

SUBURBAN PROPANE PARTNERS LP

Form 10-Q

May 08, 2014

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 29, 2014**

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 1-14222**

SUBURBAN PROPANE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

**Delaware
(State or other jurisdiction of**

**22-3410353
(I.R.S. Employer**

incorporation or organization)

Identification No.)

240 Route 10 West

Whippany, NJ 07981

(973) 887-5300

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements (Forward-Looking Statements) as defined in the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended, relating to future business expectations and predictions and financial condition and results of operations of Suburban Propane Partners, L.P. (the Partnership). Some of these statements can be identified by the use of forward-looking terminology such as prospects, outlook, believes, estimates, intends, may, will, should, anticipates, the negative or other variation of these or similar words, or by discussion of trends and conditions, strategies or risks and uncertainties. These Forward-Looking Statements involve certain risks and uncertainties that could cause actual results to differ materially from those discussed or implied in such Forward-Looking Statements (statements contained in this Annual Report identifying such risks and uncertainties are referred to as Cautionary Statements). The risks and uncertainties and their impact on the Partnership s results include, but are not limited to, the following risks:

The impact of weather conditions on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;

Volatility in the unit cost of propane, fuel oil and other refined fuels and natural gas, the impact of the Partnership s hedging and risk management activities, and the adverse impact of price increases on volumes as a result of customer conservation;

The cost savings expected from the Partnership s acquisition of the retail propane operations formerly owned by Inergy, L.P. (the Inergy Propane Acquisition) may not be fully realized or realized within the expected time frame;

The revenue gained by the Partnership from the Inergy Propane Acquisition may be lower than expected;

The costs of integrating the business acquired in the Inergy Propane Acquisition into the Partnership s existing operations may be greater than expected;

The ability of the Partnership to compete with other suppliers of propane, fuel oil and other energy sources;

The impact on the price and supply of propane, fuel oil and other refined fuels from the political, military or economic instability of the oil producing nations, global terrorism and other general economic conditions;

The ability of the Partnership to acquire sufficient volumes of, and the costs to the Partnership of acquiring, transporting and storing, propane, fuel oil and other refined fuels;

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The ability of the Partnership to acquire and maintain reliable transportation for its propane, fuel oil and other refined fuels;

The ability of the Partnership to retain customers or acquire new customers;

The impact of customer conservation, energy efficiency and technology advances on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;

The ability of management to continue to control expenses;

The impact of changes in applicable statutes and government regulations, or their interpretations, including those relating to the environment and global warming, derivative instruments and other regulatory developments on the Partnership's business;

The impact of changes in tax laws that could adversely affect the tax treatment of the Partnership for income tax purposes;

The impact of legal proceedings on the Partnership's business;

The impact of operating hazards that could adversely affect the Partnership's operating results to the extent not covered by insurance;

The Partnership's ability to make strategic acquisitions and successfully integrate them, including but not limited to Inergy Propane;

The impact of current conditions in the global capital and credit markets, and general economic pressures;

The operating, legal and regulatory risks the Partnership may face; and

Other risks referenced from time to time in filings with the Securities and Exchange Commission (SEC) and those factors listed or incorporated by reference into the Partnership's Annual Report under Risk Factors. Some of these Forward-Looking Statements are discussed in more detail in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report. Reference is also made to the risk factors discussed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 28, 2013. On different occasions, the Partnership or its representatives have made or may make Forward-Looking Statements in other filings with the SEC, press releases or oral statements made by or with the approval of one of the Partnership's authorized executive officers. Readers are cautioned not to place undue reliance on Forward-Looking Statements, which reflect management's view only as of the date made. The Partnership undertakes no obligation to update any Forward-Looking Statement or Cautionary Statement, except as required by law. All subsequent written and oral Forward-Looking Statements attributable to the Partnership or persons acting on its behalf are expressly qualified in

their entirety by the Cautionary Statements in this Quarterly Report and in future SEC reports.

Table of Contents**SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)****(unaudited)**

	March 29, 2014	September 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 68,778	\$ 107,232
Accounts receivable, less allowance for doubtful accounts of \$10,350 and \$6,786, respectively	295,330	94,854
Inventories	96,521	77,623
Other current assets	22,317	13,613
Total current assets	482,946	293,322
Property, plant and equipment, net	857,687	888,232
Goodwill	1,087,429	1,087,429
Other intangible assets, net	387,975	416,771
Other assets	37,508	42,233
Total assets	\$ 2,853,545	\$ 2,727,987
LIABILITIES AND PARTNERS CAPITAL		
Current liabilities:		
Accounts payable	\$ 73,961	\$ 52,766
Accrued employment and benefit costs	26,835	23,559
Customer deposits and advances	46,930	107,562
Accrued interest	24,970	24,357
Other current liabilities	30,287	25,650
Total current liabilities	202,983	233,894
Long-term borrowings	1,296,580	1,245,237
Accrued insurance	48,524	51,502
Other liabilities	67,642	68,228
Total liabilities	1,615,729	1,598,861
Commitments and contingencies		
Partners capital:		
Common Unitholders (60,306 and 60,231 units issued and outstanding at March 29, 2014 and September 28, 2013, respectively)	1,282,816	1,176,479
Accumulated other comprehensive loss	(45,000)	(47,353)

Total partners' capital	1,237,816	1,129,126
Total liabilities and partners' capital	\$ 2,853,545	\$ 2,727,987

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit amounts)

(unaudited)

	Three Months Ended	
	March 29, 2014	March 30, 2013
Revenues		
Propane	\$ 728,504	\$ 540,537
Fuel oil and refined fuels	93,722	92,795
Natural gas and electricity	39,083	29,732
All other	12,463	15,362
	873,772	678,426
Costs and expenses		
Cost of products sold	517,198	346,999
Operating	131,731	126,371
General and administrative	20,517	19,763
Depreciation and amortization	33,282	31,316
	702,728	524,449
Operating income	171,044	153,977
Interest expense, net	21,226	24,343
Income before provision for income taxes	149,818	129,634
Provision for income taxes	271	150
Net income	\$ 149,547	\$ 129,484
Income per Common Unit basic	\$ 2.47	\$ 2.26
Weighted average number of Common Units outstanding basic	60,425	57,185
Income per Common Unit diluted	\$ 2.46	\$ 2.25
Weighted average number of Common Units outstanding diluted	60,692	57,441

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit amounts)

(unaudited)

	Six Months Ended	
	March 29, 2014	March 30, 2013
Revenues		
Propane	\$ 1,167,098	\$ 933,322
Fuel oil and refined fuels	147,990	154,941
Natural gas and electricity	57,399	48,121
All other	27,341	32,745
	1,399,828	1,169,129
Costs and expenses		
Cost of products sold	797,724	592,099
Operating	245,044	241,307
General and administrative	37,852	37,595
Depreciation and amortization	68,109	61,843
	1,148,729	932,844
Operating income	251,099	236,285
Interest expense, net	42,433	48,899
Income before provision for income taxes	208,666	187,386
Provision for income taxes	448	282
Net income	\$ 208,218	\$ 187,104
Income per Common Unit basic	\$ 3.45	\$ 3.27
Weighted average number of Common Units outstanding basic	60,409	57,169
Income per Common Unit diluted	\$ 3.43	\$ 3.26
Weighted average number of Common Units outstanding diluted	60,668	57,392

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Net income	\$ 149,547	\$ 129,484	\$ 208,218	\$ 187,104
Other comprehensive income:				
Net unrealized (losses) gains on cash flow hedges	(90)	331	(256)	318
Reclassification of realized losses on cash flow hedges into earnings	346	679	699	1,399
Amortization of net actuarial losses and prior service credits into earnings	955	1,199	1,910	2,398
Other comprehensive income	1,211	2,209	2,353	4,115
Total comprehensive income	\$ 150,758	\$ 131,693	\$ 210,571	\$ 191,219

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended	
	March 29, 2014	March 30, 2013
Cash flows from operating activities:		
Net income	\$ 208,218	\$ 187,104
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	68,109	61,843
Other, net	1,714	(1,764)
Changes in assets and liabilities:		
Accounts receivable	(200,476)	(102,595)
Inventories	(18,898)	12,767
Other current and noncurrent assets	(6,280)	(3,922)
Accounts payable	21,195	23,416
Accrued employment and benefit costs	3,276	7,679
Customer deposits and advances	(60,632)	(61,506)
Accrued insurance	(2,978)	8,061
Other current and noncurrent liabilities	7,139	2,880
Net cash provided by operating activities	20,387	133,963
Cash flows from investing activities:		
Capital expenditures	(14,357)	(12,894)
Proceeds from sale of property, plant and equipment	5,986	3,892
Adjustment to purchase price for Inergy Propane		5,850
Net cash (used in) investing activities	(8,371)	(3,152)
Cash flows from financing activities:		
Repayment of long-term borrowings	(6,700)	
Proceeds from long-term borrowings	61,700	
Partnership distributions	(105,470)	(98,570)
Net cash (used in) financing activities	(50,470)	(98,570)
Net (decrease) increase in cash and cash equivalents	(38,454)	32,241
Cash and cash equivalents at beginning of period	107,232	134,317