Star Group, L.P. (SGU)

Updated July 28th, 2026 by Yiannis Zourmpanos

Key Metrics

Current Price:	$13	**5 Year Annual Expected Total Return:**	7.1%	**Market Cap:**	$415.4 M
Fair Value Price:	$11	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	07/27/26
% Fair Value:	114%	**5 Year Valuation Multiple Estimate:**	-2.6%	**Dividend Payment Date:**	08/05/26
Dividend Yield:	6.1%	**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 6th, 2026, the company announced its Q2 results for the fiscal year 2026, reporting non-GAAP EPS of $2.66. Star Group reported revenue of $766.7 million, up 3.2% year over year, driven by higher heating oil and propane volumes amid colder weather and contributions from recent acquisitions.

Fuel volumes increased 0.4% to 144.5 million gallons, as acquisitions and colder temperatures more than offset customer attrition. Net income rose to $108.3 million, supported by a favorable $20.7 million change in the fair value of derivative instruments and stronger operating performance. Adjusted EBITDA increased 8.2% to $138.7 million, benefiting from higher per-gallon margins, improved installation profitability, acquisition contributions and lower weather hedge expenses, although these gains were partly offset by higher operating and insurance costs stemming from severe winter weather.

Management said the quarter largely reflected the challenging conditions experienced earlier in the winter, with colder temperatures boosting demand but also increasing operating expenses due to storms and heavy snowfall. Despite these headwinds, the company kept net customer attrition below 1%, completed one small heating oil acquisition during the quarter and continued to strengthen its underlying operations. For the first six months of fiscal 2026, revenue rose 6.1% to $1.3 billion, while adjusted EBITDA increased 15.0% to $207.0 million, supported by higher product volumes, stronger margins and contributions from acquisitions. Management said it remains focused on operational improvements during the second half of the fiscal year while continuing to pursue disciplined acquisition opportunities.

Growth on a Per-Share Basis

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

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] Share count is in millions.

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%, below 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 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	***13.7***	***12.0***
Avg. Yld.	4.5%	4.1%	4.8%	5.1%	5.8%	5.3%	6.1%	5.2%	5.8%	6.1%	***6.1%***	***6.9%***

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

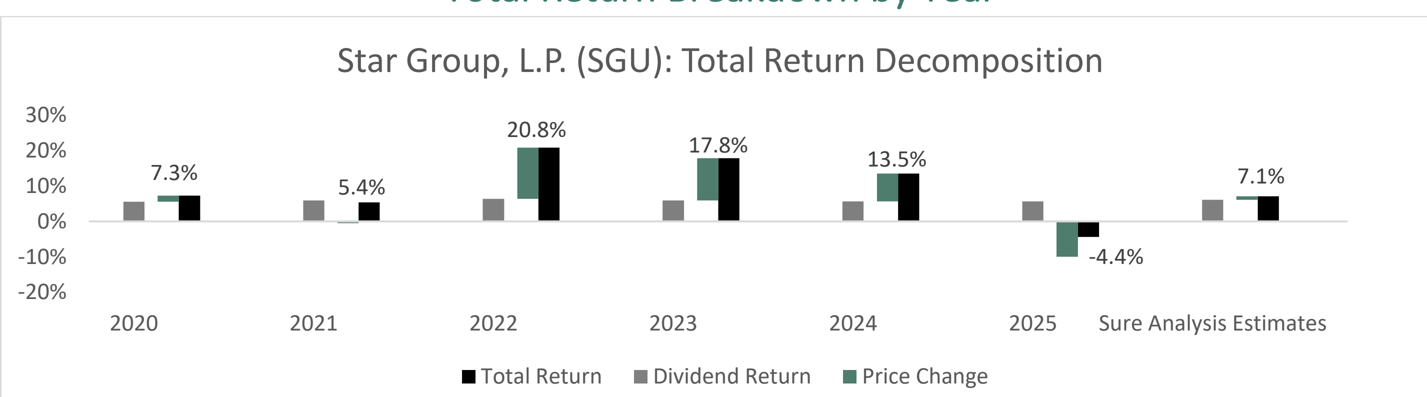
Year	2016	2017	2018	2019	2020	2021	2022	2023	2025	2025	2026	2031
Payout	57%	93%	52%	140%	49%	31%	71%	79%	76%	40%	***83%***	***83%***

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



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

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

Balance Sheet Metrics

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

Profitability & Per Share Metrics

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