

SUBURBAN PROPANE PARTNERS LP
Form 10-Q
May 05, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 26, 2016

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
incorporation or organization)

22-3410353
(I.R.S. Employer
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

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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

At May 2, 2016, there were 60,776,271 Common Units of Suburban Propane Partners, L.P. outstanding.

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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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, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, 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,” “expects” or “plans” or the negative or other variations 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 Quarterly 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, natural gas and electricity, the impact of the Partnership’s hedging and risk management activities, and the adverse impact of price increases on volumes sold as a result of customer conservation;
- 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;
- 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 climate change, 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;
- 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 most recent 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 26, 2015. 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.

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	March 26, 2016	September 26, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$58,682	\$152,338
Accounts receivable, less allowance for doubtful accounts of \$3,601 and \$3,520, respectively	100,413	59,929
Inventories	45,148	47,686
Other current assets	20,633	13,460
Total current assets	224,876	273,413
Property, plant and equipment, net	769,545	781,058
Goodwill	1,102,139	1,087,429
Other intangible assets, net	307,415	307,789
Other assets	35,716	36,041
Total assets	\$2,439,691	\$2,485,730
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	\$35,836	\$34,922
Accrued employment and benefit costs	16,597	29,236
Customer deposits and advances	66,032	105,147
Accrued interest	15,672	16,382
Other current liabilities	27,872	24,659
Total current liabilities	162,009	210,346
Long-term borrowings	1,239,662	1,241,107
Accrued insurance	43,712	43,653
Other liabilities	91,041	92,304
Total liabilities	1,536,424	1,587,410
Commitments and contingencies		
Partners' capital:		
Common Unitholders (60,753 and 60,531 units issued and outstanding at March 26, 2016 and September 26, 2015, respectively)		
	949,238	947,203
Accumulated other comprehensive loss	(45,971)	(48,883)
Total partners' capital	903,267	898,320
Total liabilities and partners' capital	\$2,439,691	\$2,485,730

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	March
	26,	28,
	2016	2015
Revenues		
Propane	\$348,216	\$498,616
Fuel oil and refined fuels	28,814	60,426
Natural gas and electricity	15,962	28,281
All other	11,148	12,066
	404,140	599,389
Costs and expenses		
Cost of products sold	137,009	253,667
Operating	107,560	120,465
General and administrative	15,208	20,437
Depreciation and amortization	33,150	33,229
	292,927	427,798
Operating income	111,213	171,591
Loss on debt extinguishment	292	15,072
Interest expense, net	18,852	19,711
Income before provision for income taxes	92,069	136,808
Provision for income taxes	58	174
Net income	\$92,011	\$136,634
Net income per Common Unit - basic	\$1.51	\$2.26
Weighted average number of Common Units outstanding - basic	60,857	60,573
Net income per Common Unit - diluted	\$1.51	\$2.24
Weighted average number of Common Units outstanding - diluted	61,135	60,917

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	
	26,	March 28,
	2016	2015
Revenues		
Propane	\$579,691	\$853,266
Fuel oil and refined fuels	49,502	99,356
Natural gas and electricity	27,636	44,248
All other	23,168	25,463
	679,997	1,022,333
Costs and expenses		
Cost of products sold	229,515	441,588
Operating	212,431	227,582
General and administrative	30,706	39,746
Depreciation and amortization	64,788	65,858
	537,440	774,774
Operating income	142,557	247,559
Loss on debt extinguishment	292	15,072
Interest expense, net	37,745	39,710
Income before provision for income taxes	104,520	192,777
Provision for income taxes	243	336
Net income	\$104,277	\$192,441
Net income per Common Unit - basic	\$1.72	\$3.18
Weighted average number of Common Units outstanding - basic	60,802	60,536
Net income per Common Unit - diluted	\$1.71	\$3.16
Weighted average number of Common Units outstanding - diluted	61,072	60,856

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		Six Months	
Ended		Ended	
March	March	March	March
26,	28,	26,	28,