

# *SUNOCO*LP

## INVESTOR PRESENTATION



August 2018



# FORWARD-LOOKING STATEMENTS

Some of the statements in this presentation constitute “forward-looking statements” about Sunoco LP (“SUN”, “we”, “our, and “us”) that involve risks, uncertainties and assumptions, including, without limitation, the expected future performance of SUN (including expected results of operations and financial guidance), and SUN’s future financial condition, operating results, strategy and plans. These forward-looking statements generally can be identified by use of phrases such as “believe,” “plan,” “expect,” “anticipate,” “intend,” “forecast” or other similar words or phrases in conjunction with a discussion of future operating or financial performance. Descriptions of SUN’s and its affiliates’ objectives, goals, targets, plans, strategies, costs, anticipated capital expenditures, expected cost savings, potential acquisitions and related financial projections are also forward-looking statements.

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This presentation includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is provided in this presentation. Adjusted EBITDA is defined as earnings before net interest expense, income taxes, depreciation, amortization and accretion expense, allocated non-cash compensation expense, unrealized gains and losses on commodity derivatives and inventory fair value adjustments, and certain other operating expenses reflected in net income that we do not believe are indicative of ongoing core operations, such as gain or loss on disposal of assets and non-cash impairment charges. We define Distributable Cash Flow, as adjusted, as Adjusted EBITDA less cash interest expense, including the accrual of interest expense related to our long-term debt which is paid on a semi-annual basis, Series A Preferred distribution, current income tax expense, maintenance capital expenditures and other non-cash adjustments.

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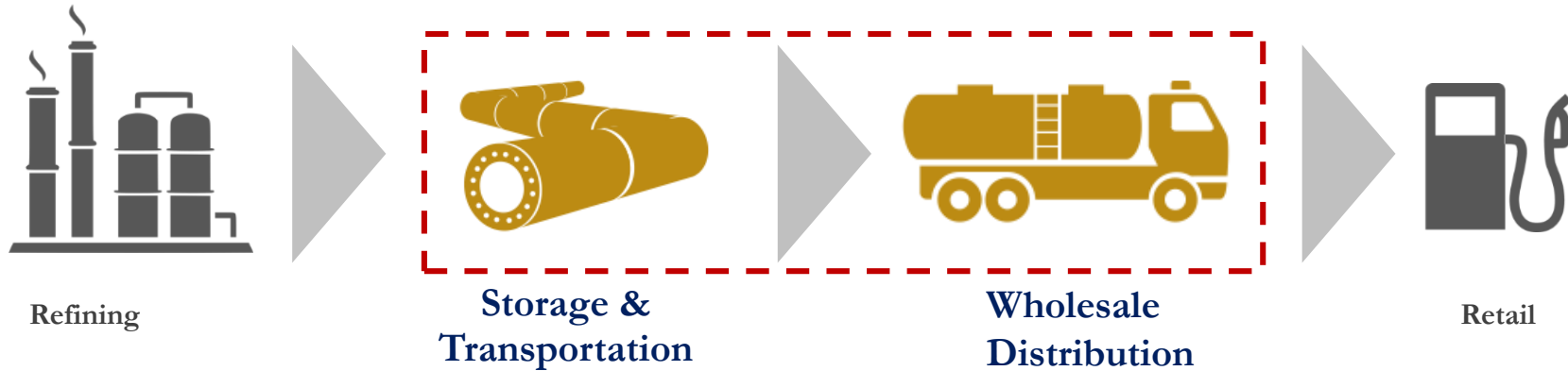
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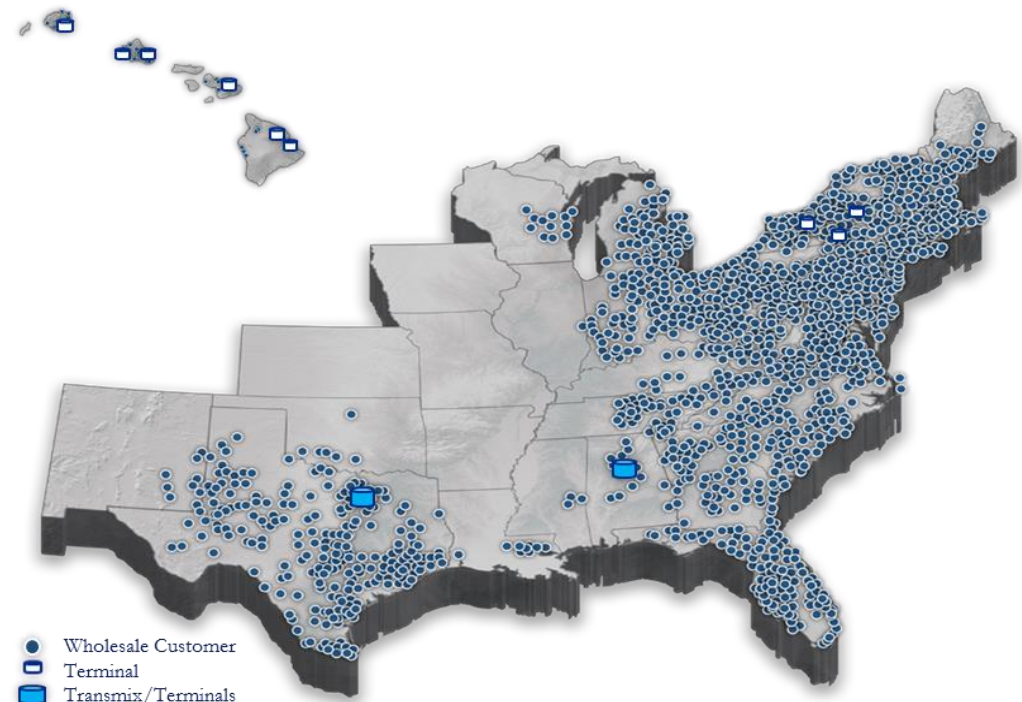


# COMPANY SNAPSHOT

SUN is one of the nation's largest wholesale distributors of motor fuels



- SUN distributes more than 10 fuel brands across 30 states throughout the East Coast, Midwest, South Central and Southeast regions of the United States
- Expansive fuel distribution network:
  - ~7,000 third-party dealers, distributors and commission agents
  - ~2,700 commercial customers
  - 76 company-operated sites
- 11 product terminals



# RECENT HIGHLIGHTS

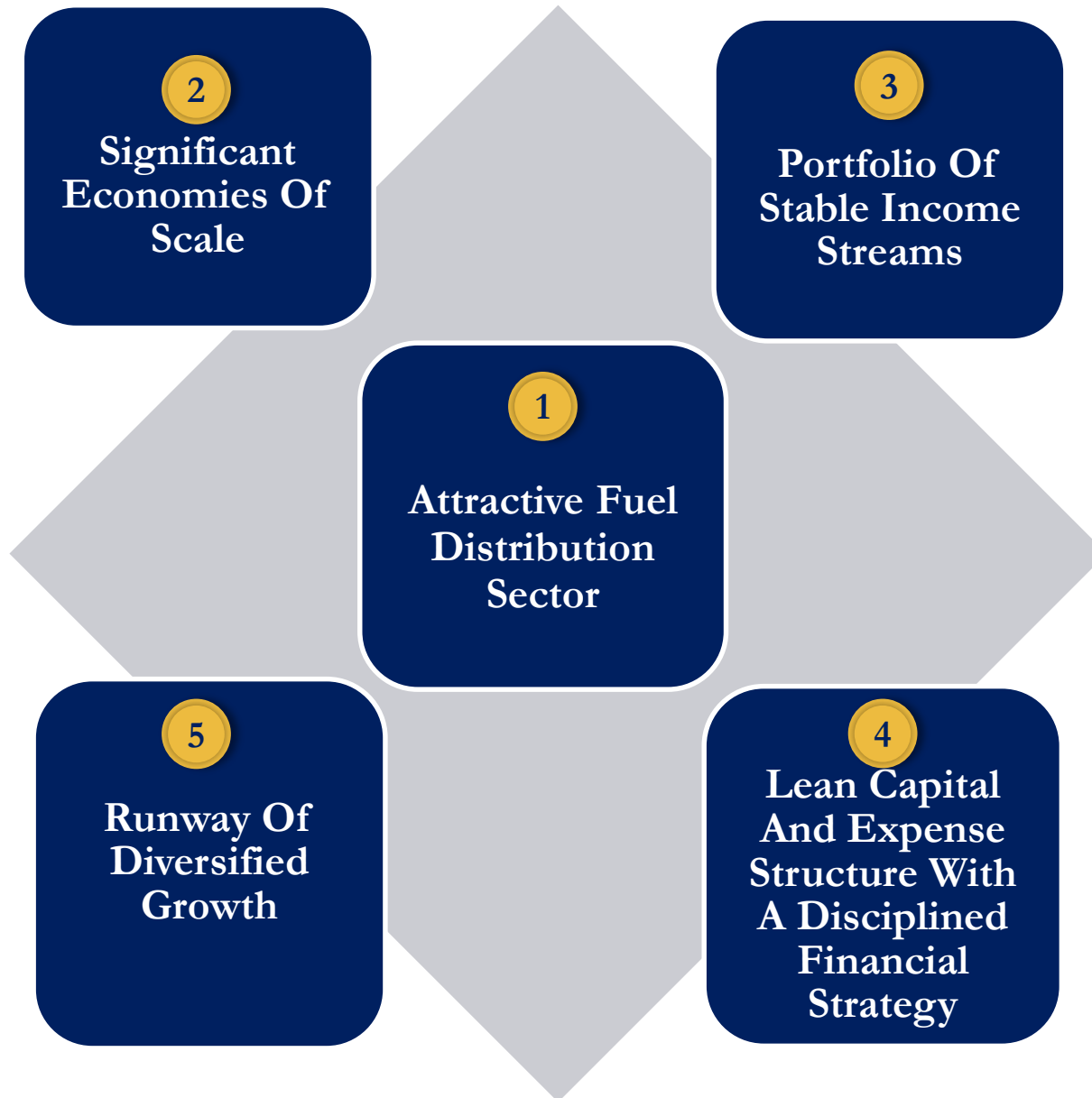
- **Consolidated Q2 2018 Adjusted EBITDA of \$140 million**
  - Included \$7 million of transaction-related expenses
  - Q2 leverage of 4.5x compared to 6.0x in prior year
- **Q2 2018 Distributable Cash Flow, as adjusted, of \$106 million**
  - Q2 coverage of 1.24x
  - Trailing twelve months coverage of 1.14x compared to 1.03x in prior year
- **Completed the acquisitions of the wholesale fuel distribution businesses of Superior Plus Corporation in April and Sandford Oil in August**
  - Both acquisitions are immediately accretive to Distributable Cash Flow per unit
  - Synergized multiples for both acquisitions at mid single digit range
- **Amended and extended \$1.5 billion revolving credit facility in July**
  - July 2023 maturity
  - New facility includes an accordion feature that provides flexibility to increase the facility by up to \$750 million

# UPDATED 2018 GUIDANCE WITH IMPACT OF TWO ACQUISITIONS

Other Operating Expense	G&A Expense	Rent Expense	Cents Per Gallon	Maintenance Capital	Growth Capital
~\$325 million	~\$140 million	~\$75 million	Annual average 9 to 10 CPG	~\$30 million	~\$65 million
<ul style="list-style-type: none"> <li>• Unchanged from previous guidance</li> <li>• Excludes ~\$25 million in Q1 and Q2 related to operating 207 sites in West Texas as company-operated sites</li> <li>• Includes the incremental expense from completed acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>• Unchanged from previous guidance</li> <li>• Excludes \$5 million in transaction-related expenses incurred in Q1 and Q2</li> <li>• Includes the incremental expense from completed acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>• Unchanged from previous guidance</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Converted to annual range</u></li> <li>• Rolling 12 month average over the last 3 years was 9.3 CPG<sup>(1)</sup></li> <li>• Estimated annual volume of ~8 billion gallons</li> <li>• Margin and volume are managed jointly to optimize long-term gross profit</li> </ul>	<ul style="list-style-type: none"> <li>• <u>\$10 million decrease from previous guidance</u></li> <li>• Capital optimization efforts and review process resulted in slower ramp-up in Q1 and Q2</li> </ul>	<ul style="list-style-type: none"> <li>• <u>\$25 million decrease from previous guidance</u></li> <li>• Capital optimization efforts and review process resulted in slower ramp-up in Q1 and Q2</li> <li>• Ramping up organic growth efforts for future projects</li> </ul>



# KEY INVESTMENT HIGHLIGHTS



# 1 & 2 SIGNIFICANT ECONOMIES OF SCALE TO THRIVE IN AN ATTRACTIVE FUEL DISTRIBUTION SECTOR

- **Fuel distribution sector remains robust**

- Fuel distribution margins have been attractive and stable
- 2016 and 2017 U.S. gasoline demand was highest on record at 9.3 MBD <sup>(1)</sup>

- **SUN is well positioned to capitalize on sector opportunities**

- Scale: ~8 billion gallons a year
  - Purchase the majority of fuel at bulk and sell at branded prices
- Brand Power and Options: Continue to sign up new Sunoco-branded dealers and distributors
  - One of largest distributors of Exxon, Chevron and Valero brands in U.S.

- **SUN's fuel distribution business is a compelling investment in a rising, flat or declining fuel demand environment**

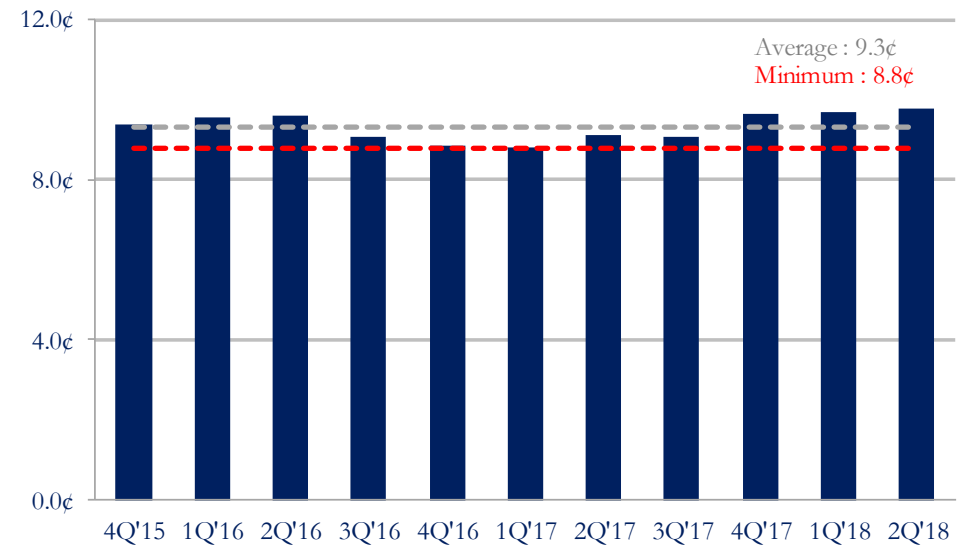
- Rising
  - Higher fuel demand equates to more gallons sold and more opportunities
- Flat or Declining
  - Increasing U.S. refining capacity provides support for fuel distribution...SUN remains a large buyer in a well-supplied market
  - SUN's scale provides synergistic acquisition opportunities to further increase our market share

# 3 PORTFOLIO OF STABLE INCOME STREAMS

## Fuel Income

- Historically stable profit margins achieved through:
  - Optimization of margin/volume mix
  - Diversified channels of distribution
    - 7-Eleven: 15-year take or pay
    - Distributors
    - Dealers
    - Commercial accounts
    - Commission agents
    - Other fuel sales (Aloha, turnpikes, transmix)

## Historical Trailing Twelve Months Fuel Margins<sup>(1)</sup>



Stable fuel margins over the last ~3 years

## Rental Income

- Stable, long-term income of ~\$140 million per year generated through the lease, or sublease, of 940 locations to third-party operators

## Other Income

- Includes merchandise income, credit card services, ethanol processing, franchise revenue, and terminals



# LEAN CAPITAL AND EXPENSE STRUCTURE WITH A DISCIPLINED FINANCIAL STRATEGY

Maintain Disciplined Leverage Profile	Distribution Coverage	Balanced Financing Strategy	Capital And Overhead Light Model	Liquidity
<p><b>Target</b> ~4.5x – 4.75x Leverage Ratio</p>	<p><b>Target ~1.1x</b> Distribution Coverage</p>	<p><b>Invest In Projects</b> That Support Leverage And Coverage Targets</p>	<p><b>Maintain Cost</b> Efficient Model Through Growth</p>	<p><b>Maintain Credit</b> Facility Availability And Secured Capacity</p>
<ul style="list-style-type: none"> <li>• Manage leverage within the target range on a go forward basis</li> </ul>	<ul style="list-style-type: none"> <li>• Expect to maintain current distribution level</li> </ul>	<ul style="list-style-type: none"> <li>• Projects evaluated using ~50/50 capital structure</li> <li>• Will optimize capital structure on a case-by-case basis and to account for current market conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Right-sized capital and overhead model to allow for modest increases through M&amp;A and organic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor credit facility capacity and access to capital markets</li> <li>• Up to \$750 million of additional liquidity through credit facility accordion</li> <li>• Reduced reliance on secured debt provides greater financing flexibility</li> </ul>

# 5 RUNWAY OF DIVERSIFIED GROWTH

<b>Grow Core Fuels Logistics And Distribution Business</b>	<b>Manage Organic Growth</b>	<b>Expand Into Adjacent Sectors</b>
<ul style="list-style-type: none"> <li>• Consolidation opportunities in a highly fragmented sector</li> <li>• The sector trades at reasonable acquisition multiples</li> <li>• Leverage scale to quickly realize material synergies</li> <li>• Utilize multi-channel strategy to optimize returns and further stabilize income</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain incremental business from existing customers</li> <li>• Leverage Sunoco brand as well as other major fuel brands to sign up new customers</li> </ul>	<ul style="list-style-type: none"> <li>• Diversify into adjacent sectors to drive further income stability</li> <li>• Capitalize on current large fuel distribution business to realize synergies through acquisition of logistics assets (e.g., product terminals)</li> </ul>

Pursue growth strategy while maintaining coverage and leverage targets

# 5 RECENT ACQUISITIONS - SUPERIOR PLUS AND SANDFORD OIL

Superior Plus	Sandford Oil
<b>Acquisition Overview</b>	
Wholesale fuels business that distributes ~200 million gallons of fuel annually. Includes terminals with 17 tanks with a combined 429 thousand barrels of storage capacity	Wholesale fuels business that distributes ~115 million gallons of fuel annually to exploration, drilling and oil field services customers, primarily in Central and West Texas and Oklahoma

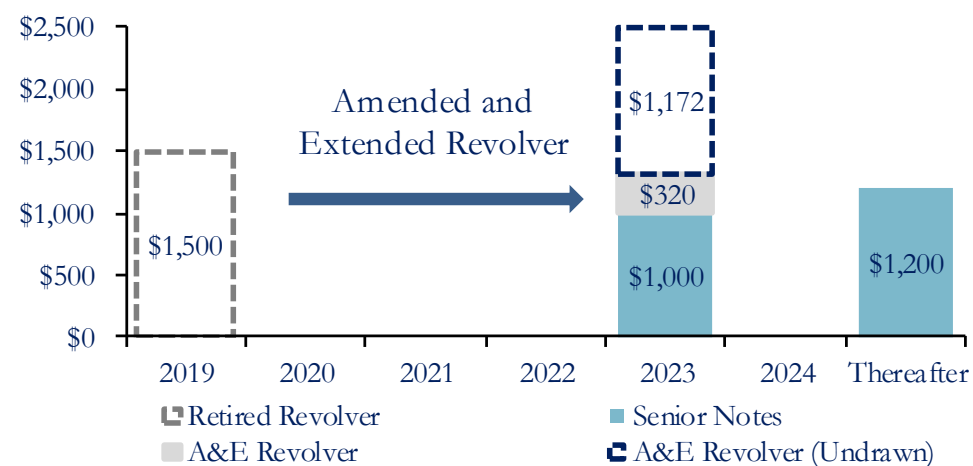
<b>Acquisition takeaways:</b>
Utilize scale to quickly realize synergies
Expands terminal business
Immediately accretive to Distributable Cash Flow per unit
Synergized multiples in the mid-single digit range

# CAPITAL STRUCTURE AND LIQUIDITY

<i>(\$ in millions)</i>	Maturity	Rate	Actual 6/30/2018
Cash and Cash Equivalents			\$19
\$1.5B Revolving Credit Facility	7/27/2023	L + 175 bps	320
Sale Leaseback Obligations			110
4.875% Senior Notes due 2023	1/15/2023	4.875%	1,000
5.500% Senior Notes due 2026	2/15/2026	5.500%	800
5.875% Senior Notes due 2028	3/15/2028	5.875%	400
Other LT Debt			2
<b>Total Debt</b>			<b>\$2,632</b>
Market Capitalization (as of 8/7/2018)			2,152
<b>Total Capitalization</b>			<b>\$4,784</b>

## Credit Ratings and Statistics

Corporate Family Rating	Ba3 / BB-
Outlooks	Stable / Stable
Senior Unsecured	B1 / BB-
Total Net Debt / Adj EBITDA	4.52x
Available Liquidity	\$1,191



# Appendix

# Q2 2018 RECONCILIATION

## Reconciliation of Adjusted EBITDA to net income (loss) and Adjusted EBITDA to Distributable Cash Flow, as adjusted

*(\$ in millions)*

### Segment Adjusted EBITDA

Fuel distribution and marketing	\$132
All other	8
Total	140
Depreciation, amortization and accretion	(41)
Interest expense, net	(36)
Non-cash compensation expense	(3)
Loss on disposal of assets and impairment charges	(40)
Unrealized loss on commodity derivatives	-
Inventory fair value adjustments	32
Other non-cash adjustment	(3)
<b>Income (loss) before income tax (expense) benefit</b>	<b>49</b>
Income tax benefit	19
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$68</b>
<b>Adjusted EBITDA</b>	<b>140</b>
Cash interest expense	34
Current income tax expense (benefit)	(5)
Transaction-related income taxes	10
Maintenance capital expenditures	2
<b>Distributable Cash Flow</b>	<b>99</b>
Transaction-related expenses	7
Series A Preferred distribution	-
<b>Distributable Cash Flow, as adjusted</b>	<b>\$106</b>