known for years. Two families sold part of their business and kept the rest. These are real deals from this year, and each one has a lesson for an owner thinking about what comes next. A sale doesn't have to be all or nothing. With the right advisor, the deal fits what you want.

The owner who knew it was time.

A longtime family fuel business sold its stores and delivery routes to a nearby company. The owner was nearing retirement. He already knew the buyer, and what mattered most to him was who would look after his customers and his people.

The lesson: timing and fit count as much as price. The right buyer is often already in your market.

The handshake isn't the closing.

A multi-generation family chain agreed to sell to a national operator. Weeks after the announcement, the deal was still in its review period and hadn't closed.

The lesson: a signed agreement starts the next phase. Buyers use that window to check everything you've told them. Clean books and clean sites keep it short.

When private equity sells, a strategic is usually waiting.

A regional fuel distributor that had been owned by private equity for several years agreed to sell to a large strategic buyer.

The lesson: if a PE-backed competitor operates in your market, it will change hands eventually. When it does, the company you compete with can get much bigger overnight.

Two owners who didn’t sell everything

Split between two buyers. A family sold its stores to one buyer and its wholesale business to another, and kept a third business line for itself.

The lesson: you don't have to sell everything, or sell it all to one buyer.

Sold some, kept some. A family sold most of its stores and kept the original locations it wanted to hold onto.

The lesson: a partial sale can free up capital and still keep the family in the business.

Built for Operators. Written for Sellers.

The DEG Market Pulse is published quarterly by Downstream Energy Group, a boutique M&A advisory firm built by operators who have been exactly where you are. DEG Principal Steve Griffin is a second-generation petroleum operator and banker. He and his family built Griffin Express into a regional chain, then sold it. He knows what it takes to run these stores, and what it takes to sell them. This report is written for operators who want a straight read on the market, not a brochure.

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Steve has been an operator and a banker, and he’s sat on both sides of the table. He’ll give you a straight answer.

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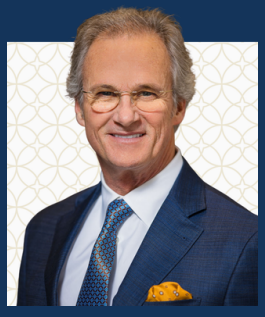
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About Downstream Energy Group

DEG is a boutique M&A advisory specializing in mid-market c-store chains. For smaller operators, Downstream Energy Properties (DEP) provides the same operator-first approach.



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