Suburban Propane Partners, L.P. Announces Fourth Quarter and Fiscal Year Results and Declares Quarterly Distribution of $0.5875 Per Common Unit

WHIPPANY, N.J., Oct. 23 /PRNewswire-FirstCall/ -- Suburban Propane Partners, L.P. (NYSE: SPH), a marketer of propane gas and related products and services nationwide, today announced its results for the fourth quarter and fiscal year ended September 27, 2003. The Partnership also declared its quarterly distribution of $0.5875 per Common Unit -- $2.35 per Common Unit annualized.

Fourth Quarter 2003 Results

Consistent with the seasonal nature of the propane industry, the Partnership typically experiences a net loss in the fourth quarter. For the fourth quarter of fiscal 2003, Suburban's net loss was $21.0 million, or $0.75 per Common Unit, compared to a net loss of $18.0 million, or $0.71 per Common Unit, for the fourth quarter of fiscal 2002. Earnings before interest, taxes, depreciation and amortization ("EBITDA") resulted in a loss of $6.4 million for the fiscal 2003 fourth quarter, compared to a loss of $1.8 million for the prior year quarter.

Retail gallons sold increased 2.3 million gallons, or 3.0%, to 79.0 million gallons from 76.7 million gallons in the prior year quarter. Revenues of $125.6 million increased $15.9 million, or 14.5%, compared to the prior year quarter. The increase in revenues is attributable to the combination of higher average selling prices in line with the significant increase in product costs compared to the prior year quarter, coupled with the aforementioned increase in retail sales volumes. Combined operating and general and administrative expenses of $69.4 million increased $5.9 million, or 9.3%, compared to the prior year quarter of $63.5 million. The increase was primarily attributable to higher pension and insurance costs, increased fees for professional services, as well as higher costs for operating and maintaining our fleet as a result of increased business activity throughout the fiscal 2003 fourth quarter. Operating expenses in the fiscal 2003 fourth quarter include a $0.3 million unrealized (non-cash) loss attributable to the mark-to-market on derivative instruments ("FAS 133"), compared to a $0.2 million unrealized gain in the prior year quarter attributable to FAS 133.

Net interest expense decreased 17.8%, or $1.6 million, to $7.4 million, compared to $9.0 million in the prior year quarter. The decrease in interest expense reflects the positive steps taken by the Partnership during the fiscal 2003 third quarter to lower its overall leverage, which resulted in an $88.5 million reduction in total debt.

Fiscal Year 2003 Results

Net income for the fiscal year ended September 27, 2003 was $48.7 million, or $1.87 per Common Unit, compared to $53.5 million, or $2.12 per Common Unit, in fiscal 2002. Earnings before interest, taxes, depreciation and amortization ("EBITDA") amounted to $110.0 million compared to $117.9 million in fiscal 2002. Results for fiscal 2003 include a $2.5 million gain from the sale of nine customer service centers during the year, compared to a $6.8 million gain from the sale of a propane storage facility in Hattiesburg, Mississippi recognized during the prior year. Additionally, fiscal 2003 operating expenses include a $1.5 million unrealized (non-cash) loss attributable to FAS 133, compared to a $5.4 million unrealized gain in the prior year attributable to FAS 133.

Fiscal 2003 retail sales volume of 491.5 million gallons increased 35.5 million gallons, or 7.8%, from 456.0 million gallons in the prior year. The increase in volume reflects comparatively colder average temperatures during fiscal 2003 compared to the prior year, particularly in the eastern and central regions of the United States, offset to an extent by warmer temperatures in the west and a continued sluggish economy. Overall, nationwide average temperatures in fiscal 2003 were just slightly colder than normal compared to 13% warmer than normal temperatures in the prior year. Revenues increased $106.6 million, or 16.0%, to $771.7 million, compared to $665.1 million in fiscal 2002. The increase in revenues is primarily attributable to an increase in average selling prices in line with significantly higher product costs throughout much of fiscal 2003 compared to the prior year, coupled with the increased sales volumes discussed above.

Combined operating and general and administrative expenses of $287.4 million increased $22.5 million, or 8.5%, from $264.9 million in fiscal 2002. In addition to the $6.9 million impact on operating expenses attributable to FAS 133, discussed above, combined operating and general and administrative expenses increased $15.6 million compared to the prior year. The increase was primarily attributable to higher costs associated with increased business activity, such as employee compensation and benefits, vehicle costs (primarily fuel costs), bad debt expense, as well as higher pension and insurance costs.

Net interest expense decreased 4.8%, or $1.7 million, to $33.6 million compared to $35.3 million in the prior year primarily due to the reduction in debt levels discussed in the fourth quarter analysis above.

During fiscal 2003, the Partnership took several steps to further strengthen its balance sheet and improve its leverage, highlighted by the successful completion during the third quarter of a follow-on equity offering of approximately 2.6 million Common Units. The net proceeds from that offering of $72.2 million were used in combination with strong cash flow from operations to pay down debt of $88.5 million, bringing the Partnership's total debt to its lowest point since the initial public offering in 1996. Additionally, during the fiscal 2003 fourth quarter, the Partnership made a voluntary contribution of $10.0 million to its defined benefit pension plan, thus improving the funded status of that plan.

The Partnership also declared its quarterly distribution of $0.5875 per Common Unit for the three months ended September 27, 2003. The distribution will be payable on November 12, 2003, to Common Unitholders of record as of November 3, 2003. On an annualized basis, the distribution equates to $2.35 per Common Unit.

In announcing these results, President and Chief Executive Officer Mark A. Alexander said, "Fiscal 2003 was an outstanding year for the Partnership. Not only did we achieve another year of excellent operating results and provide another distribution increase -- our seventh since inception -- we took major steps to further strengthen our balance sheet and improve our leverage. Looking forward, we anticipate a slowly improving economy and feel we are well positioned to provide opportunities for continued growth and value to our unitholders."

Suburban Propane Partners, L.P. is a publicly traded Master Limited Partnership listed on the New York Stock Exchange. Headquartered in Whippany, New Jersey, Suburban has been in the customer service business since 1928. The Partnership serves approximately 750,000 residential, commercial, industrial and agricultural customers through more than 320 customer service centers in 40 states.

Suburban Propane Partners, L.P. and Subsidiaries
Consolidated Statements of Operations
For the Three and Twelve Months Ended
September 27, 2003 and September 28, 2002
(in thousands, except per unit amounts)

	Three Months Ended		Twelve Months Ended	
	Sept. 27, 2003	Sept. 28, 2002	Sept. 27, 2003	Sept. 28, 2002
Revenues				
Propane	$103,735	$88,114	$680,741	$570,280
Other (a)	21,869	21,605	90,938	94,825
	125,604	109,719	771,679	665,105
Costs and expenses				
Cost of products sold	62,570	48,022	376,783	289,055
Operating	60,487	56,144	250,698	234,140
General and administrative	8,957	7,402	36,661	30,771
Depreciation and amortization	7,030	6,976	27,520	28,355
Gain on sale of storage facility	-	-	-	(6,768)
	139,044	118,544	691,662	575,553
(Loss) / income before interest expense and provision for income taxes	(13,440)	(8,825)	80,017	89,552
Interest expense, net	7,417	8,952	33,629	35,325
(Loss) / income before provision for income taxes	(20,857)	(17,777)	46,388	54,227
Provision for income taxes	99	185	202	703
(Loss) / income from continuing operations	(20,956)	(17,962)	46,186	53,524

Discontinued operations:				
Gain on sale of customer service centers	-	-	2,483	-
Net (loss) / income	$(20,956)	$(17,962)	$48,669	$53,524
General Partner's interest in net (loss) / income	$(562)	$(457)	$1,193	$1,362
Limited Partners' interest in net (loss) / income	$(20,394)	$(17,505)	$47,476	$52,162
(Loss) / income from continuing operations per common unit - basic	$(0.75)	$(0.71)	$1.78	$2.12
Net (loss) / income per common unit - basic	$(0.75)	$(0.71)	$1.87	$2.12
Weighted average number of common units outstanding - basic	27,256	24,631	25,359	24,631
(Loss) / income from continuing operations per common unit - diluted	$(0.75)	$(0.71)	$1.77	$2.12
Net (loss) / income per common unit - diluted	$(0.75)	$(0.71)	$1.86	$2.12
Weighted average number of common units outstanding - diluted	27,256	24,631	25,495	24,665
Supplemental Information:				
EBITDA (b)	$(6,410)	$(1,849)	$110,020	$117,907
Retail gallons sold	78,961	76,679	491,451	455,988

(a) Other revenues principally represent amounts generated from the sales of appliances, parts and related services.

(b) EBITDA represents income before deducting interest expense, income taxes, depreciation and amortization. Our management uses EBITDA as a measure of liquidity and we are including it because we believe that it provides our investors and industry analysts with additional information to evaluate our ability to meet our debt service obligations and to pay our quarterly distributions to holders of our common units. Moreover, our senior note agreements and our revolving credit agreement require us to use EBITDA in calculating our leverage and interest coverage ratios. EBITDA is not a recognized term under generally accepted accounting principles ("GAAP") and should not be considered as an alternative to net income or net cash provided by operating activities determined in accordance with GAAP. Because EBITDA, as determined by us, excludes some, but not all, items that affect net income, it may not be comparable to EBITDA or similarly titled measures used by other companies. The following table sets forth (i) our calculation of EBITDA and (ii) a reconciliation of EBITDA, as so calculated, to our net cash provided by operating activities:

	Three Months Ended		Twelve Months Ended	
	Sept. 27, 2003	Sept. 28, 2002	Sept. 27, 2003	Sept. 28, 2002
Net (loss) / income	$(20,956)	$(17,962)	$48,669	$53,524
Add:				
Provision for income taxes	99	185	202	703
Interest expense, net	7,417	8,952	33,629	35,325
Depreciation and amortization	7,030	6,976	27,520	28,355

EBITDA	(6,410)	(1,849)	110,020	117,907
Add / (subtract):				
Provision for income taxes	(99)	(185)	(202)	(703)
Interest expense, net	(7,417)	(8,952)	(33,629)	(35,325)
Gain on disposal of property, plant and equipment, net	(150)	(333)	(636)	(546)
Gain on sale of customer service centers	-	-	(2,483)	-
Gain on sale of storage facility	-	-	-	(6,768)
Changes in working capital and other assets and liabilities	2,453	14,066	(15,770)	(5,790)
Net cash (used in) / provided by operating activities	$(11,623)	$2,747	$57,300	$68,775
Net cash used in investing activities	$(4,328)	$(3,654)	$(4,859)	$(6,851)
Net cash used in financing activities	$(59,162)	$(14,941)	$(77,631)	$(57,463)

SOURCE Suburban Propane Partners, L.P.
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