



## Sprague Resources LP Reports First Quarter 2022 Results

May 5, 2022

PORTSMOUTH, N.H., May 05, 2022 (GLOBE NEWSWIRE) -- Sprague Resources LP ("Sprague") (NYSE: SRLP) today reported its financial results for the first quarter ended March 31, 2022.

### First Quarter 2022 Highlights

- Net sales were \$1,813.3 million for the first quarter of 2022, compared to net sales of \$1,036.1 million for the first quarter of 2021.
- GAAP net income was \$17.9 million for the first quarter of 2022, compared to net income of \$48.8 million for the first quarter of 2021.
- Adjusted gross margin\* was \$141.5 million for the first quarter of 2022, compared to adjusted gross margin of \$106.2 million for the first quarter of 2021.
- Adjusted EBITDA\* was \$89.6 million for the first quarter of 2022, compared to adjusted EBITDA of \$61.8 million for the first quarter of 2021.

"Sprague's outstanding first quarter results were driven by terrific execution across our portfolio of businesses. Global tightness in commodity markets created opportunities to leverage our supply and logistics expertise," said David Glendon, President and Chief Executive Officer.

### Refined Products

- Volumes in the Refined Products segment increased 10% to 565.7 million gallons in the first quarter of 2022, compared to 515.8 million gallons in the first quarter of 2021.
- Adjusted gross margin in the Refined Products segment increased \$3.1 million, or 6%, to \$54.1 million in the first quarter of 2022, compared to \$51.0 million in the first quarter of 2021.

"Refined Products sales volumes increased due to more normal weather along with sales to interruptible oil-fired generation capacity," stated Mr. Glendon. "Despite the challenges of a backwardated market, our teams kept customers supplied while limiting inventories."

### Natural Gas

- Natural Gas segment volumes decreased 6% to 17.7 million Bcf in the first quarter of 2022, compared to 18.8 million Bcf in the first quarter of 2021.
- Natural Gas adjusted gross margin increased \$30.3 million, or 74%, to \$71.4 million for the first quarter of 2022, compared to \$41.1 million for the first quarter of 2021.

"Our Natural Gas business enjoyed record adjusted gross margin by leveraging our asset portfolio and logistical expertise in the constrained Northeast markets," added Mr. Glendon.

### Materials Handling

- Materials Handling adjusted gross margin increased by \$1.1 million, to \$13.1 million for the first quarter of 2022, compared to \$12.1 million for the first quarter of 2021.

"Materials Handling increased primarily due to higher third-party storage revenue at our Canadian operations," concluded Mr. Glendon.

### Quarterly Distribution

On April 25, 2022, the Board of Directors ("Board") of Sprague's general partner, Sprague Resources GP LLC, announced a cash distribution of \$0.4338 per unit for the quarter ended March 31, 2022. The distribution will be paid on May 11, 2022 to unitholders of record as of the close of business on May 6, 2022.

### 2022 Guidance

- With regard to Sprague's anticipated 2022 financial results, we now expect Adjusted EBITDA to be in the range of \$105 million to \$125 million.

### Financial Results Conference Call

Management will review Sprague's first quarter 2022 financial results in a teleconference call for analysts and investors today, May 5, 2022 at 1:00 PM EDT.

Dial-in Numbers: (866) 516-2130 (U.S. and Canada)  
(678) 509-7612 (International)

Participation 9865596  
Code:

Participants can dial in up to 30 minutes prior to the start of the call. The conference call may also be accessed live by webcast link: <https://edge.media-server.com/mmc/p/9kkgoeaz>. This link is also available on the "Investor Relations" page of Sprague's website at [www.spragueenergy.com](http://www.spragueenergy.com) under "Calendar of Events" and will be archived on the website for one year.

#### **About Sprague Resources LP**

Sprague Resources LP is a master limited partnership engaged in the purchase, storage, distribution and sale of refined petroleum products and natural gas. Sprague also provides storage and handling services for a broad range of materials.

#### **\*Non-GAAP Financial Measures**

EBITDA, adjusted EBITDA, adjusted gross margin and distributable cash flow are measures not defined by GAAP. Sprague defines EBITDA as net income (loss) before interest, income taxes, depreciation and amortization.

We define adjusted EBITDA as EBITDA increased for unrealized hedging losses and decreased by unrealized hedging gains (in each case with respect to refined products and natural gas inventory, prepaid forward contracts and natural gas transportation contracts), changes in fair value of contingent consideration, adjusted for the impact of acquisition related expenses, and when applicable, adjusted for the net impact of retroactive legislation that reinstates an excise tax credit program available for certain of our biofuel blending activities that had previously expired.

We define adjusted gross margin as net sales less cost of products sold (exclusive of depreciation and amortization) decreased by total commodity derivative gains and losses included in net income (loss) and increased by realized commodity derivative gains and losses included in net income (loss), in each case with respect to refined products and natural gas inventory, prepaid forward contracts and natural gas transportation contracts. Adjusted gross margin has no impact on reported volumes or net sales.

To manage Sprague's underlying performance, including its physical and derivative positions, management utilizes adjusted gross margin. Adjusted gross margin is also used by external users of our consolidated financial statements to assess our economic results of operations and its commodity market value reporting to lenders. EBITDA and adjusted EBITDA are used as supplemental financial measures by external users of our financial statements, such as investors, trade suppliers, research analysts and commercial banks to assess the financial performance of our assets, operations and return on capital without regard to financing methods, capital structure or historical cost basis; the ability of our assets to generate sufficient revenue, that when rendered to cash, will be available to pay interest on our indebtedness and make distributions to our equity holders; repeatable operating performance that is not distorted by non-recurring items or market volatility; and, the viability of acquisitions and capital expenditure projects. Sprague believes that investors benefit from having access to the same financial measures that are used by its management and that these measures are useful to investors because they aid in comparing its operating performance with that of other companies with similar operations. The adjusted EBITDA and adjusted gross margin data presented by Sprague may not be comparable to similarly titled measures at other companies because these items may be defined differently by other companies. Please see the attached reconciliations of net income to adjusted EBITDA and operating income to adjusted gross margin.

Sprague defines distributable cash flow as adjusted EBITDA less cash interest expense (excluding imputed interest on deferred acquisition payments), cash taxes, and maintenance capital expenditures. Distributable cash flow calculations also reflect the elimination of compensation expense expected to be settled with the issuance of Partnership units, expenses related to business combinations and other adjustments. Distributable cash flow is a significant performance measure used by Sprague and by external users of its financial statements, such as investors, commercial banks and research analysts, to compare the cash generating performance of the Partnership in relation to the cash distributions expected to be paid to its unitholders.

With regard to guidance, reconciliation of non-GAAP adjusted EBITDA to the closest corresponding GAAP measure (expected net income (loss)) is not available without unreasonable efforts on a forward-looking basis due to the inherent difficulty and impracticality of forecasting certain amounts required by GAAP such as unrealized gains and losses on derivative hedges, which can have a significant and potentially unpredictable impact on our future GAAP financial results.

#### **Cautionary Statement Regarding Forward Looking Statements**

Any statements in this press release about future expectations, plans and prospects for Sprague Resources LP or about Sprague Resources LP's future expectations, beliefs, goals, plans or prospects, constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "estimates" and similar expressions) should also be considered forward-looking statements. These forward-looking statements involve risks and uncertainties and other factors that are difficult to predict and many of which are beyond management's control. Although Sprague believes that the assumptions underlying these statements are reasonable, investors are cautioned that such forward-looking statements are inherently uncertain and involve risks that may affect our business prospects and performance causing actual results to differ from those discussed in the foregoing release. Such risks and uncertainties include, by way of example and not of limitation: the direct and indirect effects of the COVID-19 global pandemic and other public health developments on our business and those of our business partners, suppliers and customers, including Sprague; increased competition for our products or services; adverse weather conditions; changes in supply or demand for our products or services; nonperformance by major customers or suppliers; changes in operating conditions and costs; changes in the level of environmental remediation spending; potential equipment malfunction and unexpected capital expenditures; our ability to complete organic growth and acquisition projects; our ability to integrate acquired assets; potential labor issues; the legislative or regulatory environment; terminal construction/repair delays; political and economic conditions; and, the impact of security risks including terrorism, international hostilities and cyber-risk. These are not all of the important factors that could cause actual results to differ materially from those expressed in forward looking statements. Other applicable risks and uncertainties have been described more fully in Sprague's most recent Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 4, 2022 and in the Partnership's subsequent Form 10-Q, Form 8-K and other documents filed with the SEC. Sprague undertakes no obligation and does not intend to update any forward-looking statements to reflect new information or future events. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release.

(Financial Tables Below)

**Sprague Resources LP**  
**Summary Financial Data**  
**Three Months Ended March 31, 2022 and 2021**

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>(\$ in thousands)</b>	
<b>Income Statements Data:</b>		
Net sales	\$ 1,813,315	\$ 1,036,134
Operating costs and expenses:		
Cost of products sold (exclusive of depreciation and amortization)	1,729,078	924,782
Operating expenses	23,235	19,232
Selling, general and administrative	28,720	25,239
Depreciation and amortization	8,126	8,482
Total operating costs and expenses	<u>1,789,159</u>	<u>977,735</u>
Operating income	24,156	58,399
Other income	(1)	2
Interest income	28	67
Interest expense	<u>(10,572)</u>	<u>(8,815)</u>
Income before income taxes	13,611	49,653
Income tax benefit (provision)	<u>4,335</u>	<u>(871)</u>
<b>Net income</b>	<u>17,946</u>	<u>48,782</u>
Incentive distributions declared	—	—
<b>Limited partners' interest in net income</b>	<u>\$ 17,946</u>	<u>\$ 48,782</u>
Net income per limited partner unit:		
Common - basic	\$ 0.68	\$ 2.04
Common - diluted	\$ 0.68	\$ 2.04
Units used to compute net income per limited partner unit:		
Common - basic	26,234,547	23,893,846
Common - diluted	26,234,547	23,893,846
Distribution declared per unit	\$ 0.4338	\$ 0.6675

**Sprague Resources LP**  
**Volume, Net Sales and Adjusted Gross Margin by Segment**  
**Three Months Ended March 31, 2022 and 2021**

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>(\$ and volumes in thousands)</b>	
<b>Volumes:</b>		
Refined products (gallons)	565,668	515,845
Natural gas (MMBtus)	17,661	18,835
Materials handling (short tons)	631	466
Materials handling (gallons)	88,154	57,859
<b>Net Sales:</b>		
Refined products	\$ 1,666,830	\$ 916,201
Natural gas	125,844	102,575
Materials handling	13,093	12,046
Other operations	7,548	5,312
Total net sales	<u>\$ 1,813,315</u>	<u>\$ 1,036,134</u>
<b>Reconciliation of Operating Income to Adjusted Gross Margin:</b>		
<b>Operating income</b>	\$ 24,156	\$ 58,399
Operating costs and expenses not allocated to operating segments:		
Operating expenses	23,235	19,232
Selling, general and administrative	28,720	25,239
Depreciation and amortization	8,126	8,482
Change in unrealized loss (gain) on inventory	15,369	(26,257)
Change in unrealized value on natural gas transportation contracts	<u>41,923</u>	<u>21,116</u>
<b>Total adjusted gross margin:</b>	<u>\$ 141,529</u>	<u>\$ 106,211</u>
<b>Adjusted Gross Margin:</b>		
Refined products	\$ 54,126	\$ 51,033

Natural gas	71,351	41,089
Materials handling	13,130	12,076
Other operations	2,922	2,013
Total adjusted gross margin	\$ 141,529	\$ 106,211

**Sprague Resources LP**  
**Reconciliation of Net Income to Non-GAAP Measures**  
**Three Months Ended March 31, 2022 and 2021**

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>(\$ in thousands)</b>	
<b>Reconciliation of net income to EBITDA, Adjusted EBITDA and Distributable Cash Flow:</b>		
<b>Net income</b>	\$ 17,946	\$ 48,782
Add/(deduct):		
Interest expense, net	10,544	8,748
Tax provision	(4,335)	871
Depreciation and amortization	8,126	8,482
<b>EBITDA</b>	<b>\$ 32,281</b>	<b>\$ 66,883</b>
Add/(deduct):		
Change in unrealized loss (gain) on inventory	15,369	(26,257)
Change in unrealized value on natural gas transportation contracts	41,923	21,116
Gain on sale of fixed assets not in the ordinary course of business and other operating income	—	(2)
Other adjustments	31	35
<b>Adjusted EBITDA</b>	<b>\$ 89,604</b>	<b>\$ 61,775</b>
Add/(deduct):		
Cash interest expense, net	(9,230)	(7,367)
Cash taxes	5,913	(983)
Maintenance capital expenditures	(2,670)	(2,008)
Elimination of expense relating to incentive compensation and directors fees expected to be paid in common units	—	2,368
Other	—	6
<b>Distributable cash flow</b>	<b>\$ 83,617</b>	<b>\$ 53,791</b>

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Source: Sprague Resources LP