Star Group, L.P. (SGU)

Updated August 13th, 2025 by Yiannis Zourmpanos

Key Metrics

Current Price:	$12	**5 Year CAGR Estimate:**	8.5%	**Market Cap:**	$389.8M
Fair Value Price:	$11	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	10/28/25[1]
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-1.0%	**Dividend Payment Date:**	11/06/25[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 August 6th, 2025, the company announced its Q3 results for the fiscal year 2025, reporting non-GAAP EPS of $0.48.

Star Group, reported fiscal 2025 third-quarter revenue of $305.6 million, down 7.8% from $331.6 million a year earlier, as lower selling prices and reduced heating oil and propane volumes offset contributions from acquisitions. Sales volume fell 3.8% to 36.2 million gallons, with warmer-than-normal weather, net customer attrition, and other factors outweighing incremental gallons from acquisitions. Net loss widened to $16.6 million from $11.0 million in the prior-year quarter, primarily due to a larger Adjusted EBITDA loss of $10.6 million, higher depreciation and amortization, and increased interest expense. Margins in the base business were slightly lower, but acquisition-related EBITDA provided some offset during this seasonally weak period.

CEO Jeff Woosnam noted that while Q3 falls outside the company's core heating season, performance was pressured by unfavorable weather and customer attrition trends. Year-to-date, however, revenue was essentially flat at $1.5 billion, with colder temperatures and acquisitions driving an 11.8% increase in total volume sold. Net income for the first nine months rose sharply to $102.2 million, fueled by higher margins, improved service profitability, and favorable derivative valuations. Management reiterated its focus on expanding propane and heating oil accounts while diversifying the business to better withstand variable seasonal demand.

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***
Shares[3]	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

[1] Estimated ex-dividend date.

[2] Estimated dividend payment date.

[3] Share count is in millions.

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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.

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 7.3%, 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

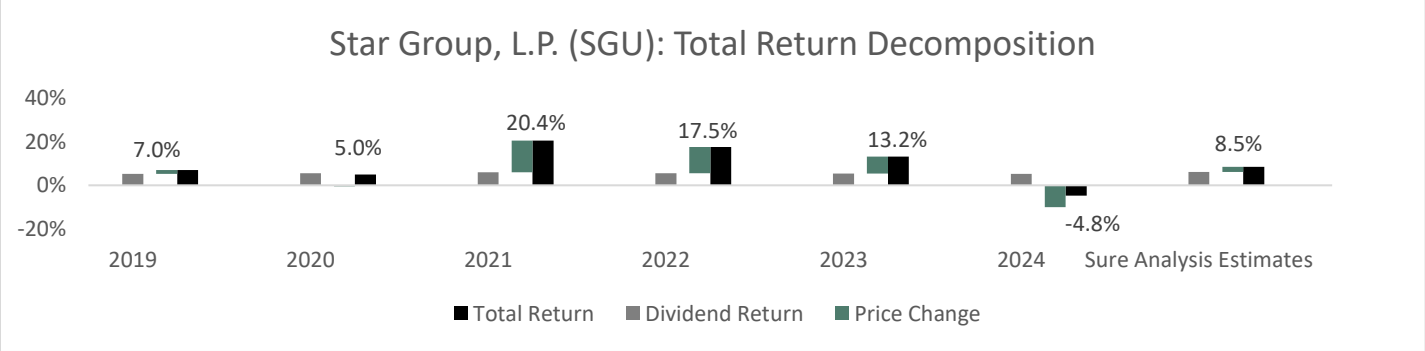
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	63%	57%	93%	52%	140%	49%	31%	71%	79%	76%	***78%***	***78%***

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.

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%, a valuation headwind, and a weak dividend risk score.

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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