



Sunoco LP (SUN)

Updated February 24th, 2025 by Jonathan Weber

Key Metrics

Current Price:	\$58	5 Year CAGR Estimate:	9.3%	Market Cap:	\$8.0B
Fair Value Price:	\$64	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	05/04/25 ¹
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.1%	Dividend Payment Date:	05/19/25 ²
Dividend Yield:	6.1%	5 Year Price Target	\$71	Years Of Dividend Growth:	3
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

Sunoco is a master limited partnership that distributes a range of fuel products (wholesale and retail) and that is active in some adjacent industries such as pipelines. The wholesale unit purchases fuel products from refiners and sells those products to both its own and independently owned dealers. Sunoco was founded in 2012.

Sunoco reported its fourth quarter earnings results in February. The company reported that its revenues totaled \$5.3 billion during the quarter, which was 7% less than the revenues that Sunoco generated during the previous year's quarter. This was a better year-over-year performance compared to the previous quarter. Fuel prices are mostly a flow-through item for Sunoco, since Sunoco's costs decline as well when fuel prices decline. Revenue changes thus do not necessarily impact profits to a large degree.

Sunoco reported that its adjusted EBITDA was up 86% year over year, improving to \$439 million during the quarter. Sunoco's distributable cash flows totaled \$261 million during the quarter, which was higher compared to the previous year's quarter, and which equated to DCF of \$2.19 per share, which covered the dividend easily. For 2025, Sunoco is forecasting EBITDA of \$1.90 billion to \$1.95 billion, which includes the impact of the acquisition of NuStar Energy.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
DCF/Share	\$7.95	\$4.14	\$4.83	\$5.48	\$5.42	\$6.23	\$6.45	\$7.65	\$7.81	\$9.08	\$9.20	\$10.16
DPS	\$2.68	\$3.26	\$3.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.37	\$3.50	\$3.55	\$4.12
Shares³	50	52	98	83	83	83	84	84	85	119	137	140

Sunoco does not have a very long history, as the company was created just a little more than a decade ago. Over the last decade, results showed relatively solid and mostly reliable growth, although there was a major outlier, as Sunoco's results during 2015 benefitted from abnormally high fuel price spreads. Over time, Sunoco's share count has risen quite a lot, as the company regularly issues new shares to fund acquisitions, such as the NuStar Energy takeover. Despite the dilutive impact of these share repurchases, DCF-per-share has been growing over time, as company-wide growth was more pronounced than the headwind of a rising share count.

In Sunoco's industry, the company profits from significant scale advantages. In Texas, Sunoco is one of the largest independent fuel distributors, and Sunoco is also among the top distributors of Chevron, Exxon, and Valero-branded motor fuel in the United States. In the fuel wholesale industry, scale is important, as increased scale allows for higher margins and a better negotiating position with suppliers. Total gasoline sales declined relatively steadily since around 2000, but bottomed out in 2015, and have risen since then. In recent years, Sunoco has moved into some adjacent industries via several takeovers, adding terminals, storage, and even some pipeline exposure. This could help further diversify the company's results and will possibly make Sunoco's cash flows more sustainable during recessions. We do expect some, but not a lot of, DCF-per-share growth from Sunoco in the future.

¹ Estimated date

² Estimated date

³ In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
P/DCF	5.0	6.5	6.0	4.7	5.7	4.7	6.4	5.6	7.3	5.6	6.3	7.0
Avg. Yld.	6.1%	9.8%	11.8%	12.7%	10.6%	11.4%	8.0%	7.7%	5.9%	6.9%	6.1%	5.8%

Sunoco trades at an undemanding price-to-DCF multiple right now in absolute terms. Sunoco's share price has risen from the low \$50s where shares traded one quarter ago. Over the last decade, Sunoco's valuation has usually been in the mid-to-high-single-digits. We see some upside potential for its shares from the current level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	33.7%	78.7%	68.3%	60.2%	60.9%	53.0%	51.1%	43.2%	43.1%	38.5%	38.6%	40.5%

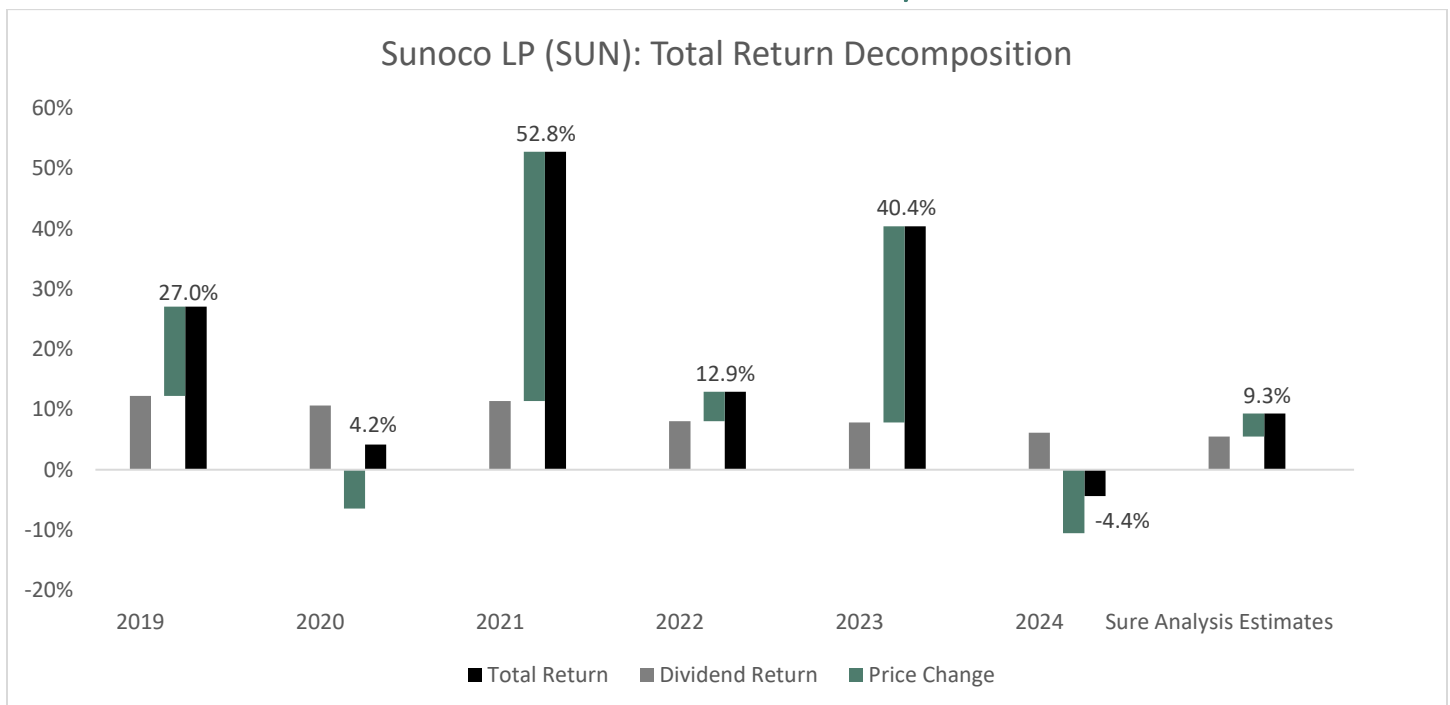
Sunoco's dividend payout ratio has moved in a wide range throughout its existence, as its cash flow has seen some ups and downs. The company has never cut its dividend, but it didn't increase the dividend very regularly, either. The current yield provides ample income, and since the dividend payout ratio has come down substantially over the last couple of years, the dividend looks relatively safe right here.

Sunoco is one of the largest fuel wholesalers in Texas, which provides competitive advantages in terms of size and scale. It is also a key distributor for Exxon and Chevron branded fuels, and the company has good relationships with these energy giants. Via tuck-in acquisitions, Sunoco could increase its scale advantage further over the coming years.

Final Thoughts & Recommendation

Sunoco is a fuel wholesaler with significant scale in its biggest market, Texas. Fuel wholesale is an industry that is not experiencing a lot of growth, but Sunoco's business is throwing off a lot of cash. The company weathered the coronavirus crisis well and has grown its DCF-per-share at a solid pace in the recent past. The company trades slightly below our fair value estimate and promises very solid total returns, which is why we rate Sunoco a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	12,430	9,986	11,723	16,994	16,596	10,710	17,596	25,729	23,068	22,693
Gross Profit	830	980	939	940	1,033	867	1,173	1,186	1,178	1,730
Gross Margin	6.7%	9.8%	8.0%	5.5%	6.2%	8.1%	6.7%	4.6%	5.1%	7.6%
SG&A Exp.	205	236	221	213	197	173	168	183	194	349
Operating Profit	150	176	169	182	183	189	177	193	187	368
Operating Margin	253	370	343	364	532	419	735	665	628	836
Net Profit	2.0%	3.7%	2.9%	2.1%	3.2%	3.9%	4.2%	2.6%	2.7%	3.7%
Net Margin	190	(406)	149	(207)	235	135	446	397	311	716
Free Cash Flow	1.5%	-4.1%	1.3%	-1.2%	1.4%	1.3%	2.5%	1.5%	1.3%	3.2%
Income Tax	200	390	297	(142)	287	378	369	375	385	205

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,842	8,701	8,344	4,879	5,438	5,267	5,815	6,830	6,826	14,375
Cash & Equivalents	73	103	28	56	21	97	25	82	29	94
Accounts Receivable	161	361	285	299	337	239	428	755	703	1,058
Inventories	467	423	426	374	419	382	534	821	889	1,068
Goodwill & Int. Ass.	4,371	2,325	2,198	2,267	2,201	2,152	2,110	2,189	2,143	2,024
Total Liabilities	3,579	6,505	6,097	4,095	4,680	4,635	5,004	5,888	5,848	10,307
Accounts Payable	434	616	559	412	445	267	515	966	828	1,255
Long-Term Debt	1,958	4,514	4,290	2,985	3,071	3,112	3,255	3,571	3,486	7,486

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.5%	-4.6%	1.7%	-3.1%	4.6%	2.5%	8.0%	6.3%	4.6%	6.8%
Return on Equity	4.2%	-10.9%	6.7%	-13.7%	30.5%	19.4%	61.8%	45.3%	32.4%	28.4%
Shares Out.	50	52	98	83	83	83	84	84	85	119
Revenue/Share	247.19	106.68	117.55	200.35	198.63	127.93	208.39	303.39	271.09	190.15
FCF/Share	3.98	4.17	2.98	(1.67)	3.44	4.52	4.37	4.42	4.52	1.72

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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