

Engine Capital Sends Letter to Parkland's Board of Directors Regarding its Intention to Vote Against the Sunoco Transaction

Believes the Price Is Inadequate and Does Not Reflect the Value of the Company Following an Expedited and Flawed Sale Process

Contends the Board Rushed to Sell the Company and Negotiated from a Position of Weakness

Urges the Board to Pursue Improved Terms that Reflect Parkland's Intrinsic Value, Control Premium and Significant Synergies

NEW YORK--(BUSINESS WIRE)—Engine Capital LP today announced that it has sent the following letter to Parkland Corporation's (TSX: PKI) Board of Directors.

Dear Members of the Board of Directors (the "Board"):

Engine Capital LP (together with its affiliates, "Engine" or "we") is a long-term shareholder of Parkland Corporation ("Parkland" or the "Company"), currently owning approximately 2.5% of the Company's outstanding shares. This makes us one of Parkland's largest owners. We are writing to inform you that Engine intends to vote **against** the proposed transaction with Sunoco LP (NYSE: SUN) ("Sunoco") for the following reasons:

1. The sale process conducted by the Board was expedited and flawed.
2. The proposed transaction materially undervalues Parkland.
3. We believe there are superior alternatives that would deliver greater value to shareholders.

To be clear, our opposition to this transaction is directed at its terms – not at Sunoco or its management team. We have great respect for both and would welcome the opportunity to become long-term investors in Sunoco if the transaction terms more accurately reflected Parkland's intrinsic value. Unless shareholders act collectively to vote down this transaction, the Company will be sold in an inadequate deal that was hastily negotiated by a conflicted and lame duck Board.

The Sale Process Conducted by the Board Was Expedited and Flawed

The Company's circular reveals that Parkland was sold in a matter of days, without a competitive process, by a Board that was set to be replaced by a shareholder-nominated slate of directors.¹ On April 18, 2025, Sunoco sent a proposal to the Board valuing Parkland at an implied \$41.50 per share. On April 23, 2025, a confidentiality and standstill agreement was signed. By April 26, 2025, the Special Committee determined it was prepared to engage with Sunoco at an implied price of \$44 per share and on April 29, 2025, Sunoco

¹ Simpson Oil Limited [press release](#) titled "Simpson Oil Announces Overwhelming Support for Majority Board Refresh at Parkland AGM" (May 2, 2025). The day before the Annual General Meeting (the "AGM") was scheduled to be held, Parkland cancelled and rescheduled it for June 24, 2025, the same day as the Special Meeting to vote on the Sunoco transaction.

submitted a revised proposal at an implied price of \$44 per share. The final agreement was signed on May 4, 2025.

It is staggering that a large and complex company like Parkland (which operates in many segments of the industry value chain and in multiple geographies) could be sold on such a rushed timeline without any competitive tension. There were only six days between when the parties signed a confidentiality agreement and when an agreement was reached on price. Rather than running a comprehensive and competitive process to maximize value, the Board engaged in a single offer and counteroffer round.

Key questions remain:

- Why didn't the Board initiate a more fulsome sale process to establish Parkland's value – especially its international division, which may have attracted a premium valuation?
- Why did Parkland counter with a proposal that was only 6% above the initial \$41.50 per share proposal and cap the negotiation, instead of asking for a best and final proposal which could then have been further negotiated?
- Why was outgoing CEO Bob Espey involved in the negotiations when he was on the verge of being removed from the Board? Mr. Espey was highly incentivized to transact at any price to avoid this embarrassment and receive a \$12.3 million change-of-control severance payment (instead of his regular severance of \$5.2 million). Sunoco was clearly aware of this dynamic, given that it submitted its initial bid just two days after Parkland announced Mr. Espey would step down.
- How did the Board and its advisors adequately evaluate a complex business like Sunoco in six days?
- Why is now the right time to sell the Company, considering it's in the midst of business underperformance and market volatility caused by tariff uncertainty?²

Rather than allowing a new board to oversee a fair and transparent strategic review, the incumbent Board hastily executed a sale in the final days of its tenure – without pursuing alternatives or maximizing value. The decision to rush through an undervalued transaction two days before the AGM is just the latest in a pattern of actions that reflect the Board's focus on retaining control rather than delivering shareholder-focused outcomes, as outlined last month by independent proxy advisory firm Glass, Lewis & Co.:³

"[T]he board has repeatedly taken governance actions that appear more reactive than proactive, and more focused on retaining control than facilitating transparent, shareholder-focused outcomes."

It is worth noting that the plan of arrangement also includes a provision whereby Sunoco can switch to a takeover bid of the Company, which would require approval from a simple majority of Parkland's outstanding shares by way of a tender instead of the higher threshold of two-thirds of the votes required for a plan of arrangement. This unusual provision appears to be specifically included to dilute the influence of Simpson Oil Limited and allow Sunoco to take control of Parkland without the blessing of a 20% shareholder. The fact that the Board would allow this unusual clause to be included highlights that both Parkland and Sunoco knew at the time of signing that this transaction could face significant shareholder opposition.

² On April 16, 2025, Parkland announced disappointing Q1 2025 preliminary results amidst macroeconomic and regulatory volatility and updated 2025 guidance to be towards the lower end of its previously communicated range.

³ Permission to quote Glass, Lewis & Co. was neither sought nor obtained.

The Proposed Transaction Materially Undervalues Parkland

The \$44 per share headline number significantly undervalues the business. It is important to note that at the current Sunoco trading price and the current US to Canadian currency exchange rate, and under the assumption that SUNCorp, LLC (“SUNCorp”) trades in line with Sunoco, the proposed transaction represents an implied price of only \$41.60 per share, a 5.5% *discount* to the headline price.⁴ It is also worth noting that the stock closed yesterday at \$38.73 per share, only 6.7% above the closing price before the deal was announced, implying there is limited downside if shareholders vote down this transaction.

Given the different assets owned by Parkland, we believe a sum of the parts methodology is most appropriate to value the Company. Several sell-side analysts use this methodology. If we average their sum of the parts valuation, we get a valuation of \$52.50 per share. A control premium should then be applied to this number. For reference, at \$44 per share, the Board is selling the Company for a multiple of ~8.8x normalized available cash flow per share and ~5.2x 2028 available cash flow per share, numbers that are too low for a growing business. The transaction also values Parkland at ~7x normalized EBITDA. This multiple pales in comparison to recent transaction multiples in the space post-COVID, including Aramco’s acquisition of Esmax Distribución SpA in March 2024 at a double-digit multiple, Murphy USA’s acquisition of QuickChek for 13.2x EBITDA in January 2021 and 7-Eleven’s acquisition of Speedway for 13.7x EBITDA in May 2021. While we acknowledge that Parkland is not worth those multiples in the aggregate, some of its retail assets as well as its international division are certainly worth double-digit multiples and are not being properly valued in this transaction.

It is also worth noting that the proposed transaction is highly accretive to Sunoco, which further highlights how attractive the proposed terms are to Sunoco. During its May 5, 2025, conference call, Sunoco discussed the strong industrial logic of the transaction and indicated the deal would be immediately accretive in year one and more than 10% accretive to distributable cash flow per common unit in year three. Based on our analysis and review of comparable transactions, we believe this transaction will be considerably more than 15% accretive in year three – which is also the figure cited in a research note from Raymond James.⁵ Parkland’s management has privately indicated to us that they also believe the \$250 million synergy figure is significantly understated.

To add to the problematic nature of this transaction, 55% of the consideration is a newly issued security that has no trading history and it is not clear to us whether SUNCorp will trade at a premium or a discount to the Sunoco units, yet Parkland’s management seems to have taken Sunoco’s word that SUNCorp will not trade at a discount based on one other situation which we don’t believe is analogous. The situation between Plains GP Holdings, L.P. and Plains All American Pipeline, L.P., which Parkland’s management is using as a comparable example, is meaningfully different because investors expect both entities to pay the same distribution over the long term, while SUNCorp has only guaranteed it will pay the same distribution as Sunoco for the next two years. This is critically important since these entities typically trade on a dividend yield basis. Liquidity may also be a factor hurting SUNCorp. If SUNCorp were to trade at a 10% discount to the Sunoco units, the current consideration would be reduced to \$39.40 per share, barely a premium to the standalone value of Parkland before the deal.

Unfortunately, the management information circular does not provide additional details on the tax implications of the SUNCorp structure. How are shareholders supposed to value SUNCorp – and therefore, assess this transaction – if we don’t understand the future tax liabilities of this structure and the sustainability of SUNCorp’s dividend? This uncertainty underscores the rushed nature of the deal and raises questions

⁴ Based on Sunoco’s closing price of \$53.93 per unit on June 5, 2025.

⁵ Raymond James sales commentary on May 11, 2025: “A look at consensus / RJ standalone estimates at PKI/SUN suggests Sunoco is low-balling deal accretion and will likely realize mid-teens (ex-synergies) / low 20% accretion (including synergies).”

about how fairness opinions could have even been properly issued without this critical information. Shareholders deserve to know this information before voting, as it will directly impact the value of their equity in SUNCorp.

Finally, we are deeply disappointed that Parkland's Board failed to disclose the financial analysis underlying its three fairness opinions. If the deal is as sound as the Board claims, why not be transparent and allow shareholders to understand the underlying assumptions? With so many concerns surrounding this transaction, full disclosure is not just appropriate – it is essential. We call on the Board to immediately release the financial analysis underlying the fairness opinions to enable shareholders to make a more informed decision.

We Believe There Are Superior Alternatives That Would Deliver Greater Value to Shareholders

Rather than rushing into a sale at an undervalued price, we believe there are other options Parkland could explore to maximize value and create deal tension as part of a comprehensive strategic review. Given the complexity of Parkland's business, it is likely that value would be maximized by marketing assets separately to realize the sum of the parts valuation outlined above. The international segment, in particular, would be coveted by multiple potential acquirers who did not even get an opportunity to take a look at the asset under the current "process." We believe this segment alone could account for a material portion of Parkland's enterprise value. For instance, if Parkland sold the international segment for 10x EBITDA and the remaining (mostly Canadian) business continued to trade for ~7x EBITDA, we believe the stock would be ~\$53 per share – a material premium to the current offer. There are multiple ways to maximize value if the Board gives itself the time to create deal tension. We would expect Sunoco to be an active participant in such an auction given that it has been interested in buying Parkland for at least the last two years and this deal is incredibly accretive for it – even at a significantly higher price. Shareholders should not be worried about rejecting the proposed transaction. Parkland is a healthy business that will grow EBITDA over time and will be worth more under new leadership. The stock barely trades at a premium to the pre-announcement price, implying very limited downside if the deal is voted down, especially since new leadership would run a comprehensive strategic process.

Assuming shareholders reject the current proposal, another path would be to try to salvage the Sunoco transaction. Engine would be delighted to become a long-term investor in Sunoco under a revised structure that adequately compensates Parkland shareholders for the intrinsic value of the Company, the significant synergies between the two organizations and the risk of owning a new security that may trade at a discount to the Sunoco units. In the spirit of putting forth a constructive proposal, we would suggest revisiting Sunoco's 2023 proposal, when it offered to buy Parkland for \$18 per share and 0.443 Sunoco units. We believe the 2023 Sunoco proposal – while still undervaluing Parkland – would better reflect the intrinsic value of the Company and the respective contribution of both entities. Today, this package would imply a valuation of \$50.70 per Parkland share. If Sunoco was willing to incur that level of dilution two years ago, then we don't see a reason why it should be unacceptable now.

We would also suggest amending the terms of the transaction to give Parkland shareholders the choice of receiving Sunoco units or SUNCorp shares so that Parkland shareholders with different tax constraints can make the optimal choice. If this is not possible, then at the very least, the newly issued SUNCorp securities should be one-way exchangeable into Sunoco units. This would ensure that SUNCorp does not trade at a discount to the Sunoco units. Alternatively, Sunoco could guarantee that both entities will always receive the same distributions, and that Sunoco would cover any tax liability at the SUNCorp level. We believe this would maximize the likelihood that SUNCorp trades well – which would be in everyone's interest.

In conclusion, we believe the Board ran an expedited and flawed process at the wrong time, is providing insufficient information for shareholders to vote on the transaction and has accepted a price that undervalues the Company. We intend to vote **against** the transaction as currently structured and hope

others do the same. If the transaction fails and the sitting directors step down as promised, we would be delighted to have a more shareholder-friendly Board run an appropriate sale process and maximize value for shareholders. We request a meeting with the Board at its earliest convenience to discuss the matters summarized in this letter.

Very truly yours,

Arnaud Ajdler
Managing Partner

Brad Favreau
Partner

Information in Support of Public Broadcast Exemption under Canadian Law

The information contained in this press release does not and is not meant to constitute a solicitation of a proxy within the meaning of applicable law. Engine is not requesting that Company shareholders give, withhold or revoke a proxy. Notwithstanding the foregoing, Engine has voluntarily filed a disclosure document (the "Document") as a precautionary measure and solely to the extent necessary to rely on the public broadcast solicitation exemption under National Instrument 51-102 – *Continuous Disclosure Obligations* and Blanket Order 51-520 issued by the Alberta Securities Commission. The Document is hereby incorporated by reference into this press release and is available under the Company's profile on SEDAR+ at www.sedarplus.ca. The registered office of the Company is 240 4th Avenue SW, Suite 1800, Calgary, Alberta T2P 4H4.

In accordance with subsection 148(4) of the *Business Corporations Act* (Alberta), proxies for the annual and special meeting of the Company scheduled to be held on June 24, 2025 (the "Meeting") may be revoked: (a) by attending the Meeting in person and registering with the Company's registrar and transfer agent, Computershare Trust Company of Canada, as a registered shareholder personally present who wishes to vote in person; (b) by delivering a notice of revocation, executed in writing by the registered shareholder or by the registered shareholder's authorized attorney: (i) by mail to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario L4B 4R5, by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 or by facsimile to Computershare Trust Company of Canada at 1-416-263-9524 or 1-866-249-7775, in each case at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement of the Meeting; (ii) by mail or hand delivery to the Company's registered office at 1800, 240 4th Avenue SW, Calgary, Alberta T2P 4H4 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement of the Meeting; or (iii) by hand delivery to the chair of the Meeting prior to the Meeting's commencement on the day of the Meeting, or any adjournment or postponement of the Meeting; or (c) in any other manner permitted by law. The procedure for revoking proxies for the Meeting, including revocation by a non-registered holder of Company shares, is more particularly described in the management information circular dated May 26, 2025 issued by the Company, which can be found under the Company's profile on SEDAR+ at www.sedarplus.ca.

The costs incurred in connection with any proxy solicitation by Engine will be borne directly and indirectly by Engine.

Any solicitation made by Engine is, or will be, as applicable, made by Engine, and not by or on behalf of the management of the Company. Should Engine solicit proxies, proxies may be solicited by proxy circular, mail, telephone, email or other electronic means, as well as by newspaper or other media advertising and in person by partners, managers, directors, officers and employees of Engine who will not be specifically remunerated therefor. In addition, Engine may solicit proxies by way of public broadcast, including press release, speech or publication and any other manner permitted under applicable Canadian laws, and may engage the services of one or more agents and authorize other persons to assist it in soliciting proxies on their behalf.

Neither Engine nor any of its associates or affiliates has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

About Engine Capital

Engine Capital LP is a value-oriented special situations fund that invests both actively and passively in companies undergoing change.

Contacts

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