SUBURBAN PROPANE PARTNERS LP
Form S-3/A
June 05, 2003

**As filed with the Securities and Exchange Commission on June 5 , 2003.**

**Registration No. 333-104415**

# SECURITIES AND EXCHANGE COMMISSION

## WASHINGTON, DC 20549

**AMENDMENT NO. 3**
**TO**

# FORM S-3
# REGISTRATION STATEMENT
# UNDER
# THE SECURITIES ACT OF 1933

# SUBURBAN PROPANE PARTNERS, L.P.

**(Exact Name of Registrant as Specified in Its Charter)**

| Delaware | 5984 | 22-3410353 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

**240 Route 10 West**
**Whippany, NJ 07981**
**(973) 887-5300**
**(Address, including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**Janice G. Meola, Esq.**
**General Counsel**
**Suburban Propane Partners, L.P.**
**240 Route 10 West**
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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

Janice G. Meola, Esq.General CounselSuburban Propane Partners, L.P.240 Route 10 WestWhippany, NJ 07981(9

**The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

Subject to Completion. Dated June 5 , 2003

2,075,000 Common Units
Representing Limited Partner Interests

# Suburban Propane Partners, L.P.

The common units are listed on the New York Stock Exchange under the symbol "SPH." The last reported sale price of the units on June 4 , 2003 was $29.16 per unit.

*See "Risk Factors" on page 6 to read about factors you should consider before you invest in the units.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

| | Per Unit | Total |
|---|---|---|
| Initial price to public | $ | $ |
| Underwriting discount | $ | $ |
| Proceeds, before expenses, to Suburban Propane Partners, L.P. | $ | $ |

To the extent that the underwriters sell more than 2,075,000 common units, the underwriters have the option to purchase up to an additional 311,250 units from us at the initial price to public less the underwriting discount.

The underwriters expect to deliver the units in New York, New York on , 2003.

**Goldman, Sachs & Co.**

**Wachovia Securities**

**Raymond James**

Prospectus dated , 2003.

The Registrant hereby amends this Registration Statement on such date or dates as may benecessary to delay

## PROSPECTUS SUMMARY

*As used in this prospectus, "our" and "Suburban" mean Suburban Propane Partners, L.P. and, unless the context requires otherwise, its subsidiary operating partnership, Suburban Propane, L.P., and our wholly owned subsidiaries.*

### Our Business

We are retail and wholesale marketers of propane and related appliances and services. We believe, based on *LP/Gas Magazine* dated February 2003, that we were the third largest retail marketer of propane in the United States, measured by retail gallons sold in the year 2002. During the 2002 fiscal year, we sold approximately 456.0 million gallons of propane to retail customers and an additional 95.3 million gallons at wholesale to other distributors and large industrial end-users. As of March 29, 2003, we served approximately 750,000 active residential, commercial, industrial and agricultural customers from more than 320 customer service centers in over 40 states. In addition, we own Gas Connection, Inc. (d/b/a HomeTown Hearth & Grill), which operates ten retail stores in the northeast and northwest regions of the United States that sell and install natural gas and propane gas grills, fireplaces and related accessories and supplies. We also own Suburban @ Home, Inc., an internally developed heating, ventilation and air conditioning business that operates three locations.

Our operations are concentrated in the east and west coast regions of the United States. Our geographic diversity lessens our exposure to weather conditions affecting operations in particular regions. We own two storage facilities: a 22 million gallon above-ground facility in Elk Grove, California and a 60 million gallon underground facility in Tirzah, South Carolina. We are supplied by nearly 70 suppliers nationwide. Together with our predecessor companies, we have been continuously engaged in the retail propane business since 1928.

### Our Strategy

Our business strategy is to deliver increasing value to our unitholders through initiatives, both internal and external, geared toward achieving sustainable profitable growth and increased quarterly distributions. We pursue this business strategy through a combination of:

- an internal focus on enhancing customer service, growing our customer base and improving the efficiency of our operations; and
- the pursuit of acquisitions of other retail propane distributors or other energy-related businesses that can complement or supplement our core propane operations.

Over the past three fiscal years, we have focused on strengthening our balance sheet and distribution coverage in order to prepare for further growth and diversification. Within our core business, we have pursued internal growth of our existing propane operations by implementing programs to increase our customer base and by fostering the growth of related retail and service operations. In addition, we have increased our efficiencies through increased reliance on information technology at our customer service centers.

We also seek to invest in acquisition opportunities that will extend our presence in strategically attractive propane markets or diversify our operations in other energy-related businesses that can immediately contribute to our overall growth strategy. Although we did not acquire any businesses in fiscal 2001 or 2002 or in the first half of fiscal 2003, we believe there are numerous potential candidates for acquisition. The competition for acquisitions, however, is intense and we cannot assure you that we will identify candidates to acquire on terms that are economically acceptable to us. At the same time, we will continue to monitor and evaluate our existing operations to identify opportunities that will allow us to optimize our return on assets by selectively consolidating or divesting operations in slower growing or non-strategic markets.

## Our Organizational Structure

Our limited partners own only a single class of limited partnership interests, which are represented by the common units. Our general partner, Suburban Energy Services Group LLC, is owned by approximately 40 of our executives and key employees. Our partnership structure is intended to provide maximum benefits to our common unitholders while aligning our management's incentives with the interests of our unitholders. Our operations are conducted through an operating partnership and its corporate subsidiaries. The following chart shows our organizational structure:

**Where You Can Find Us**

We maintain our executive offices at 240 Route 10 West, Whippany, New Jersey 07981 and our telephone number at that address is 973-887-5300.

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**Summary Financial and Other Data**
**(Amounts in thousands, except per unit amounts)**

| | Year Ended(a) | | | Six Months Ended | |
|---|---|---|---|---|---|
| | September 30, 2000(b) | September 29, 2001 | September 28, 2002 | March 30, 2002 | March 29, 2003 |
| **Statement of Operations Data** | | | | | |
| Revenues | $ 841,304 | $ 931,536 | $ 665,105 | $ 417,751 | $ 501,087 |
| Depreciation and amortization(c) | 38,772 | 38,502 | 29,693 | 14,992 | 14,484 |
| Gain on sale of assets | 10,328 | — | — | — | — |
| Gain on sale of storage facility | — | — | 6,768 | 6,768 | — |
| Income before interest expense and income taxes(d) | 79,560 | 91,475 | 88,214 | 100,215 | 96,344 |
| Interest expense, net | 40,794 | 37,590 | 33,987 | 17,373 | 17,021 |
| Provision for income taxes | 234 | 375 | 703 | 328 | 167 |
| Income from continuing operations(d) | 38,532 | 53,510 | 53,524 | 82,514 | 79,156 |
| Discontinued operations: | | | | | |
| Gain on sale of customer service centers(e) | — | — | — | — | 2,404 |
| Net income(d) | 38,532 | 53,510 | 53,524 | 82,514 | 81,560 |
| Net income per unit—basic(f) | 1.70 | 2.14 | 2.12 | 3.28 | 3.23 |
| Net income per unit—diluted(f) | 1.70 | 2.14 | 2.12 | 3.27 | 3.22 |
| Cash distributions declared per unit | $ 2.11 | $ 2.20 | $ 2.28 | $ 1.13 | $ 1.15 |
| **Balance Sheet Data (end of period)** | | | | | |
| Current assets | $ 122,160 | $ 124,339 | $ 116,789 | $ 162,660 | $ 170,220 |
| Total assets | 771,116 | 723,006 | 700,146 | 753,282 | 742,400 |
| Current liabilities, including current portion of long-term borrowings | 131,461 | 162,103 | 187,545 | 95,416 | 149,498 |
| Long-term borrowings | 517,219 | 430,270 | 383,830 | 472,709 | 408,823 |
| Other long-term liabilities | 60,607 | 71,684 | 109,485 | 71,649 | 112,783 |
| Partners' capital—Common Unitholders | 58,474 | 105,549 | 103,680 | 160,288 | 156,000 |
| Partner's capital—General Partner | $ 1,866 | $ 1,888 | $ 1,924 | $ 3,025 | $ 3,260 |
| **Statement of Cash Flows Data** | | | | | |
| Cash provided by/(used in) | | | | | |
| Operating activities | $ 59,467 | $ 101,838 | $ 68,775 | $ 36,122 | $ 23,366 |
| Investing activities | $ (99,067) | $ (17,907) | $ (6,851) | $ 16 | $ 674 |
| Financing activities | $ 42,853 | $ (59,082) | $ (57,463) | $ (28,336) | $ (29,124) |
| **Other Data** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| EBITDA(g) | $ 118,332 | $ 129,977 | $ 117,907 | $ 115,207 | $ 113,232 |
| Capital expenditures(h) | | | | | |
| Maintenance and growth | $ 21,250 | $ 23,218 | $ 17,464 | $ 9,576 | $ 6,041 |
| Acquisitions | $ 98,012 | $ — | $ — | $ — | $ — |
| Retail propane gallons sold | 523,975 | 524,728 | 455,988 | 292,579 | 322,890 |

Notes:

(a) Our 2000 fiscal year contained 53 weeks. All other fiscal years contained 52 weeks.

(b) Includes the results from the November 1999 acquisition of certain subsidiaries of SCANA Corporation, accounted for under the purchase method, from the date of acquisition.

(c) Depreciation and amortization expense for the year ended September 28, 2002 reflects the early adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," as of September 30, 2001 (the beginning of our 2002 fiscal year). SFAS 142 eliminates the requirement to amortize goodwill and certain intangible assets. Amortization expense for the year ended September 28, 2002 reflects approximately $7.4 million lower amortization expense compared to the year ended September 29, 2001 as a result of the elimination of amortization expense associated with goodwill.

(d) These amounts include, in addition to the gain on sale of assets and the gain on sale of storage facility, gains from the disposal of property, plant and equipment of $1.0 million for fiscal 2000, $3.8 million for fiscal 2001, $0.5 million for fiscal 2002, $0.3 million for the six months ended March 30, 2002 and $0.3 million for the six months ended March 29, 2003.

Summary Financial and Other Data (Amounts in thousands, except per unit amounts) 10

(e) Gain on sale of customer service centers consists of five customer service centers we sold during the second quarter of fiscal 2003 for total cash proceeds of approximately $5.7 million. We recorded a gain on sale of approximately $2.4 million, which has been accounted for within discontinued operations pursuant to SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Prior period results of operations attributable to these five customer service centers were not significant and, as such, prior period results have not been reclassified to remove financial results from continuing operations.

(f) Basic net income per limited partner unit is computed by dividing net income, after deducting our general partner's interest, by the weighted average number of outstanding common units. Diluted net income per limited partner unit is computed by dividing net income, after deducting the general partner's approximate 2% interest, by the weighted average number of outstanding common units and time vested restricted units granted under our 2000 Restricted Unit Plan.

(g) 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 cash flow from 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 cash flow provided by operating activities.

| | Year Ended | | | Six Months Ended | |
|---|---|---|---|---|---|
| | September 30, 2000 | September 29, 2001 | September 28, 2002 | March 30, 2002 | March 29, 2003 |
| Net income | $ 38,532 | $ 53,510 | $ 53,524 | $ 82,514 | $ 81,560 |
| Add: | | | | | |
| Provision for income taxes | 234 | 375 | 703 | 328 | 167 |
| Interest expense, net | 40,794 | 37,590 | 33,987 | 17,373 | 17,021 |
| Depreciation and amortization | 38,772 | 38,502 | 29,693 | 14,992 | 14,484 |
| EBITDA | 118,332 | 129,977 | 117,907 | 115,207 | 113,232 |
| Add (subtract): | | | | | |
| Provision for income taxes | (234) | (375) | (703) | (328) | (167) |
| Interest expense, net | (40,794) | (37,590) | (33,987) | (17,373) | (17,021) |
| Gain on disposal of property, plant and equipment, net | (11,313) | (3,843) | (546) | (276) | (320) |
| Gain on sale of customer service centers | — | — | — | — | (2,404) |
| Gain on sale of storage | — | — | (6,768) | (6,768) | — |

Summary Financial and Other Data (Amounts in thousands, except per unit amounts) 11

| | | | | | |
|---|---|---|---|---|---|
| facility | | | | | |
| Changes in working capital and other assets and liabilities | (6,524) | 13,669 | (7,128) | (54,340) | (69,954) |
| Net cash provided by operating activities | $ 59,467 | $ 101,838 | $ 68,775 | $ 36,122 | $ 23,366 |

(h) Our capital expenditures fall generally into three categories: (i) maintenance expenditures, which include expenditures for repair and replacement of property, plant and equipment; (ii) growth capital expenditures which include new propane tanks and other equipment to facilitate expansion of our customer base and operating capacity; and (iii) acquisition capital expenditures, which include expenditures related to the acquisition of propane and other retail operations and a portion of the purchase price allocated to intangibles associated with such acquired businesses.

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Summary Financial and Other Data (Amounts in thousands, except per unit amounts) 12

## The Offering

| | |
|---|---|
| Title | Common units representing limited partner interests. |
| Securities Offered | 2,075,000 common units assuming the underwriters' over-allotment option is not exercised. |
| Units Outstanding after the Offering | 26,706,287 common units if the underwriters' over-allotment option is not exercised. |
| | If the underwriters' over-allotment is exercised in full:<br>• 311,250 additional common units will be issued; and<br>• 27,017,537 common units will be outstanding. |
| Price | $ for each common unit representing a limited partner interest. |
| New York Stock Exchange Trading Symbol | SPH |
| Use of Proceeds | We will receive approximately $57.4 million from the sale of the common units, or $66.1 million if the underwriters' over-allotment option is exercised in full, in each case, after deducting the underwriting discount and offering expenses, at an assumed offering price of $29.16 per common unit, based on the last reported sale price of the common units on the New York Stock Exchange on June 4 , 2003. We will use the net proceeds for our general partnership purposes, which may include working capital and capital expenditures and for debt reduction. In addition, if appropriate opportunities arise, we may use a portion of the proceeds to finance future acquisitions. |

## Ratio of Taxable Income to Distributions

We estimate that if you buy common units in this offering and own those common units from the purchase date through December 31, 2007, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be not more than 20% of the cash distributed attributable to that period. We further estimate that for taxable years ending after December 31, 2007, the taxable income allocable to the unitholders will be a much larger percentage of cash distributed to unitholders. These estimates, and the underlying assumptions, also are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and certain tax reporting positions that we have adopted and with which the Internal Revenue Service could disagree. Accordingly, we cannot assure you that the estimates will prove to be correct. The actual percentage could be higher or lower, and any differences could be significant and could materially affect the market value of the common units.

## RISK FACTORS

Before you invest in our common units, you should be aware that there are various risks in doing so, including those described below. You should carefully consider these risk factors, together with all the other information included or incorporated by reference in this prospectus. If any of the events described in these risk factors or elsewhere in this prospectus actually occur, then our business, results of operations or financial condition could be materially adversely affected. In that event, we may be unable to make distributions to our unitholders, the trading price of the common units may decline and you may lose all or part of your investment.

### Risks Inherent in Our Business

***Since weather conditions may adversely affect demand for propane, our results of operations and financial condition are vulnerable to warm winters***

Weather conditions have a significant impact on the demand for propane for both heating and agricultural purposes. Many of our customers rely heavily on propane as a heating fuel. The volume of propane sold is at its highest during the six-month peak heating season of October through March and is directly affected by the severity of the winter. Typically, we sell approximately two-thirds of our retail propane volume during the peak heating season.

In addition, actual weather conditions can vary substantially from year to year, significantly affecting our financial performance. For example, temperatures nationwide averaged 3% warmer than normal for the first half of fiscal 2003 compared to 15% warmer than normal temperatures in the first half of fiscal 2002 as reported by the National Oceanic and Atmospheric Administration (NOAA). Temperatures during fiscal 2002 were 13% warmer than normal compared to fiscal 2001 temperatures that were 2% colder than normal. Furthermore, variations in weather in one or more regions in which we operate can significantly affect the total volume of propane we sell and, consequently, our results of operations. Variations in the weather in the northeast, where we have a greater concentration of higher margin residential accounts, generally have a greater impact on our operations than variations in the weather in other markets. Our ability to pay distributions to unitholders depends on the cash generated by our operating partnership. The operating partnership's financial performance is affected by weather conditions. As a result, we cannot assure you that the weather conditions in any quarter or year will not have a material adverse effect on our operations or that our available cash will be sufficient to pay distributions to unitholders.

***The risk of terrorism and political unrest in the Middle East may adversely affect the economy and the price and availability of propane***

Terrorist attacks, such as the attacks that occurred in New York, Pennsylvania and Washington, D.C. on September 11, 2001, and political unrest in the Middle East may adversely impact the price and availability of propane, our results of operations, our ability to raise capital and our future growth. The impact that the foregoing may have on our industry in general, and on us in particular, is not known at this time. An act of terror could result in disruptions of crude oil or natural gas supplies and markets, the sources of propane, and our infrastructure facilities could be direct or indirect targets. Terrorist activity may also hinder our ability to transport propane if our means of transportation become damaged as a result of an attack. A lower level of economic activity could result in a decline in energy consumption, which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism could also affect our ability to raise capital. Terrorist activity could likely lead to increased volatility in prices for propane. Insurance carriers are routinely excluding coverage for terrorist activities from their normal policies, but are required to offer such coverage as a result of new federal legislation. We have opted to purchase this coverage with respect to our property and casualty insurance programs. This additional coverage has resulted in additional insurance premiums.



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***Sudden propane price increases due to, among other things, our inability to obtain adequate supplies of propane from our usual suppliers, may adversely affect our operating results***

Our profitability in the retail propane business is largely dependent on the difference between our product cost and retail sales price. Propane is a commodity, and its unit price is subject to volatile changes in response to changes in supply or other market conditions over which we have no control, including the severity of winter weather and the price and availability of competing fuels such as natural gas and heating oil. In general, product supply contracts permit suppliers to charge posted prices at the time of delivery or the current prices established at major supply points such as Mont Belvieu, Texas, and Conway, Kansas. In addition, our propane supply from our usual sources may be interrupted due to reasons that are beyond our control. As a result, the cost of acquiring propane from other suppliers might be materially higher at least on a short-term basis. Since we may not be able to pass on to our customers immediately, or in full, all increases in our wholesale cost of propane, these increases could reduce our profitability. We engage in transactions to hedge product costs from time to time in an attempt to reduce cost volatility and to help ensure the availability of propane during periods of short supply. We cannot assure you that future volatility in propane supply costs will not have a material adverse effect on our profitability and cash flow or our available cash required to make distributions to our unitholders.

***Because of the highly competitive nature of the retail propane business, we may not be able to retain existing customers or acquire new customers, which could have an adverse impact on our operating results and financial condition***

The retail propane industry is mature and highly competitive. We expect overall demand for propane to remain relatively constant over the next several years, with year-to-year industry volumes being affected primarily by weather patterns and with competition intensifying during warmer than normal winters.

We compete with other distributors of propane, including a number of large national and regional firms and several thousand small independent firms. Propane also competes with other sources of energy, some of which are less costly for equivalent energy value. For example:

- Electricity competes with propane.
- Natural gas is a significantly less expensive source of energy than propane. As a result, except for some industrial and commercial applications, propane is generally not economically competitive with natural gas in areas where natural gas pipelines already exist. The gradual expansion of the nation's natural gas distribution systems has made natural gas available in many areas that previously depended upon propane.
- Fuel oil competes with propane, but to a lesser extent than natural gas.
- Other alternative energy sources may develop in the future.

As a result of the highly competitive nature of the retail propane business, our growth within the industry depends on our ability to acquire other retail distributors, open new customer service centers, add new customers and retain existing customers. We believe our ability to compete effectively depends on reliability of service, responsiveness to customers and our ability to control expenses in order to maintain competitive retail prices.

***We may not successfully implement our expansion strategy***

Our expansion strategy includes internal growth of our existing propane operations and fostering the growth of related retail and service operations as well as external growth through the acquisition of businesses to complement or supplement our core propane operations or that provide diversity into other energy-related businesses. We may not be able to fully implement this strategy or realize the anticipated results. Implementation of our expansion strategy may also be hindered by factors that are beyond our control, such as operating difficulties, increased operating costs, general economic conditions or increased competition for acquisition opportunities. Any material failure to implement this strategy could have an adverse effect on our business, financial condition and results of operations.

***If we do not make acquisitions on economically acceptable terms, our future growth may be limited***

The retail propane industry is mature, and we foresee only limited growth in total retail demand for propane. Because of long-standing customer relationships that are typical in our industry, the inconvenience of switching tanks and suppliers and propane's higher cost relative to other energy sources, such as natural gas, it may be difficult for us to acquire new retail customers except through acquisitions. As a result, we expect our growth to depend in part upon our ability to acquire other retail propane distributors or other energy-related businesses and to successfully integrate them into our existing operations and to make cost-savi