ARKO Corp. Second Quarter 2022

Earnings Conference Call

August 9, 2022

ARKO
A Family of Community Brands

Safe Harbor Statement

Forward-Looking Statements

This document includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may address, among other things, our expected financial and operational results and the related assumptions underlying our expected results. These forward-looking statements are distinguished by use of words such as “anticipate,” “aim,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” “would” and the negative of these terms, and similar references to future periods. These statements are based on management’s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to, among other things, changes in economic, business and market conditions; our ability to maintain the listing of our common stock and warrants on the Nasdaq Stock Market; changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans; expansion plans and opportunities; changes in the markets in which we compete; changes in applicable laws or regulations, including those relating to environmental matters; market conditions and global and economic factors beyond our control, including the potential adverse effects of the ongoing global coronavirus (COVID-19) pandemic on capital markets (including with respect to new variants of the virus), general economic conditions, unemployment and our liquidity, operations and personnel; and the outcome of any known or unknown litigation and regulatory proceedings. Detailed information about these factors and additional important factors can be found in the documents that ARKO files with the Securities and Exchange Commission, such as Form 10-K, Form 10-Q and Form 8-K. Forward-looking statements speak only as of the date the statements were made. ARKO does not undertake an obligation to update forward-looking information, except to the extent required by applicable law.

Use of Non-GAAP Measures

We disclose certain measures on a “same store basis,” which is a non-GAAP measure. Information disclosed on a “same store basis” excludes the results of any store that is not a “same store” for the applicable period. A store is considered a same store beginning in the first quarter in which the store had a full quarter of activity in the prior year. We believe that this information provides greater comparability regarding our ongoing operating performance. Neither this measure nor those described below should be considered an alternative to measurements presented in accordance with generally accepted accounting principles in the United States (“GAAP”) and are non-GAAP financial measures.

We define EBITDA as net income before net interest expense, income taxes, depreciation and amortization. Adjusted EBITDA further adjusts EBITDA by excluding the gain or loss on disposal of assets, impairment charges, acquisition costs, other non-cash items, and other unusual or non-recurring charges. Each of EBITDA and Adjusted EBITDA is a non-GAAP financial measure.

We use EBITDA and Adjusted EBITDA for operational and financial decision-making and believe these measures are useful in evaluating our performance because they eliminate certain items that we do not consider indicators of our operating performance. EBITDA and Adjusted EBITDA are also used by many of our investors, securities analysts, and other interested parties in evaluating our operational and financial performance across reporting periods. We believe that the presentation of EBITDA and Adjusted EBITDA provides useful information to investors by allowing an understanding of key measures that we use internally for operational decision-making, budgeting, evaluating acquisition targets, and assessing our operating performance.

EBITDA and Adjusted EBITDA are not recognized terms under GAAP and should not be considered as a substitute for net income or any other financial measure presented in accordance with GAAP. These measures have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP. We strongly encourage investors to review our financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

Because non-GAAP financial measures are not standardized, same store measures, EBITDA and Adjusted EBITDA, as defined by us, may not be comparable to similarly titled measures reported by other companies. It therefore may not be possible to compare our use of these non-GAAP financial measures with those used by other companies. See the Appendix of this document for reconciliations of non-GAAP measures to the most comparable GAAP financial measures.

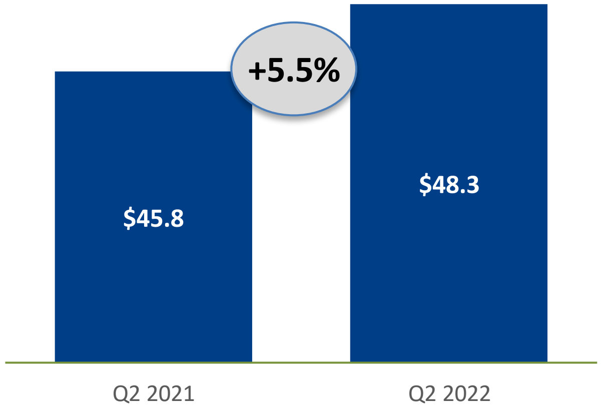
Strong Second Quarter Results Across Key Metrics

Net Income

($ in Millions)

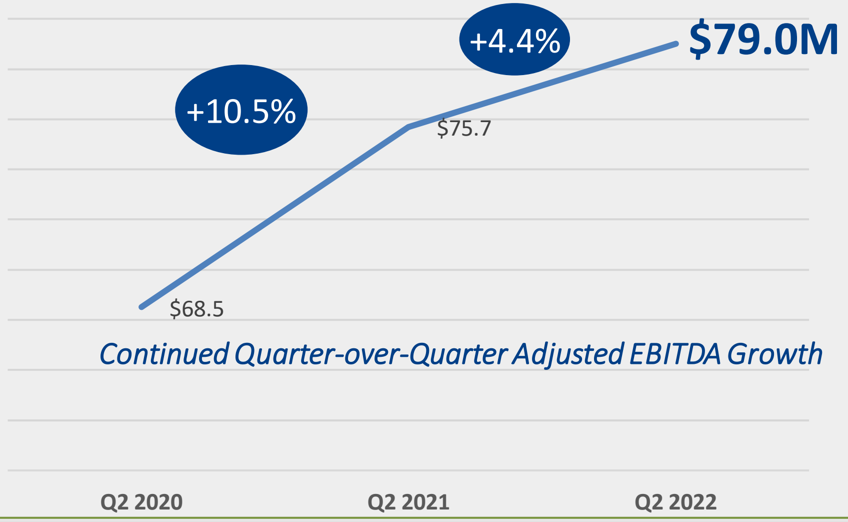
Operating Income

($ in Millions)



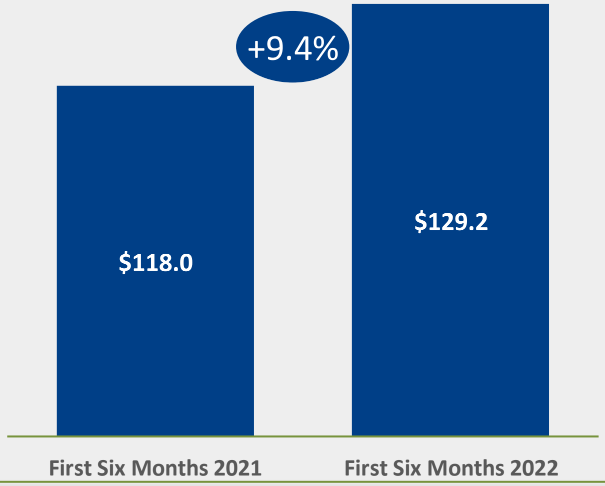
Q2 Adjusted EBITDA[1]

($ in Millions)



First Six Months Adjusted EBITDA[1]

($ in Millions)



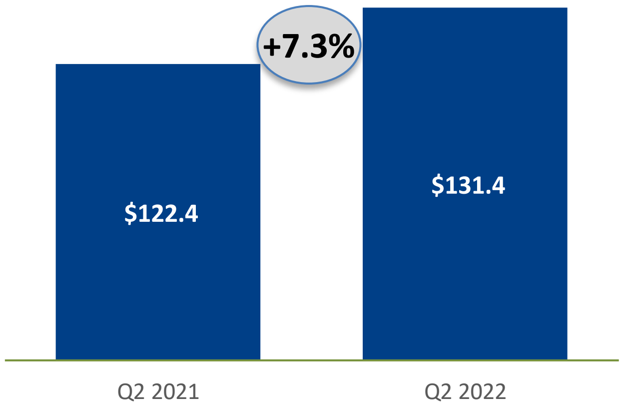
(1) Adjusted EBITDA is a non-GAAP financial measure. See Appendix for a reconciliation to the most comparable GAAP measures.

Strong Merchandise Results

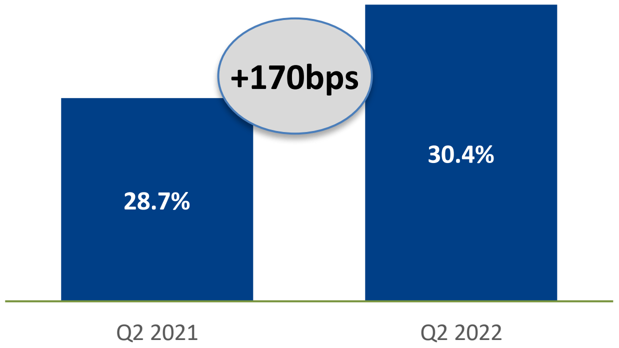
Excellent same quarter, y-o-y growth in merchandise gross profit and merchandise margin

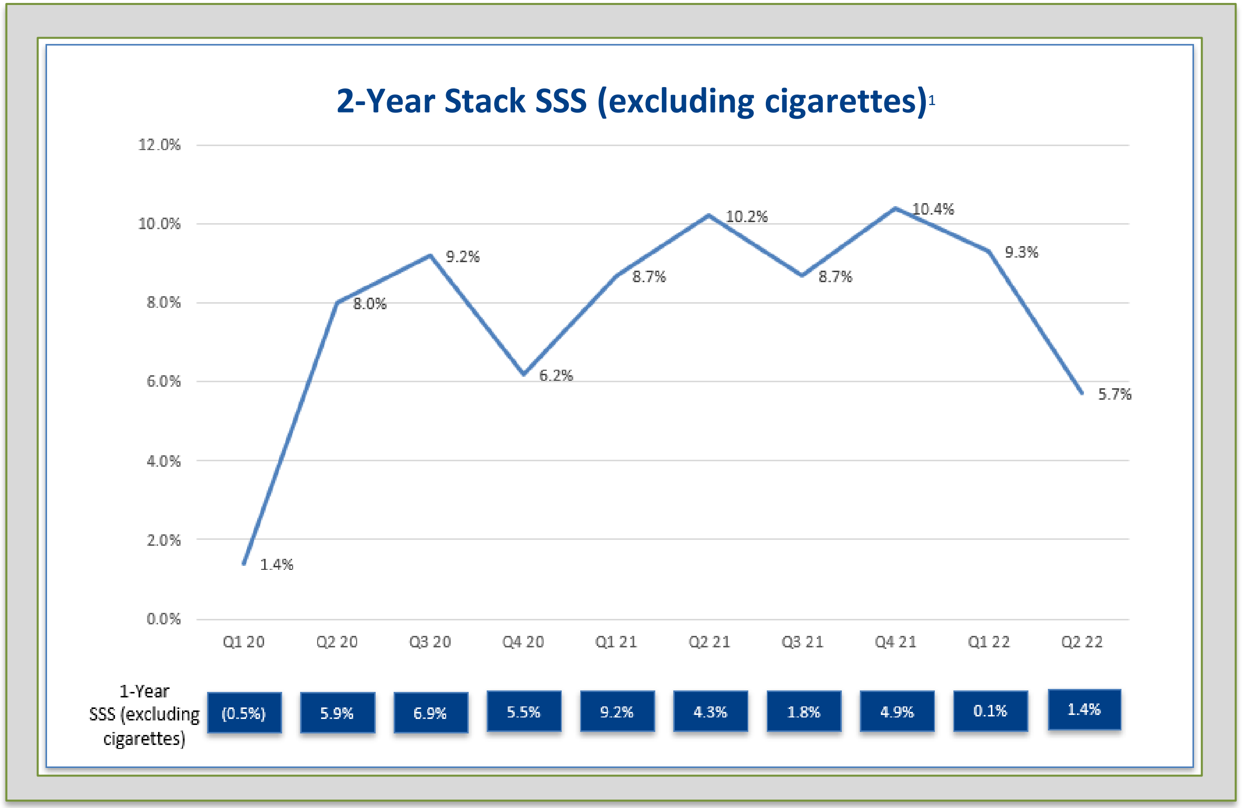
Merchandise Contribution

($ in Millions)



Merchandise Margin



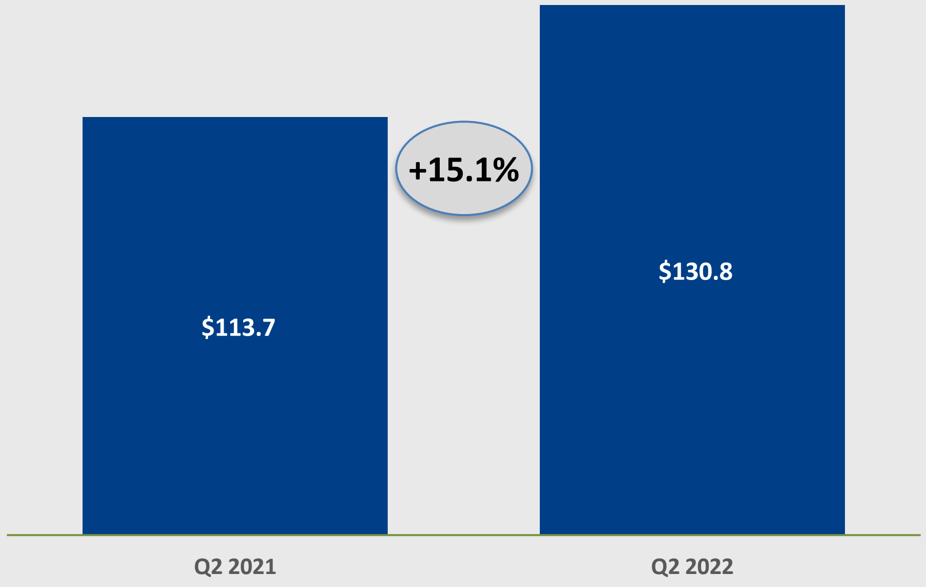


(1) Same store merchandise sales (excluding cigarettes) increase on a two-year stack basis is the same store merchandise sales (excluding cigarettes) increase in the current year period added to the same store merchandise sales (excluding cigarettes) increase in the prior year period.

Consistent Fuel Strategy Leads to Strong Results

Fuel Gross Profit

(In millions)



Whether prices are high or low, ARKO manages margin and volume to optimize overall fuel margin dollars.

Total Gallons *(In millions)*		Total Gallons *(In millions)*
522.4	-7.2%	484.8
Q2 2021		Q2 2022

Identifying and Delivering the Right Combination of Strategic Initiatives

Exceeded Bean-to-Cup coffee machine store install target

548 installed YTD; 525 initial target

Iced coffee unit sales increased approximately 22% vs. Q2 2021

Four Sbarro opened in remodeled store deli areas in Q2

Eight total Sbarro open for business;

expected 50 total Sbarro in 2022

Frozen Food

Sales increased 81.5% vs. Q2 2021

ARKO continues to pursue multiple strategic initiatives, including remodels and implementing aspects of its remodel program with investments in high-margin categories and improved foodservice in stores throughout its footprint.

Identifying and Delivering the Right Combination of Strategic Initiatives

Five store remodels in Q2

- *Six remodels YTD*

Subway Remodel

- *Six total Subway remodels this year, one in Q2*

Dunkin' Stores Remodel

- *Planning to break ground on three new Dunkin' stores*
- *Planning to remodel two additional Dunkin' stores*
- *Two remodeled in Q2*

Level 3 EV Fast Charger Installations

- *Installed two chargers at Village Pantry in Ohio*
- *Previously announced EV chargers to be installed at two stores in Colorado*

Village Pantry, Marysville, Ohio

Closed Highly Accretive Acquisition of Fleet Fueling Business of Quarles Petroleum, Incorporated

Quarles is ARKO's 21st acquisition in less than ten years

Quarles will become a fourth reporting segment for the Company

$17.5 Million

Estimated adjusted EBITDA after rent on an annualized basis[1]

Expands supply and distribution capabilities within 33 state and Washington, D.C. footprint

- 121 proprietary Quarles-branded cardlock sites
- Management of 63 third party cardlock sites for fleet fueling operations
- 46 independent dealer locations, including certain lessee-dealer sites

80/20

Diesel/gasoline gallon mix at branded cardlock sites

Unconcentrated commercial customer base in transportation, construction, industrial and other industries

"Quarles fits seamlessly into our footprint, with cardlock sites in prime areas in key territories. Importantly, we believe this acquisition presents opportunities for organic growth and expansion."

(1) At this time, ARKO is unable to provide a quantitative reconciliation of estimated forward-looking non-GAAP performance measures without unreasonable efforts due to the carve-out nature of the Quarles Acquisition.

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GPM INVESTMENTS, LLC
1 Stop
ADMIRAL
APPLE MARKET
BreadBox
ExpressStop
E-Z MART
Fas mart
shore stop
fastmarket
Handy Mart
Jetz
Jiffi Stop
Li'l cricket
R store is your store
Roadrunner Markets
SCOTCHMAN
townstar
YOUNG'S
EMPIRE
Quarles

Strong Financial Position for Continued Long-Term Growth

$727M = **$445M** + **$282M**

Approximate liquidity | *Available on lines of credit* | *Cash & cash equivalents and short-term investments*

$1.15B

Availability under Oak Street program agreement

Third quarterly

$0.02

Dividend announced

3.1

Million shares repurchased in Q2

Ongoing up to

$50M

share repurchase program

$8.65

Average purchase price in Q2

Appendix

Reconciliation of EBITDA and Adjusted EBITDA

	For the Three Months Ended June 30,			For the Six Months Ended June 30,	
	2022	2021	2020	2022	2021
			(in thousands)		
Net income	$ 31,806	$ 25,573	$ 32,509	$ 34,124	$ 10,911
Interest and other financing expenses, net	7,339	11,997	12,513	23,314	40,614
Income tax expense	9,157	8,212	2,510	10,162	7,490
Depreciation and amortization	24,353	25,273	16,814	48,989	49,515
EBITDA	72,655	71,055	64,346	116,589	108,530
Non-cash rent expense (a)	1,791	1,578	1,746	3,737	3,349
Acquisition costs (b)	823	1,988	882	1,504	2,599
Loss (gain) on disposal of assets and impairment charges (c)	1,207	(400)	1,000	1,971	975
Share-based compensation expense (d)	3,108	1,488	128	5,882	2,514
(Income) loss from equity investment (e)	(28)	(26)	178	(37)	(20)
Adjustment to contingent consideration (f)	(526)	—	—	(526)	-
Other (g)	15	34	269	33	73
Adjusted EBITDA	$ 79,045	$ 75,717	$ 68,549	$ 129,153	$ 118,020

(a) Eliminates the non-cash portion of rent, which reflects the extent to which our GAAP rent expense recognized exceeds (or is less than) our cash rent payments. The GAAP rent expense adjustment can vary depending on the terms of our lease portfolio, which has been impacted by our recent acquisitions. For newer leases, our rent expense recognized typically exceeds our cash rent payments, while for more mature leases, rent expense recognized is typically less than our cash rent

(b) Eliminates costs incurred that are directly attributable to historical business acquisitions and salaries of employees whose primary job function is to execute our acquisition strategy and facilitate integration of acquired operations.

(c) Eliminates the non-cash loss (gain) from the sale of property and equipment, the loss (gain) recognized upon the sale of related leased assets, and impairment charges on property and equipment and right-of-use assets related to closed and non-performing sites.

(d) Eliminates non-cash share-based compensation expense related to the equity incentive program in place to incentivize, retain, and motivate our employees, certain non-employees and members of our Board.

(e) Eliminates our share of (income) loss attributable to our unconsolidated equity investment.

(f) Eliminates fair value adjustments to the contingent consideration owed to the seller for the 2020 acquisition of Empire.

(g) Eliminates other unusual or non-recurring items that we do not consider to be meaningful in assessing operating performance.