

FUEL PRODUCTS DISTRIBUTION INSIGHT

MERGERS & ACQUISITIONS, PUBLIC & PRIVATE CAPITAL
AND FINANCIAL ADVISORY SERVICES

IN THIS ISSUE

Deal Spotlight + Recent, Notable M&A Transactions

Macroeconomic Indicators

Debt and Equity Market Conditions

Quarterly Earnings Recap

What We're Reading



Deal spotlight



Leading Spotlight: Hartree Partners LP completes merger with Sprague Resources LP Closed: 11/1/22

- Sprague Resources LP is a master limited partnership engaged in the purchase, storage, distribution and sale of refined petroleum products and natural gas. Sprague also provides storage and handling services for a broad range of materials.
- Hartree is a well-established global merchant commodities firm concentrating in energy and its associated industries. The firm focuses on identifying value in the production, refinement, transportation and consumption of tradable commodities including electric power, natural gas, natural gas liquids, refined products, crude oil, fuel oil, freight, metals, carbon and petrochemicals, among others.
- **Strategic Rationale:** Following Hartree's 2021 acquisition of Axel Johnson's controlling position in Sprague Resources LP, the firm acquired the outstanding shares not already owned for \$20/share, or \$133.8 million in total consideration. Hartree will leverage its expertise and capabilities to accelerate Sprague's growth prospects and build on the successful platform. Sprague common units have been delisted from the NYSE.



Sunoco LP acquires Peerless Oil and Chemicals Announced: 11/1/22

- Peerless is an established terminal operator that distributes fuel products to over 100 contracted service-stations under its proprietary EcoMax brand as well as commercial customers within Puerto Rico and throughout the Caribbean; its terminal operations have a 1.6-million-barrel capacity with export capabilities for neighboring islands. Total consideration paid for Peerless Oil and Chemicals was \$70.0 million.
- Sunoco LP (NYSE: SUN) is a MLP with core operations including the distribution of motor fuel to ~10,000 convenience stores, dealers, commercial customers and distributors across more than 40 U.S. states and territories as well as refined product transportation and terminalling assets.



Lettermen's Energy acquires Victory Propane Announced: 8/30/22

- Based in Northbrook, Illinois with field offices in Cleveland, Toledo, and Dayton, Victory Propane distributes propane to residential and commercial customers in Illinois, Ohio, Indiana, Pennsylvania, and Michigan.
- Lettermen's Energy is a consolidator of independent propane retail distributors across the United States with a focus in the Midwestern and Western portions of the country. The Company offers service to more than 30,000 residential, industrial/commercial, agriculture, and Autogas customers in fourteen states. Lettermen's Energy is a portfolio company of CID Capital.



Sun Coast Resources acquires Southern Lubricants Announced: 12/1/22

- Southern Lubricants supplies lubricants, DEF, additives, and related products to customers throughout South Carolina, the southern part of North Carolina, and eastern Georgia.
- Sun Coast Resources operates from 20 locations in Texas, Louisiana, Oklahoma, North Carolina and South Carolina. The company delivers ~800 million gallons of petroleum products annually and is one of the largest distributors of Chevron lubrication products in the United States.

Recent, notable M&A transactions

Announced Date	Acquiror	Target	Target Description
12/6/2022	ARKO Corp.	Retail, wholesale and fleet fueling assets of WTG Fuels	24 convenience stores, 57 proprietary GASCARD-branded fleet fueling cardlock sites, 52 private cardlock sites, and nine dealer locations which collectively sold approximately 85.0 million gallons in 2021 across western Texas and southeastern New Mexico
12/1/2022	Sun Coast Resources	Southern Lubricants	Lubricants, DEF, additives, and related products distributor to customers throughout South Carolina, the southern part of North Carolina, and eastern Georgia
11/28/2022	Energy Distribution Partners	High Grade Gas Service	Full-service propane company providing cylinder exchange, bulk deliveries and service, based in Stafford Springs, Connecticut
11/21/2022	ThompsonGas	Reliance Propane Services	Propane distributor and service provider that has served the Northern California communities of Oroville, Paradise, Chico, Marysville, Yuba City and Williams for more than 30 years
11/17/2022	Eastern Propane & Oil	Goodrich Oil & Propane	Heating oil and propane distributor based in Newport, New Hampshire
11/14/2022	Walthall Oil Company	Barrett Oil Distributors	Lubricant and fuel distributor based in Savannah, Georgia, offering bulk and retail products and services through its marine, Fuel Pro commercial fueling, and retail services divisions
11/10/2022	Tevis Energy	Heaps Oil Company	Full-service distillate delivery business located in Whiteford, Maryland
11/9/2022	Lakes Gas	Hohl's Propane	Propane retailer and distributor to residential, agriculture and commercial customers in six counties in the Wisconsin Dells area
11/9/2022	Superior Plus	McRobert Fuel	Retail propane and distillates distributor located in Strathroy, Ontario (aggregate purchase price of C\$16.0 million)
11/4/2022	Majors Management	Assets of Morgan Oil Company	Assets include 10 Chevron-branded convenience stores, the dealer wholesale business, and the commercial fuels and lubricants business and associated bulk plant facility
11/4/2022	MFA Oil	Blue Flame Gas	Independent propane retailer based in Marthasville, Missouri
11/1/2022	Sunoco LP	Peerless Oil & Chemicals	Established terminal operator that distributes fuel products to over 100 retail locations under their proprietary EcoMax brand as well as to commercial and industrial customers within Puerto Rico and throughout the Caribbean; terminal operations have a 1.6-million-barrel capacity with export capabilities to deliver fuel to neighboring islands

Source: Public company filings, press releases and Capital IQ.

Recent, notable M&A transactions

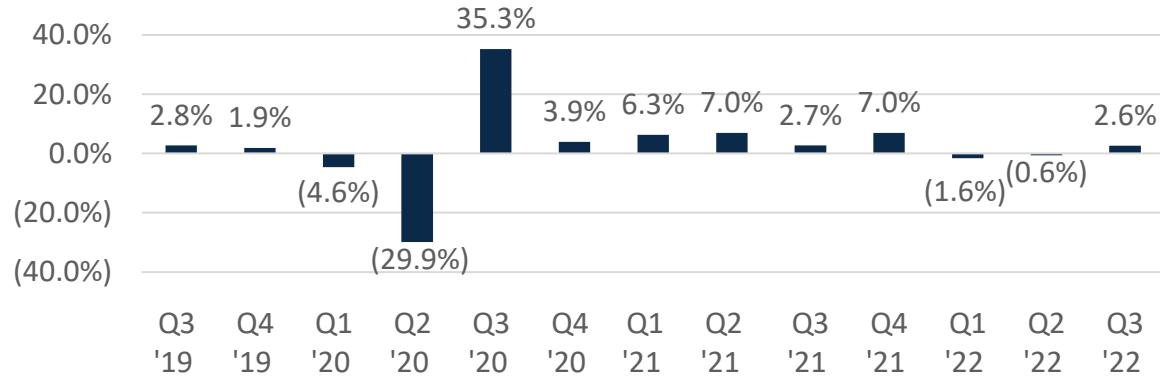
Announced Date	Acquiror	Target	Target Description
11/1/2022	Hartree Partners LP	Remaining common shares of Sprague Resources LP	Sprague Resources LP is a master limited partnership engaged in the purchase, storage, distribution and sale of refined petroleum products and natural gas. Sprague also provides storage and handling services for a broad range of materials
10/28/2022	Dead River	Charlie Burnham Energy & Heating Service	Propane and heating oil distributor and HVAC service provider based in Freeport, Maine
10/20/2022	Energy Distribution Partners	Harbor Point Energy Products	Provider of a full range of energy products to nearly 6,000 customers across seven counties in East Central New York
10/7/2022	Dead River	Scott Energy	Distillates and propane distributor and HVAC services provider based in Gloucester, Massachusetts
10/3/2022	Superior Plus	Reed Oil Company	Retail propane supplier and distributor in North Carolina (aggregate purchase price of approximately \$3.5 million USD)
9/15/2022	Lakes Gas	Blackhawk Propane	Propane retailer and distributor to residential, agriculture, and commercial customers in 10 counties in Northern Illinois and Southern Wisconsin
9/9/2022	Superior Plus	Mountain Flame Gas	Residential, commercial and retail propane supplier and distributor in California (aggregate purchase price of \$7.4 million USD)
8/30/2022	Lettermen's Energy Holdings	Victory Propane	Propane company based in Northbrook, Illinois, with operations in Illinois, Indiana, Michigan, Ohio, and Pennsylvania
8/24/2022	CrossAmerica Partners	Assets of Community Service Stations, Inc.	Assets included 39 dealer-owned locations, 34 sub-wholesaler accounts and two commission locations (1 fee-owned, 1 leased) (aggregate purchase price of \$27.5 million)
8/24/2022	Offen Petroleum	Wholesale division of G&S Oil Products	Full-service wholesale and retail marketer of branded motor fuels under the Conoco, Phillips 66, Sinclair and Shell brands as well as a supplier of unbranded fuels, with a footprint covering the greater Front Range of Colorado
8/19/2022	Blossman Gas	Central Florida Propane	Propane company serving the Central Florida market with commercial and residential bulk delivery
8/1/2022	Andretti Group	Shirtcliff Oil Company	Petroleum marketer offering gasoline, highway and off-road diesel, home heating fuels and oil, based in Myrtle Creek, Oregon

Source: Public company filings, press releases and Capital IQ.

Macroeconomic indicators

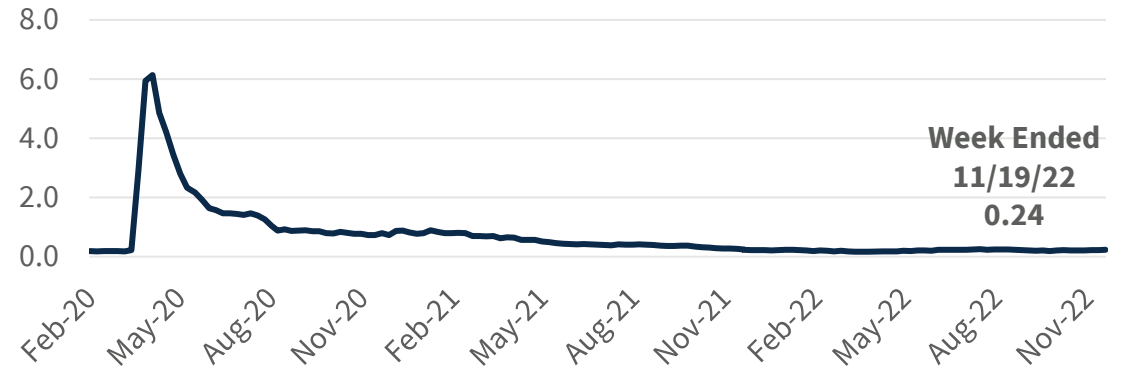
Real GDP Growth

(seasonally adjusted annual rates)



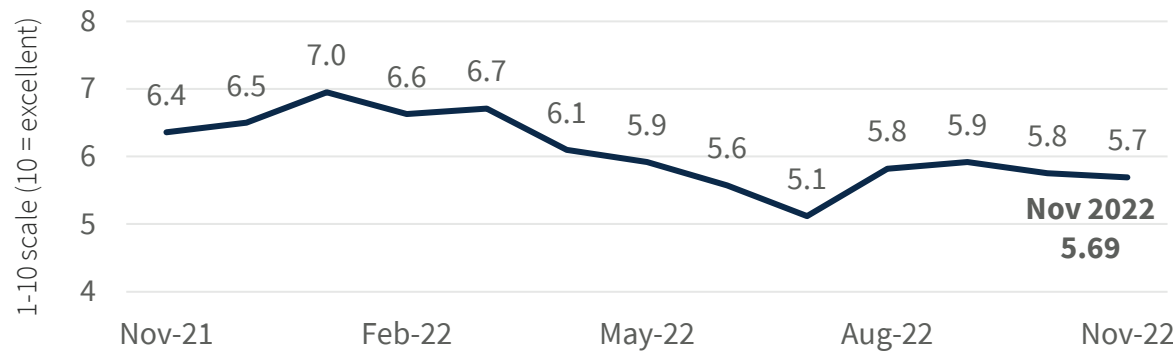
Initial Jobless Claims

(in millions)

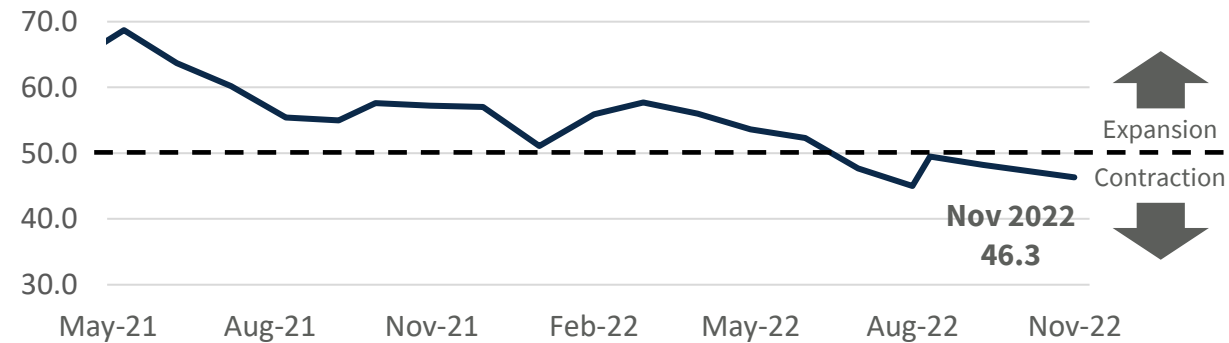


CEO Confidence Index

(CEO forecast of business conditions 12 months from now)



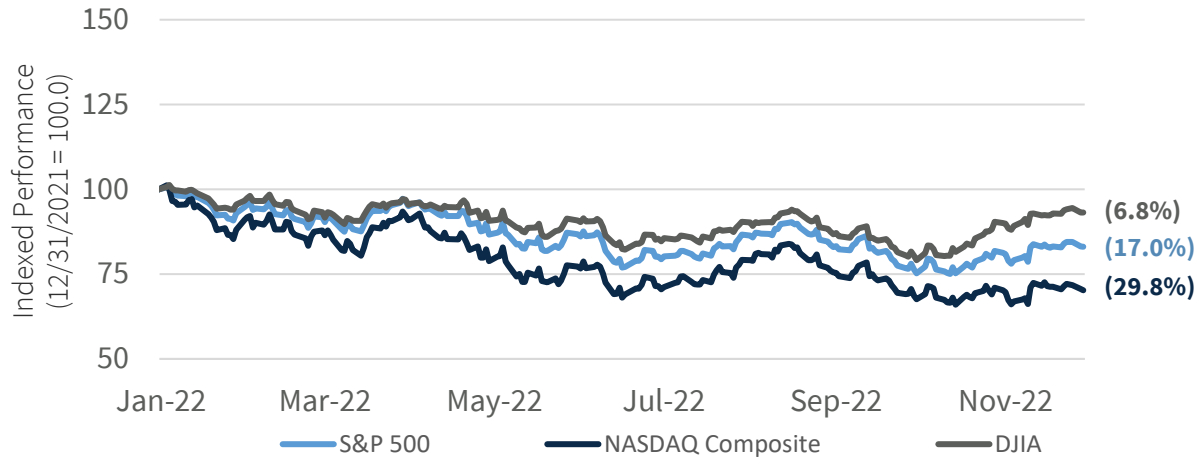
Composite Purchasing Managers' Index



Source: Bureau of Economic Analysis, St. Louis Federal Reserve, Bureau of Labor Statistics, Institute for Supply Management, Chief Executive Group and Capital IQ. All data as of 11/19/22.

Macroeconomic indicators (cont'd)

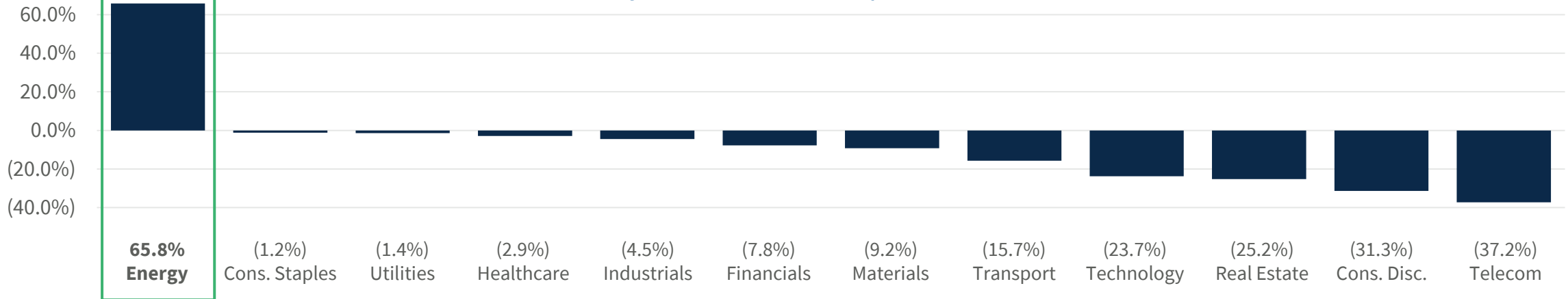
Equity Markets



Volatility



2022 year-to-date sector performance



Sources: FRED St Louis, Capital IQ, Bloomberg.
Equity Markets and Volatility data as of 11/29/2022; 2022 YTD Sector Performance data as of 11/25/2022.

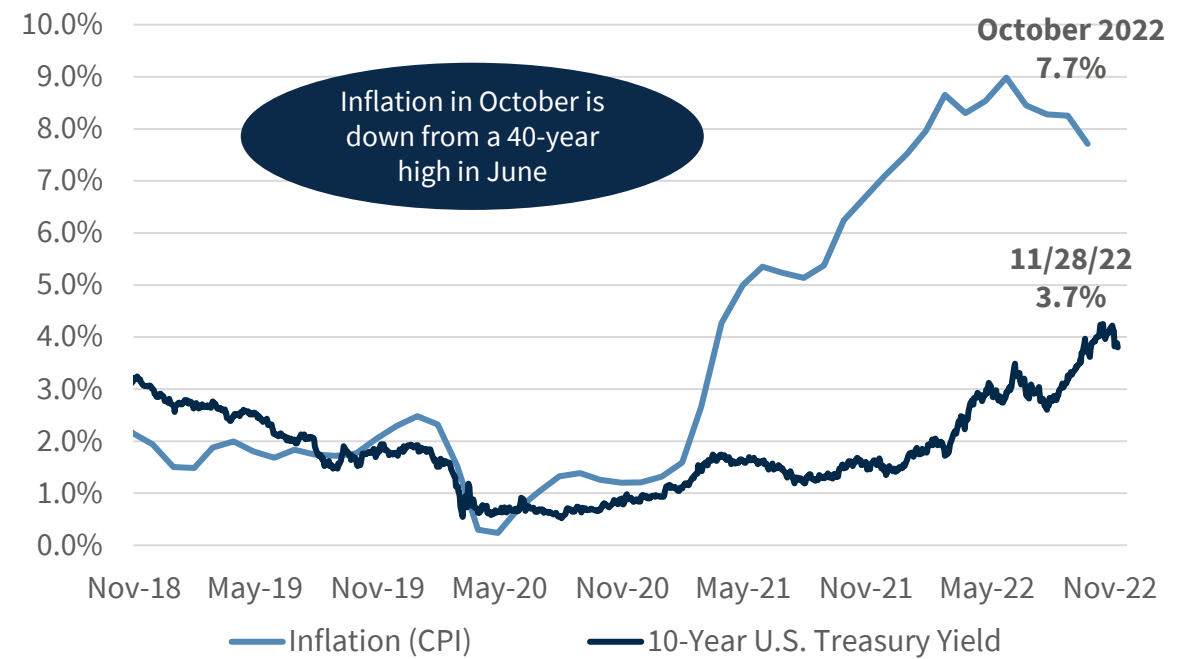
Macroeconomic Indicators (cont'd)

West Texas Intermediate

(\$ per barrel)



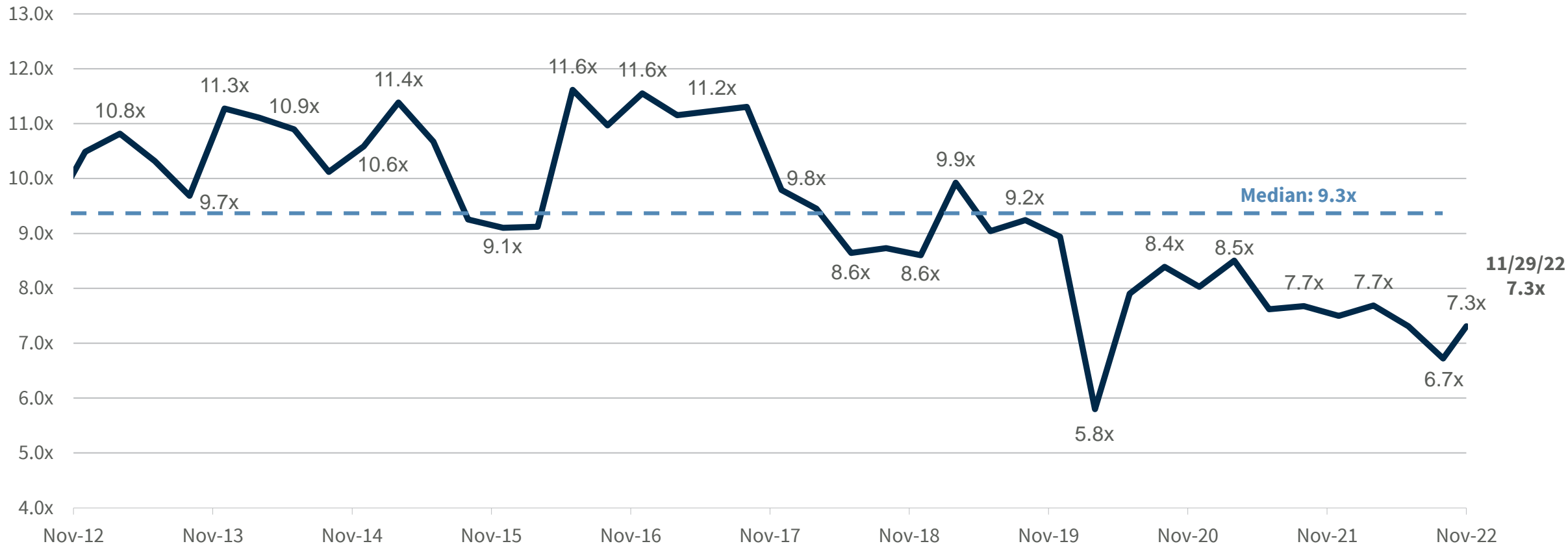
Inflation vs. 10-year treasury



Source: Bureau of Economic Analysis, St. Louis Federal Reserve, Bureau of Labor Statistics, Institute for Supply Management and Capital IQ. All data as of 11/29/22.

Public company share price performance

10-year fuel distributor historical trading multiples (EV/EBITDA)⁽¹⁾

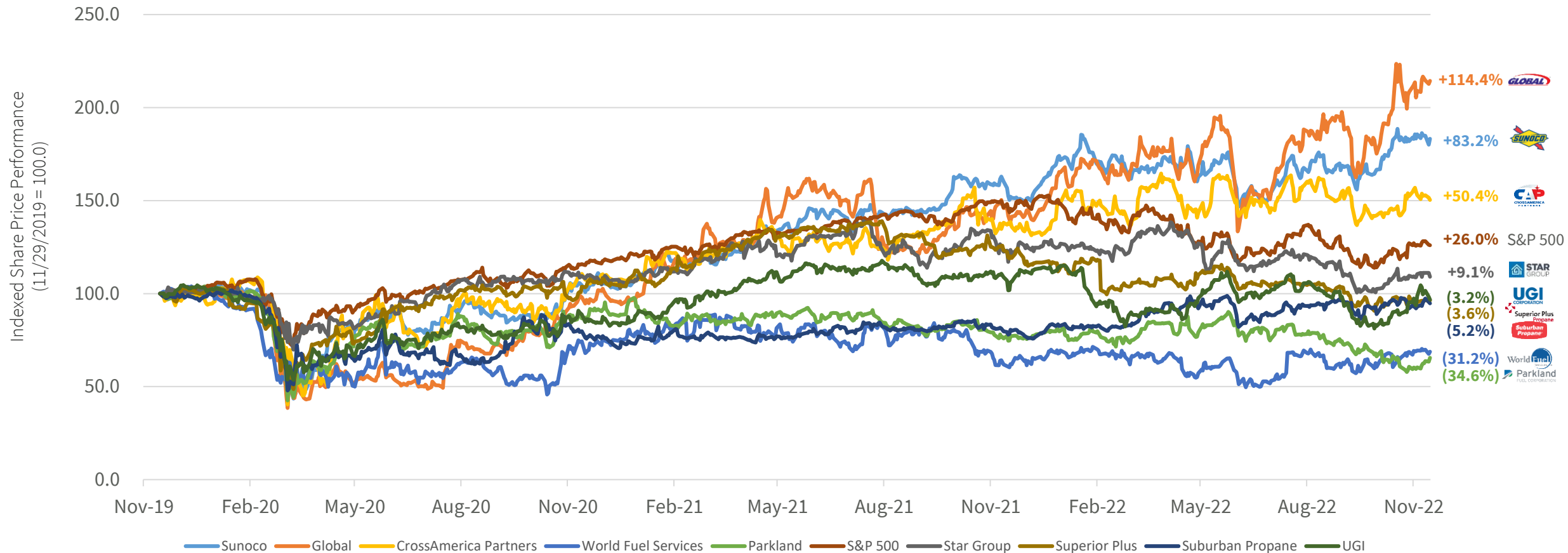


Source: Capital IQ; data as of 11/29/22.

(1) Median EV/LTM EBITDA multiple for PKI, SUN, GLP, CAPL, INT, SPB, UGI, SPH, and SGU.

Public company share price performance (cont'd)

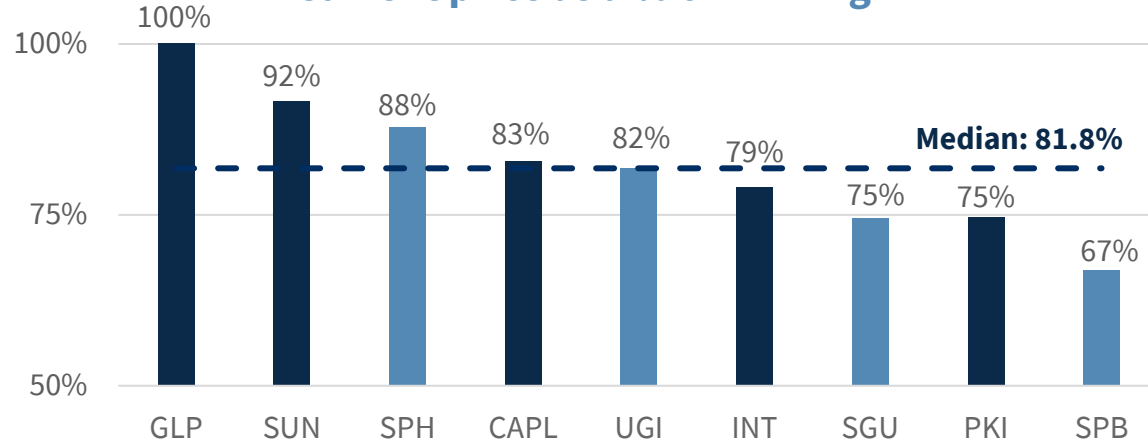
Fuel distributor trailing three-year stock price performance⁽¹⁾



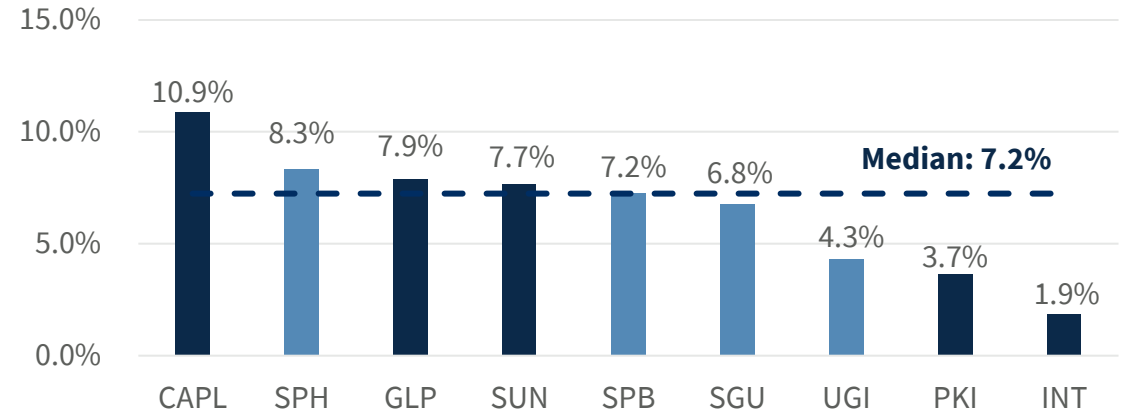
Source: Capital IQ; share price as of 11/29/22.
 (1) Dividend adjusted share price performance.

Public company trading statistics

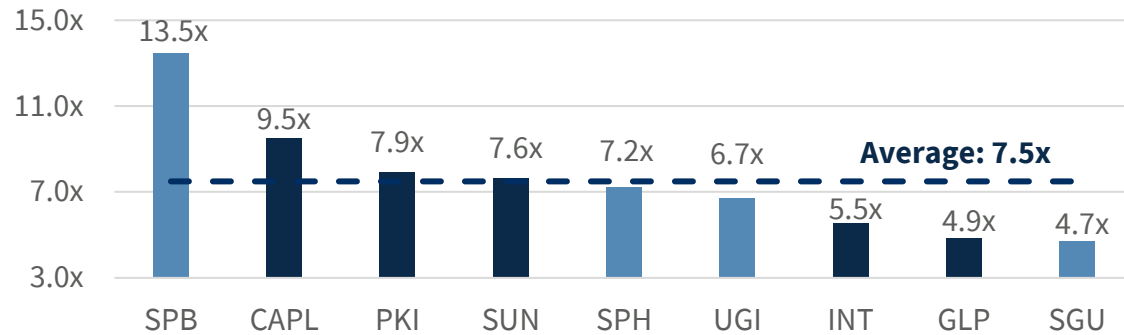
Current price as a % of LTM high



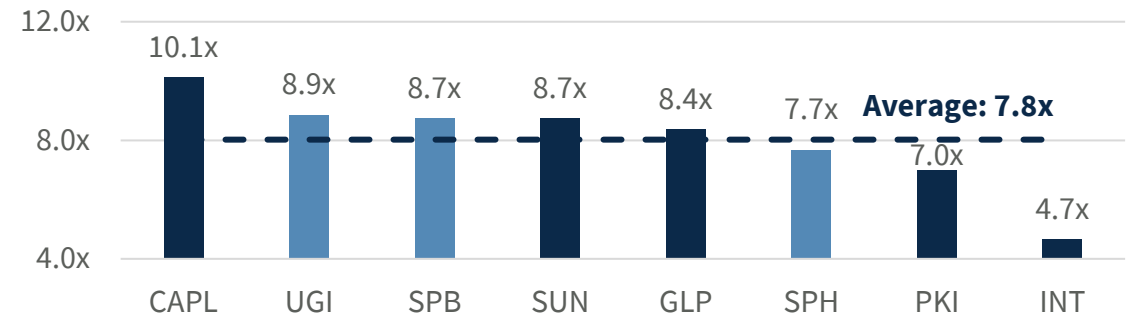
LTM dividend / distribution yield



EV / LTM EBITDA



EV / 2023E EBITDA



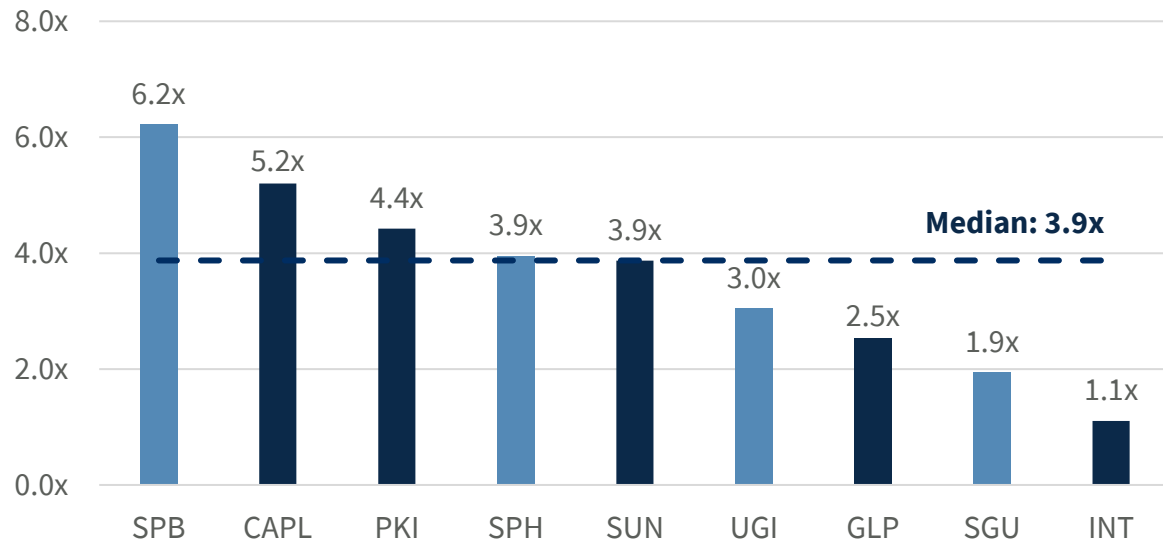
■ Motor Fuel Distributor
 ■ Propane / Heating Oil Distributor

Source: Public company filings, Capital IQ, Wall Street equity research.

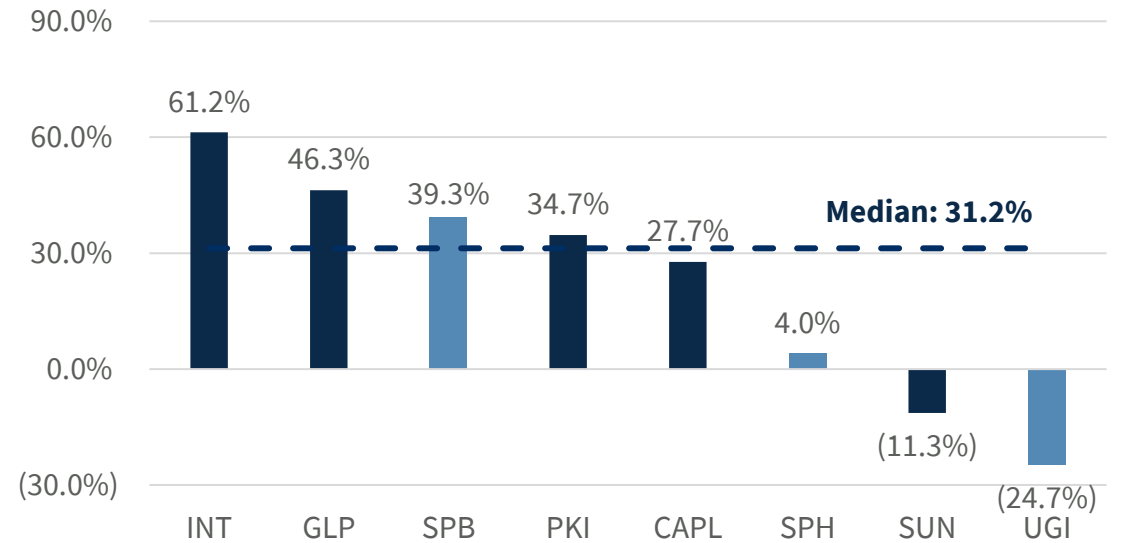
Note: Share prices current as of 12/8/22. SUN = Sunoco LP, CAPL = CrossAmerica Partners LP, GLP = Global Partners LP, PKI = Parkland Fuel Corp., INT = World Fuel Services Corp., SPH = Suburban Propane Partners, UGI = UGI Corp., Star Group LP = SGU and SPB = Superior Plus Corp.

Public company trading statistics (cont'd)

Net debt / EBITDA



2022E year-over-year EBITDA growth




■ Motor Fuel Distributor
■ Propane / Heating Oil Distributor

Source: Public company filings, Capital IQ, Wall Street equity research.
 Note: Data current as of 12/8/22. SUN = Sunoco LP, CAPL = CrossAmerica Partners LP, GLP = Global Partners LP, PKI = Parkland Fuel Corp., INT = World Fuel Services Corp., SPH = Suburban Propane Partners, UGI = UGI Corp., Star Group LP = SGU and SPB = Superior Plus Corp.


Quarterly Earnings Recap

CrossAmerica Partners (NYSE: CAPL)

	Quarter ended		Change
	9/30/22	9/30/21	
 EPS	\$0.71	\$0.23	208.7%
Wholesale volume	338.1	354.6	(4.7%)
Wholesale fuel margin (CPG)	12.5	9.6	30.2%
Adjusted EBITDA	\$62.2	\$35.9	73.2%
One-day stock price reaction			5.3%


“Our financial results for the quarter were exceptionally strong, as reflected in our Adjusted EBITDA and ending leverage for the quarter... Our results also illustrate the enduring strength of our underlying business as we continue to provide strong results despite high fuel prices, inflation, and other economic challenges.”

Sunoco LP (NYSE: SUN)

	Quarter ended		Change
	9/30/22	9/30/21	
 EPS	\$0.75	\$1.00	(25.0%)
Total fuel volume	1,986	1,971	0.8%
Fuel margin (CPG)	13.9	11.3	23.0%
Adjusted EBITDA	\$276	\$198	39.4%
One-day stock price reaction			2.1%

“We reported very strong third quarter results. The steep and persistent decline in commodity prices and continued volatility enabled strong margin capture. The meaningful capital that has been deployed over the past year is delivering strong returns, and we continue to find new attractive opportunities to invest capital, both organically and through acquisitions.”

Global Partners LP (NYSE: GLP)


	Quarter ended		Change
	9/30/22	9/30/21	
 EPS	\$3.12	\$0.86	262.8%
Total fuel volume	1,311.3	1,331.4	(1.5%)
Fuel margin (CPG)	26.8	16.8	59.5%
Adjusted EBITDA	\$168.5	\$79.2	112.8%
One-day stock price reaction			(4.3%)

“We have executed well through the first nine months of the year and begin the final quarter of 2022 with strong operational and financial momentum. While economic uncertainty associated with the inflationary environment merits a level of caution, we remain focused on leveraging our supply, marketing and terminaling assets to drive profitable growth across our businesses.”

Source: Public company filings, Capital IQ, Wall Street equity research
 Note: \$ and gallons in millions, besides EPS and CPG data


Quarterly Earnings Recap

World Fuel Services Corp. (NYSE: INT)

	Quarter ended		Change
	9/30/22	9/30/21	
EPS	\$0.68	\$0.34	100.0%
Total fuel volume	4,629	4,208	10.0%
Fuel Margin (CPG)	7.0	4.7	67.4%
Adjusted EBITDA	\$122.5	\$63.7	92.3%
One-day stock price reaction			(10.2%)


“In the third quarter, all of our business segments performed exceptionally well, resulting in record quarterly gross profit and adjusted EBITDA and the highest level of quarterly earnings per share in more than two years. We have further strengthened our balance sheet and liquidity profile, benefiting from strong operating cash flow generation during the quarter, while enhancing returns to shareholders with our previously announced 17% quarterly dividend increase.”

Suburban Propane Partners (NYSE: SPH)

	Quarter ended ⁽¹⁾		Change
	9/24/2022	9/25/2021	
Adjusted EPS⁽¹⁾	(\$0.43)	(\$0.59)	26.8%
Total retail gallons	63.7	65.1	(2.2%)
Fuel margin (CPG)⁽²⁾	174.3	170.1	2.5%
EBITDA	(\$24.3)	\$20.9	(216.3%)
Adjusted EBITDA⁽³⁾	\$2.8	\$0.3	748.2%
One-day stock price reaction			(2.6%)

“FY 2022 was another outstanding year for SPH as we delivered solid operating results, made meaningful progress on the execution of long-term strategic growth initiatives, and continued to improve financial metrics. Despite a challenging operating environment resulting from a warm and inconsistent weather pattern, historically high commodity prices, and inflationary factors impacting expenses, we were able to effectively manage margins and expenses to deliver an increase in Adjusted EBITDA compared to the prior year.”

Parkland Corp. (TSX: PKI)⁽⁴⁾

	Quarter ended		Change
	9/31/2022	9/30/2021	
EPS	\$0.66	\$0.72	(8.3%)
Total fuel volume	1,867	1,647	13.4%
Fuel margin (CPG)	36.8	39.8	(8.0%)
Adjusted EBITDA	\$328	\$364	(9.9%)
One-day stock price reaction			(5.2%)

“Through the quarter, commodity prices experienced unprecedented volatility. In some local markets, this volatility was amplified, creating significant local imbalances. This impacted our USA segment, where volatility led to [an adjusted EBITDA loss of \$18 million]. Excluding these, Parkland USA performed in line with expectations. We have taken definitive steps to ensure this is not repeated. We have curtailed our USA business and have contained the impact to the third quarter. We expect our USA segment will return to normal run rate in Q4.”

Source: Public company filings, Capital IQ, Wall Street equity research

Notes: \$ and gallons in millions, besides EPS and CPG data

(1) Adjusted EPS is a non-GAAP measurement and represents per-share net income plus add-backs used in bridging EBITDA to adjusted EBITDA

(2) Fuel Margin representative of FY2022 and FY 2021 results

(3) Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss on mark-to-market activity for derivative instruments and other items


(4) EPS, Fuel Margin and Adjusted EBITDA in Canadian dollars

Quarterly/Fiscal-Year-End Earnings Recap


UGI Corp. (NYSE: UGI)

Sunoco LP (NYSE: SUN)


Star Group LP (NYSE: SGU)

	Fiscal year ended		Change
	9/30/22	9/30/21	
EPS	\$4.97	\$6.92	(28.2%)
Total retail propane / LPG volume	1,687.0	1,760.0	(4.1%)
Retail propane margin (CPG)	134.3	139.2	(3.5%)
Adjusted EBITDA	\$2,234	\$2,801	(20.2%)
One-day stock price reaction			5.4%

“Despite a challenging macroeconomic environment, we saw record earnings at our regulated utilities businesses and in our Midstream and Marketing segment. Our LPG business at UGI International continued their strong performance and this helped to mitigate the impact of headwinds faced at AmeriGas and in the European energy marketing operations. The geopolitical situation and extreme variation in natural gas and electricity prices in Europe had a significant impact on this year's European energy marketing results. Without this headwind, we would have been well within our original guidance range.”

	Fiscal year ended		Change
	9/30/2022	9/30/2021	
EPS	(\$1.08)	(\$0.45)	(140.0%)
Total fuel volume	446.2	460.0	(3.0%)
Fuel margin (CPG)	102.8	97.8	5.2%
EBITDA	93.1	163.7	(43.2%)
Adjusted EBITDA	110.3	127.5	(13.5%)
One-day stock price reaction			(0.8%)

“During fiscal 2022, we experienced temperatures that were, on average, 9% warmer than normal, saw heating oil costs on the New York Mercantile Exchange that ranged from a low of \$2.06 per gallon to a historic high of \$5.14 per gallon and paid premiums over NYMEX prices to ensure prompt delivery of heating oil products. Higher product costs drove greater expenses in areas such as bad debt reserves, credit card fees and fuel for our vehicles. In addition, like so many businesses, we face rising wage and related inflationary pressures.”

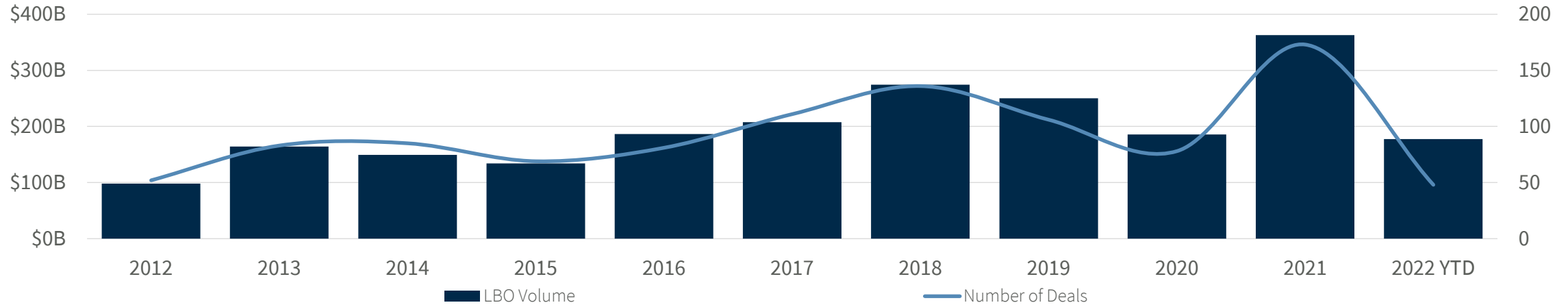
	Quarter Ended		Change
	9/30/2022	9/30/2021	
EPS	(\$1.06)	(\$0.23)	(360.9%)
Propane volume	174.9	137.4	27.7%
Fuel margin (CPG)	98.5	96.5	2.1%
Adjusted EBITDA	(\$8.8)	\$13.0	(167.7%)
One-day stock price reaction			(0.1%)

"Our third quarter results were in line with our expectations and, based on our year-to-date performance, we are confirming our 2022 Adjusted EBITDA guidance range. Our sales volumes in the U.S. were higher due to the acquisitions completed in the past nine months. During the quarter, we also made great progress on the integration of the Quarles and Kamps acquisitions ahead of the heating season. These efforts will allow us to make operational improvements on the businesses sooner than anticipated."

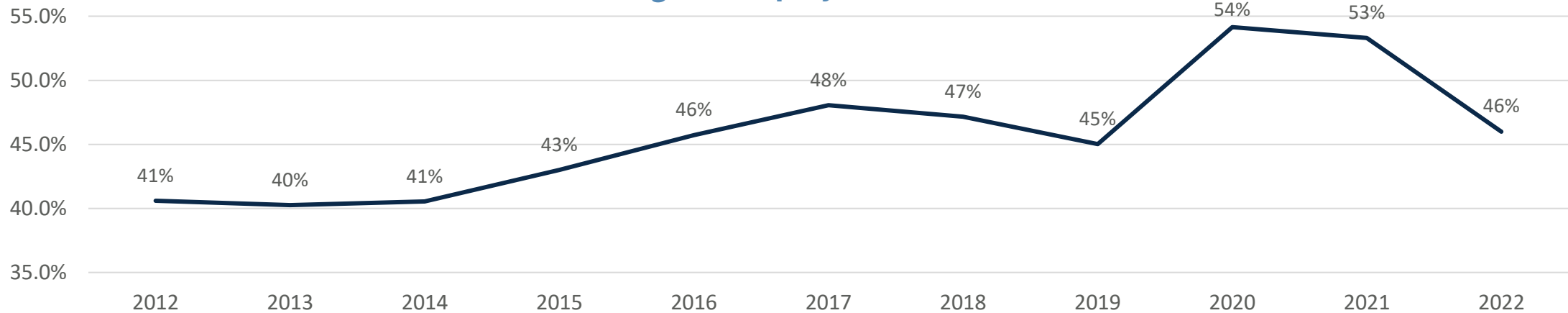
Source: Public company filings, Capital IQ, Wall Street equity research
 Note: \$ and gallons in millions, besides EPS and CPG data

Debt Market Outlook

Leveraged finance deal volume



Average LBO equity contribution

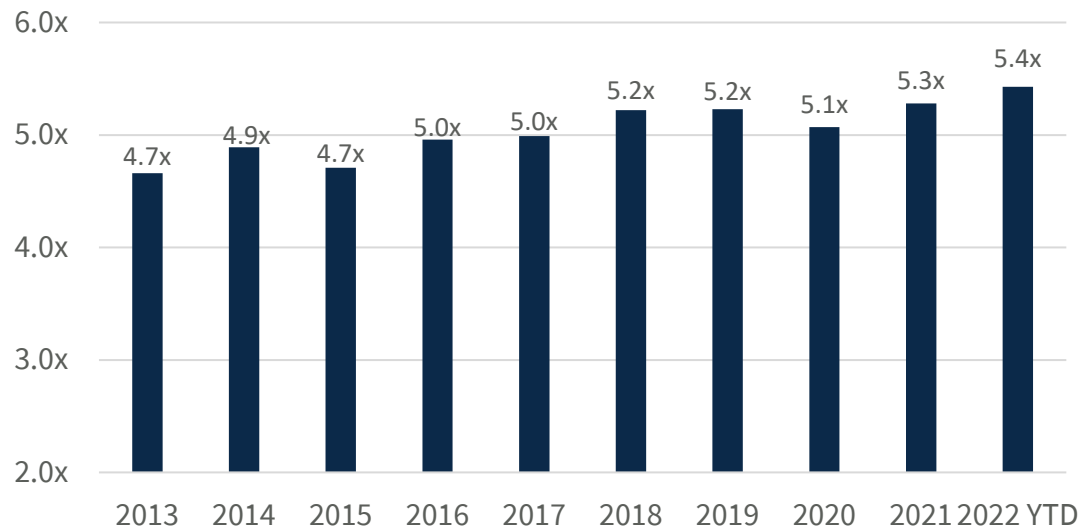


Source: LCD Research. All data as of 11/6/22.

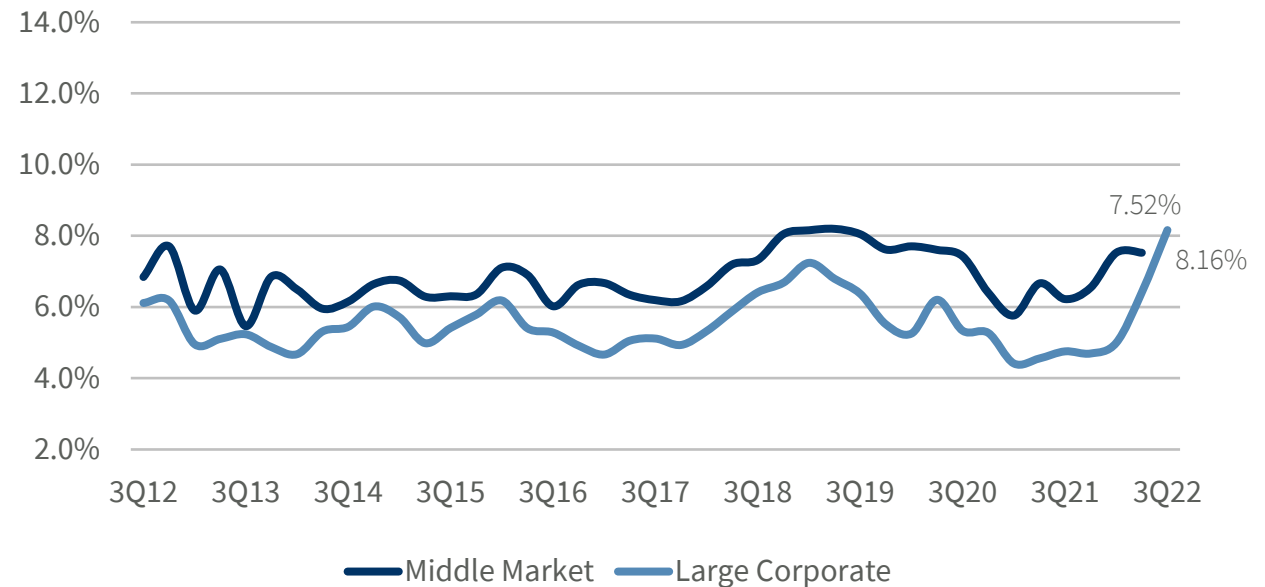
Debt Market Outlook (Cont'd)

Middle Market Leverage Trends

Average debt multiples of large corporate LBO loans⁽¹⁾



New-issue first lien yield to maturity



Source: LCD Research.

(1) Issuers with greater than \$50 million in EBITDA. All data as of 11/7/22.



What we're reading

“U.S. diesel use slows as manufacturing, freight falter” | John Kemp, Reuters

[December 1, 2022](#) – U.S. consumption of diesel, heating oil, and other distillate fuel oils has started to fall in response to high prices and a slowdown in manufacturing activity and freight transport. The volume of distillate supplied to the domestic market (a proxy for consumption) was 4.01 million barrels per day in September, down from 4.03 million bpd in the same month a year earlier.

[Read More](#)

“US diesel and heating oil stocks scrape lows before winter” | Amanda Chu, Financial Times

[November 16, 2022](#) – US stocks of diesel and heating oil have plunged to historic lows, driving up prices for fuels to critical industry, freight, farming, and many households. Inventories of the fuel category that includes both products stood at 107.4 million barrels last week, according to the government data released [November 16th], up slightly from the week before but the lowest level for this time of year since 1951.

[Read More](#)

“Propane stands its ground despite sweeping changes to energy policy” | Ellen Kriz, LPGas

[November 4, 2022](#) – Two laws enacted within the past 12 months – the Infrastructure Investment and Jobs Act and the Inflation Reduction Act – aim to advance the nation’s clean energy economy and include multiple incentives for propane.

[Read more](#)

“High oil prices aren’t the cure they were as Exxon, Chevron, Shell, underinvest” | Javier Blas, Bloomberg

[November 2, 2022](#) – The cure for high oil prices is high prices, or so says the commodity industry’s adage. Let the invisible hand of the free market work its magic. High prices will simultaneously reduce demand and increase supply, eventually making the good less expensive. But the axiom no longer seems to be governing the oil market.

[Read more](#)

“Clean energy has a tipping point, and 87 countries have reached it” | Tom Randall, Bloomberg

[October 18, 2022](#) – Solar Power, electric cars, grid-scale batteries, heat pumps – the world is crossing into a mass-adoption moment for green technologies.

[Read more](#)

“U.S. exports of petroleum products reached their highest average in 1H22 as Russia’s invasion of Ukraine shifts trading patterns” | EIA

[September 14, 2022](#) – In the first half of 2022, U.S. exports of petroleum products averaged nearly 6.0 million barrels per day, the highest first-half-of-year exports in Petroleum Supply Monthly data since 1981. Nearly all petroleum products contributed to more exports, with the largest increases coming from distillate fuel oil and hydrocarbon gas liquids.

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8 investment bankers
4+ equity research analysts
4+ dedicated equity capital markets pros

Robust transaction experience⁽¹⁾

80+ relevant industry transactions
>\$13B total deal value
25+ years focused on the industry

Client focus

Oil Jobbers / Wholesale Fuel Distributors

Propane & Heating Oil Marketers

Commercial Fuel & Lube Distributors

Terminal Operators

Convenience Retail

Merchandise/ Foodservice Distributors

Truck Stop & Travel Center Operators

Mobile Refueling Providers

Alternative Fuel Providers

Car Wash Operators

Representative transactions



Has sold select convenience store assets to
Casey's CIRCLE K
Wills Group
March 2022



Has been acquired by
Tri Star Energy
twicedaily
July 2020



Has acquired propane distribution and propane terminal assets from
REVERE GAS
December 2018



Has completed its business combination with
ARKO
A Family of Community Brands
GPM INVESTMENTS, LLC
December 2020



Has sold its wholesale fuel and refined fuel terminal assets to
SUNOCO LP
April 2018



Has sold its fuel distribution assets to
Mansfield
Superior Plus Energy Services
September 2017

(1) All data as of 8/16/22.