

**SUNOCO LP**

# Investor Presentation

*May 2023*





# Forward-Looking Statements

Some of the statements in this presentation constitute “forward-looking statements” about Sunoco LP (“SUN”, “we”, “our,” and “us”) that involve risks, uncertainties and assumptions, including, without limitation, the expected future performance of SUN (including expected results of operations and financial guidance), and SUN’s future financial condition, operating results, strategy, outlook, expectations and plans. Any statement made by a member of management of the Partnership at these meetings and any statement in this presentation that is not strictly a historical or current fact will be deemed to be a forward-looking statement. These forward-looking statements generally can be identified by use of phrases such as “believe,” “plan,” “expect,” “anticipate,” “assume,” “intend,” “project,” “continue,” “estimate,” “position,” “goal,” “strategy,” “potential,” “will,” “may,” “forecast” or other similar words or phrases in conjunction with a discussion of future operating or financial performance. Descriptions of SUN’s and its affiliates’ objectives, goals, targets, plans, strategies, costs, anticipated capital expenditures, expected cost savings, potential acquisitions and related financial projections are also forward-looking statements.

These statements rely on a number of assumptions that members of the Partnership believe to be reasonable and represent present expectations or beliefs concerning future events and are not guarantees. Such statements speak only as of the date they are made, and we do not undertake any obligation to update or revise any forward-looking statement to reflect new information or events.

We caution that forward-looking statements involve a variety of known and unknown risks, uncertainties, and other factors that are difficult to predict and are qualified by important factors that could cause actual events or results to differ materially from those expressed or implied in any such forward-looking statements. For a discussion of these factors and other risks and uncertainties, please refer to SUN’s filings with the Securities and Exchange Commission (the “SEC”), including those contained in SUN’s 2022 Annual Report on Form 10-K, which is available at the SEC’s website at [www.sec.gov](http://www.sec.gov).

This presentation includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is provided in this presentation. Adjusted EBITDA is defined as net income before net interest expense, income tax expense, depreciation, amortization and accretion expense, non-cash unit-based compensation expense, unrealized gains and losses on commodity derivatives and inventory adjustments, and certain other operating expenses reflected in net income that we do not believe are indicative of ongoing core operations, such as gain or loss on disposal of assets and impairment charges. We define Distributable Cash Flow, as adjusted, as Adjusted EBITDA less cash interest expense, including the accrual of interest expense related to our long-term debt which is paid on a semi-annual basis, current income tax expense, maintenance capital expenditures and other non-cash adjustments. This presentation includes also the forward-looking non-GAAP measure of Adjusted EBITDA. Due to the forward-looking nature of the aforementioned non-GAAP financial measure, management cannot reliably or reasonably predict certain of the necessary components of the most directly comparable forward-looking GAAP measure without unreasonable effort, due to the inherent difficulty in quantifying certain amounts due to a variety of factors, including the unpredictability of commodity price movements and future charges or reversals outside the normal course of business which may be significant. Accordingly, we are unable to present a quantitative reconciliation of such forward-looking non-GAAP financial measure to its most directly comparable forward-looking GAAP financial measure.

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# America's Largest Independent Fuel Distributor

## Fuel Distribution

- ~8 billion gallons distributed across 40 states and territories
- ~7,400 dealer, distributor, and commission agent customers
- ~1,600 commercial customers
- 76 company-operated locations in Hawaii and on the New Jersey Turnpike

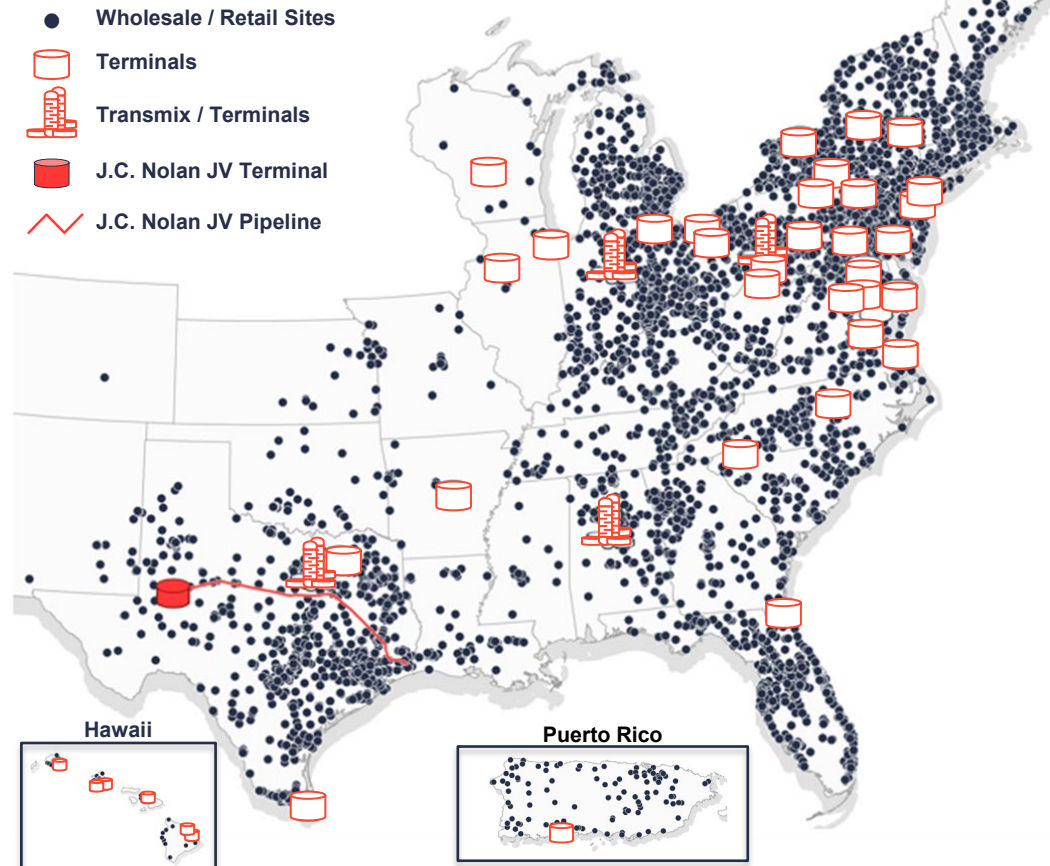
## Logistics Infrastructure

- 42 refined product terminals
- ~20 million barrels of total storage capacity
- Vertically integrated with fuel distribution network
- Leading transmix processor in the U.S. with four facilities

## Real Estate

- Control ~950 sites
- Provides stable and ratable lease income
- Site control supports high renewal rates with customers

## Sunoco's Fuel Distribution and Logistics Infrastructure Platform



## Portfolio Anchored by Sunoco Brand



Exxon

Mobil



Phillips  
66

Chevron

Valero

Conoco



Marathon

CITGO

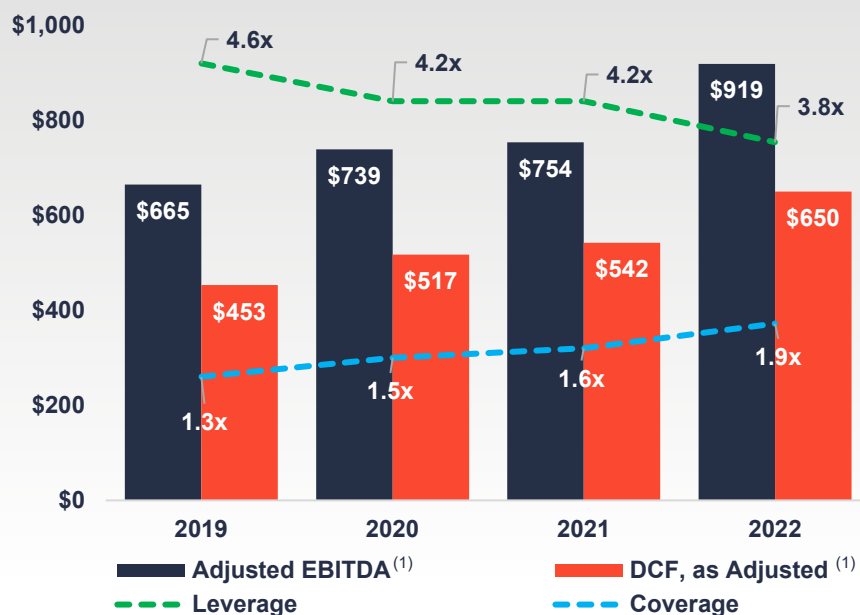


# Key Financial Stats

## Sunoco LP (NYSE: SUN)

- Revenue (FY 2022): \$26 billion
- Adjusted EBITDA (FY 2022): \$919 million<sup>(1)</sup>
- Market Capitalization: ~\$3.6 billion<sup>(2)</sup>
- Enterprise Value: ~\$7.1 billion<sup>(2)</sup>
- Distribution:
  - Annualized: \$3.368 / unit
  - Yield (Annualized): ~7.6%<sup>(3)</sup>
- Credit Ratings:
  - Moody's: Ba3 (Stable)
  - S&P: BB (Stable)
  - Fitch: BB+ (Stable)
- Ample liquidity under \$1.5 billion revolving credit facility

## Key Financial Metrics (\$MM)



## Senior Note Maturities (\$MM)





# A Compelling Investment Case

## *Strong Yield, Stability, and Growth*

### **Sustainable Distribution with an Attractive Yield**

- Greater than a 7% yield<sup>(1)</sup>
- Strong coverage ratio underpins sustainability of distribution
- Preserved distribution through significant market turbulence (e.g. COVID, Ukraine, Inflation, etc.)
- Distribution increases will be evaluated and announced in the first quarter of each year, balancing leverage target and growth opportunities

### **Stability Through Economic and Geopolitical Volatility**

- SUN's fuel gross profit stability supported by:
  - History of gross profit optimization that limits downside in challenging markets and captures upside in supportive markets
  - Increasing industry breakeven margins offset potential volume decline and inflation / recession risk
  - Long-term take-or-pay fuel supply agreement with 7-Eleven provides ratable income and backstops gross profit for SUN
- Logistics infrastructure and real estate portfolio provide additional ratable income
- History of controlling expenses

### **Track Record of Accretive Growth from Capital Deployment**

- Increasing free cash flow generation self-funds a long runway of growth opportunities
- Committed to strong balance sheet with 4.0x leverage target
- History of disciplined capital deployment

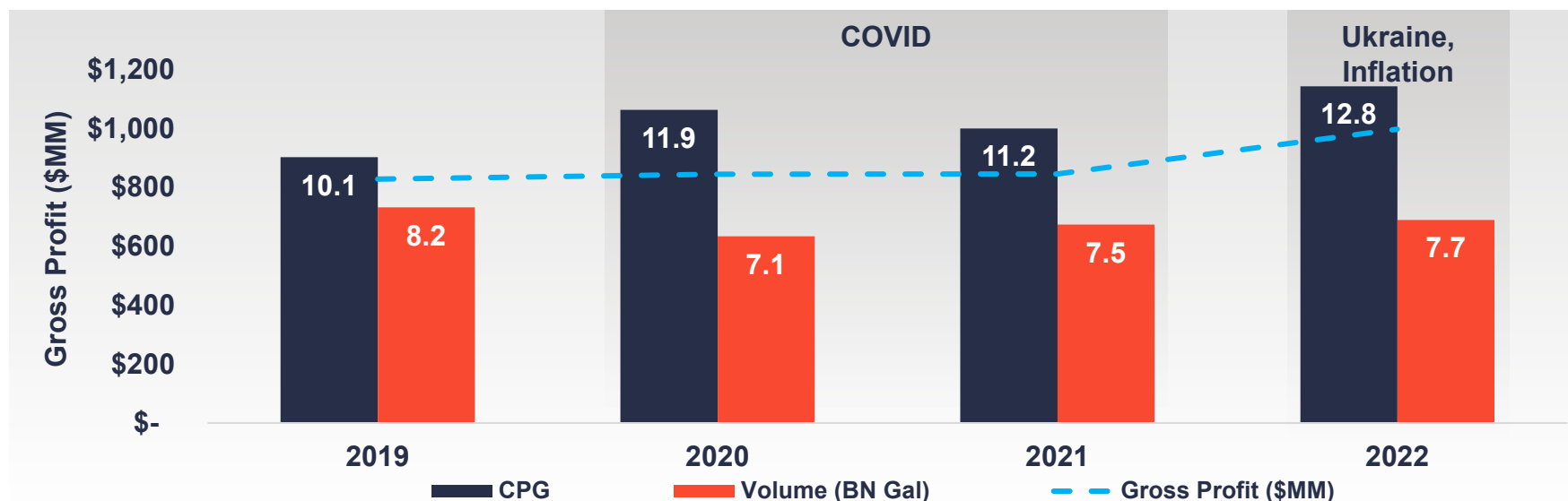


# Revised 2023 Business Outlook and Guidance

Key Metric	Original Outlook / Guidance	Revised Outlook / Guidance	Key Points
<b>Fuel Volume / Margin</b>	~7.8 billion gallons ~12 CPG	No Change	<ul style="list-style-type: none"> <li>Fuel volume and margin are interrelated</li> <li>Industry breakeven margins continue to move higher</li> <li>Proven track record of optimizing gross profit</li> </ul>
<b>Total Operating Expenses<sup>(1)</sup></b>	~\$525 – \$535 million	~\$540 – \$550 million	<ul style="list-style-type: none"> <li>Updated to include Zenith Energy terminal acquisition</li> <li>Continue to aggressively limit expense growth</li> </ul>
<b>Growth Capital</b>	~\$150+ million	No Change	<ul style="list-style-type: none"> <li>Weighted to new fuel distribution growth</li> <li>Expect to self-fund 2023 capital spend</li> </ul>
<b>Maintenance Capital</b>	~\$60 million	~\$65 million	<ul style="list-style-type: none"> <li>Updated to include Zenith Energy terminal acquisition</li> <li>Continue to deploy for appropriate long-term upkeep of growing asset base</li> </ul>
<b>Adjusted EBITDA<sup>(2)</sup></b>	\$850 – \$900 million	\$865 – \$915 Million	<ul style="list-style-type: none"> <li>Updated to include Zenith Energy terminal acquisition</li> </ul>



# Gross Profit Stability



## Fuel Distribution: Gross Profit Stability

- Long-term take-or-pay supply agreement with 7-Eleven provides stable foundation of gross profit
- Increasing industry breakeven margins offset potential volume decline and inflation / recession risk
- Gross profit optimization limits downside in challenging markets and captures upside in supportive markets
- Scale to buy low and proprietary Sunoco brand to achieve premiums – expands margins

## Logistics Infrastructure: Ratable Income

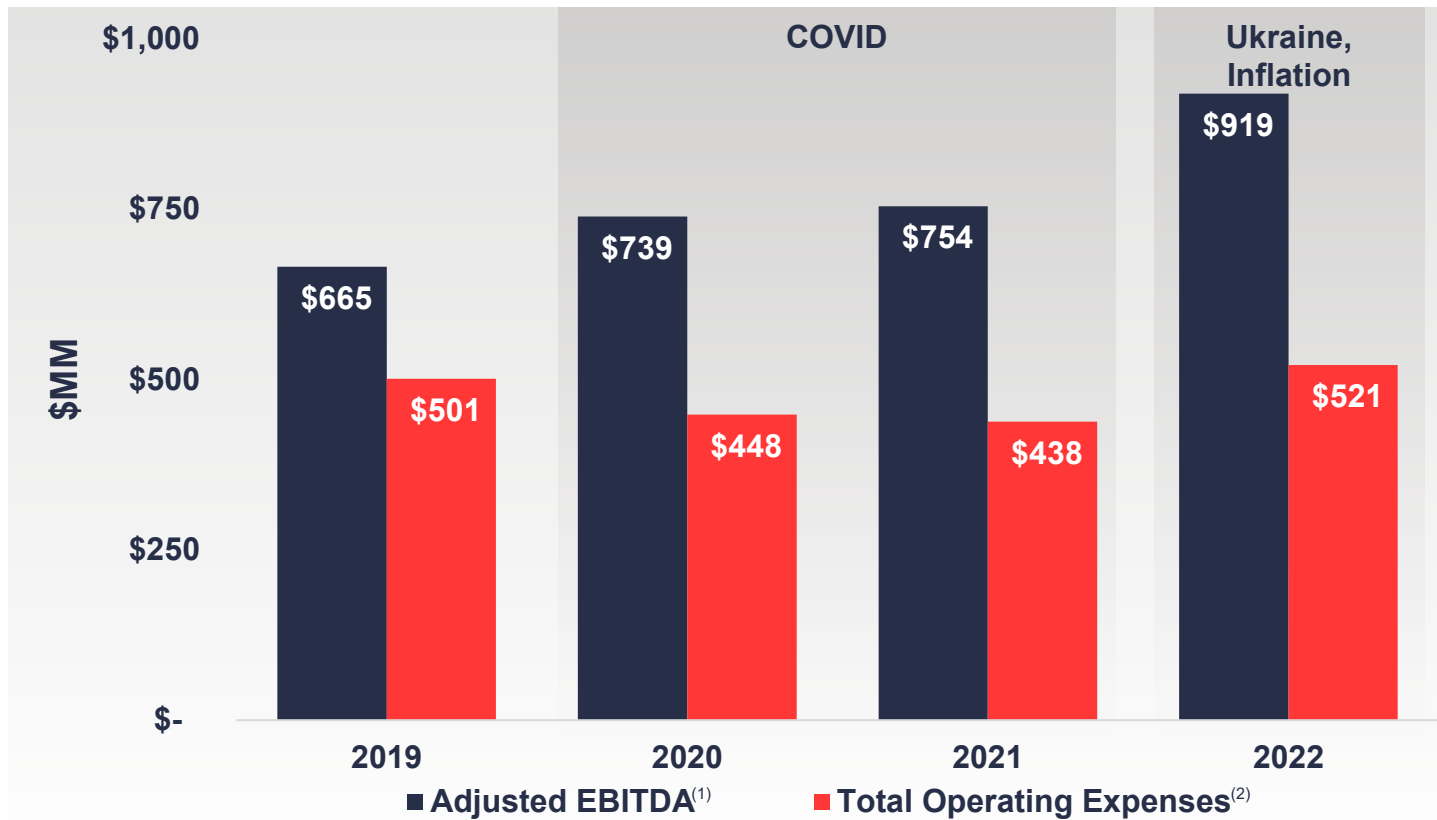
- Stable terminal throughput and storage fees
- SUN's natural market short maintains utilization of logistics infrastructure
- Owned infrastructure provides growth opportunities for fuel distribution
- Fees indexed to inflation
- Transmix – feedstock and product prices share common indices resulting in stable margins

## Real Estate: Ratable Income

- ~950 sites provide stable and ratable lease income
- Site control supports high renewal rates with customers
- Lease income independent of fuel volume and indexed to inflation



# Cost Efficient Model Drives EBITDA Growth



Since 2019, Total Operating Expenses<sup>(2)</sup> have grown by < 1.5% annually...

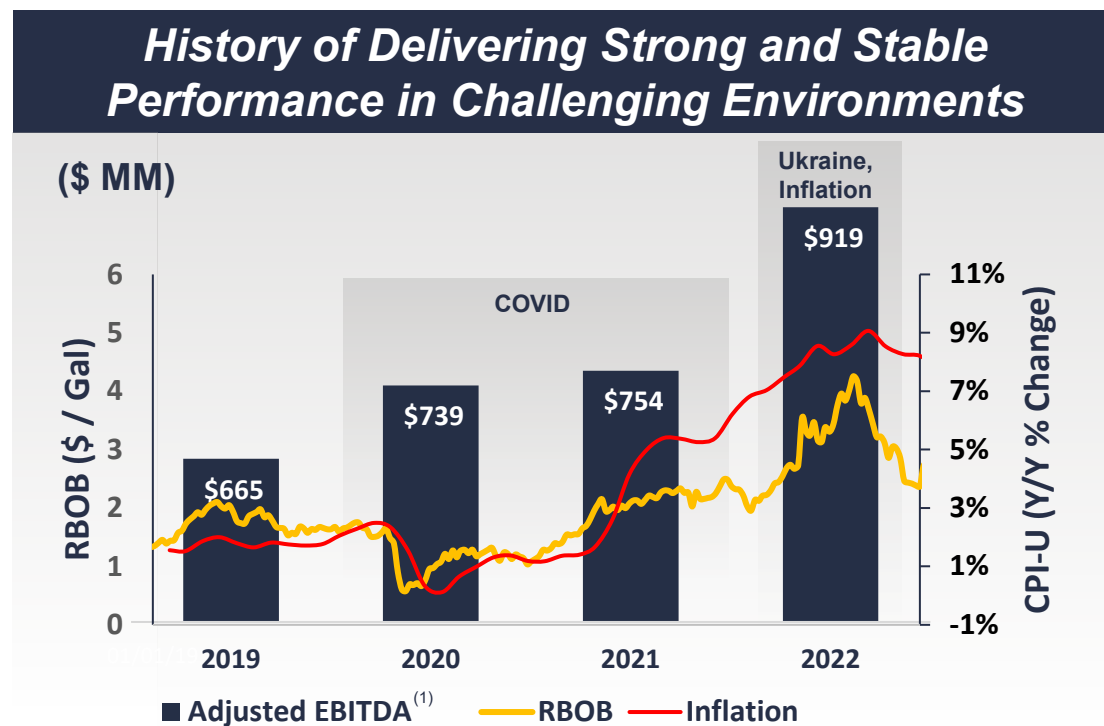
...While Adjusted EBITDA<sup>(1)</sup> has grown by ~10% annually

## Expense Discipline

- Approximately \$1 billion of growth and acquisition capital deployed since January 2021 with minimal expense growth
- Demonstrated the ability to significantly flex expenses during COVID
- Continue to aggressively limit expense growth



# Stability Amid Economic and Geopolitical Volatility



**Recession**

**Inflation**

**Geopolitics**

## SUN's Stable Portfolio of Income

- Long-term take-or-pay supply agreement with 7-Eleven provides stable foundation of gross profit
- Fuel is largely a non-discretionary expense
- The combination of increasing industry breakeven margins and SUN's ability to control expenses offset **both** potential volume decline and inflation / recession risk
- Gross profit optimization limits downside in challenging markets and captures upside in supportive markets
- Terminal storage / throughput fees inflation-indexed
- Lease income independent of fuel volume indexed to inflation

**Stable  
Gross  
Profit**



# Capital Allocation Strategy

## ***Secure Distribution***

### **Maintain a Stable and Secure Distribution**

- Coverage target of at least 1.4x
- 10+ years without a distribution reduction (since inception in 2012)
- Distribution increases will be evaluated and announced in the first quarter of each year, balancing leverage target and growth opportunities

## ***Strong Balance Sheet***

### **Protect Balance Sheet**

- Long-term leverage target of 4.0x
- No debt maturities until 2027
- Ample liquidity under \$1.5 billion revolving credit facility

## ***Disciplined Growth***

### **Disciplined Investment in Growth Opportunities**

- Free cash flow self-funds growth, generating sustainable EBITDA and DCF
- Long runway of attractive opportunities for organic spend and acquisitions at accretive valuations

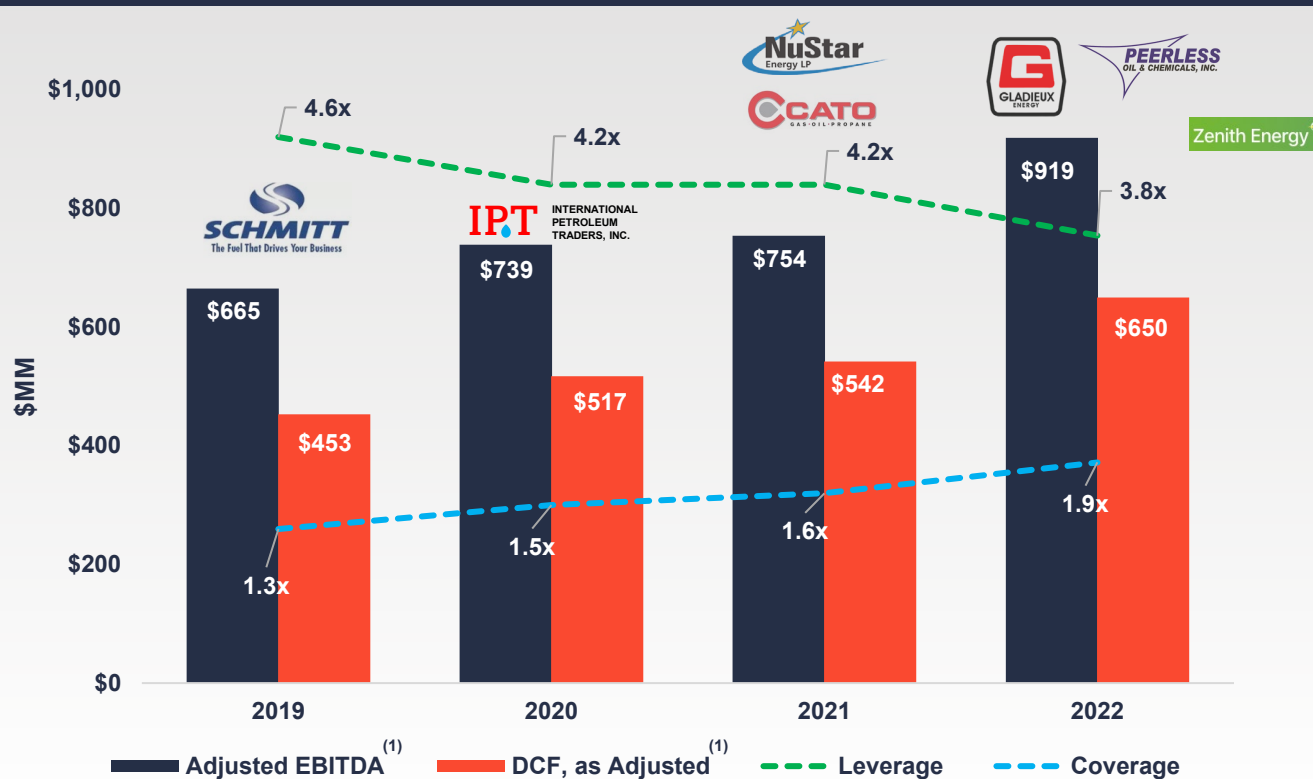


# Track Record of Successful Acquisitions

## Pre-2019



## Disciplined M&A – A Key Component of Growth



## SUN's M&A Focus

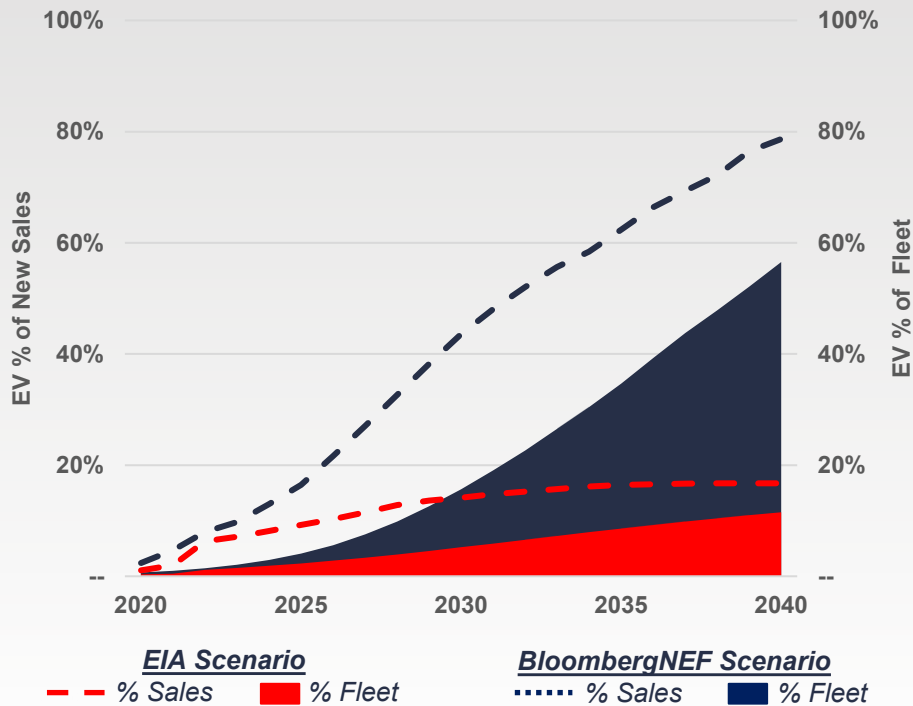
- Fragmented industry provides consistent supply of opportunities
- Material synergies from integrating logistics infrastructure with fuel distribution
- Vertical integration enhances return and increases asset life
- Tuck-in acquisitions allow expansion within and beyond core markets
- Closed on acquisition of 16 terminals from Zenith Energy on May 1<sup>st</sup>, 2023

***Disciplined M&A Enhances EBITDA Growth, Coverage, and Leverage***



# Industry Transition Will Occur Over Decades

## Third Party Transition Scenarios



Source: Publicly accessible data from BloombergNEF and EIA.

- EVs achieve < 60% penetration by 2040 in BloombergNEF scenario... far less in EIA scenario
- Fleet transition will span decades given low starting point, EV sales (only 3.2% in 2021<sup>(1)</sup>), and the high current average vehicle life (12.2 years in 2021<sup>(2)</sup>)
- Industry transformation does not come quickly nor without cost and consequences...events of 2022 have reinforced this view
- Beyond uncertainty of the rate and extent of consumer adoption, other massive challenges exist:
  - Supply Chain (reliable and responsible battery raw material procurement and production)
  - Infrastructure (massive power and distribution investment required)
  - Political (national security, funding, and taxation)

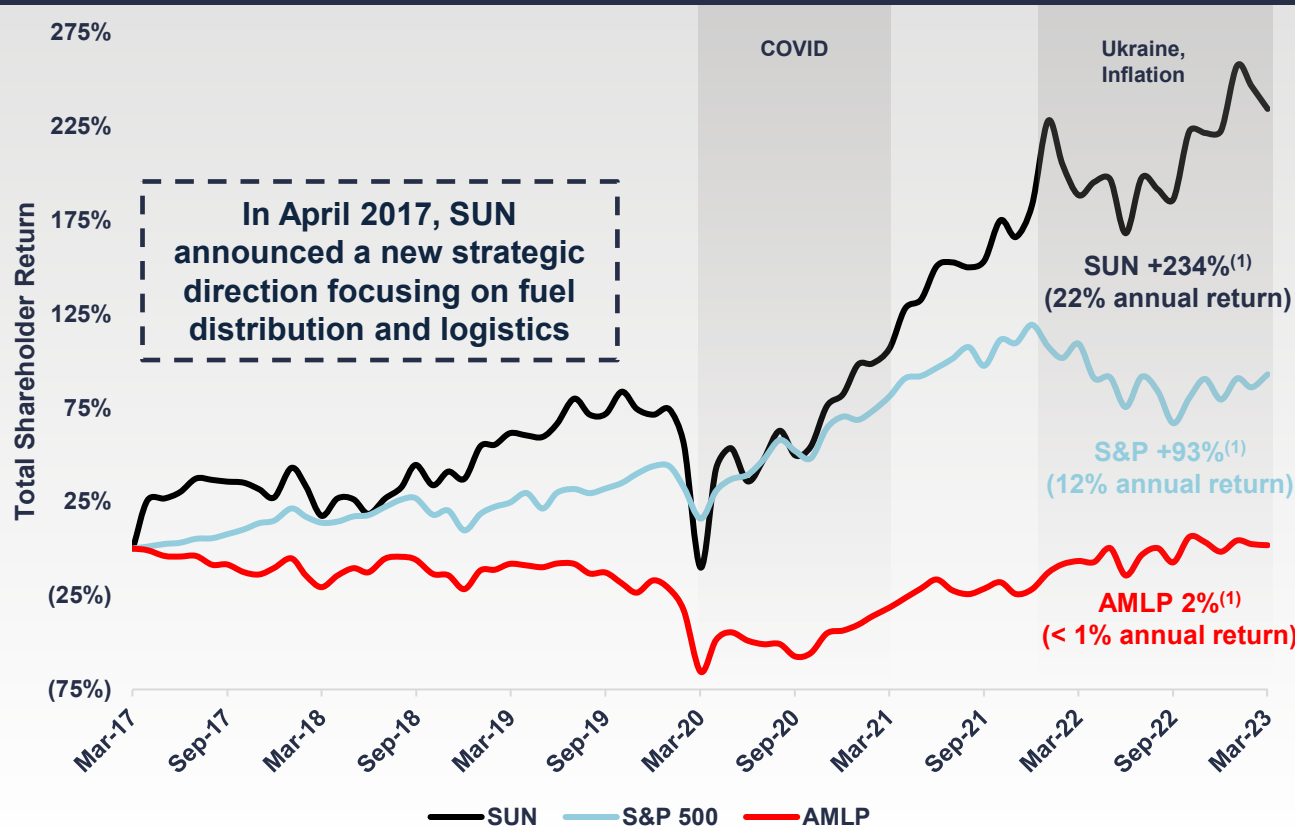
## What Does This Mean For SUN?

- Sustainable gross margins: fuel volume decline will be offset by increasing industry breakeven margins
- Decades of strong cash flow generation will enable investment in emerging opportunities



# Strong Yield, Stability, and Growth

## SUN's Strategy Has Delivered Superior Returns



Since April 2017, SUN has outperformed the S&P 500 by over 140% ...

... while delivering an annualized total unitholder return of 22%...

... and outperforming the Alerian MLP index by over 200%

### Strong Yield

- Attractive and sustainable with robust coverage
- Top-tier MLP total return
- 10+ years of stable distributions with 2% increase in Q1 2023

### Stability

- Gross profit stability through economic and geopolitical volatility
- Strong financial foundation provides stability through volatile periods

### Growth

- Long runway of high-quality investment opportunities
- Free cash flow funds growth
- Proven track record of accretive growth



# Committed to Corporate Responsibility

## Demonstrating Environmental Awareness and Performance

### Effective Environmental Protocols

- Redundant leak detection systems and robust response protocols
- Effective emissions controls

### Prioritization of Efficiency

- More frequent fleet turnover
- High efficiency components deployed during builds and repairs

### Inherently Incentivized

- Efficiency enhances profit opportunity
- HES performance impacts bottom line

### Positioning for Energy Transition Opportunities

- Proven distribution network suitable for renewables



## Behaving Responsibly in the Workplace and the Community

### Responsible Work Environment

- Stringent approach to safety with history of demonstrated results
- Diverse and inclusive workforce
- Comprehensive workplace behavioral training and compliance oversight

### Supporting Our Communities

- Demonstrated commitment to volunteerism throughout our ranks
- Robust charitable giving through the Energy Transfer/Sunoco Foundation:
  - North Texas Food Bank
  - MD Anderson Children's Hospital
  - Many others

### Annual Corporate Responsibility Report



## Building and Maintaining a Culture of Responsibility

### Starts at the Top

- Diverse board with a majority of independent directors

### Robust and Regimented

- A full suite of sophisticated governance policies and training programs
- Financial reporting controls
- Independent auditors

### Accessible Reporting Systems

- Anonymous hotline and web reporting for compliance or other concerns

### Dedicated Oversight and Enforcement

- Fully-staffed, trained Compliance Office
- Independent investigation protocols





# Reconciliation of Adjusted EBITDA and DCF, As Adjusted to Net Income<sup>(1)</sup>

	Year Ended December 31,			
	2022	2021	2020	2019
<i>(in millions)</i>				
<b>Net income and comprehensive income</b>	\$ 475	\$ 524	\$ 212	\$ 313
Depreciation, amortization and accretion	193	177	189	183
Interest expense, net	182	163	175	173
Non-cash unit-based compensation expense	14	16	14	13
Loss (gain) on disposal of assets	(13)	(14)	2	68
Loss on extinguishment of debt	-	36	13	-
Unrealized (gain) loss on commodity derivatives	21	(14)	6	(5)
Inventory adjustments	(5)	(190)	82	(79)
Equity in earnings of unconsolidated affiliate	(4)	(4)	(5)	(2)
Adjusted EBITDA related to unconsolidated affiliate	10	9	10	4
Other non-cash adjustments	20	21	17	14
Income tax expense (benefit)	26	30	24	(17)
<b>Adjusted EBITDA</b>	<b>\$ 919</b>	<b>\$ 754</b>	<b>\$ 739</b>	<b>\$ 665</b>
<b>Adjusted EBITDA</b>	<b>\$ 919</b>	<b>\$ 754</b>	<b>\$ 739</b>	<b>\$ 665</b>
Adjusted EBITDA related to unconsolidated affiliate	(10)	(9)	(10)	(4)
Distributable cash flow from unconsolidated affiliate	8	8	10	4
Cash interest expense	(176)	(157)	(168)	(166)
Current income tax (expense) benefit	2	(20)	(19)	22
Transaction-related income taxes	(42)	-	-	(31)
Maintenance capital expenditures	(54)	(39)	(35)	(40)
Distributable Cash Flow	647	537	517	450
Transaction-related expenses	3	5	-	3
<b>Distributable Cash Flow, as adjusted</b>	<b>\$ 650</b>	<b>\$ 542</b>	<b>\$ 517</b>	<b>\$ 453</b>