Sunoco LP Announces Third Quarter 2020 Financial and Operating Results

- Generated Net Income of $100 million, Adjusted EBITDA(1) of $189 million and Distributable Cash Flow(1), as adjusted of $139 million
- Current quarter cash coverage of 1.61 times and trailing twelve months coverage of 1.56 times with leverage of 3.93 times at the end of the third quarter
- Expects full year 2020 Adjusted EBITDA to be at or above $740 million

DALLAS, Nov. 4, 2020 /PRNewswire/ -- Sunoco LP (NYSE: SUN) ("SUN" or the "Partnership") today reported financial and operating results for the three-month period ended September 30, 2020.

Financial and Operational Highlights

For the three months ended September 30, 2020, net income was $100 million versus net income of $66 million in the third quarter of 2019.

Adjusted EBITDA(1) for the quarter totaled $189 million compared with $192 million in the third quarter of 2019. This year-over-year decrease reflects lower volumes mostly offset by higher reported fuel margins of 12.1 cents per gallon and lower total operating expenses of $112 million as a result of cost reduction measures.

Distributable Cash Flow, as adjusted(1), for the quarter was $139 million, compared to $133 million a year ago.

The Partnership sold 1.9 billion gallons in the third quarter, down 12% from the third quarter of 2019. On a weighted-average basis, fuel margin for all gallons sold was 12.1 cents per gallon for the third quarter compared to 11.6 cents per gallon a year ago.

Distribution and Coverage

On October 26, 2020, the Board of Directors of SUN's general partner declared a distribution for the third quarter of 2020 of $0.8255 per unit, which corresponds to $3.3020 per unit on an annualized basis. The distribution will be paid on November 19, 2020 to common unitholders of record on November 6, 2020. Current quarter cash coverage was 1.61 times and trailing twelve months coverage was 1.56 times.

Liquidity and Leverage

At September 30, 2020, SUN had borrowings of $87 million against its revolving credit facility and other long-term debt of $2.9 billion. The Partnership maintained ample liquidity of $1.4 billion at the end of the quarter under its $1.5 billion revolving credit facility that matures in July 2023 and has no debt maturities prior to 2023. SUN's leverage ratio of net debt to Adjusted EBITDA, calculated in accordance with its credit facility, was 3.93 times at the end of the third quarter compared to 4.51 times at the end of the third quarter of 2019.

Capital Spending

SUN's gross capital expenditures for the third quarter were $20 million, which included $14 million for growth capital and $6 million for maintenance capital.

2020 Business Outlook

The Partnership expects full year 2020 adjusted EBITDA to be at or above $740 million. SUN expects 2020 growth capital expenditures of at least $75 million, maintenance capital expenditures of $30 million and operating expenses(2) in a range of $460 to $475 million.

SUN's segment results and other supplementary data are provided after the financial tables below.

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(1) Adjusted EBITDA and Distributable Cash Flow, as adjusted, are non-GAAP financial measures of performance that have limitations and should not be considered as a substitute for net income. Please refer to the discussion and tables under "Reconciliations of Non-GAAP Measures" later in this news release for a discussion of our use of Adjusted EBITDA and Distributable Cash Flow, as adjusted, and a reconciliation to net income.

(2) Operating expenses include general and administrative, other operating and lease expenses.

Earnings Conference Call

Sunoco LP management will hold a conference call on Thursday, November 5, at 8:00 a.m. CT (9:00 a.m. ET) to discuss results and recent developments. To participate, dial 877-407-6184 (toll free) or 201-389-0877 approximately 10 minutes early and ask for the Sunoco LP conference call. The call will also be accessible live and for later replay via webcast in the Investor Relations section of Sunoco's website at **www.SunocoLP.com** under Webcasts and Presentations.

Sunoco LP (NYSE: SUN) is a master limited partnership with core operations that include the distribution of motor fuel to approximately 10,000 convenience stores, independent dealers, commercial customers and distributors located in more than 30 states as well as refined product transportation and terminalling assets. SUN's general partner is owned by Energy Transfer Operating, L.P., a wholly owned subsidiary of Energy Transfer LP (NYSE: ET).

Forward-Looking Statements

This news release may include certain statements concerning expectations for the future that are forward-looking statements as defined by federal law. Such forward-looking statements are subject to a variety of known and unknown risks, uncertainties, and other factors that are difficult to predict and many of which are beyond management's control. An extensive list of factors that can affect future results are discussed in the Partnership's Annual Report on Form 10-K and other documents filed from time to time with the Securities and Exchange Commission. In addition to the risks and uncertainties previously disclosed, the Partnership has also been, or may in the future be, impacted by new or heightened risks related to the COVID-19 pandemic and the recent decline in commodity prices, and we cannot predict the length and ultimate impact of those risks. The Partnership undertakes no obligation to update or revise any forward-looking statement to reflect new information or events.

The information contained in this press release is available on our website at **www.SunocoLP.com**

Qualified Notice

This release is intended to be a qualified notice under Treasury Regulation Section 1.1446-4(b). Brokers and nominees should treat 100 percent of Sunoco LP's distributions to non-U.S. investors as being attributable to income that is effectively connected with a United States trade or business. Accordingly, Sunoco LP's distributions to non-U.S. investors are subject to federal income tax withholding at the highest applicable effective tax rate.

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– Financial Schedules Follow –

SUNOCO LP

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

(unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 63	$ 21
Accounts receivable, net	252	399
Receivables from affiliates	6	12
Inventories, net	327	419
Other current assets	39	73
Total current assets	687	924
Property and equipment	2,192	2,134
Accumulated depreciation	(776)	(692)
Property and equipment, net	1,416	1,442
Other assets:		
Finance lease right-of-use assets, net	3	29
Operating lease right-of-use assets, net	527	533
Goodwill	1,555	1,555
Intangible assets	900	906
Accumulated amortization	(298)	(260)
Intangible assets, net	602	646
	196	188

Other noncurrent assets		
Investment in unconsolidated affiliate	137	121
Total assets	$ 5,123	$ 5,438
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 286	$ 445
Accounts payable to affiliates	124	49
Accrued expenses and other current liabilities	225	219
Operating lease current liabilities	19	20
Current maturities of long-term debt	6	11
Total current liabilities	660	744
Operating lease noncurrent liabilities	528	530
Revolving line of credit	87	162
Long-term debt, net	2,877	2,898
Advances from affiliates	135	140
Deferred tax liability	96	109
Other noncurrent liabilities	105	97
Total liabilities	4,488	4,680
Commitments and contingencies		
Equity:		
Limited partners:		
Common unitholders (83,089,063 units issued and outstanding as of September 30, 2020 and 82,985,941 units issued and outstanding as of December 31, 2019)	635	758
Class C unitholders - held by subsidiaries (16,410,780 units issued and outstanding as of September 30, 2020 and December 31, 2019)	—	—
Total equity	635	758
Total liabilities and equity	$ 5,123	$ 5,438

SUNOCO LP

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Dollars in millions, except per unit data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019

Revenues:				
Motor fuel sales	$ 2,711	$ 4,225	$ 7,869	$ 12,174
Non motor fuel sales	60	69	185	217
Lease income	34	37	103	107
Total revenues	2,805	4,331	8,157	12,498
Cost of sales and operating expenses:				
Cost of sales	2,497	4,039	7,383	11,567
General and administrative	28	40	87	101
Other operating	68	79	219	236
Lease expense	16	15	46	45
Loss (gain) on disposal of assets and impairment charges	(1)	(4)	7	46
Depreciation, amortization and accretion	50	45	142	137
Total cost of sales and operating expenses	2,658	4,214	7,884	12,132
Operating income	147	117	273	366
Other income (expense):				
Interest expense, net	(43)	(45)	(131)	(130)
Other income (expense), net	—	—	—	3
Equity in earnings of unconsolidated affiliate	1	—	3	—
Income before income taxes	105	72	145	239
Income tax expense	5	6	16	9
Net income and comprehensive income	$ 100	$ 66	$ 129	$ 230
Net income per common unit:				
Common units - basic	$ 0.97	$ 0.57	$ 0.85	$ 2.09
Common units - diluted	$ 0.96	$ 0.57	$ 0.84	$ 2.07
Weighted average common units outstanding:				
Common units - basic	83,056,365	82,749,644	83,033,556	82,734,526
Common units - diluted	83,770,034	83,649,898	83,668,835	83,512,121
Cash distributions per unit	$ 0.8255	$ 0.8255	$ 2.4765	$ 2.4765

Key Operating Metrics

The following information is intended to provide investors with a reasonable basis for assessing our historical operations, but should not serve as the only criteria for predicting our future performance.

The key operating metrics by segment and accompanying footnotes set forth below are presented for the three months ended September 30, 2020 and 2019 and have been derived from our historical consolidated financial statements.

	Three Months Ended September 30,					
	2020			2019		
	Fuel Distribution and Marketing	All Other	Total	Fuel Distribution and Marketing	All Other	Total
	(dollars and gallons in millions, except gross profit per gallon)					
Revenues:						
Motor fuel sales	$ 2,600	$ 111	$ 2,711	$ 4,041	$ 184	$ 4,225
Non motor fuel sales	14	46	60	14	55	69
Lease income	30	4	34	31	6	37
Total revenues	$ 2,644	$ 161	$ 2,805	$ 4,086	$ 245	$ 4,331
Gross profit (1):						
Motor fuel sales	$ 224	$ 13	$ 237	$ 195	$ 22	$ 217
Non motor fuel sales	11	26	37	10	28	38
Lease	30	4	34	31	6	37
Total gross profit	$ 265	$ 43	$ 308	$ 236	$ 56	$ 292
Net income (loss) and comprehensive income (loss)	$ 107	$ (7)	$ 100	$ 57	$ 9	$ 66
Adjusted EBITDA (2)	$ 177	$ 12	$ 189	$ 161	$ 31	$ 192
Operating Data:						
Total motor fuel gallons sold			1,853			2,110
Motor fuel gross profit cents per gallon (3)			12.1 ¢			11.6 ¢

The following table presents a reconciliation of Adjusted EBITDA to net income and Adjusted EBITDA to Distributable Cash Flow, as adjusted, for the three months ended September 30, 2020 and 2019:

	Three Months Ended September 30,	
	2020	2019
	(in millions)	
Adjusted EBITDA		
Fuel distribution and marketing	$ 177	$ 161
	12	31

All other		
Total Adjusted EBITDA	189	192
Depreciation, amortization and accretion	(50)	(45)
Interest expense, net	(43)	(45)
Non-cash unit-based compensation expense	(4)	(4)
Gain on disposal of assets and impairment charges	1	4
Unrealized gain on commodity derivatives	6	1
Inventory adjustments	11	(26)
Equity in earnings of unconsolidated affiliate	1	—
Adjusted EBITDA related to unconsolidated affiliate	(2)	(1)
Other non-cash adjustments	(4)	(4)
Income tax expense	(5)	(6)
Net income and comprehensive income	$ 100	$ 66
Adjusted EBITDA (2)	$ 189	$ 192
Adjusted EBITDA related to unconsolidated affiliate	2	1
Distributable cash flow from unconsolidated affiliate	(2)	(1)
Cash interest expense	41	43
Current income tax expense	3	3
Maintenance capital expenditures	6	13
Distributable Cash Flow	139	133
Transaction-related expenses	—	—
Distributable Cash Flow, as adjusted (2)	$ 139	$ 133
Distributions to Partners:		
Limited Partners	$ 69	$ 68
General Partners	18	18
Total distributions to be paid to partners	$ 87	$ 86
Common Units outstanding - end of period	83.1	82.8
Distribution coverage ratio (4)	1.61x	1.55x

(1) Excludes depreciation, amortization and accretion.

(2) Adjusted EBITDA is defined as earnings before net interest expense, income taxes, depreciation, amortization and accretion expense, allocated non-cash 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 non-cash 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, Series A Preferred distribution, current income tax expense, maintenance capital expenditures and other non-cash adjustments.

We believe Adjusted EBITDA and Distributable Cash Flow, as adjusted, are useful to investors in evaluating our operating performance because:

- Adjusted EBITDA is used as a performance measure under our revolving credit facility;
- securities analysts and other interested parties use such metrics as measures of financial performance, ability to make distributions to our unitholders and debt service capabilities;
- our management uses them for internal planning purposes, including aspects of our consolidated operating budget, and capital expenditures; and
- Distributable Cash Flow, as adjusted, provides useful information to investors as it is a widely accepted financial indicator used by investors to compare partnership performance, and as it provides investors an enhanced perspective of the operating performance of our assets and the cash our business is generating.

Adjusted EBITDA and Distributable Cash Flow, as adjusted, are not recognized terms under GAAP and do not purport to be alternatives to net income (loss) as measures of operating performance or to cash flows from operating activities as a measure of liquidity. Adjusted EBITDA and Distributable Cash Flow, as adjusted, have limitations as analytical tools, and one should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations include:

- they do not reflect our total cash expenditures, or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital;
- they do not reflect interest expense or the cash requirements necessary to service interest or principal payments on our revolving credit facility or term loan;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect cash requirements for such replacements; and
- as not all companies use identical calculations, our presentation of Adjusted EBITDA and Distributable Cash Flow, as adjusted, may not be comparable to similarly titled measures of other companies.

Adjusted EBITDA reflects amounts for the unconsolidated affiliate based on the same recognition and measurement methods used to record equity in earnings of unconsolidated affiliate. Adjusted EBITDA related to unconsolidated affiliate excludes the same items with respect to the unconsolidated affiliate as those excluded from the calculation of Adjusted EBITDA, such as interest, taxes, depreciation, depletion, amortization and other non-cash items. Although these amounts are excluded from Adjusted EBITDA related to unconsolidated affiliate, such exclusion should not be understood to imply that we have control over the operations and resulting revenues and expenses of such affiliate. We do not control our unconsolidated affiliate; therefore, we do not control the earnings or cash flows of such affiliate. The use of Adjusted EBITDA or Adjusted EBITDA related to unconsolidated affiliate as an analytical tool should be limited accordingly. Inventory adjustments that are excluded from the calculation of Adjusted EBITDA represent changes in lower of cost or market reserves on the Partnership's inventory. These amounts are unrealized valuation adjustments applied to fuel volumes remaining in inventory at the end of the period.

(3) Excludes the impact of inventory adjustments consistent with the definition of Adjusted EBITDA.

(4) The distribution coverage ratio for a period is calculated as Distributable Cash Flow attributable to partners, as adjusted, divided by distributions expected to be paid to partners of Sunoco LP in respect of such a period.

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