

# BP to acquire TravelCenters of America for \$1.3B

By Olivia Pulsinelli

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BP PLC (NYSE: BP), which has its U.S. headquarters in Houston, will boost its footprint along highways with a \$1.3 billion acquisition.

BP Products North America Inc., a wholly owned indirect subsidiary of BP, has agreed to purchase Ohio-based TravelCenters of America (Nasdaq: TA), the nationwide operator and franchisor of the TA, Petro Stopping Centers and TA Express travel center brands, in a cash deal, the companies said Feb. 16. The purchase price of \$86 per share represents an 84% premium to TravelCenters' average trading price of \$46.68 for the 30 days ended Feb. 15.

The deal will add approximately 280 sites across 44 states to BP's portfolio. As part of the deal, TravelCenters will enter into amended lease agreements with Massachusetts-based Service Properties Trust (Nasdaq: SVC) for long-term real estate access, BP added.

TravelCenters' sites average around 25 acres and offer services such as truck maintenance and repair, BP said. The properties include more than 600 full-service and quick service restaurants combined, and about 70% of the Cleveland-area company's total gross margin comes from its convenience services business, almost double BP's global convenience gross margin. Currently, BP's convenience and mobility business includes more than 8,000 off-highway locations.

The acquisition price of \$86 per share represents an approximately six-times multiple based on TravelCenters' earnings before interest, taxes, depreciation and amortization from the fourth quarter of 2021 to the third quarter of 2022. After adding EBITDA for BP immediately, the addition of TravelCenters is expected to create an additional \$800 million in EBITDA by 2025, BP said.

The deal supports one of BP's "five strategic transition growth engines," which combined will account for around half of the company's annual investment by 2030, BP said. Of the cumulative \$55 billion to \$65 billion BP plans to spend on transition growth engine investments from 2023 to 2030, about half is expected to go toward convenience, bioenergy and electric vehicle charging. On Feb. 15, BP announced plans to invest \$1 billion in EV charging across the U.S. by 2030. BP has a convenience and EV charging growth engine target of more than \$1.5 billion EBITDA in 2025 and more than \$4 billion in 2030.

Over time, BP expects to offer options such as EV charging, biofuels, renewable natural gas and later hydrogen, both for passenger vehicles and fleets, through its TravelCenters acquisition. In late January, TravelCenters said it was working with fast-charging company Electrify America to install 1,000 individual EV chargers at 200 TA locations along U.S. highways over the next five years.

The deal follows TravelCenters implementing a turnaround plan in 2020, which led to several quarters of improved performance, a return to the Fortune 500 in 2022 and unsolicited interest in acquiring the company. In response, TravelCenters' board hired financial and legal advisers to formally consider a potential sale.

TravelCenters shareholders still need to approve the deal, but Service Properties Trust, which owns 7.8% of TA's shares outstanding, and The RMR Group (Nasdaq: RMR), which owns 4.1%, have agreed to vote in favor of the deal. The deal is expected to close by mid-year 2023. Once the deal closes, TravelCenters will terminate its management agreement with Massachusetts-based RMR and pay a termination fee, which is expected to be \$44 million.

In the TravelCenters deal, BP is represented by Goldman Sachs & Co. LLC as lead financial adviser, Robey Warshaw LLP as financial adviser and Sullivan & Cromwell LLP as lead legal adviser. TravelCenters was represented by Citigroup as exclusive financial adviser and Ropes & Gray as legal adviser.