CFA Institute

CFA Institute Research Challenge

hosted by

The Boston Security Analysts Society, Inc.

Babson College

Global Partners LP

(NYSE:GLP)

Recommendation: BUY **Ticker: GLP** **Sector: Basic Materials** **Industry: Midstream Logistics**

Valuation Summary	
Current Price (as of 12/8/16)	$15.90
Target Price	$19.54
Upside	22.9%
52 Week High/Low	$23.11/$12.28
EV/EBITDA (2017E)	8.4x
EV/Sales (2017E)	0.2x

Source: Bloomberg

Global Partners LP (GLP) is currently undervalued by the market. The market is underestimating the growth potential of both GLP's Wholesale and GDSO Segments. Based on the following analysis, we believe that in 2017 GLP's Wholesale and GDSO Segments will grow at 8% each, compared to the expected industry growth of 7.1% and 7.3%, respectively. Given GLP's dominance on the East Coast, we believe that these segments will continue to grow by approximately 1% higher than the industry over the next four years (Exhibit A). The reasons behind GLP growing faster than the industry are as follows.

Investment Thesis

1. Stronghold on Northeast Terminals Provides Competitive Advantage Across the Business

GLP has one of the largest terminal networks in the Northeast providing a competitive advantage throughout the segments of the GLP's overall business. These terminals service the gas station, wholesale and commercial businesses. The vertical integration of the company helps move product from the terminals right to its expanding gas station business. The capacity of GLP's Northeast terminal network is 11.3 bbls which allows them to steadily supply fuel to its customers, including its gas station business.

2. Expansion Opportunities on the West Coast (Oregon)

The beginning of 2013 marked a major change for GLP. Known for its extensive network in the Northeast, GLP acquired a 60% stake in the Basin Transload in North Dakota and 100% stake in Cascade Kelly Holdings LLC, which owns and operates a crude and ethanol transload facility in Oregon. This facility allows GLP to expand along the West Coast by loading crude and ethanol onto barges that deliver the product to refineries. GLP has an incredible amount of optionality with this facility that allows it to focus on the specific product that will result in the best contribution to the bottom line. For example, recently GLP converted the facility to focus on ethanol when the relative price difference between crude and ethanol warranted the facility's conversion.

3. Gas Stations Growth Prospects via Strategic Mergers and Acquisitions

GLP has demonstrated a disciplined approach to grow the gasoline distribution and station operations. It is focused on strategic site locations for the gas stations by acquiring attractive sites and selling locations that are not meeting company standards. Management also uses this business area to generate cash proceeds, $120 million in 2016, as result of merger and acquisition activity and the divestment of non-strategic site locations. With 1500 gas stations that are either owned, leased or supplied, GLP is one of the largest gas station operators in the Northeast and has started to spread into the mid-Atlantic with recent acquisitions. The gas station with convenience store industry is expected to grow just over 4% on average, amounting to $396 billion, over the next 5 years. GLP is well positioned to capitalize on this growth with prime real estate locations, multibay gas pumps and a focus on its convenience store strategy, therefore we projected a higher than industry growth rate.

4. Positive Outlook on the Future of Convenience Stores

GLP has been heavily investing in its GDSO segment, especially its convenience stores. This investment and focus has not and is not expected to be wasted. Convenience Stores draw in 74.5% of millennials, the largest generation population with approximately 75.4mm people, at least one time per month. With GLP's focus on expanding its convenience stores to include delis and Dunkin' Donuts over the past 3 years, GLP can expect the GDSO segment revenue stream to grow as millennials are more likely to enter a convenience store with these features.

Global Partners LP

(NYSE:GLP)

Investment Summary

Stronghold on Northeast Terminals Provides Competitive Advantage Across the Business

GLP has a stated strategic initiative to organically grow in terminaling and logistics in constrained markets. GLP has 25 bulk product terminals of refined petroleum and sells 346,000 barrels every day. Product from these terminals generates a daily volume of 700,000 automobile tanks, 18,000 diesel trucks tanks and 37,000 homes heated in the winter. GLP has wholesale terminals in Connecticut, Massachusetts, Maine, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. The terminals in those states are vital to the transportation of petroleum to gas stations in the same states as well as its wholesale and commercial customers, such as hospitals, apartment buildings and gasoline distributors. GLP's most recent terminal acquisition was the Revere Terminal in the Boston Harbor in Revere, Massachusetts in January 2015 with a capacity of 2.1 million barrels of gasoline, heating oil, distillates, diesel, kerosene and blendstocks. The majority of the company's terminals operate 24 hours a day and several of the locations include the ability to blend and include additives to customize orders for customers. GLP has a competitive advantage with these already established terminals. This area presents high barriers to entry for potential new entrants because of high capital requirements, regulatory requirements and limited land availability. Regulatory requirements are environmentally focused and require time and resources to ensure compliance, laws are set at the federal, state and local levels to control a number of items such as hazardous waste disposal and air pollution. GLP will be able to keep an edge on this market with its number of terminals in the Northeast.

Expansion Opportunities on the West Coast (Oregon)

In 2013, Global Partners acquired Cascade Kelly Holdings LLC that owned a crude oil and ethanol facility located in Clatskanie, Oregon for $95 million. This plant is located along the BNSF Railway, which links to the Basin Transload facility in Beulah, ND. GLP purchased a 60% interest in Basin Transload earlier in 2013. The West Coast facility is the largest ethanol facility on the West Coast and GLP has leased rights to 1,200 foot dock for shipments. Initially, Global Partners hoped to ship bakken by railway from North Dakota, which would then be loaded onto barges in Oregon for transport to refineries. As oil prices began to fall in 2014, this practice became unprofitable and GLP decided to switch the facility to ethanol, a process that took almost six months in the beginning of 2016. This ethanol, an additive to gasoline, will be put on barges and sent to oil refineries. The facility's ability to store ethanol will also serve GLP well in the future as ethanol as more states adopt Renewable Fuel Standards Programs, which encourages renewable energy sources. As States push for increasing the proportion of ethanol in gasoline, refineries will need to purchase additional ethanol furthering the importance and value of this acquisition.

Source: Coking.com

While this acquisition has not resulted exactly as GLP has planned, GLP has proven that it is able to scale this facility to its needs, whether that means changing the facility to accommodate a change in business focus or lowering operating expenses by reducing its workforce. While GLP is relatively new to this region, the West Coast serves as prime opportunity to transload crude and ethanol with 18 refineries, refining almost two million barrels/day in California alone. As GLP further establishes relationships with West Coast refineries, GLP will be able to convert roughly 200,000 barrels of storage capacity to ethanol transloading at the Oregon facility and generate additional revenue. Also, if oil prices rebound and the price of bakken becomes competitive with imported crude, GLP will be able to quickly turn the Oregon facility to accommodate crude and expand its crude business in the West Coast. Due to the Oregon facility's optionality and GLP's ability to quickly alter its business plans, the West Coast presents the opportunity for major expansion for GLP. Therefore, we expect the West Coast facility to contribute to Wholesale top line growth as GLP continues to establish itself as a player in the West Coast market.

Gas Stations Growth Prospects via Strategic Mergers and Acquisitions

Management is continuously focused on new opportunities, especially those with prominent real estate locations, corner lots on major roadways and large footprints off of major highways given that location is the second most important factor in a consumer's decision on where to buy gas according to the Association for Convenience and Petroleum Retailing. GLP is focused on locations with multiple bays over smaller locations as it builds scale at each of its locations. GLP has generated positive cash flow from a variety of transactions. The company completed a sale leaseback of 30 sites in New England for $63.5 million to a real estate investor. In May, the company sold 30 non-strategic gas stations and c-stores in NY and PA to Mirabato Holdings for $40 million. GLP still has a long-term supply contract to provide branded and unbranded petroleum products, maintain a long-term interest in these assets after the sale in completed. Additionally, it has been selling off locations deemed non-strategic. Half of the 90 sites have been sold generating $16mm, the first third have a P&S with an 11x EBIDTA, although the remainder are expected to go for a lower multiple, it will still generate a proceed. Over the past couple of years GLP has made many acquisitions. In the second half of 2016 GLP added 22 leased gas stations in Western Massachusetts and expect $3 million of EBIDTA annually. The company previously acquired 100 stations in New York and DC from Capital Petroleum and 600 stations from Warren Equities. Warren Equities has been successful to date, increasing EBIDTA $50-$60 million.

Q: When buying gas, which of the following factors is most important to you?

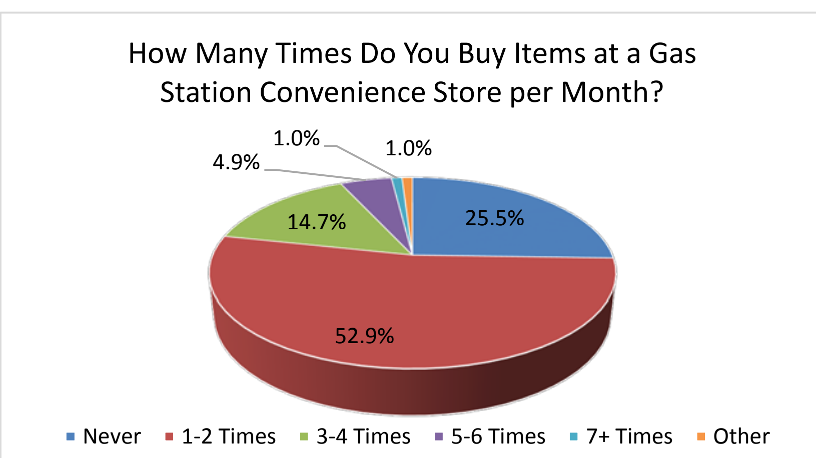
PERCENT OF GAS CONSUMERS	2015	TRACKED 2014	2013	2012	2009
Price	71%	66%	71%	63%	70%
Location of store/station	18%	20%	18%	20%	19%
Brand	8%	8%	8%	8%	9%
Ease of entrance or exit	3%	4%	2%	6%	0
Other	1%	1%	1%	2%	1%
Gas price on date survey was initiated*	$2.22	$3.22	$3.28	$3.22	$1.62

**Gas price determined by OPIS Retail Fuel Watch, published weekly*

Source: NACS 2015 Annual Report

Positive Outlook on the Future of Convenience Stores

Global Partners' Convenience Store Segment not only differentiates the Company from other MLPs, but also represents a sustainable revenue stream for years to come. Despite common belief that convenience stores may soon become irrelevant due to their main revenue source coming from tobacco, which is declining in popularity, convenience stores have been quickly updating their product offerings and repositioning themselves in the foodservice space in order to appeal to a broader customer base. These efforts have been rewarded as our team conducted survey results show that 74.5% of millennials frequent convenience store at least one time per month, with 21.6% of respondents frequenting at least 3 times per month. Based on a survey of 102 Northeastern-based millennials, only 7.8% of these millennials look to purchase tobacco, compared to over 71% and 72% of respondents who look to purchase beverages and snacks respectively (Exhibit B). While the change in product mix long-term will tighten margins, the sustained traffic from millennials coupled with the increase in commuters and commute times driven by the decline in unemployment rate will compensate for the margin lost. Given that Global Partners continually looks to expand and improve its convenience stores by adding delis and franchises such as Dunkin' Donuts, Global is drawing more customers into its stores as consumers are 21.6% and 58.8% more likely to enter a convenience store with these feature, respectively (Exhibit C). Over the past three years, GLP has expanded and rebranded many of its convenience stores under the Alltown brand. Out of a sample of 55 New England locations, 56% now include a Dunkin' Donuts. Three stores specifically have been remodeled to include an Alltown Market with a Centre Street Kitchen. This new feature includes fresh, healthy options as well as made to order pizza, pasta, and sandwiches just to name a few items. In 2015, the Convenience Store Operations segment recorded a 46.8% margin, compared to an 8.4% product margin on gasoline sales. With the increase in prepared foods, Store Operations product margins will be able to further expand. The emphasis the Company is putting on its retail segment along with demographic trends will not only yield to prolonged success of the segment in terms of top line growth, but will also contribute to GLP's overall margin expansion. We estimate that GLP's emphasis on gasoline stations/shift into gas stations will 55.2% of the company's 2017 top line growth (a 3.8% increase is attributed to the GSDO section.)



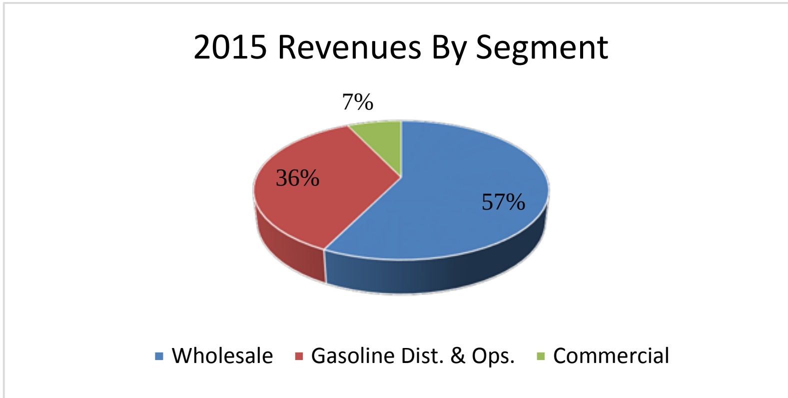
Team Conducted Survey Results

Global Partners LP

(NYSE:GLP)

Business Description

Global Partners is a midstream energy supply company engaged in the purchasing, selling, storing, and logistics of transporting petroleum and related products. Additionally, the company operates convenience stores and owns and leases gasoline stations. The company has three main operating segments: Wholesale, Gasoline Distribution and Station Operations, and Commercial.



Source: GLP's 2015 10K

Wholesale

Global Partners Wholesale distribution segment is engaged the gathering, selling and transportation of petroleum products such as: renewable fuels, crude oil, propane and other processed petroleum products. The company transports these fuels primarily using railcars, barges and/or pipelines to spot or long term contractors. Additionally, Global Partner collects crude oil in the mid-continent region of the United States then transports it to refiners on the West and East Coasts. Customers then use their own vehicles or contractors to take delivery of gasoline at storage facilities and bulk terminals owned by Global Partners. Global Partners' Wholesale Distribution segment accounts for nearly 46% of total revenue and 30% of total product margin.

Gasoline Distribution and Station Operations (GDSO)

Global Partners' GDSO segment is their 2nd largest segment by revenue, accounting for 36% of total 2015 revenues. In its Gasoline Distribution unit, the company sells gasoline to gasoline station operators and sub-jobbers. The company's Stations Operations unit includes convenience stores, rental income from leased gasoline stations, and sundries. Although this segment is second largest by revenue, the GDSO segment contributes the most product margin, accounting for 66% of total 2015 product margin.

Commercial

Global Partners' commercial segment sells and delivers numerous fuels to commercial and industrial end users. These fuels include unbranded gasoline, home heating oil, diesel, kerosene, residual oil, bunker fuel and natural gas. Products in this segment are sold either through a bidding process or through contracts. The commercial segment is the company's smallest segment, contributing 7% of total 2015 sales and 4% of total 2015 product margin.

Business Entity Structure

The company is organized as a publicly traded master limited partnership (MLP), in which the limited partnership interests are traded like shares of a traditional corporation. With this structure, stakeholders in the company benefit from tax advantages, only taxed once when receiving distributions. Additionally, limited partners have access to a more liquid investment vehicle. Limited Partners are able to claim the MLP's income on their personal taxes along with the MLP's depreciation, acting as a tax shield. For the past three completed fiscal years, GLP has had an effective income tax rate of -4.5%, 0.8%, and 2.0% respectively. This is far below the 35% US corporate income tax rate.

Exhibit C details the beneficial ownership of common units that represents the interest of the limited partners. The table details the ownership of each director, executive, and general partners of Global Partners LP. All directors and executives (10) combined represent roughly 21.7% of total common unit ownership.

Competitive Advantage

Vertical integration drives GLP’s competitive advantage. GLP has a significant advantage in its GDSO segment, as it acquire new gas stations it is able to leverage its wholesale and transportation infrastructure to efficiently supply its stations. We spoke to a former executive, who explained that through roll-ups of buying gas station operators and gaining distribution rights it takes out all of the overhead and adds immediate value to GLP. The company makes a steady stream of cash from rental income, gross margin in fuel, and the sale of the items in the accompanied convenience stores. As oil companies have left the gasoline station business to focus on cost cutting in the wake of oil prices crashing, GLP has been gaining more ground in this segment.

A second more intangible competitive advantage comes from GLP’s diversity and brand. GLP is one of the largest in the GDSO space in the Northeast with over 1,500 stations and combined volume of approximately 1 billion gallons. The gas stations are branded from major reputable oil brands, including Exxonmobil, Shell and Gulf. It also has strong relationships with its co-branding partners, including Dunkin Donuts, Subway, and McDonald's that draws people to enter its convenience store locations. The brand also has a big impact on its Wholesale segment because of the importance of reliability. GLP’s reputation for reliability has allowed them to hold on to key, large volume customers, such as the Mass Bay Transportation Authority (MBTA), the U.S Defense Logistics Agency (DLA), and both the Massachusetts and New York State government.

GLP has a number of logistical advantages in the Wholesale segment. First, GLP should be able to retain market share are there are high barriers to entry for new wholesaling, especially in the Northeast. Next, GLP occupies key locations on the East Coast, which helps the company maintain a steady supply of product. Lastly, GLP has a single line haul train that virtually creates a pseudo-pipeline in the Canadian Pacific that provides a cost advantage to effectively transport crude from that region.

Industry Overview and Competitive Positioning

Wholesale

The wholesale gasoline industry generated $247.6bn in 2015 and is expected to grow an average of 5.1% in the next 5 years. There is a low level of market share concentration as the four largest players in the wholesale gasoline distribution arena comprise a market share of 5.3%. The biggest player in this industry is Motiva Enterprises, which only has a 2.2% market share. Other large players in this arena include: BP PLC, Gulf Oil LP, and Global Partners LP with a market share of 1.3%, 1% and .9% respectively.

The low level of market share can be attributed to the high barriers to entry and the high level of competition on the both a local and regional level. The barriers to entry are centered around the knowledge intensive nature of the industry as well as capital requirements. It is critical for newcomers to have a very detailed understanding of both local and federal laws that guide safe practices in order to comply with stringent industry regulation. There are a few factors that can mitigate the difficulty of entering this market; technology and market share. The industry is mature and embodies a very low level of technological change and since there are no dominant players there is an opportunity to enter the market and take share from a number of players. Key factors to consider when analyzing the success of companies in the industry include the ability to pass on cost increases, guaranteed supply of inputs and access to infrastructure. GLP has the ability to capitalize on all those factors given its terminal locations, especially in the northeast, and its established business and transportation flexibility via rail, barge and truck.

GDSO

The GDSO segment includes both fuel retailing and convenience store sales. The industry has been declining for four straights years, and is projected to decline 0.8% to $323.8bn in sales in 2016. Moving forward the industry is expected to grow 7% in 2017, 4% in 2018-2019, and 2% from 2020-2022 as the economy continues to improve and gasoline prices rise.

In regards to the convenience store segment, as of December 31, 2015, there were 154,195 convenience stores in the U.S., accounting for over $575bn in sales (approximately $3.8mm/store on average). 124,374, or 80.7%, of these stores are co-located at fuel retailing locations and 97,359, or 63.1%, of these stores are owned by single-store operators. Given that GLP owns a network of 285 convenience stores concentrated in the Northeast, it is able to capitalize on economies of scale and strategic locations.

Convenience Stores are known for one thing: convenience. The average time spent at a convenience store location is between three and four minutes. However, the trend is beginning to change as consumer trends evolve. Traditionally, convenience stores' main products were tobacco and lottery tickets. While convenience stores still dominate in lottery ticket sales, selling approximately 50% of all tickets sold in the U.S., tobacco sales have been on a decline due to the change in consumer demand. Over the past couple of years, consumers, instead, have demanded more food and beverage options. Therefore, there has been a push towards incorporating more food service options into each location, with some convenience stores franchising larger chains such as Dunkin' Donuts and Subway. In 2015, this segment represented $61bn or 21.2% of store sales. As GLP remodels its convenience stores to include Dunkin' Donuts, Alltown Market, and Centre Street Kitchens, the Company will be able to increase its customer base and average ticket size.

Convenience stores are beginning to expand their footprint as exemplified by the average convenience store being 2,963 sqft compared to newly built convenience store averaging 4,594 sqft to accommodate the new foodservice options. GLP's Alltown and Xtra-Mart Convenience stores average 2,500 sqft. However, the Company's most recent remodels and raze-and-rebuilds have incorporated a larger footprint for convenience stores. Moving forward, GLP is targeting lots that are over one acre to accommodate the larger store footprints.

There is relatively low concentration in the gas stations with convenience store industry. The top operations accounting for roughly 15% of industry revenue. Due to the decline in oil companies operating in this space, the industry has become a lot more fragmented with concentration steadily decreasing. When oil companies owned and operated the industry, they could brand these convenience stores under one name on a national level due to their national operations. The decreased presence of oil companies in this space has led to more regional operations for convenience stores.

Commercial

The commercial segment is also referenced as fuel dealers and sells heating oil and other fuels directly to an end users, such as households and businesses. The market generated $39bn in 2015 and is expected to increase just over 1% over the next 5 years as oil prices increase. 38.6% of the fuel revenue was in the form of propane, closely followed by heating oil at 36.4%. The market is highly volatile and susceptible to weather. During colder winters there is much more heating oil in demand than in more mild winter seasons. At the beginning of 2016, 6 million homes used heating oil as their main heat source, with 88% of the market in the northeast. The fuel dealers are most influenced by the price of crude oil and natural gas as they are key inputs for the production of propane and oil. Housing starts also increase demand as new homes are built it increases the need for central heating.

The industry has a low concentration, where the top 4 companies amount to less than 17% of the industry revenue. AmeriGas is the largest fuel dealer and has a market share of 7.5%. The industry has started to become less concentrated in recent years as larger companies have acquired smaller fuel dealers. While the level of technological change and capital intensity are low, the industry is heavily regulated. Companies must follow a number of federal, state, and local regulations on safety and environmental measures. GLP has a strong customer base as it has been a reliable distributor and developed expertise in logistics and transportation, all while adhering to the strict government regulations.

Investment Risks and Mitigants:

Macroeconomic Headwinds: Long-term macroeconomic trends serve as headwinds for GLP. In the short-term, crude oil and gasoline consumption is expected to increase. However, as the world shifts toward energy conservation and clean energy sources, GLP's business will be under pressure. Demand is estimated to decline over time as fossil fuels are less prominent. Additionally, new technology and potential customer adoption of electric cars will decrease the need for gasoline production.

- GLP's purchase of the Oregon facility lowers the risk it faces. The Oregon facility can be used to transload and store ethanol, which will serve GLP well in the future as more States adopt Renewable Fuel Standards programs and require an increased percentage of ethanol in gasoline. Further, by extending its convenience store brand to include markets and prepared food, the Company hopes to create a brand and legacy beyond oil.

Challenging Industry Economics: GLP, as well as other companies in the mid-stream logistics industry, are subject to challenging economic structures on two fronts: high capital intensity and fixed-cost structures. GLP has historically relied on an acquisition-based strategy in order to achieve growth and procure key locations for gas stations and terminals. Additionally, GLP requires high levels of capital in order to operate its business with inflated fixed asset purchase and maintenance costs. In 2015, the company spent over $560mm in acquisitions and over $90mm in capital expenditures. While the industry's high capital requirements benefit GLP as a valuable barrier to entry, there is substantial risk in that they apply substantial pressure on GLP to achieve sufficient cash flows to run its operations. Failure to achieve such cash flows poses threat to the continuity of GLP's business.

- The Company has made a conscious effort to divest non-strategic assets, divesting over 90 in 2016, in order to deleverage and lower its overhead. GLP currently looks to divest certain GDSO, including contractual supply agreements in the sale, in order to lower its fixed costs and keep the income stream. GLP is also selective in choosing the best locations. Strategic site locations of terminals and gas stations ensures that GLP can withstand major external drivers, such as crude oil and consumer spending, better than competitors that do not have a fully integrated model.

High Leverage: GLP employs a high level of debt in order to finance its operations. As of December 31, 2015, the company had approximately $1.2bn dollars of debt outstanding, representing a value of more than two times the company's market cap. GLP's high level of debt poses a significant risk to the company, as the debt imposes substantial cash flow requirements in order to meet interest and principal payments. Additionally, GLP's high debt levels can also affect the company's ability to receive financing, as it may inhibit creditors from lending additional capital and increase the company's borrowing costs.

- To mitigate this risk, GLP is currently pursuing a deleveraging plan that will reduce its credit risk and provide sustainability against future downturns. In the three quarters of 2016, GLP has decreased its revolving credit facility's outstanding balance by $88.2mm. Initiatives in this direction will allow GLP to better manage its credit profile and reduce the burden of its financial obligations.

Seasonality: Seasonality is a major factor in GLP's business segments. For example, home heating oil and residual oil demand rises in the winter, whereas gasoline and gasoline blendstocks experience higher demand in the summer. Colder winters lead to greater demand in oil due to higher usage. In 2013, the U.S experienced very cold and snowy winter months which drove growth in GLP's Wholesale and Commercial segment 10% and 40% respectively. Seasonality poses a threat to GLP's business, as it causes volatility in quarterly earnings results and may hinder distribution ability.

- While seasonality is a concern, GLP hedges seasonality and weather risk by selling exchange-traded futures contracts and over-the-counter derivatives until the sale of its actual product to buyers.

Commodity Price Fluctuations: Commodity price fluctuations also pose a significant threat to GLP's business lines. Increases in commodity prices benefit GLP's Wholesale segment and negatively affect GLP's GDSO business, and vice versa. Decreases in crude prices adversely affect GLP's wholesale business because GLP, in the past, has transloaded bakken crude from North Dakota to the East Coast by using leased railcars. After the 59.8% decline in crude prices since 2014, crude is now cheaper to import than transload, leading GLP to cease its rail operations. Given that GLP has contractual obligations for many of its transportation assets including railcars and barges, any swing in commodity prices affects the bottom line.

- In order to best protect against commodity price fluctuations, GLP diversifies its business to include higher margin segments such as the GDSO segment, which is able capitalize on commodity price movements that hurt the Wholesale segment. The GDSO segment's margins expand as crude prices decline as gas station retailers pass less of the cost savings on to the consumers. Lastly, GLP uses derivatives and other hedging instruments to mitigate commodity pricing risk.

Corporate Governance

GLP's Board of Directors is tasked with overseeing the financial performance, selecting the Chief Executive Office, reviewing and counseling management, determining executive compensation, approving and reviewing long-term strategy and major actions, reviewing risk, and brainstorming ways to mitigate this risk. The Board of Directors is composed of seven members, with three members belonging to the founding family (Richard Slifka, Eric Slifka, and Andrew Slifka) and three members currently holding executive positions (Eric Slifka, Andrew Slifka, and Daphne Foster). While this may raise concerns due to the board only consisting of three independent members, we see this as a positive. The Slifka Family and Executives are fully invested in the viability of the Company, holding 21.3% of common equity. To protect the Company, GLP has also adopted strict conflict of interest policies and have tasked the three independent directors (Robert McCool, David McKown, and Kenneth Watchmaker) to oversee the Compensation Committee, Audit Committee, and Conflicts Committee. The Conflicts Committee oversees any decisions that may involve a conflict of interest. GLP states "[a]ny matters approved by the Committee will be conclusively deemed to be fair and reasonable to the Partnership, approved by all of its partners, and not a breach by its general partner of any duties it may owe the Partnership or its unitholders." The ability of the Committee to have the final say, with clear independence from the executive management and the founding family, is a testament to the ability of firm to focus on its long-term viability and not focus on the sole interest of the top executives. Exhibit D details the Executive Management Team's bios.

Financial Analysis

Management's Focus on Cost Cutting will Improve Margins in the Short Term

Management is focused on lean operations because of the slim margins in its Wholesale business. In the third quarter of 2016 the Company cut SG&A 14% and operating expenses 9%. We expect to see SG&A stabilize at 1.6% of revenues and operating expenses to slowly rise over time to 4.2% of revenue as it grows its Wholesale and GDSO segment. This is reflected in our projected income statement, which can be found in Exhibit E.

GLP's vertically-integrated position will allow the firm to streamline operations and increase spreads on GDSO sales.

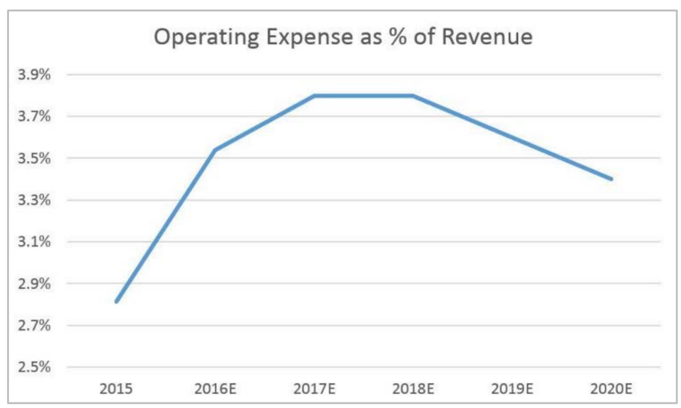
We project COGS margin increases of 1.25% over the next five years.

Strong Organic and Acquisition Based Growth in the GDSO Segment will Drive Top-Line Growth.

We expect that GLP's convenience store business will grow with the overall industry at a conservative 5 year CAGR of 4%. Incremental D&A projected to grow at a steady state with acquisitions, estimated at 1% of revenues.

Retail Gas Station Portfolio Optimization will lead to long-term margin improvement

GLP's operating margin has been improving over time, at 0.5%, 0.96% and 1.11% in 2013, 2014, and 2015 respectively. However, operating margin still remains over 60 basis points below its two-year peak (1.75% in 1Q15), prior to GLP's market-driven profitability decline. GLP's gross profit margin has been improving over time, 2.07%, 3.15%, 5.80% for 2013, 2014 and 2015, respectively. When reviewing comparable peers, such as Sunoco LP, Sprague LP, NGL Energy Partners LP, those companies average over 8% gross profit margin, indicating that there is room for GLP to improve operations, reduce expenses and increase their margin in the years to come. Although GLP will see operating expense % increases in the near-term due to the acquisitions of new locations (we estimate 0.3% in the next two years), the company will see operating expense improvements in the long-term with a higher portion of profitable locations in its portfolio. We estimate that the company's operating expenses will stabilize at 3.4% of revenues in 2020.



ROA Steady Increase Over Time Due to Investments in PP&E

GLP has improved its ROA over time from 2.0% in 2011 to 3.4% at end of year 2015 and we expect ROA to continue to marginally improve as it acquires efficient PP&E for use in its midstream oil business segments. GLP has acquired over $1bn in PP&E since 2011.

Steady Distribution per Unit

We assume constant distribution payments at an annualized rate of $1.85 the rate at which it currently pay. We cannot assume management will not increase distribution because they have not indicated such in the near term.

Global Partners LP

(NYSE:GLP)

Valuation

To value Global Partners we used a weighted average of distributable cash flow analysis and sum of the parts comparable companies analysis to arrive at a target price of $19.54 which represents a 22.9% upside over the current stock price of $15.90 (as of 12/8/2016). We assigned a high weight to our distributable cash flow analysis because we believe that is the most effective way to value an MLP which has such a high dividend yield. When we spoke to a former company executive he said, “when doing your analysis you should try to determine what is the certainty or confidence level on the organization’s capacity to continue to make that distribution into the future” and that is what we emphasized in our analysis. We also performed mathematical analysis that can be seen in Exhibit E. However, given that these methods are based on past stock prices, we decided to rely our valuation solely on the DDM and SOTP valuation methods.

Valuation Summary		
	Price per Share	Weight
DDM	$18.50	80%
SOTP	$23.67	20%
Target Price	$19.54	
Current Price	$15.90	
Upside Potential	22.9%	

Distributable Cash Flow

Our distributable cash flow analysis was a 5 year model, which we gave an 80% weight to in our final target price. The distributable cash flow analysis accounts for cash flow available to common unit holders after payments to the general partners.

Global Partners L.P.	Actual	Forecast Period				
($ in millions)	2015	2016	2017	2018	2019	2020
Net Income Attributable to GLP	$43.6	$0.4	$10.3	$35.5	$82.1	$127.9
+Depreciation and Amortization	$110.7	$111.8	$112.9	$114.0	$115.2	$116.3
+Amortization of deferred financing fees	$7.0	$6.8	$6.7	$6.7	$6.7	$6.7
-Amortization of routine bank refinancing fees	($4.5)	($4.3)	($4.4)	($4.4)	($4.4)	($4.4)
-Maintenance Capital Expenditures	($29.9)	($24.1)	($25.8)	($26.9)	($28.1)	($28.7)
Total Distributable Cash Flow	$126.9	$90.6	$99.7	$124.9	$171.4	$217.8
LP Units	32.3	33.5	33.5	33.5	33.5	33.5
DCF per LP Unit	$3.92	$2.70	$2.97	$3.72	$5.11	$6.50
Distribution per Unit	$2.58	$1.85	$1.85	$1.85	$1.85	$1.85
Coverage Ratio	1.5x	1.5x	1.6x	2.0x	2.8x	3.5x
Yield	66%	69%	62%	50%	36%	28%

Perpetuity Growth Model	Terminal Value	Growth Rate	Term. Year
Terminal Value	$ 18.12	*(0.5%)*	2020
Cost of Capital			
Levered Beta	0.97		
Risk-free Rate	2.33%		
Risk Premium	7.58%		
Cost of Equity	9.66%		
DDM Model			
Fair Value per Share	**$18.50**		

Global Partners LP

(NYSE:GLP)

Sum of the Parts Comparable Companies

We split the comparables into groups between convenience stores and gas retailers versus mid-stream oil logistics companies so we could achieve a more accurate view of the company's worth comparing apples to apples. We gave our sum of the parts (SOTP) analysis a 20% weight in our final target price.

To get to a SOTP using EV/EBITDA we made an assumption on what percentage of EBITDA the two halves of the business would have, we found that GDSO contributed 76% of GLPs total gross profit so we assumed it would have the same percentage of total EBITDA.

Name	Mkt Cap	EV/EBITDA 2017
	Millions	x
ONEOK Partners, L.P.	11,838.9	10.3x
Sunoco Logistic Partners L.P.	8,896.7	10.2x
CrossAmerica Partners LP	859.3	12.2x
PBF Logistics LP	732.4	9.3x
Sprague Resources LP	508.0	8.8x
Global Partners LP	**526.5**	**9.3x**
Low	508.0	8.8x
25th Percentile	732.4	9.3x
Mean	4,567.1	10.2x
Median	**859.3**	**10.2x**
75th Percentile	8,896.7	10.3x
High	11,838.9	12.2x
SOTP Enterprise Value		**$499**

Name	Mkt Cap	EV/EBITDA 2017
	Millions	x
CST Brands, Inc.	3,632.5	13.3x
Murphy USA Inc.	2,739.1	7.5x
Casey's General Stores, Inc.	4,801.5	9.3x
Alimentation Couche-Tard	25,971.8	10.4x
Global Partners LP	**526.5**	**9.3x**
Low	2,739.1	7.5x
25th Percentile	3,409.2	8.8x
Mean	9,286.2	10.1x
Median	**4,217.0**	**9.8x**
75th Percentile	10,094.1	11.1x
High	25,971.8	13.3x
SOTP Enterprise Value		**$1,532**

Combined Enterprise Value	$2,031
Combined Equity Value	$765
Price per Share	**$23.67**

Assumptions on EBITDA Splits	
GDSO % of Rev	36%
GDSO % of Gross Profit	76%
GDSO Assumed % of EBITDA	**76%**

Bull and Bear Case Factors

Below is a list of bull and bear factors that were considered in the creation of our model.

Bull	Bear
Initiative to optimize its retail station portfolio can increase margins and allow GLP to unlock real estate value from the sale of non-core locations	Crude-by-rail operations hinder company performance, with high fixed costs and poor economics
Dominance in the Northeastern market and ownership of key terminal assets provide a durable moat for GLP	GLP lacks any avenues of meaningful growth, hampering the company's ability to increase distributions
Diversified business lines provide operational hedge against downside from commodity price fluctuations and other macroeconomic risks	
High distribution yield offers attractive returns to investors	

Exhibits

Exhibit A- Growth Rates

Projected Growth Percentage for GLP and the Industry.

Wholesale		
	GLP	Industry
2017	8.0%	7.1%
2018	5.0%	5.3%
2019	5.0%	4.8%
2020	5.0%	4.3%

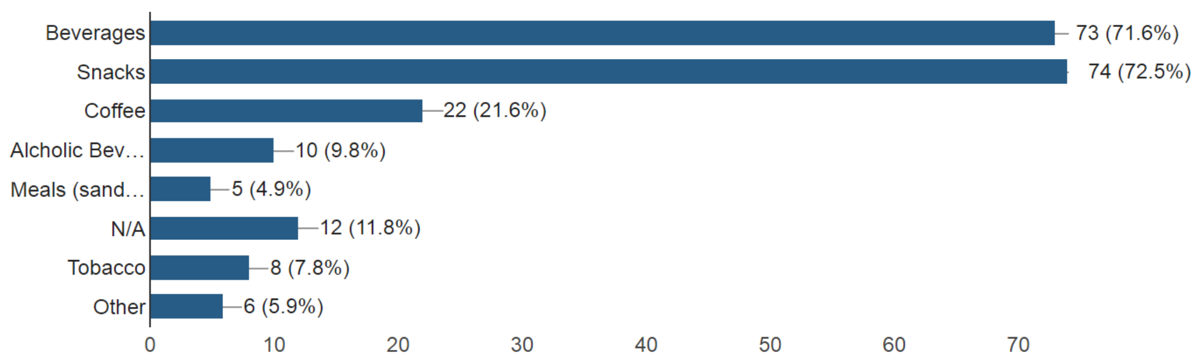
GDSO		
	GLP	Industry
2017	8.0%	7.3%
2018	5.0%	4.3%
2019	5.0%	4.4%
2020	2.0%	2.2%

Source for Industry Growth Rates: IBISWorld

Exhibit B- Survey Results

Survey conducted by our team in November 2016. Respondents were in the 18-30 year-old age bracket and resided in the Northeast. This particular age bracket was used to gauge millennial consumer behaviors.

At convenience stores, what items do you typically purchase? (102 responses)



Would you be more likely to enter a gas station convenience store if it had a....
(102 responses)

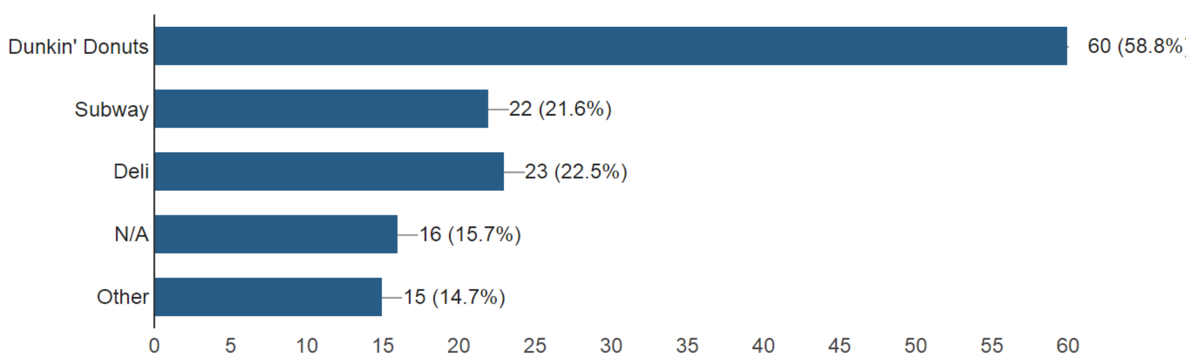


Exhibit C- Holdings

GLP Holdings Summary

Name of Beneficial Owner	Common Units Beneficially Owned	Percentage of Common Units Benficially Owned
Richard Slifka	5,579,582	16.40%
Estate of Alfred A. Slifka	4,734,095	13.90%
OppenheimerFunds Inc.	3,263,947	9.60%
Montello Oil Copr.	2,348,078	6.90%
Oppenheimer Steelpath MLP Income Fund	1,955,665	5.80%
Global Petroleum Corp.	1,725,463	5.10%
Eric Skilfka	1,161,741	3.40%
Larea Holdings	564,984	1.70%
Global GP LLC	481,613	1.40%
Andrew Slifka	496,372	1.50%
Edward J. Faneuil	50,157	*
Charles A. Rudinsky	23,963	*
Mark Romaine	18,115	*
Daphne H. Foster	2,400	*
Robert J. McCool	21,414	*
Kenneth I. Watchmaker	23,064	*
David K. McKown	7,857	*
Larea Holdings II LLC	282,492	*
Chelsea Terminal Limited Partnership	120,356	*
Sandwich Terminal, L.L.C.	8,475	*
All Directors and Executivew Officers as a group (10 persons)	7,384,665	21.70%

Source: GLP's 2015 10K

Exhibit D- Management

GLP's management team has a lengthy history in the industry and at the company. They have effectively reduced SG&A expenses and are focused on the company's cash flow generation while optimizing assets and devoting time and resources to its growth initiatives.

Eric Slifka- President and Chief Executive Officer

Eric Slifka has been President, Chief Executive Officer and director of GLP's general partner since 2005. He has worked at GLP since 1987. Prior to his current positions, Mr. Slifka has held various senior positions in the accounting, supply, distribution and marketing departments of GLP.

Andrew Slifka- Executive Vice President and President of Alliance Gasoline Division

Andrew Slifka is Executive Vice President of GLP's general partner and President of GLP's Alliance Gasoline Division. He has held these positions since 2012. Prior to GLP's acquisition of Alliance Energy LLC, Mr. Slifka served as Alliance Energy's President. Before leading Alliance Energy, he held numerous positions in the supply, distribution and marketing departments. Mr.Slifka also currently serves on the board of directors of Independent Oil Marketers Association.

Daphne H. Foster-Chief Financial Officer

Daphne H. Foster has served as CFO of GLP since 2013. Prior to this position, she worked as as Treasurer. Ms. Foster first joined the company in 2007. Prior to joining GLP, she served as the Vice President in the Energy and Utilities Division of Bank of Boston. She graduated with a bachelor's degree and MBA from Boston University.

Mark Romaine- Chief Operating Officer

Mark Romaine has served as COO of GLP since 2013. Prior to this position, he held the position of Senior Vice President of Light Oil Supply and Distribution. He has also held operations and marketing positions with Plymouth and Volta Oil. Mr. Romaine graduated with a bachelor's degree from Providence College and an MBA from the University of Massachusetts.

Edward J. Faneuil -Executive Vice President, General Counsel and Secretary
Edward J. Faneuil is the Executive Vice President, General Counsel and Secretary of GLP's general partner since 2005. Mr. Faneuil has served as General Counsel and Secretary of GLP since its formation in December 1998.

Charles A. Rudinsky -Executive Vice President, Chief Accounting Officer and Co-Director of Mergers & Acquisitions
Charles A. Rudinsky has served as Co-Director of Mergers & Acquisitions of Global Partners LP since April 2010. He also currently holds the positions of Executive Vice President and Chief Accounting Officer. Prior to his current roles, Mr. Rudinsky worked as Senior Controller at GLP. He has worked in the refined petroleum products industry for more than 35 years.

Global Partners LP

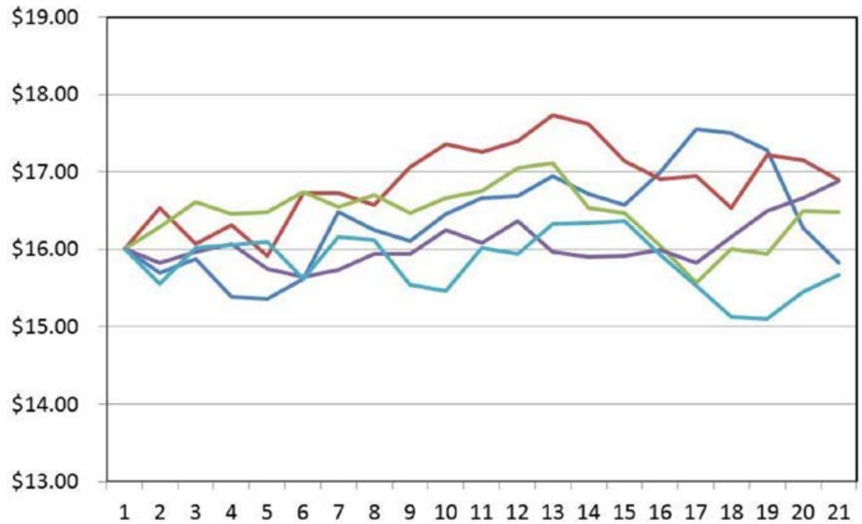
(NYSE:GLP)

Exhibit E- Income Statement Projections

Global Partners LP ($ in millions except per share items)	Actual Data 2013	2014	2015	Forecast Period 2016	2017	2018	2019	2020
Total Revenue	$19,589.6	$17,270.0	$10,314.9	$8,325.76	$8,910.87	$9,297.25	$9,705.91	$9,906.30
Total Y/Y Revenue Growth %	-	-12%	-40%	-19%	7%	4%	4%	2%
Total Cost of Revenue	$19,185.1	$16,725.2	$9,717.2	$7,805.40	$8,331.66	$8,669.69	$9,026.50	$9,188.09
% of Revenue	*98%*	*97%*	*94%*	94%	94%	93%	93%	93%
Gross Profit	**$404.6**	**$544.8**	**$597.7**	**$520.4**	**$579.2**	**$627.6**	**$679.4**	**$718.2**
Gross Margin %	*2%*	*3%*	*6%*	*6%*	*6%*	*7%*	*7%*	*7%*
Operating Expenses								
General and administrative	$115.5	$154.0	$177.0	$140.0	$142.57	$148.76	$155.29	$158.50
% of Revenue	*0.59%*	*0.89%*	*1.72%*	*1.68%*	*1.60%*	*1.60%*	*1.60%*	*1.60%*
Operating Expenses	$185.7	$204.1	$290.3	$294.6	$338.61	$353.30	$349.41	$336.81
% of Revenue	*1%*	*1%*	*3%*	*3.5%*	*3.8%*	*3.8%*	*3.6%*	*3.4%*
Amort. Goodwill & Intangibles	$19.2	$18.9	$13.5	$10.5	$11.24	$11.73	$12.24	$12.49
% of Revenue	*0.10%*	*0.11%*	*0.13%*	*0.13%*	*0.13%*	*0.13%*	*0.13%*	*0.13%*
Total Operating Expenses	**$319**	**$379.1**	**$482.9**	**$445.2**	**$492.5**	**$513.8**	**$517.0**	**$507.9**
Y/Y Change %	-	19%	27%	-8%	11%	4%	1%	-2%
% of Revenue	*1.6%*	*2.2%*	*4.7%*	*5.3%*	*5.5%*	*5.5%*	*5.3%*	*5.1%*
Operating Income (EBIT)	**$85.4**	**$165.7**	**$114.7**	**$75.2**	**$86.7**	**$113.7**	**$162.4**	**$210.3**
Operating Margin%	*0%*	*1%*	*1%*	*0.9%*	*1.0%*	*1.2%*	*1.7%*	*2.1%*
Depreciation and Amortization	$77.1	$86.4	$115.9	$117.0	$118.2	$119.4	$120.6	$121.8
EBITDA	**$162.5**	**$252.1**	**$230.6**	**$192.2**	**$204.9**	**$233.1**	**$283.0**	**$332.1**
EBITDA Margin %	*1%*	*1%*	*2%*	*2%*	*2%*	*3%*	*3%*	*3%*
Interest income (expense) and other	($43.5)	($47.8)	($73.3)	($74.80)	($76.29)	($77.82)	($79.38)	($80.96)
Income Before Taxes	**$41.9**	**$117.9**	**$41.4**	**$0.4**	**$10.4**	**$35.9**	**$83.0**	**$129.4**
Income Tax	$0.8	$1.0	($1.9)	$0.0	$0.2	$0.7	$1.6	$2.5
Tax Rate	*2%*	*1%*	*NM*	*2%*	*2%*	*2%*	*2%*	*2%*
Net Income	**$41.1**	**$117.0**	**$43.3**	**$0.4**	**$10.2**	**$35.2**	**$81.4**	**$126.9**
Profit Margin	*0%*	*1%*	*0%*	*0%*	*0%*	*0%*	*1%*	*1%*
Net income (loss) Attributable to noncontrolling interest	$1.6	($2.3)	$0.3	$0.0	$0.1	$0.3	$0.7	$1.1
% of Net Income	*4%*	*(2%)*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Net Income Attributable to GLP	**$42.6**	**$114.7**	**$43.6**	**$0.4**	**$10.32**	**$35.51**	**$82.11**	**$127.93**
General Partners Interest in Net Income	($3.5)	($6.0)	($7.7)	$0.0	$1.1	$3.7	$8.5	$13.3
Limited Partners Interest in Net Income	**$39.1**	**$108.7**	**$35.9**	**$0.36**	**$9.25**	**$31.83**	**$73.60**	**$114.68**
% allocation to LP	*92%*	*95%*	*82%*	*90%*	*90%*	*90%*	*90%*	*90%*
Shares Outstanding (FD)	27.6	27.5	32.3	33.5	33.5	33.5	33.5	33.5
EPS	**$1.49**	**$4.25**	**$1.34**	**$0.01**	**$0.31**	**$1.05**	**$2.43**	**$3.78**

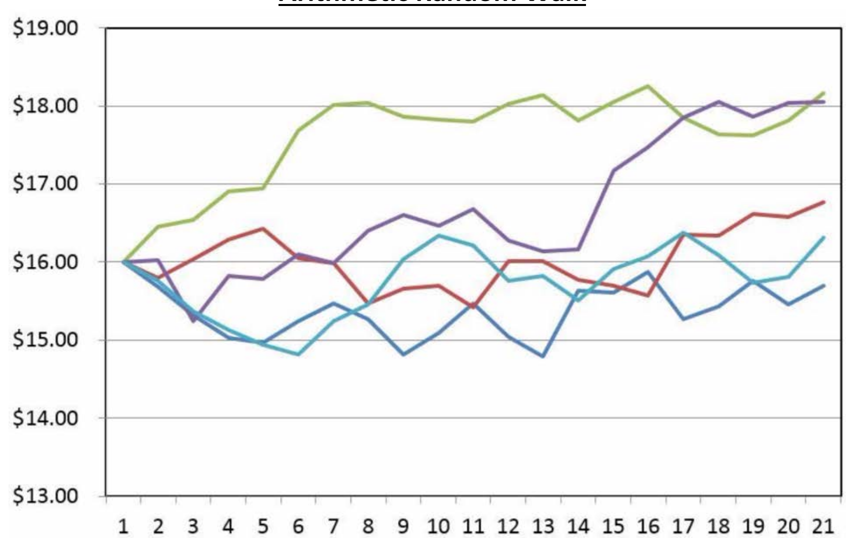
Exhibit F- Mathematical Analysis

Geometric Random Walk



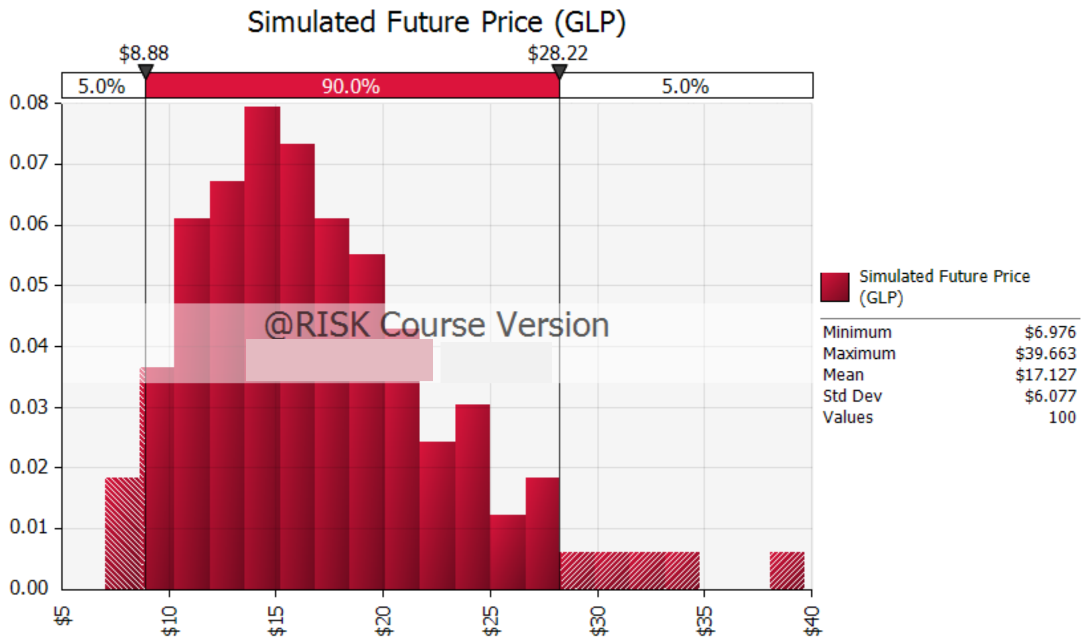
Following GLP's December 8th close price of $15.90, we have simulated a geometric random walk from July 8th, 2016. We used the 5 month daily stock prices to randomly forecast up to 3 weeks out from the current stock price. The geometric random walk method is used to model stock prices in the Black-Scholes model because of uncertainty in stock price movements. We used this method of mathematical simulation to test volatility limits of GLP's stock price based on the stochastic processes.

Arithmetic Random Walk



The Arithmetic Random Walk is very similar in nature to the Geometric random walk in that it is a stochastic process to model stock price movement. The arithmetic random walk is not lognormal and is a more simple process that does not smooth out data which causes a larger, more volatile possible range of prices.

Mean Reversion (180 day Model)



The mean reversion model assumes all prices revert to the mean value over time. Our 180 day model takes into account 100 simulations of possible stock prices 6 months out from December 2016. The simulation came up with a very high standard deviation of $6.077 and more upside in maximum price at $39.66 than downside at $6.976, which represent a 249% increase and a 44% decrease.

Disclosures:

Ownership and material conflicts of interest

The author(s), or a member of their household, of this report does not hold a financial interest in the securities of this company.

The author(s), or a member of their household, of this report does not know of the existence of any conflicts of interest that might bias the content or publication of this report.

Receipt of compensation

Compensation of the author(s) of this report is not based on investment banking revenue.

Position as an officer or a director

The author(s), or a member of their household, does not serve as an officer, director, or advisory board member of the subject company.

Market making

The author(s) does not act as a market maker in the subject company's securities.

Disclaimer

The information set forth herein has been obtained or derived from sources generally available to the public and believed by the author(s) to be reliable, but the author(s) does not make any representation or warranty, express or implied, as to its accuracy or completeness. The information is not intended to be used as the basis of any investment decisions by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security. This report should not be considered to be a recommendation by any individual affiliated with The Boston Security Analysts Society, Inc., CFA Institute, or the CFA Institute Research Challenge with regard to this company's stock.