



Star Group, L.P. (SGU)

Updated June 24th, 2025 by Yiannis Zourmpanos

Key Metrics

Current Price:	\$12	5 Year Annual Expected Total Return:	8.5%	Market Cap:	\$412.03M
Fair Value Price:	\$11	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	07/29/25 ¹
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-1.0%	Dividend Payment Date:	08/07/25 ²
Dividend Yield:	6.2%	5 Year Price Target	\$14	Years Of Dividend Growth:	14
Dividend Risk Score:	F	Sector:	Utilities	Rating:	Hold

Overview & Current Events

Star Group, L.P. (SGU) is a home heating oil and propane distributor and services provider. The company was founded in 1995 as Star Gas Partners, L.P., and changed its name to Star Group, L.P. in October 2017. The company's Petro Holdings subsidiary provides heating oil and propane to 416,000 US Northeast and Mid-Atlantic customers. In addition, the company also sells diesel and gasoline to customers across the United States. Star Group, L.P. is the nation's largest home heating oil retail distributor, giving it a competitive advantage. The company has a strong market position in the home heating oil and propane distribution industry and has maintained a steady market share in recent years. The company operates in two revenue segments: Home Heating Oil and Propane and Other Products and Services, including commercial heating and HVAC services, equipment installations, and repair and maintenance services.

On May 7th, 2025, the company announced its Q2 results for the fiscal year 2025, reporting non-GAAP EPS of \$2.01.

Star Group delivered robust fiscal Q2 2025 results, with revenue rising 11.6% year-over-year to \$743 million, driven by a 22.9% increase in home heating oil and propane volumes. Despite lower per-gallon selling prices due to declining wholesale costs, the combination of colder weather, 13% colder than last year, alongside recent acquisitions fueled top-line growth. Net income surged \$17.5 million to \$85.9 million, as higher per-gallon margins and greater volumes more than offset a \$9.6 million swing in weather hedge impact and increased tax, depreciation, and interest expenses. Adjusted EBITDA jumped 33% to \$128.2 million, with strong operational performance partially offset by a \$3.1 million weather hedge expense.

CEO Jeff Woosnam highlighted that acquisitions since February 2024 totaling \$126.5 million are already contributing to performance, though not yet fully reflected in results. As a sign of confidence, the company increased its annual dividend by five cents to \$0.74 per unit. Star continues to prioritize operational efficiency and growth in its HVAC business as the heating season winds down. With colder-than-expected temperatures and a disciplined acquisition strategy, Star Group remains well-positioned to deliver value through both organic execution and strategic expansion.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.59	\$0.70	\$0.46	\$0.89	\$0.35	\$1.07	\$1.82	\$0.85	\$0.81	\$0.90	\$0.95	\$1.16
DPS	\$0.37	\$0.40	\$0.43	\$0.46	\$0.49	\$0.52	\$0.56	\$0.60	\$0.64	\$0.68	\$0.74	\$0.90
Shares³	57.3	57.0	55.9	54.8	50.8	45.7	40.6	37.4	35.7	35.3	27.1	20.8

Despite rising share prices and profits, the situation for Star Group is difficult due to rapidly rising commodity prices and a decline in client base. The financial success of Star Group depends heavily on the weather, which is directly correlated to its performance. In addition, Star Group has suffered because of the influence of the war in Ukraine on rising energy commodity prices. The variation in the price of the underlying commodity itself is typically what causes SGU's free cash flow to fluctuate since the company must use more working capital to purchase inventory when oil prices are higher.

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ Share count is in millions.

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Considering the seasonality of this business and the limited growth prospects of the industry, we forecast an EPS of 4.0%, in line with the company's historical averages. The consistent share count reduction throughout the past years has decently rewarded investors with higher earnings yield. Therefore, the company will continue its share repurchase program at the same pace, leading to our EPS estimate of \$1.16 by 2030. Star Group's DPS had a 10-year and 5-year CAGR of 7.0% and 5.8%, respectively. The stock offers a high dividend yield and consistent buybacks that significantly reduce the number of outstanding shares.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.8	12.8	22.7	10.8	27.2	8.4	5.8	11.6	15.2	13.0	12.6	12.0
Avg. Yld.	4.5%	4.5%	4.1%	4.8%	5.1%	5.8%	5.3%	6.1%	5.2%	5.8%	6.2%	6.5%

Star Group is trading at a forward P/E of 12.6, which is below its five-year average P/E of 14.1. Considering the seasonality of Star Group's industry, we believe a P/E of 12.0 better reflects the company's risk/reward profile, suggesting a target price of \$14 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

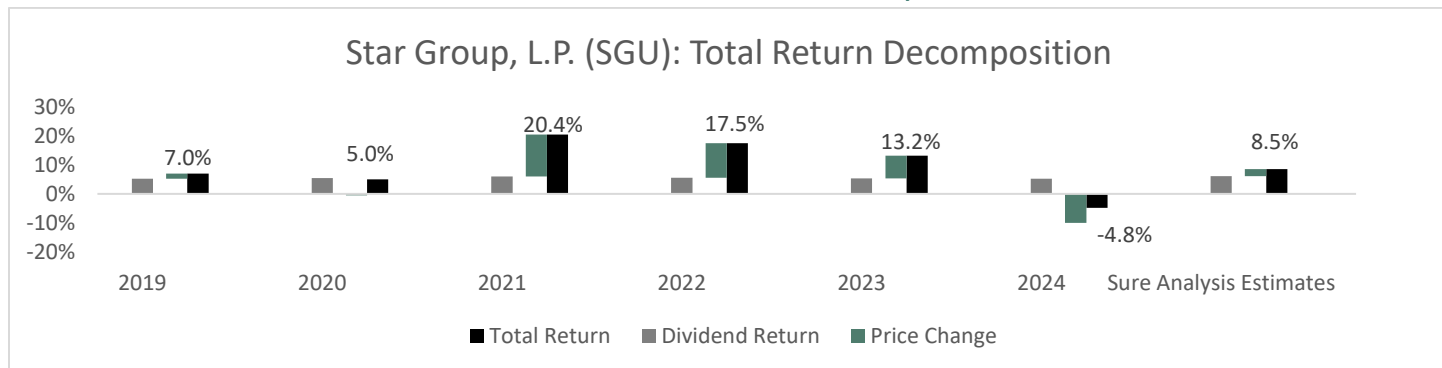
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	63%	57%	93%	52%	140%	49%	31%	71%	79%	76%	78%	78%

The domestic home heating market is incredibly fragmented, and SGU has the choice to counteract the ongoing attrition of customers by making selected acquisitions of rival businesses. Since the rivals are mainly small firms, Star Group can be selective at good valuation points. Moreover, Star Group is relatively leveraged, with a total debt-to-equity ratio of 85%, cash reserves of \$18.5 million, and total debt of \$317 million. Lastly, the company relies on rolling lines of credit to cover financial deficits as commodity prices increase, product utilization reduces, and net consumers shrink. SGU is considered a prominent player in the sector, and its size gives the company a substantial competitive advantage. The acquisition strategy will support its growth and dominance in the sector by buying smaller firms during bad times. During Q2, Star Group repurchased shares as part of its \$45 million return to shareholders, reinforcing its capital return strategy alongside a recent dividend increase.

Final Thoughts & Recommendation

The amount of oil and gas consumers use will increase as the temperature cools and revenue should rise over the next several quarters. While the company has little control over pricing volatility or the environment, Star Group is making great efforts to create value, boost customer loyalty, and save costs overall. Therefore, we maintain our rating of hold, premised upon the 8.5% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 4.0%, a dividend yield of 6.2%, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,674	1,161	1,324	1,678	1,754	1,467	1,497	2,007	1,953	1,766
Gross Profit	446	366	381	432	455	440	444	452	438	470
Gross Margin	26.6%	31.5%	28.8%	25.7%	25.9%	30.0%	29.7%	22.5%	22.4%	26.6%
SG&A Exp.	44	23	25	24	28	25	25	25	26	28
D&A Exp.	27	28	29	33	34	36	34	34	33	32
Operating Profit	93	66	49	50	57	92	91	73	59	76
Operating Margin	5.6%	5.7%	3.7%	3.0%	3.3%	6.3%	6.1%	3.6%	3.0%	4.3%
Net Profit	34	40	26	49	18	56	88	35	32	32
Net Margin	2.0%	3.5%	2.0%	2.9%	1.0%	3.8%	5.9%	1.8%	1.6%	1.8%
Free Cash Flow	127	92	9	44	86	162	54	15	115	100
Income Tax	33	34	20	8	8	21	34	14	14	13

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	686	692	674	730	753	839	854	912	875	940
Cash & Equivalents	101	139	52	15	5	57	5	15	45	117
Accounts Receivable	89	79	97	133	120	84	100	138	114	95
Inventories	56	46	60	56	65	50	61	84	56	42
Goodwill & Int. Ass.	318	310	331	327	352	331	349	339	338	375
Total Liabilities	396	391	368	420	492	583	576	655	612	676
Accounts Payable	25	26	27	36	34	31	37	49	36	32
Long-Term Debt	100	92	76	101	153	123	119	184	148	209
Shareholder's Equity	290	301	306	310	261	256	278	258	264	264
D/E Ratio	2015	2016	2017	2018	2019	2020	2021	2022	2023	0.79

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.0%	5.9%	3.8%	7.0%	2.4%	7.0%	10.4%	4.0%	3.6%	3.5%
Return on Equity	12.2%	13.7%	8.6%	16.0%	6.2%	21.6%	32.9%	13.2%	12.3%	12.2%
ROIC	30.5%	42.2%	31.1%	55.7%	13.9%	40.5%	72.7%	23.3%	19.2%	18%
Shares Out.	57.3	57.0	55.9	54.8	50.8	45.7	40.6	37.4	36	35
Revenue/Share	29.23	20.37	23.68	30.64	34.52	32.14	36.92	53.67	54.71	50.07
FCF/Share	2.22	1.61	0.16	0.80	1.69	3.54	1.33	0.41	3.21	2.84

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

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