

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 5, 2022

SPRAGUE RESOURCES LP

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-36137
(Commission
File Number)

45-2637964
(IRS Employer
Identification No.)

185 International Drive
Portsmouth, NH 03801
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (800) 225-1560

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Units Representing Limited Partner Interests	SRLP	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operation and Financial Condition

On May 5, 2022, Sprague Resources LP, a Delaware limited partnership (the “Partnership”), issued a press release announcing its financial results for the first quarter ended March 31, 2022 and providing access information for an investor conference call and audio webcast to discuss the results contained therein. A copy of the Partnership’s press release is attached hereto as Exhibit 99.1 and is incorporated by reference into this Item 2.02. An audio archive of the webcast will be available under Calendar of Events in the Investor Relations section of the Partnership’s website (www.spragueenergy.com) for one year following the date of the call.

This information is furnished under Item 2.02, “Results of Operations and Financial Condition.” This information, including the information contained in Exhibit 99.1 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
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99.1	Sprague Resources Press Release dated May 5, 2022
104	Cover Page Interactive Data File (formatted in Inline XBRL)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SPRAGUE RESOURCES LP

By: Sprague Resources GP LLC, its General Partner

By: /s/ David C. Long

David C. Long

Chief Financial Officer

Dated: May 5, 2022



Our Energy Makes the Difference™

News Release

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Sprague Resources LP Reports First Quarter 2022 Results

Portsmouth, N.H., May 5, 2022 – 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 EST.

Dial-in Numbers: (866) 516-2130 (U.S. and Canada)

(678) 509-7612 (International)

Participation Code: 9865596

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/9kkqoeaz>. This link is also available on the "Investor Relations" page of Sprague's website at 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.

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(Financial Tables Below)

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

	Three Months Ended March 31,	
	2022	2021
	(unaudited)	(unaudited)
	(\$ in thousands)	
Income Statements Data:		
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	1,789,159	977,735
Operating income	24,156	58,399
Other income	(1)	2
Interest income	28	67
Interest expense	(10,572)	(8,815)
Income before income taxes	13,611	49,653
Income tax benefit (provision)	4,335	(871)
Net income	17,946	48,782
Incentive distributions declared	—	—
Limited partners' interest in net income	\$ 17,946	\$ 48,782
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

	Three Months Ended March 31,	
	2022	2021
	(unaudited)	(unaudited)
	(\$ and volumes in thousands)	
Volumes:		
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
Net Sales:		
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>
Reconciliation of Operating Income to Adjusted Gross Margin:		
Operating income	\$ 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	41,923	21,116
Total adjusted gross margin:	<u>\$ 141,529</u>	<u>\$ 106,211</u>
Adjusted Gross Margin:		
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	<u>\$ 141,529</u>	<u>\$ 106,211</u>

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

	Three Months Ended March 31,	
	2022	2021
	(unaudited)	(unaudited)
	(\$ in thousands)	
Reconciliation of net income to EBITDA, Adjusted EBITDA and Distributable Cash Flow:		
Net income	\$ 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
EBITDA	\$ 32,281	\$ 66,883
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
Adjusted EBITDA	\$ 89,604	\$ 61,775
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
Distributable cash flow	\$ 83,617	\$ 53,791