



# Star Group, L.P. (SGU)

Updated April 30<sup>th</sup>, 2026 by Yiannis Zourmpanos

## Key Metrics

<b>Current Price:</b>	\$13	<b>5 Year Annual Expected Total Return:</b>	7.1%	<b>Market Cap:</b>	\$412.6 M
<b>Fair Value Price:</b>	\$11	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	04/27/26
<b>% Fair Value:</b>	114%	<b>5 Year Valuation Multiple Estimate:</b>	-2.6%	<b>Dividend Payment Date:</b>	05/06/26
<b>Dividend Yield:</b>	6.1%	<b>5 Year Price Target</b>	\$14	<b>Years Of Dividend Growth:</b>	14
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Utilities	<b>Rating:</b>	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 February 4<sup>th</sup>, 2026, the company announced its Q1 results for the fiscal year 2021, reporting non-GAAP EPS of \$0.89. Star Group kicked off fiscal 2026 with a solid first quarter, as revenue rose 10.5% year over year to \$539.3 million. The growth was largely driven by higher product volumes and continued expansion in service and installation offerings. Heating oil and propane volumes increased 13.9% to 93.9 million gallons, benefiting from both acquisitions and significantly colder weather. In fact, temperatures across the company's operating regions were nearly 19% colder than last year and below historical norms, providing a natural boost to demand. That said, some of the volume gains were partially offset by ongoing customer attrition and other routine pressures.

On the profitability side, results showed clear improvement, albeit with a few moving parts. Net income rose to \$35.8 million, supported by a sharp increase in Adjusted EBITDA, which climbed to \$68.4 million from \$51.9 million a year ago. The underlying business performed well, with acquisitions also contributing meaningfully to growth. However, results were partially weighed down by a \$5.0 million expense related to weather hedge contracts and an unfavorable swing in derivative valuations. Management remains upbeat, noting that colder conditions have continued into the second quarter, while emphasizing a steady focus on cost control and expanding higher-margin service operations.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$0.70	\$0.46	\$0.89	\$0.35	\$1.07	\$1.82	\$0.85	\$0.81	\$0.90	\$1.82	<b>\$0.95</b>	<b>\$1.16</b>
<b>DPS</b>	\$0.40	\$0.43	\$0.46	\$0.49	\$0.52	\$0.56	\$0.60	\$0.64	\$0.68	\$0.73	<b>\$0.79</b>	<b>\$0.96</b>
<b>Shares<sup>1</sup></b>	57.0	55.9	54.8	50.8	45.7	40.6	37.4	35.7	35.3	34.3	<b>26.0</b>	<b>19.6</b>

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.

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

<sup>1</sup> Share count is in millions.

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recently 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 2031. Star Group's DPS had a 10-year and 5-year CAGR of 6.9% and 7.1%, respectively. The stock offers a high dividend yield and consistent buybacks that significantly reduce the number of outstanding shares.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	12.8	22.7	10.8	27.2	8.4	5.8	11.6	15.2	13.0	6.6	<b>13.7</b>	<b>12.0</b>
Avg. Yld.	4.5%	4.1%	4.8%	5.1%	5.8%	5.3%	6.1%	5.2%	5.8%	6.1%	<b>6.1%</b>	<b>6.9%</b>

Star Group is trading at a forward P/E of 13.7, which is above its five-year average P/E of 10.4. 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 2031.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

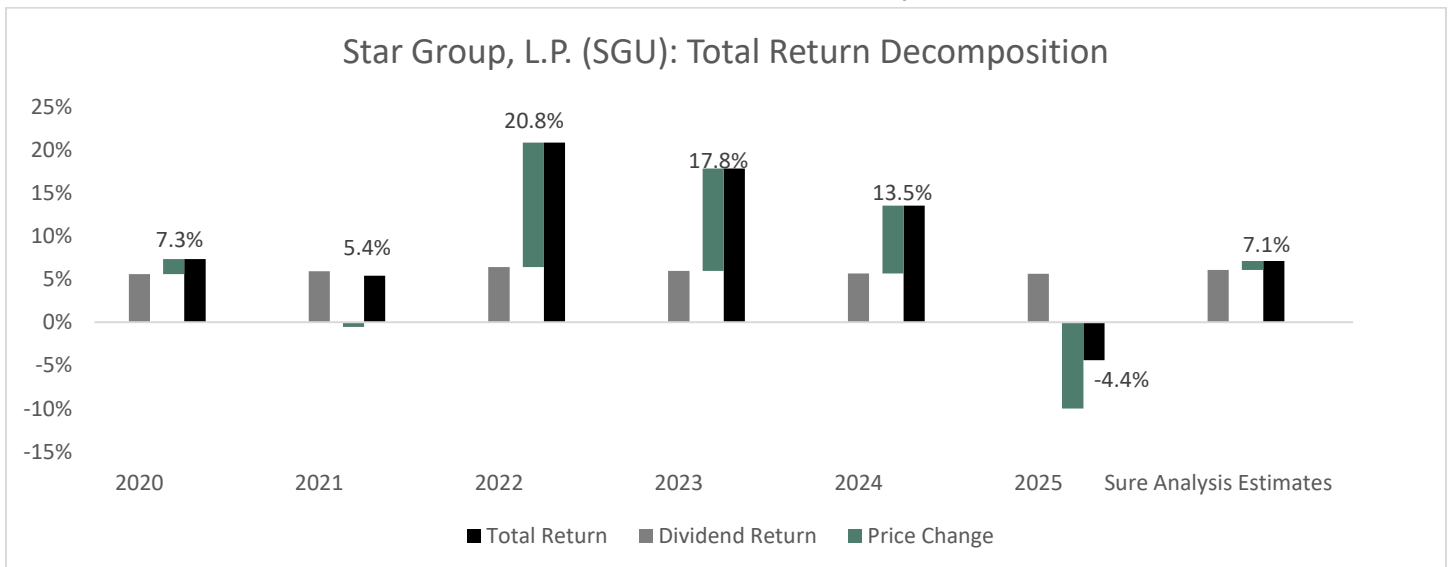
Year	2016	2017	2018	2019	2020	2021	2022	2023	2025	2025	2026	2031
Payout	57%	93%	52%	140%	49%	31%	71%	79%	76%	40%	<b>83%</b>	<b>83%</b>

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 111%, cash reserves of \$19.8 million, and total debt of \$356 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

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. We maintain our rating of hold, premised upon the 7.1% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 4.0%, a dividend yield of 6.1%, a valuation headwind, and a weak dividend risk score.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	1,161	1,324	1,678	1,754	1,467	1,497	2,007	1,953	1,766	1,784
<b>Gross Profit</b>	366	381	432	455	440	444	452	438	470	545
<b>Gross Margin</b>	31.5%	28.8%	25.7%	25.9%	30.0%	29.7%	22.5%	22.4%	26.6%	30.5%
<b>SG&amp;A Exp.</b>	23	25	24	28	25	25	25	26	28	31
<b>D&amp;A Exp.</b>	28	29	33	34	36	34	34	33	32	36
<b>Operating Profit</b>	66	49	50	57	92	91	73	59	76	115
<b>Operating Margin</b>	5.7%	3.7%	3.0%	3.3%	6.3%	6.1%	3.6%	3.0%	4.3%	6.4%
<b>Net Profit</b>	40	26	49	18	56	88	35	32	32	63
<b>Net Margin</b>	3.5%	2.0%	2.9%	1.0%	3.8%	5.9%	1.8%	1.6%	1.8%	3.5%
<b>Free Cash Flow</b>	92	9	44	86	162	54	15	115	100	56
<b>Income Tax</b>	34	20	8	8	21	34	14	14	13	29

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	692	674	730	753	839	854	912	875	940	975
<b>Cash &amp; Equivalents</b>	139	52	15	5	57	5	15	45	117	25
<b>Accounts Receivable</b>	79	97	133	120	84	100	138	114	95	102
<b>Inventories</b>	46	60	56	65	50	61	84	56	42	47
<b>Goodwill &amp; Int. Ass.</b>	310	331	327	352	331	349	339	338	375	418
<b>Total Liabilities</b>	391	368	420	492	583	576	655	612	676	678
<b>Accounts Payable</b>	26	27	36	34	31	37	49	36	32	34
<b>Long-Term Debt</b>	92	76	101	153	123	119	184	148	209	265
<b>Shareholder's Equity</b>	301	306	310	261	256	278	258	264	264	303
<b>D/E Ratio</b>									0.79	0.94

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	5.9%	3.8%	7.0%	2.4%	7.0%	10.4%	4.0%	3.6%	3.5%	6.5%
<b>Return on Equity</b>	13.7%	8.6%	16.0%	6.2%	21.6%	32.9%	13.2%	12.3%	12.2%	22.5%
<b>ROIC</b>	42.2%	31.1%	55.7%	13.9%	40.5%	72.7%	23.3%	19.2%	18%	11.0%
<b>Shares Out.</b>	57.0	55.9	54.8	50.8	45.7	40.6	37.4	36	35	34
<b>Revenue/Share</b>	20.37	23.68	30.64	34.52	32.14	36.92	53.67	54.71	50.07	52.06
<b>FCF/Share</b>	1.61	0.16	0.80	1.69	3.54	1.33	0.41	3.21	2.84	1.64

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

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