



OFF WALL STREET

Casey's General Stores (CASY)

DATE: 05/10/2026 | **SECTOR:** Consumer Staples | **SETUP:** Misunderstood Business
MARKET CAP: \$32B | **SHORT INTEREST:** 3.11% | **ADV:** \$519M

Bull case

- Fragmented C-store industry (~100K units owned by operators with 50 units or less) provides CASY with a long runway for growth.
- Recent growth capex acceleration is set to continue.
 - CASY is accelerating M&A-driven growth, which should result in faster unit growth versus history. \$1.4B of liquidity for M&A.
 - Recent \$1.16B Fikes acquisition (added ~200 units), the largest in company history, marked CASY's entrance into the south, where management believes the company may be able to double its national footprint.
- Margin expansion opportunities from increased operational efficiencies, private label products (% of sales) and prepared food.
 - Differentiated product offerings at a good value.
 - Expand margins at M&A targets by integrating stores into CASY's self-distribution, leveraging scale and expanding inside food service offerings and private label.
- Scale advantages and favorable geographic and demographic structure.
 - Two-thirds of stores in towns with less than 20K people, where CASY can flex its financial might and scale advantages in procurement, distribution, technology (rewards program, mobile app, etc.) to win market share from both independent c-store operators and QSRs (CASY is the 5th largest pizza chain in the U.S.).

Short thesis

- Current record valuation reflects elevated investor expectations and enthusiasm, setting a high bar for the company to sustain recent growth and profitability trends.
 - CASY currently trades at ~43X NTM estimated EPS and ~21X NTM EBITDA, about 2X the long-term historical average PE and EBITDA multiples.
 - Additional multiple expansion appears limited, and the risk of multiple compression appears skewed to the downside.
 - Assuming CASY doubles its store count to 6,000 units over the next 10 years (~7.2% CAGR vs 5.9% over the last 5 years) and EBIT margins expand to 6.0% from 5.0% in FY25, we estimate EPS of ~\$50. Even if the stock maintains a 40X multiple, the implied annualized return is ~8.5%. If the multiple contracts to the

historical average of 22X, the implied annualized return falls to less than 3%. The risk/reward appears unfavorable.

- Stepped-up M&A activity outside of core markets creates execution and integration risk.
 - While acquisitions have been accretive to EPS, ROIC has flatlined in recent years ~11.5%.
 - Acquisitions outside of CASY's core markets lack embedded brand loyalty, meaning it takes longer for these stores to reach the annual sales targets of the broader network.
- At current elevated prices, share repurchases are less supportive of EPS accretion and may even be value destructive.

Risks

- CASY could be acquired by a larger c-store operator.
- The upcoming June 24th, 2026 Investor Day could be a catalyst. Street bulls expect management to unveil a new, even more aggressive 3-year strategic growth algorithm, which may justify the current elevated PE, or be a catalyst for an even higher premium multiple.