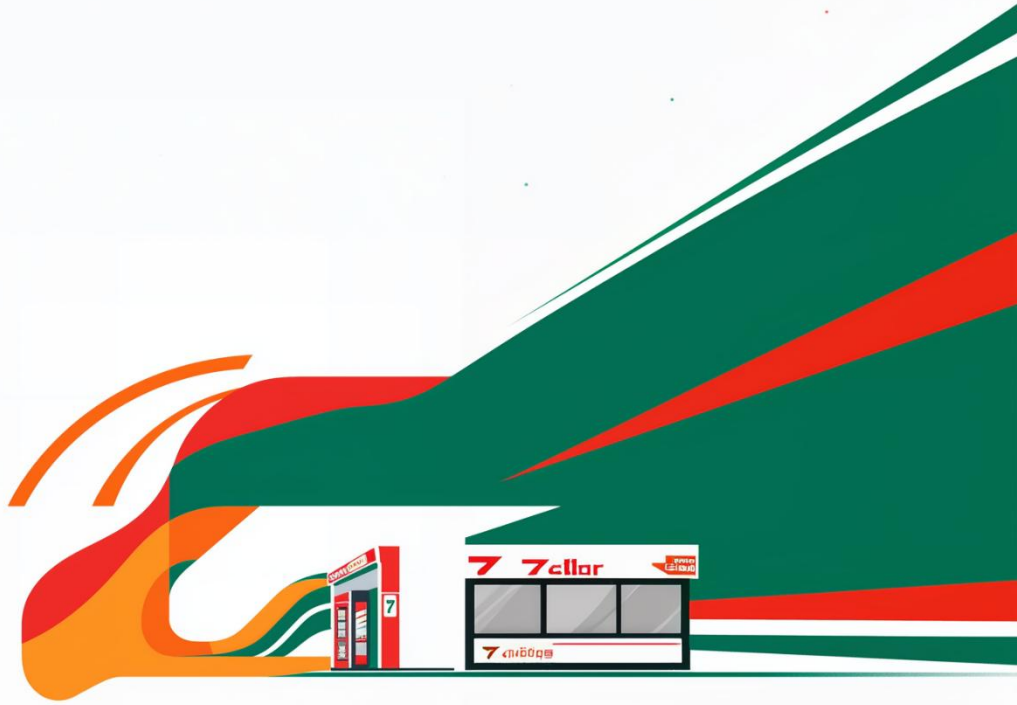




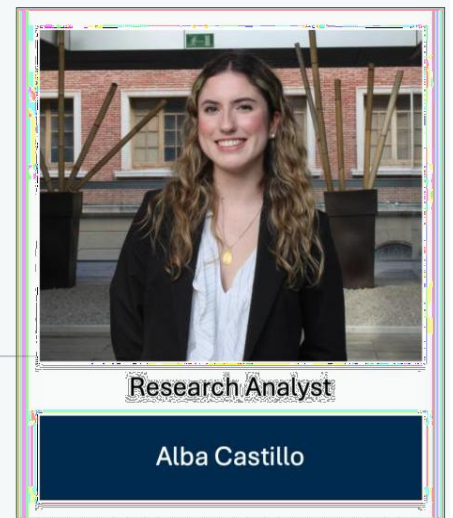
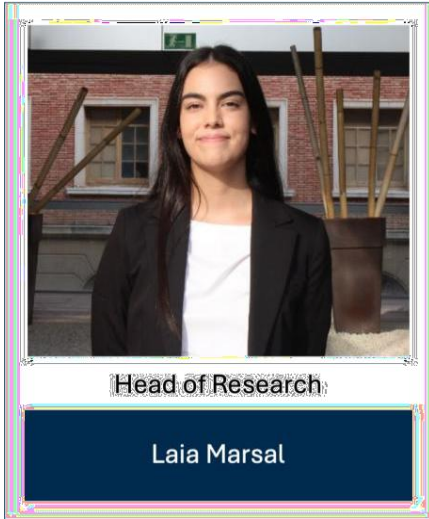
MC

# Takeover of 7-Eleven



7  
DIIISOA QEGFNISOAII

## OUR TEAM



31 Mar 2025

Seven &amp; I Price: ¥2163

Couche-Tard Price: CA\$69.78

## Executive Summary

**Acquirer:** Alimentation Couche-Tard Inc.

**Target:** Seven & I Holding Co. Ltd.

**Total Transaction Size:** \$47 billion as of latest bid

**Closed date:** Ongoing

The proposed \$47 billion acquisition of Seven & I by Alimentation Couche-Tard (ATC) represents one of the most ambitious consolidations in the convenience retail sector. While both companies would benefit from multiple strategic benefits, amassing 100,000 stores worldwide, concerns over valuation, financing and regulations have affected investor sentiment on the deal. The funding structure would require debt and equity, negatively impacting earnings and therefore shareholder confidence, despite the potential synergies. Execution risks also weigh on investor confidence, as significant cultural and organizational differences exist between the two firms.

### Giorgio Goretti

[giorgio.goretti@alumni.esade.edu](mailto:giorgio.goretti@alumni.esade.edu)

M&A Team Lead, ESFS

### Alba Castillo

[alba.castillo@alumni.esade.edu](mailto:alba.castillo@alumni.esade.edu)

M&A Research Analyst, ESFS

### Victoria Fousson

[victoriaannelouise.foussoncarlioz@alumni.esade.edu](mailto:victoriaannelouise.foussoncarlioz@alumni.esade.edu)

M&A Research Analyst, ESFS

### Daniel Kuano Lee

[daniel.kuano@alumni.esade.edu](mailto:daniel.kuano@alumni.esade.edu)

M&A Research Analyst, ESFS

### Giuseppe Mazza

[giuseppeleonardo.mazza@alumni.esade.edu](mailto:giuseppeleonardo.mazza@alumni.esade.edu)

M&A Research Analyst, ESFS

Stats	Valuation	Returns

# Executive Summary

Meanwhile, Seven & I fights to increase its valuation, through internal restructuring, a share buyback and potentially listing its North American business, showing that the firm is not urgently looking to sell, complicating negotiations. ATC continue to push for the deal, urging for more cooperation and emphasizing that the regulatory hurdles can be beat. A successful deal execution hinges on regulatory approvals, strategic divestitures to satisfy antitrust authorities and cooperation from the Japanese firm.

*“We are very disappointed that this engagement has been limited to regulatory [matters] only and we have been not been able to make progress on broader deal discussions . . . we have tried to have meetings but it is hard if not impossible,”* - Alain Bouchard, Chairman and Co-founder of Alimentation Couche Tard

*“Honestly, at this point, I have no way of knowing where this is going to go . . . and I’m not sure they do either,”* - Stephen Dacus, incoming CEO at Seven & I

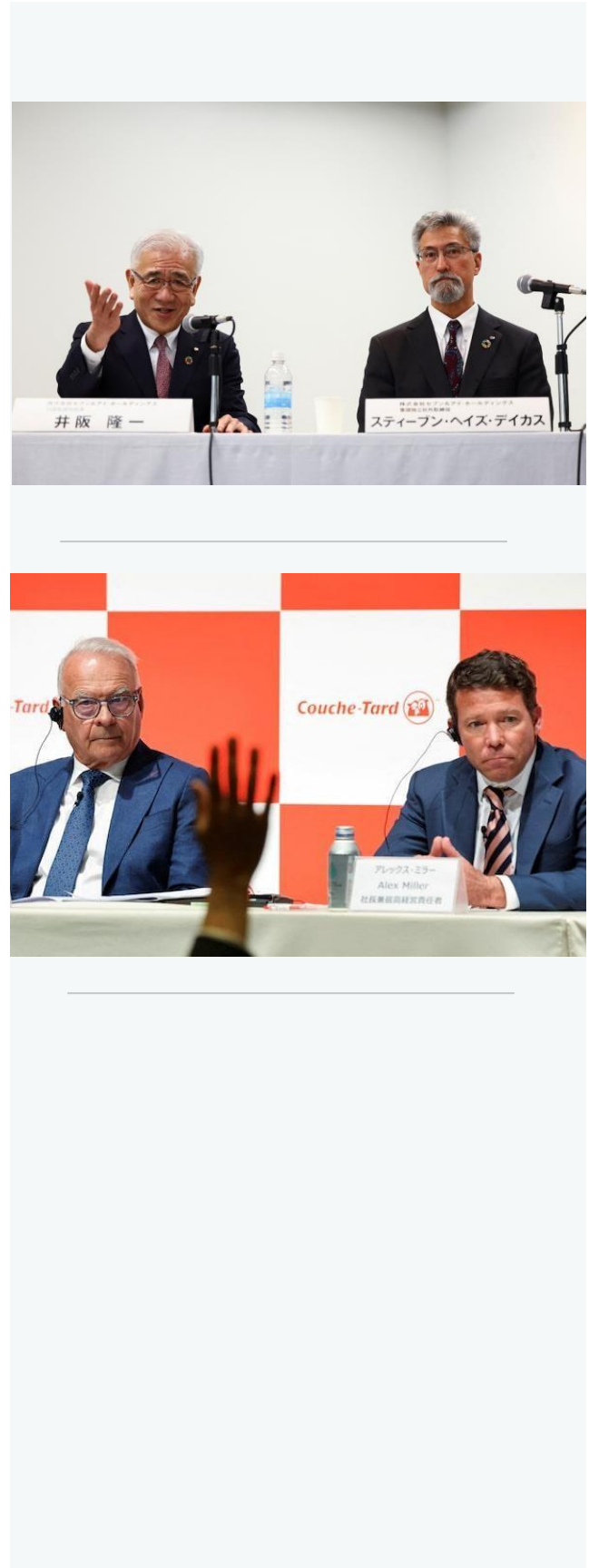
# Table of Contents

<b>Executive Summary</b>	<b>1</b>
<b>Overview of the Deal</b>	<b>4</b>
<b>Target Company</b>	<b>6</b>
<b>Acquiring Company</b>	<b>8</b>
<b>ST Aspects</b>	<b>9</b>
<b>LT Aspects</b>	<b>12</b>
<b>Risk Analysis</b>	<b>14</b>
<b>Appendix</b>	<b>17</b>
<b>Appendix</b>	<b>22</b>

## Overview of the Deal

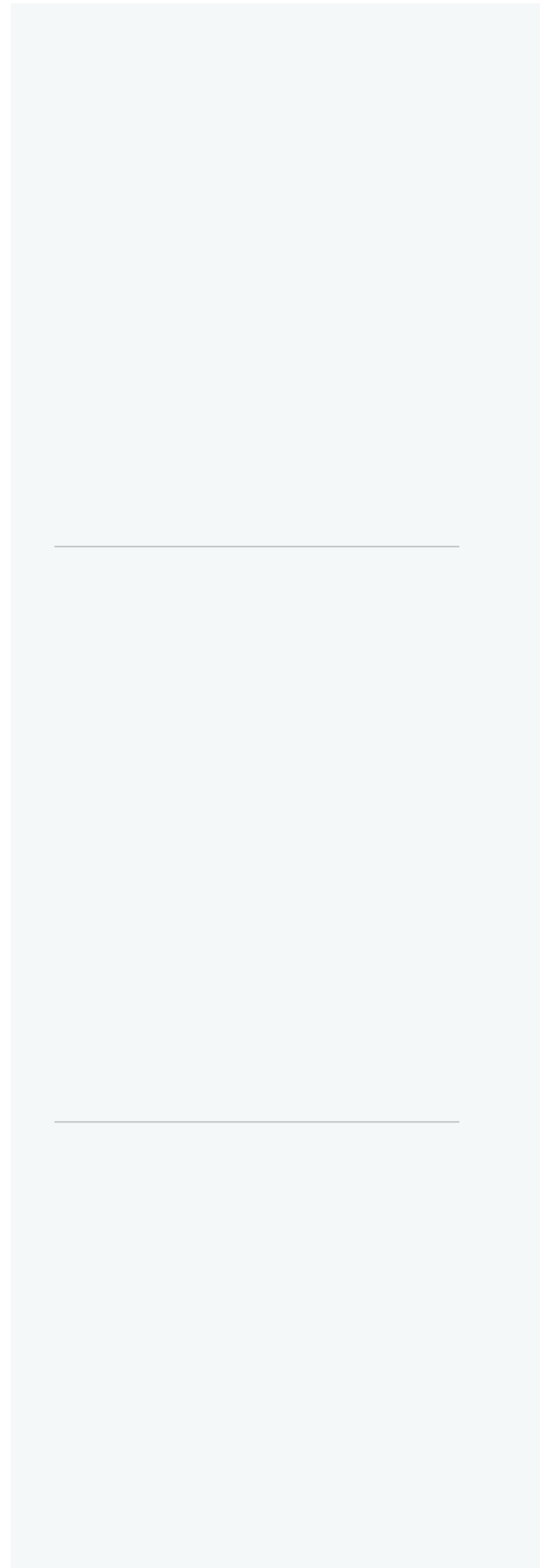
Alimentation Couche-Tard's ambitious bid to acquire Seven & I Holdings has the potential to reshape the global convenience retail landscape. Both companies are large players in the sector, and if completed would place ATC as an enormous global player in the convenience sector, with one of the largest networks of convenience stores worldwide. The deal though, faces significant challenges ranging from regulatory scrutiny to investor skepticism and financing problems.

Concerns over valuation, the equity dilution, and antitrust risks were reflected in ATC's stock price. The financing with debt and equity, resulting in dilution and pressure on EPS was not well received amongst shareholders. Seven & I's further rejection of ATC's valuation further increased these concerns, as ATC will need to pursue a higher bid.



Regulatory approval remains a major obstacle, as the entity formed would be much larger than its closest competitor. The Federal Trade Commission has already notified both entities that they will review the acquisition, as to enforce the US' antitrust law.

The regulatory, financial and strategic dimensions of the deal will determine the deal's success and will nevertheless have major implications in the convenience retail industry.



# Target Company

**Seven & I Holding Co. Ltd**

**Founded** in 2005, **headquartered** in Tokyo, Japan

**CEO:** Ryuichi Isaka (Stephen Dacus assumes May 27)

**Number of Employees:** 157,177

**Market Cap:** \$38.91 bn

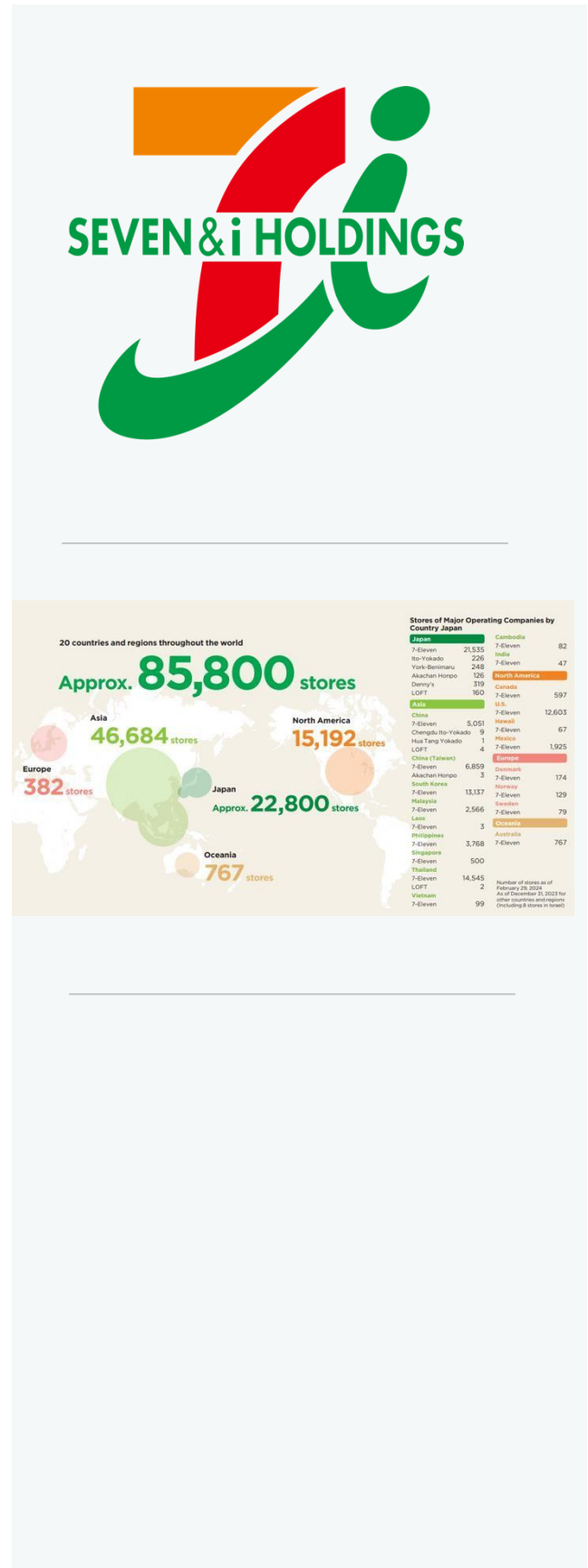
**EV:** \$48.33 bn

**Revenue:** \$79.59 bn (forecasted)

**EBITDA:** \$6.60 bn

**EV/EBITDA:** 7.32x

Seven & I Holding Co. Ltd. (TYO: 3382) is a Japanese diversified retail holdings company, headquartered in Chiyoda, Tokyo. Established in 2005 because of a merger of 3 companies, the parent company Ito-Yokado and its 2 subsidiaries Seven-Eleven Japan and Denny’s Japan. The company counts with an extensive global network, with over 85,800 stores in 20 countries and regions.

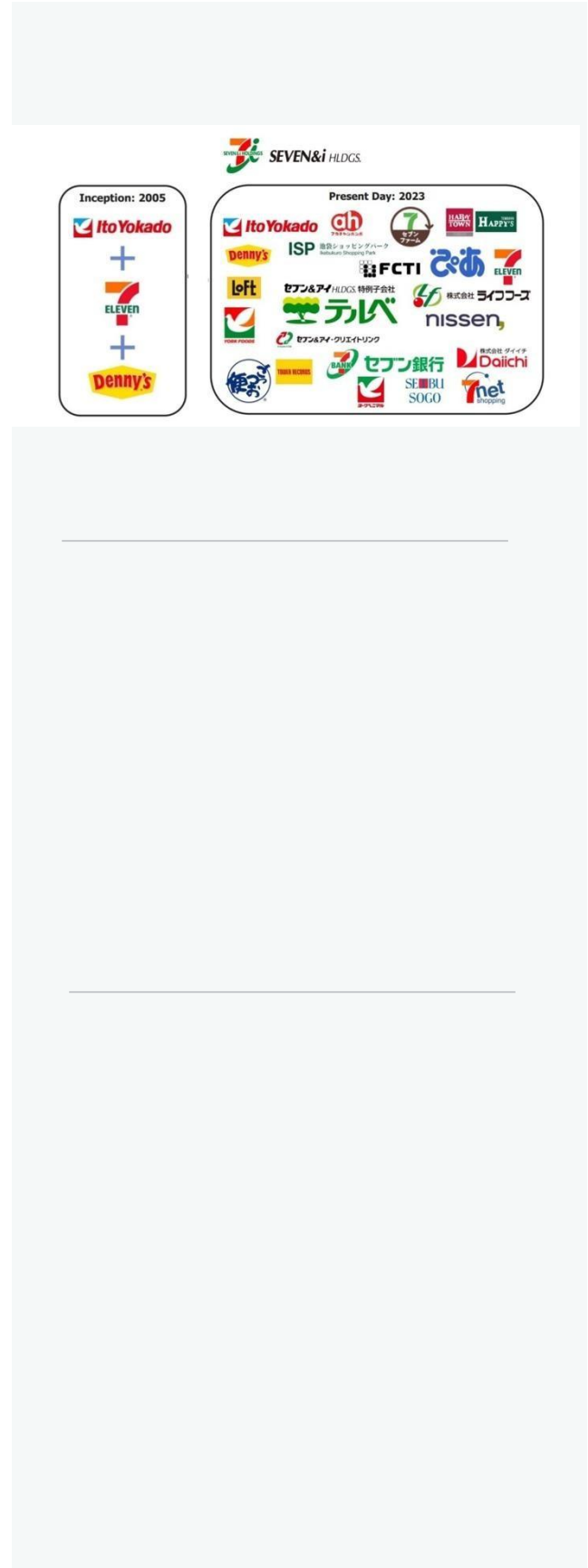




# Target Company

## Seven & I Holding Co. Ltd

The company's focuses on being a world-class retail group centred around its 7-Eleven business, expanding internationally by acquiring new businesses across borders. By generating synergies through integrating these acquisitions and developing its own products in the food sector, Seven & I aims to lead retail innovation globally.



# Acquiring Company

## Alimentation Couche-Tard Inc.

**Founded** in 1980, **headquartered** in Quebec, Canada

**CEO:** Alex Miller

**Number of Employees:** 150,000

**Market Cap:** \$46.31 bn

**EV:** \$58.52 bn

**Revenue:** \$73.3 bn (forecasted)

**EBITDA:** \$6.56 bn

**EV/EBITDA:** 8.92x

Alimentation Couche-Tard Inc. (TSX: ATC) is a Canadian multinational operator in convenience stores. Founded in 1980 and headquartered in Quebec, Canada, the company's flagship brands Couche-Tard, Circle K and Ingo span 29 countries and territories, with over 17,000 stores worldwide.

The company's vision is to become the world's preferred destination for convenience and mobility, by leveraging its acquisitions to generate synergies and by maintaining its strong cost efficiency.



### Proven Ability to Integrate Acquisitions



### Spanning Continents and Bridging Markets



## ST Aspects

In August 2024, Alimentation Couche-Tard (TSX: ATD) confirmed a friendly proposal to acquire Japan's Seven C i Holdings (TYO: 3382), the parent of 7-Eleven, in a deal that could reach US\$38.4 billion. While the move was initially welcomed by the market with ATD stock posting a small intraday gain of 2.2%, the sentiment quickly reversed as concerns mounted over valuation, antitrust hurdles in the U.S, and the dilutive financing mix. Indeed, ATD closed 1.1 % down one day after the announcement, trading at \$80.87 per share. Analysts estimated a funding need of US\$13B in debt (the firm is willing to have a debt-to-earnings ratio of more than four said their CFO) and US\$29B in equity, implying around 50% dilution impacting negatively investors' EPS, which weighed heavily on their confidence. ATD shares have since declined steadily, underperforming the broader TSX index by roughly 20%, while SevenCi's stock has benefited from takeover speculation and restructuring momentum, gaining over 7% on the \$13.6 billion buyback news, yet still trading 22% below Couche-Tard's second proposal in September of US\$47 billion (\$18.19 per share).

The September 2024 rejection by 7si cited a low valuation and regulatory risk, especially in the U.S. Combining their 20,000 or more outlets would make them 7.6 times bigger than their next competitor (Casey's General Stores Inc), in addition to their numerous overlapping stores as in Texas, Quebec or Scandinavia forcing potential divestitures. If the deal is later pronounced, only 6 months would be enough to raise US jurisdiction attention for antitrust concerns after filing in all jurisdictions where both operate.

Couche-Tard has responded by emphasizing synergies (100,000+ global sites, supply chain integration, talent pooling and past estimates ~\$500M/year in savings from past transactions) and its MCA track record being a key driver of earnings growth for them with over 75 successful acquisitions since 2004, "We are confident this dual track approach is the best way for us to deliver to shareholders and other stakeholders the value they deserve". A total shareholder return of over 450% was generated in the last 10 years, more than 9 times greater than Seven C i over the same period.

With this in mind, a final deal announcement would translate in a mitigated market reaction with short-term stock moves depending on investors' view on jurisdiction law and confidence in ATD's disciplined management ability to deliver value from the deal relative to resulting downsides from overleveraging.

In the short term, Couche-Tard stock continues to trade near 52-week lows, rising leverage risk, and macro headwinds. Meanwhile, Seven s i is pursuing internal value creation through a major restructuring, including its share buyback, a possible listing of its U.S. assets, and a sale of non-core businesses like York Holdings. These actions suggest the Japanese firm is in no rush to sell but remains open to offers. While the strategic rationale for the deal is sound, the near-term outlook for ATD is clouded by execution risk. Any further weakness in the stock could present a buying opportunity and its strong free cash flow and liquidity (visible in recent balance sheets and cash flow statements) offer some flexibility. As of February 2, 2025, Couche-Tard reported \$1.70 billion in cash and \$3.5 billion in undrawn credit, bringing total available liquidity to \$4.68 billion—up from \$4.25 billion the previous year. But again, any deal execution would likely depend on timely divestments to satisfy antitrust regulators.

## LT Aspects

The successful completion of the deal could generate the largest convenience store conglomerate, leading to reduced competition and greater consolidation. The deal could also trigger a consolidation trend in the convenience store sector, as other players would be forced to rethink their strategies to stay competitive. Furthermore, a crucial aspect to consider assessing the outcome of the deal are shareholders and investors, as they would be affected by either the short-term gains from a premium buyout offer or the benefits from restructuring efforts.

Specifically, In October *Seven & I* launched a restructuring plan aimed at focusing on its core convenience store operations and divest non-core assets. Additionally, the Holding is planning a share buy-back of about 2 trillion yen by 2030 together with its listing on US stock market by 2026. The aim is to unlock hidden potential value for investors like ValueAct Capital and Artisan Partners that have been advocating for a spin-off to re-focus only on profitable segments only.



This also highlights a broader trend in Japan, where investors are increasingly pushing for better corporate governance and higher returns. In contrast, Couche-Tard investors might benefit from significant value creation if the deal happens, as it would consolidate their position in the convenience retail and even allow further penetration in the Asian markets. Though, significant cultural differences between America and Japan could threaten operational efficiency. This challenge is further enhanced by the current structure of operations, as *Couche-Tard* operates under a decentralised model while *Seven & I* has a more structured approach.



## Risk Analysis

Among the significant risk of an MCA deal is overpaying, aspect that could negatively impact the buyer's financial health. The risk is high in this deal due to the premium that Seven C I is requesting for the Canadian company to obtain market dominance. If the final bidding price exceeds the company's earnings potential, it could dilute Couche-Tard's Earnings per Share (EPS). Coupled with the complexities of restructuring and integration challenges, this could hinder returns.

Couche-Tard's CEO announced that the deal was going to be financed through both debt and equity. Therefore, if the financing mix involves a significant portion of debt, this could make the company vulnerable to economic downturns and restrict further investment capacity. The consequences of debt mismanagement could therefore be reflected in a reduced dividend growth and a decline in market confidence and ultimately in a stock price decline.





One of the major risks that could prevent the deal from closing is the disclosure of sensitive data. Seven C I is withholding information to strengthen its bargaining position and prevent from sharing sensitive data to a competitor before the deal is finalized. Disclosing information could expose financials, operation weaknesses that could threaten the holding's position.

*“Seven & i will not consider sharing confidential information with its competitor until Couche-Tard presents a more detailed divestiture plan to meet expected U.S. antitrust concerns”<sup>[1]</sup>*

However, Couche-Tard is waiting to receive further information to close the due diligence process and possibly raise their offer.

*“We may be able to enhance our proposal through (due) diligence as we form a greater understanding of the opportunity,” Bouchard said. “Unfortunately we haven’t had access to anything.”*



The situation can be considered a strategic deadlock that can lead to extended negotiations and a high risk of deal collapse.

Another risk is represented by supply chain disruptions. This aspect is especially important for Asian costumers that are now relying on Seven Eleven for food water and medicine in time of emergency. The public is afraid that the acquisition could disrupt the store's operations and logistics losing its ability to support communities in times of crisis.

*“The convenience store chain also has a key post-disaster role in ensuring stocks of supplies in far-flung parts of earthquake-prone Japan*

# Regulations

The aim of antitrust and competition legislation is to prevent excessive market concentration, which in general terms leads to reduced consumer choice, lower quality, and higher prices. Essentially these laws seek to preserve consumer welfare by ensuring that markets remain competitive. This is especially relevant in the context of Couche-Tard's attempted takeover of Seven & I Holdings because regulatory concerns have been a central issue from the beginning.

More specifically, this is due to the fact that a cross-border takeover requires approval from antitrust authorities in every country where the resulting firm's market presence exceeds certain legal thresholds set for this type of operation, therefore requiring approval in the countries where the takeover will have a relevant impact. It must be noted that regulatory approval only comes after the takeover bid succeeds, so in this particular case we are still in a prior stage but it is precisely this regulatory approval that seems to be an extremely relevant factor in determining whether the takeover will eventually take place or not.

In terms of obtaining approval from antitrust authorities, regulatory reviews can be expected from Japanese authorities under the Foreign Exchange and Foreign Trade Act (FEFTA), among other jurisdictions given that both companies have a worldwide presence. More precisely, Seven & i Holdings has more than 80,000 convenience stores across 20 countries and regions while Couche-Tard has approximately 17,000 stores across over 30 countries and regions. From all these markets that the takeover can potentially impact, the operation will be subject to approval in those where the presence of the consolidated company meets the legal thresholds according to each country's competition legislation. Taking this into consideration, the main regulatory hurdle is the review by the Federal Trade Commission (FTC), which is the U.S. government agency responsible for enforcing antitrust laws.

In the US, 7-Eleven operates more than 12,500 stores that, added to the more than 7,000 stores that Couche-Tard operates, would account for almost 20,000 stores across most US states.

This is problematic because it would mean that their network is nearly 10 times larger than the next biggest player in the convenience retail sector, Casey's General Stores Inc. In fact, the FTC has already notified Seven & I of its intent to review the acquisition once it is finalized and has requested preservation of all related documents.

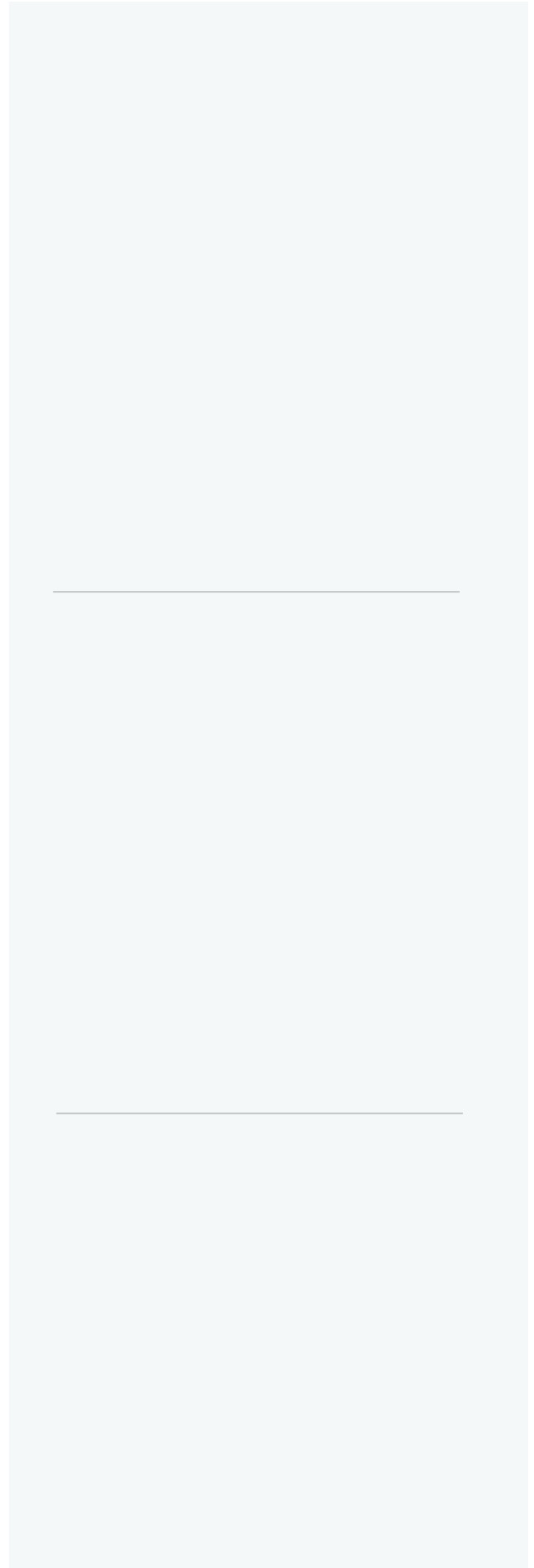
Seven & I views this regulatory risk as very serious, stating that it is the main reason why they have not agreed to the acquisition offer and voicing their concerns about the deal being left in limbo for years while U.S. regulators decide whether to approve it or to block it. In contrast, Couche-Tard has somewhat downplayed the severity of this regulatory risk arguing that there are low barriers to entry in the sector they operate in, as well as emphasizing its "successful track record" in working with U.S. and global regulators.

As of March 2025, Seven & i Holdings and Couche-Tard are taking steps to ease the future review and approval process by the FTC.

They have been working on a divestiture package involving more than 2,000 overlapping stores, which means that they are identifying specific locations that may need to be sold off in order to reduce market concentration allowing them to satisfy the potential regulatory requirements they will be facing. They are even engaging in discussions with potential buyers which might signal their commitment to mitigating the anticompetitive effects of the operation.

Finally, regarding the trends in the US antitrust enforcement, the Biden administration under FTC Chair Lina Khan, adopted a notably aggressive approach, challenging numerous horizontal mergers that lead many companies to walk away from transactions due to fear of being blocked. Moving on to Trump's administration, it appears that this aggressive approach will be maintained as it has already challenged two deals, including Hewlett Packard Enterprise Co's US\$14 billion takeover of Juniper Networks Inc and has designated Andrew Ferguson the new chair of the FTC, who has already positioned himself as a firm and expansive antitrust enforcer.

In conclusion, while Couche-Tard is actively pursuing structural remedies to address regulatory concerns, the takeover currently faces a low probability of obtaining clearance considering current U.S. antitrust enforcement trends. Seven & i's firm stance on requiring full regulatory certainty before committing to any formal agreement, combined with the scale of market overlap and the aggressive posture of the FTC, makes the success of this transaction increasingly unlikely.



# Appendix

- “Alimentation Couche-Tard Confirms Friendly Proposal Sent to Seven & i Holdings.” *PR Newswire*, 2025, [www.prnewswire.com/news-releases/alimentation-couche-tard-confirms-friendly-proposal-sent-to-seven-i-holdings-302225278.html](https://www.prnewswire.com/news-releases/alimentation-couche-tard-confirms-friendly-proposal-sent-to-seven-i-holdings-302225278.html).
- “Couche-Tard Could Lift \$47 Billion Offer for Seven & i if Japanese Firm Cooperates.” *Reuters*, 13 Mar. 2025, [www.reuters.com/markets/deals/couche-tard-goes-charm-offensive-seven-i-with-tokyo-visit-2025-03-13/](https://www.reuters.com/markets/deals/couche-tard-goes-charm-offensive-seven-i-with-tokyo-visit-2025-03-13/).
- “Couche-Tard Considers Raising Offer Price for Seven & i, Bloomberg News Reports.” *Investing.com*, 2025, [www.investing.com/news/stock-market-news/couchetard-considers-raising-offer-price-for-seven-i-bloomberg-news-reports-3612546](https://www.investing.com/news/stock-market-news/couchetard-considers-raising-offer-price-for-seven-i-bloomberg-news-reports-3612546).
- “Group Governance Framework Driving Corporate Value Creation.” *Seven & i Holdings Co.*, 2025, [www.7andi.com/en/ir/management/governance/value.html](https://www.7andi.com/en/ir/management/governance/value.html).
- “Japan’s Seven & i Announces Restructuring, New CEO to Fend Off \$47 Billion Takeover Bid.” *Reuters*, 6 Mar. 2025, [www.reuters.com/business/retail-consumer/japans-seven-i-expected-announce-new-ceo-restructuring-plan-2025-03-06/](https://www.reuters.com/business/retail-consumer/japans-seven-i-expected-announce-new-ceo-restructuring-plan-2025-03-06/).
- “Subscribe to Read.” *Financial Times*, 2025, [www.ft.com/content/a2a1bcd4-1270-49cf-84c2-91ca5843418a](https://www.ft.com/content/a2a1bcd4-1270-49cf-84c2-91ca5843418a).