

STAR GROUP, L.P.
Form 10-Q
August 01, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-14129

STAR GROUP, L.P.

(Exact name of registrants as specified in its charters)

Delaware	06-1437793
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
9 West Broad Street	
Stamford, Connecticut	06902
(Address of principal executive office)	

(203) 328-7310

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(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

At July 31, 2018, the registrant had 53,392,840 Common Units outstanding.

STAR GROUP, L.P. AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements
STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	June 30, 2018	September 30, 2017
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,423	\$ 52,458
Receivables, net of allowance of \$9,366 and \$5,540, respectively	182,573	96,603
Inventories	48,093	59,596
Fair asset value of derivative instruments	11,906	5,932
Prepaid expenses and other current assets	29,256	26,652
Total current assets	281,251	241,241
Property and equipment, net	85,746	79,673
Goodwill	228,331	225,915
Intangibles, net	100,859	105,218
Restricted cash	250	250
Captive insurance collateral (1)	45,195	11,777
Deferred charges and other assets, net	10,397	9,843
Total assets	\$ 752,029	\$ 673,917
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	\$ 31,469	\$ 26,739
Revolving credit facility borrowings	7,800	-
Fair liability value of derivative instruments	-	289
Current maturities of long-term debt	7,500	10,000
Accrued expenses and other current liabilities	119,815	108,449
Unearned service contract revenue	58,355	60,133
Customer credit balances	31,111	66,723
Total current liabilities	256,050	272,333
Long-term debt (2)	94,612	65,717
Deferred tax liabilities, net	35,961	6,140
Other long-term liabilities	24,047	23,659
Partners' capital		
Common unitholders	361,094	325,762
General partner	(983)	(929)
Accumulated other comprehensive loss, net of taxes	(18,752)	(18,765)
Total partners' capital	341,359	306,068
Total liabilities and partners' capital	\$ 752,029	\$ 673,917

(1) See Note 2 – Captive insurance collateral

(2) See Note 14 – Subsequent events

See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data - unaudited)	Three Months		Nine Months	
	Ended June 30, 2018	2017	Ended June 30, 2018	2017
Sales:				
Product	\$256,447	\$158,531	\$1,246,143	\$950,307
Installations and services	70,907	67,270	202,076	191,664
Total sales	327,354	225,801	1,448,219	1,141,971
Cost and expenses:				
Cost of product	186,207	104,268	832,280	592,802
Cost of installations and services	61,770	58,224	195,984	183,137
(Increase) decrease in the fair value of derivative instruments	(7,515)	3,135	(7,306)	7,026
Delivery and branch expenses	83,312	67,640	281,121	240,987
Depreciation and amortization expenses	7,941	7,418	23,385	20,705
General and administrative expenses	5,894	6,235	18,766	18,144
Finance charge income	(1,438)	(1,308)	(3,733)	(3,288)
Operating income (loss)	(8,817)	(19,811)	107,722	82,458
Interest expense, net	(2,186)	(1,619)	(6,656)	(5,118)
Amortization of debt issuance costs	(418)	(336)	(1,034)	(972)
Income (loss) before income taxes	(11,421)	(21,766)	100,032	76,368
Income tax expense (benefit)	(3,416)	(8,434)	23,077	31,721
Net income (loss)	\$(8,005)	\$(13,332)	\$76,955	\$44,647
General Partner's interest in net income (loss)	(49)	(79)	445	259
Limited Partners' interest in net income (loss)	\$(7,956)	\$(13,253)	\$76,510	\$44,388
Basic and diluted income (loss) per Limited Partner Unit (1):	\$(0.15)	\$(0.24)	\$1.18	\$0.70
Weighted average number of Limited Partner units outstanding:				
Basic and Diluted	53,938	55,888	55,157	55,888

(1) See Note 13 - Earnings Per Limited Partner Unit.

See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months		Nine Months	
(in thousands - unaudited)	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	\$(8,005)	\$(13,332)	\$76,955	\$44,647
Other comprehensive income:				
Unrealized gain on pension plan obligation (1)	448	532	1,344	1,598
Tax effect of unrealized gain on pension plan	(120)	(215)	(422)	(647)
Unrealized loss on captive insurance collateral	(220)	-	(1,151)	-
Tax effect of unrealized loss on captive insurance collateral	46	-	242	-
Total other comprehensive income	154	317	13	951
Total comprehensive income (loss)	\$(7,851)	\$(13,015)	\$76,968	\$45,598

(1) This item is included in the computation of net periodic pension cost.
See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

	Number of Units				Accum. Other	Total
	General		General	Partner	Comprehensive	Partners'
(in thousands - unaudited)	Common	Partner	Common	Partner	Income (Loss)	Capital
Balance as of September 30, 2017	55,888	326	\$325,762	\$ (929)	\$ (18,765)	\$306,068
Net income	-	-	76,510	445	-	76,955
Unrealized gain on pension plan obligation	-	-	-	-	1,344	1,344
Tax effect of unrealized gain on pension plan	-	-	-	-	(422)	(422)
Unrealized loss on captive insurance collateral	-	-	-	-	(1,151)	(1,151)
Tax effect of unrealized loss on captive insurance collateral	-	-	-	-	242	242
Distributions	-	-	(18,640)	(499)	-	(19,139)
Retirement of units (1)	(2,370)	-	(22,538)	-	-	(22,538)
Balance as of June 30, 2018 (unaudited)	53,518	326	\$361,094	\$ (983)	\$ (18,752)	\$341,359

(1) See Note 3 – Common Unit Repurchase and Retirement.

See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine
Months

Ended
June 30,

(in thousands - unaudited)