

Star Gas Partners (SGU)

Price:	\$4.30	Price/Book:	0.96	Net Tang. Asset Yr. 5/Share:	\$1.33
Market Cap:	\$262,386,000	EV/FCF:	12.60	Avg. Year FCF/Share:	\$0.12
Cash:	\$91,230,000	Net Tang. Asset/Share:	\$0.83	Year 5 Disposition FCF Multipl:	3.0
Debt:	\$124,330,000	Avg. Year 1-5 FCF/Share:	\$0.12	Year 5 Disposition Price:	\$1.68
Net Cash:	-\$33,100,000	5 Years of FCF:	\$0.58	Gain Year 5:	\$0.85
Enterprise Value:	\$295,486,000	Net Tang. Asset+5 FCF:	\$1.41		
		Net Tang. Asset+5 FCF+ Gain Disposition:		\$2.26	
Target Market Cap:	\$138,102,072	IRR:		-12.05%	
Target Enterprise Value:	\$171,202,072				

Star Gas Partners is the holding co. with 3 subsidiaries - Star Gas Finance Co, Star Acquisition, and TG&E Service. Star Acquisition owns Petro Holdings, the Opco, which has 3 subsidiaries - Pet. Heat & Power, Meenan Oil, and Champion Energy. The co. services 407,000 residential (96%; 160 gallons/delivery; 4-6 deliveries each year) and commercial customers (4%; 340 gallons/delivery; 4-6 deliveries each year) and is the largest retail heating oil distributor in the U.S., primarily serving the North East/New England region and has a 39,000 customer base for delivery only, or non-store customers. 80% of revenue comes from heating oil/propane sales, 13% from installation of heating related and 7% other petro products. Home heating oil industry is losing customers to natural gas, especially with higher petro prices and lower LPG prices in the States. The oil is used in the boiler, to increase the temperature of the working/living space during the cold winter. Co. included acquisitions as a means to offset the declining industry size, which we view with a dim light. Too much goodwill, acquisition costs and unlikely synergy.

FY ends on Sept 30. 1st Qtr sales accounts for 30% of revenue and 2nd Qtr sales accounts for 50% of revenue. The co. realizes net income in operations during the two mentioned quarters and losses in the 3rd and 4th quarter. 40% of customers are fixed, or ceiling price protected, which means less margin for the co. on a gallon basis. The co. purchases the petroleum products in barge quantity and stores them in 70 third party terminal, reducing distribution costs and storage risk. Home heating oil prices in 2011 were higher than 2010 and 2009, crimping margins.

2,600 employees- 800 equipment technician; 380 drivers; 390 management; 260 sales; 850 clerical. Seems awfully inefficient. Too much clerical and management. Need more sales people. If they are spending \$40 MM in the past 2 years in acquiring new business, essentially a pool of accounts, why not expand the existing sales force? Of course, acquisition is a sure bet to get the number of accounts for the dollar, but the co. should focus on organic growth.

The co. makes about \$0.90/gallon and they sell 355 MM gallons annually, or a 30% gross margin vs. a 7% GM on installation. Derivative loss/gains are minor. Although we are not experts in commodities and petroleum related goods, it seems surprising how strong petroleum prices have held through the recession. So, we anticipate higher petroleum prices in the future as the economy recovers, which can be offset with futures, from an operational standpoint. However, from a big picture standpoint, LPG prices are going down, so if the retail customers switch to a natural gas boilers, then there will be more pricing pressure for the co. to compete and greater pressure to acquire more companies for their pool of accounts. I wonder whether it will be strategically sound to diversify their product base to include LPG boilers.

Cash flow - The co. generates \$40 MM in operating cash flow and most of the income goes toward acquisitions or repaying debt and distributions to the partners. Although the co. is profitable, the EV is too pricey. The co. issued \$125 MM in 8.875% senior notes due on Sept. 2017. Currently a 7x EV/FCF business with only \$56 MM in net tangible assets. To reach the current \$300 MM in EV, need to wait 6 years to recoup the investment, with no distribution to investors and no acquisition. As a partnership structure, the co. only retains an appropriate cash balance to continue business operations and distributes all extra to unitholders. Not sure why the co. issued the \$125 MM in bonds. The bonds are trading near par, so the investors are assuming par recovery and ample liquidity. That is a lot of capital to deploy, unless they need the extra cash, but they only retain \$25MM+operating expenses in the cash balance, per their partnership agreement.

Company Name:	Star Gas Partners
Ticker Symbol:	SGU
Last Price:	\$4.30
Net Cash/Share:	-\$0.54
Net Cash to Last Price:	-12.62%
Shares Outstanding:	61,020,000
Industry:	Oil & Gas Midstream
Sector:	Energy
Institutional Ownership:	#VALUE!
Mutual Fund Ownership:	#VALUE!
Insider Ownership:	#VALUE!
Retail Ownership:	#VALUE!
Float:	#VALUE!

Technicals	
52 week low:	Error
Today from 52 week low:	#VALUE!
52 week high:	Error
Today from 52 week high:	#VALUE!
50 day Moving Average:	Error
200 day Moving Average:	Error

Analyst/Consensus	
Analyst Sales Growth FY1:	N/A
Analyst Sales Growth FY2:	N/A
SN Valuation Estimate FY1:	1.00%
SN Valuation Estimate FY2:	1.00%

Analyst Earnings Estimate FY1:	N/A
Analyst Earnings Estimate FY2:	N/A
SN Valuation Earnings Est. FY1:	\$0.41
SN Valuation Earnings Est. FY2:	\$0.42

Multiples	
Market Value to Book:	0.96
EV to Book:	1.08
Market Value to Tangible Net Assets:	-3.16
P/E Ratio:	53.66
Trailing P/E Ratio:	56.36
Forward P/E Ratio:	N/A
Beta:	Error
Dividend:	0.31
Dividend Yield:	7.14%
Dividend Date:	Aug 6, 2012
Ex-Dividend Date:	Jul 26, 2012

Competitors	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	2.92
Average EV to EBIT:	N/A
Company EV to EBITA:	4.90

Market Capitalization:	\$262,386,000.00
Total Debt:	\$124,330,000.00
Total Cash:	\$91,230,000.00
Net Cash/(Debt):	-\$33,100,000.00
Enterprise Value:	\$295,486,000.00
Current EV/Share:	\$4.84
EBITDA:	\$101,120,000.00
EV/EBITDA Multiple:	2.92
EV/EBITDA Multiple Average Year 1-5:	4.44
EV/FCF Multiple:	12.60
EV/FCF Multiple Average Year 1-5:	10.91

Upper Range
DCF: EV/EBITDA Terminal Value

Implied TV from 3 X EV/EBITDA Multiple	\$200,697,936.34
Enterprise Value	\$200,697,936.34
Cash at Year 5:	\$126,695,776.24
Debt at Year 5:	\$124,330,000.00
Equity Value Year 5:	\$203,063,712.58
Equity/Share at Year 5:	\$3.33
Annualized Return:	-5.00%

Lower Range
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value

Year 5 Net Tangible Assets excluding cash and debt	\$41,340,000.00
Enterprise Value	\$41,340,000.00
Cash at Year 5:	\$126,695,776.24
Debt at Year 5:	\$124,330,000.00
Equity Value Year 5:	\$43,705,776.24
Equity/Share at Year 5:	\$0.72
Annualized Return:	-30.13%

EVA

EVA today:	\$279,412,218.25
EVA in 5 Years:	\$433,602,299.20
EVA/Share:	\$7.11
Cash at Year 5:	\$126,695,776.24
Debt at Year 5:	\$124,330,000.00
Equity Value Year 5:	\$435,968,075.44
Equity/Share at Year 5:	\$7.14
Annualized return	9.19%

Current Net Tangible Asset

Net Tangible Asset/Share:	-\$0.42
Net Tangible Asset/Share in Year 5:	-\$0.73
Annualized return	11.89%

Current Equity Price:	\$4.30
Selling at Discount?	Premium
Appreciation Potential:	-109.72%

Dividend Model

Next Year Dividend	\$14,071,934.63
WACC:	8.81%
Dividend:	\$18,916,200.00
Net Income:	\$4,890,000.00

Income Statement

Revenue:	\$1,480,000,000.00	100.0%
Cost of Goods Sold:	\$1,376,790,000.00	93.0%
Gross Profit:	\$103,210,000.00	7.0%
EBITDA:	\$36,370,000.00	2.5%
Net Income:	\$4,890,000.00	0.3%

Balance Sheet

Cash:	\$91,230,000.00
Short Term Investment:	\$0.00
A/R:	\$115,020,000.00
PP&E:	\$30,000,000.00
Assets:	\$594,800,000.00
A/P:	\$18,570,000.00
Deferred Tax:	\$0.00
Other Liabilities:	\$200,230,000.00
Short term Debt:	\$0.00
Long Term Debt:	\$124,330,000.00
Liabilities:	\$343,130,000.00
Retained Earnings:	\$0.00
Paid-In Capital:	\$299,910,000.00
Treasury Stock:	\$0.00
Stockholder's Equity:	\$272,620,000.00

Cash Flow

Net Income:	24,340,000.00
Depreciation/Amortization:	20,320,000.00
Change in Working capital:	-35,750,000.00
Cash from Operating Activities:	39,400,000.00
Capital Expenditures:	-6,360,000.00
Cash from Investing Activities:	-15,930,000.00
Total Cash Dividends Paid:	-20,680,000.00
Issuance (Retirement) of Stock:	0.00
Issuance (Retirement) of Debt:	41,690,000.00
Cash from Financing Activities:	2,250,000.00

Profitability Margins

Debt to Equity:	45.61%
Return on Assets:	4.09%
Return on Capital:	6.13%
Return on Equity:	8.93%

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	4.18	Non-LBO Forecast	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 3X Multiple Terminal Value:	\$3.33	Market Price:	4.30	Year 1 Target	4.28	Implied Today's Price	1.68
Net Tangible Asset Terminal Value:	\$0.72	LBO Price:	4.30	Year 2 Target	4.25	Overvalued/(Undervalued)	156.14%
EV/EBITDA with Today's Multiple Terminal Value:	\$5.52	Premium to Market Price:	0.00%	Year 3 Target	4.23		
EVA Enterprise Value:	\$7.14	LBO Price/Intrinsic Price Target:	-0.58%	Year 4 Target	4.20		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-2.72%	Year 5 Target	4.18		
Average (Excluding Dividend Discount):	\$4.18	Implied IRR at today's EV/EBITDA:	5.12%	Implied IRR (Market Price):	-0.58%		
		5 Year Return:	-2.85%				

Current Evaluation				Exit Evaluation			
Current Market Price:	4.30	LBO Price:	4.30	Exit Price:	4.18	Exit Price:	5.52
Outstanding Shares:	61,020,000	Outstanding Shares:	61,020,000	Outstanding Shares:	61,020,000	Outstanding Shares:	61,020,000
Market Capitalization:	262,386,000	Market Capitalization:	262,386,000	Market Capitalization:	254,899,975	Market Capitalization:	336,862,337
Available Cash:	91,230,000	Available Cash:	91,230,000	Available Cash:	126,695,776	Available Cash:	126,695,776
Debt:	124,330,000	Debt:	124,330,000	Debt:	124,330,000	Debt:	124,330,000
Net Cash:	-33,100,000	Net Cash:	-33,100,000	Net Cash:	2,365,776	Net Cash:	2,365,776
Enterprise Value:	295,486,000	Enterprise Value:	295,486,000	Enterprise Value:	252,534,199	Enterprise Value:	334,496,561
Original EV/EBITDA:	4.90	EV/EBITDA:	4.90	EV/EBITDA at 5 Years:	5.38	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	2.92	EV/EBITDA:	3.66	EV/EBITDA at 5 Years:	5.22	EV/EBITDA at 5 Years:	4.90
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	4.30	4.30	4.28	4.25	4.23	4.20	4.18
Shares Outstanding:	61,020,000	61,020,000	61,020,000	61,020,000	61,020,000	61,020,000	61,020,000
Market Capitalization:	262,386,000	262,386,000	260,871,410	259,365,563	257,868,408	256,379,896	254,899,975
Available Cash:	91,230,000	91,230,000	97,064,411	103,521,931	110,608,793	118,331,289	126,695,776
Debt:	124,330,000	124,330,000	124,330,000	124,330,000	124,330,000	124,330,000	124,330,000
Net Cash:	-33,100,000	-33,100,000	-27,265,589	-20,808,069	-13,721,207	-5,998,711	2,365,776
Enterprise Value:	295,486,000	295,486,000	288,137,000	280,173,632	271,589,615	262,378,607	252,534,199
EBIT	60,350,000	60,350,000	44,288,924	44,931,813	45,581,131	46,236,943	46,899,312
EV/EBIT:	4.90	4.90	6.51	6.24	5.96	5.67	5.38
EBITDA	80,670,000	80,670,000	64,812,124	65,660,245	66,516,848	67,382,016	68,255,836
EV/EBITDA:	3.66	3.66	4.45	4.27	4.08	3.89	3.70

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	4.30	4.30	3.11	3.26	3.43	3.61	3.80
Shares Outstanding:	61,020,000	61,020,000	61,020,000	61,020,000	61,020,000	61,020,000	61,020,000
Market Capitalization:	262,386,000	262,386,000	189,582,082	199,187,321	209,453,378	220,386,861	231,994,445
Available Cash:	91,230,000	91,230,000	97,064,411	103,521,931	110,608,793	118,331,289	126,695,776
Debt:	124,330,000	124,330,000	124,330,000	124,330,000	124,330,000	124,330,000	124,330,000
Net Cash:	-33,100,000	-33,100,000	-27,265,589	-20,808,069	-13,721,207	-5,998,711	2,365,776
Enterprise Value:	295,486,000	295,486,000	216,847,672	219,995,390	223,174,585	226,385,572	229,628,668
EBIT	60,350,000	60,350,000	44,288,924	44,931,813	45,581,131	46,236,943	46,899,312
EV/EBIT:	4.90	4.90	4.90	4.90	4.90	4.90	4.90
EBITDA	80,670,000	80,670,000	64,812,124	65,660,245	66,516,848	67,382,016	68,255,836
EV/EBITDA:	3.66	3.66	3.35	3.35	3.36	3.36	3.36

LBO Price	4.30	Equity Partners:	386,646,000	Weighting	100.00%	Annualized Return for Equity Partners:	-2.72%
Shares Outstanding	61,020,000	Debt Partners:	0		0.00%		
Market Capitalization	262,386,000	Total Funds for LBO:	386,646,000		100.00%		
Debt	124,260,000						
Cash	91,230,000						
Enterprise Value	295,416,000						
Capital Investment	386,646,000						

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	272.62	Beginning Enterprise Value	295.49	Current Market Price	\$4.30	Starting Debt	124.33
Year 5 Book Value	303.40	Year 5 Enterprise Value	334.50	Year 5 Market Price	\$5.52	Debt Repayment	0.00
Annualized Return	2.16%	Annualized Return	2.51%	Annualized Return	5.12%	Year 5 Ending Debt	124.33
						% of Starting Debt	100.00%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Star Gas Partners

Ticker:

SGU

	Historical				Forecasted				
	12 months ending 2008-09-30	12 months ending 2009-09-30	12 months ending 2010-09-30	12 months ending 2011-09-30	2013	2014	2015	2016	2017
Revenue	1,543.09	1,206.81	1,212.78	1,591.31	1,607.22	1,623.30	1,639.53	1,655.92	1,672.48
COGS	1,257.59	875.75	904.05	1,237.34	1,253.63	1,266.17	1,278.83	1,291.62	1,304.54
Gross margin	285.50	331.06	308.73	353.97	353.59	357.12	360.70	364.30	367.95
SG&A	229.94	245.22	240.02	271.47	289.30	292.19	295.12	298.07	301.05
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	-9.71	1.13	1.70	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS	52.25	5.72	10.13	20.45	20.00	20.00	20.00	20.00	20.00
Operating Income (EBITA)	3.31	89.83	57.45	60.35	44.29	44.93	45.58	46.24	46.90
Interest income/(expense)	-16.15	-13.39	-13.50	-13.28	-5.35	-5.35	-5.35	-5.35	-5.35
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	-12.84	73.44	43.95	47.07	38.94	39.58	40.23	40.89	41.55
Tax	0.57	-57.60	15.63	22.73	13.63	13.95	14.08	14.31	14.54
Income after tax	-13.41	131.04	28.32	24.34	25.31	25.73	26.15	26.58	27.01
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	-13.41	131.04	28.32	24.34	25.31	25.73	26.15	26.58	27.01
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.22	\$2.15	\$0.46	\$0.40	\$0.41	\$0.42	\$0.43	\$0.44	\$0.44
P/E (historical today's price; forecasted intrinsic price)	-19.57	2.00	9.27	10.78	10.31	10.08	9.86	9.65	9.44
Revenue Growth	N/A	-21.79%	0.49%	31.21%	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Rate	-4.44%	-78.43%	35.56%	48.29%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-9.29%	-12.31%	-16.31%	-10.69%	-4.30%	-4.30%	-4.30%	-4.30%	-4.30%
Margins									
COGS	81.50%	72.57%	74.54%	77.76%	78.00%	78.00%	78.00%	78.00%	78.00%
Gross margin	18.50%	27.43%	25.46%	22.24%	22.00%	22.00%	22.00%	22.00%	22.00%
SG&A	14.90%	20.32%	19.79%	17.06%	18.00%	18.00%	18.00%	18.00%	18.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	-0.80%	0.09%	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	3.39%	0.47%	0.84%	1.29%	1.24%	1.23%	1.22%	1.21%	1.20%
Operating Income (EBITA)	0.21%	7.44%	4.74%	3.79%	2.76%	2.77%	2.78%	2.79%	2.80%
Interest income/(expense)	-1.05%	-1.36%	-1.11%	-0.83%	-0.33%	-0.33%	-0.33%	-0.32%	-0.32%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-0.83%	6.09%	3.62%	2.96%	2.42%	2.44%	2.45%	2.47%	2.48%
Tax	0.04%	-4.77%	1.29%	1.43%	0.85%	0.85%	0.86%	0.86%	0.87%
Income after tax	-0.87%	10.86%	2.34%	1.53%	1.57%	1.60%	1.63%	1.65%	1.68%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	-0.87%	10.86%	2.34%	1.53%	1.57%	1.58%	1.60%	1.60%	1.61%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2008-09-30	As of 2009-09-30	As of 2010-09-30	As of 2011-09-30	As of 2012-06-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	178.81	195.16	61.06	86.79	91.23			91.23	97.06	103.52	110.61	118.33	126.70
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	178.81	195.16	61.06	86.79	91.23			91.23	97.06	103.52	110.61	118.33	126.70
Accounts Receivable	95.69	58.85	70.44	92.97	115.02			115.02	115.02	115.02	115.02	115.02	115.02
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	95.69	58.85	70.44	92.97	115.02			115.02	115.02	115.02	115.02	115.02	115.02
Total Inventory	44.76	62.64	66.73	80.54	36.67			36.67	36.67	36.67	36.67	36.67	36.67
Prepaid Expenses	17.59	15.44	21.22	22.30	18.37			18.37	18.37	18.37	18.37	18.37	18.37
Other Current Assets	7.45	44.81	27.41	16.83	7.45			7.45	7.45	7.45	7.45	7.45	7.45
Current Assets	344.30	376.90	246.86	299.43	268.74	0.00	0.00	268.74	274.57	281.03	288.12	295.84	304.21
PP&E, Gross	130.92	135.27	146.49	150.00	150.00			150.00	160.00	170.00	180.00	190.00	200.00
Change in Depreciation		22.16	18.43	20.32	20.32			20.32	20.52	20.73	20.94	21.15	21.36
Accumulated Depreciation	92.09	97.78	101.78	120.00	120.00			120.00	140.52	161.25	182.19	203.33	224.69
PP&E, Net	38.83	37.49	44.71	30.00	30.00			30.00	19.48	8.75	-2.19	-13.33	-24.69
Goodwill	182.01	182.94	199.05	199.30	201.09	0.00		201.09	201.09	201.09	201.09	201.09	201.09
Intangibles	30.86	20.47	58.89	52.35	76.09			76.09	86.09	96.09	106.09	116.09	126.09
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	8.80	45.82	32.40	27.94	18.88			18.88	18.88	18.88	18.88	18.88	18.88
Long Term Assets	260.50	286.72	335.05	309.59	326.06			326.06	325.54	324.81	323.87	322.73	321.37
Total Assets	604.80	663.62	581.91	609.02	594.80	0.00	0.00	594.80	600.11	605.84	611.99	618.57	625.58
Accounts Payable	16.89	17.10	16.63	18.57	18.57			18.57	18.57	18.57	18.57	18.57	18.57
Accrued Expense	64.67	64.45	68.85	76.43	76.43			76.43	76.43	76.43	76.43	76.43	76.43
Other current Liabilities	131.68	111.94	110.46	111.44	105.53			105.53	105.53	105.53	105.53	105.53	105.53
Total Current Liabilities	213.24	193.49	195.94	206.44	200.53	0.00	0.00	200.53	200.53	200.53	200.53	200.53	200.53
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	173.75	133.11	82.77	124.26	124.33	0.00	0.00	124.33	124.33	124.33	124.33	124.33	124.33
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	173.75	133.11	82.77	124.26	124.33	0.00	0.00	124.33	124.33	124.33	124.33	124.33	124.33
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	18.47	31.19	23.89	22.80	18.27			18.27	18.27	18.27	18.27	18.27	18.27
Total Liabilities	405.46	357.79	302.60	353.50	343.13	0.00	0.00	343.13	343.13	343.13	343.13	343.13	343.13
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	-0.19	0.31	0.29	0.19	0.18			0.18	0.18	0.18	0.18	0.18	0.18
Common Stock	219.54	332.34	307.09	299.91	299.91		0.00	299.91	299.91	299.91	299.91	299.91	299.91
Additional Paid-in capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	-20.00	-40.00	-60.00	-80.00	-100.00
Retained Earnings	0.00	0.00	0.00	0.00	0.00		0.00	0.00	25.31	51.04	77.19	103.77	130.78
Treasury Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-19.38	-26.32	-27.47	-27.47	-27.47		0.00	-27.47	-27.47	-27.47	-27.47	-27.47	-27.47
Total Equity	199.97	306.33	279.91	272.63	272.62	0.00	0.00	272.62	277.93	283.66	289.81	296.39	303.40
Liability + Equity	605.43	664.12	582.51	626.13	615.75	0.00	0.00	615.75	621.06	626.79	632.94	639.52	646.53
Variance	-0.63	-0.50	-0.60	-17.11	-20.95			-20.95	-20.95	-20.95	-20.95	-20.95	-20.95
Debt/Equity	0.87	0.43	0.30	0.46	0.46			0.46	0.45	0.44	0.43	0.42	0.41
Inventory Turnover	34.47	19.27	18.17	19.76	43.83			43.40	43.83	44.27	44.71	45.16	45.61
Inventory Turnover Days	10.59	18.95	20.08	18.47	8.33			8.41	8.33	8.25	8.16	8.08	8.00
Days Inventory Outstanding	12.99	26.11	26.94	23.76	10.68			10.82	10.68	10.57	10.47	10.36	10.26
Accounts Receivable Turnover	16.13	20.51	17.22	17.12	13.97			13.84	13.97	14.11	14.25	14.40	14.54
Accounts Receivable Turnover Days	22.63	17.80	21.20	21.32	26.12			26.38	26.12	25.86	25.61	25.35	25.10
Days Payable Outstanding	4.90	7.13	6.71	5.48	5.41			5.48	5.41	5.35	5.30	5.25	5.20
Days Sales Outstanding	22.63	17.80	21.20	21.32	26.12			21.32	26.38	26.12	25.86	25.61	25.35
Cash Conversion Cycle	30.72	36.78	41.43	39.60	31.39			26.66	31.65	31.34	31.03	30.72	30.42
Net tangible assets/share	\$0.28	\$2.01	\$1.32	\$0.92	\$0.83			\$0.92	\$1.01	\$1.11	\$1.22	\$1.22	\$1.33

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-09-30	12 months ending 2009-09-30	12 months ending 2010-09-30	12 months ending 2011-09-30	2011	2012	2013	2014	2015
Net Income	-13.41	131.04	28.32	24.34	25.31	25.73	26.15	26.58	27.01
Depreciation	29.12	22.16	18.43	20.32	20.52	20.73	20.94	21.15	21.36
Net Income + Depreciation	15.71	153.20	46.75	44.66	45.83	46.46	47.09	47.72	48.36
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.00	-61.35	13.33	15.83	0.00	0.00	0.00	0.00	0.00
Non Cash Items	37.43	-13.09	0.79	14.65	0.00	0.00	0.00	0.00	0.00
Change in Working capital	18.41	-0.30	-16.44	-35.75	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	36.64	-11.59	-22.53	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-17.88	-4.09	-13.81	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	2.15	-5.78	-1.08	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.21	-0.47	1.94	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	71.55	78.46	44.43	39.39	45.83	46.46	47.09	47.72	48.36
Capital Expenditures Expenditures	-4.14	-4.33	-5.57	-6.36	-10.00	-10.00	-10.00	-10.00	-10.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-1.34	-3.23	-68.39	-9.57	-10.00	-10.00	-10.00	-10.00	-10.00
Cash from Investing Activities	-5.48	-7.56	-73.96	-15.93	-20.00	-20.00	-20.00	-20.00	-20.00
Financing Cash flow items	-0.14	-8.89	-33.36	-18.76	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	-15.41	-20.35	-20.68	20.00	20.00	20.00	20.00	20.00
Issuance (Retirement) of Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	0.00	-30.23	-50.85	41.69	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-0.14	-54.53	-104.56	2.25	-20.00	-20.00	-20.00	-20.00	-20.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	112.89	178.81	195.16	61.06	91.23	97.06	103.52	110.61	118.33
Net Change in Cash	65.92	16.35	-134.10	25.73	5.83	6.46	7.09	7.72	8.36
Ending Cash Balance	178.81	195.16	61.06	86.79	97.06	103.52	110.61	118.33	126.70
Capex to Revenue	0.27%	0.36%	0.46%	0.40%	0.62%	0.62%	0.61%	0.60%	0.60%
Depreciation to Sales	1.89%	1.84%	1.52%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	6.20%	4.88%	5.81%	5.84%	5.78%	5.73%	5.67%	5.61%	5.56%
Distributable FCF Yield	22.36%	23.99%	-9.99%	7.94%	8.74%	8.95%	9.17%	9.38%	9.60%
Dividend Yield	0.00%	-5.87%	-7.76%	-7.88%	7.62%	7.62%	7.62%	7.62%	7.62%
FCF (Ops-Investing-Dividends)	66.07	86.31	-9.18	44.14	5.83	6.46	7.09	7.72	8.36

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	25.73	5.83	6.46	7.09	7.72	8.36
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	124.33	124.33	124.33	124.33	124.33	124.33
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	124.33	124.33	124.33	124.33	124.33	124.33
Forward Libor Curve		1.00%	1.00%	1.00%	1.00%	1.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Expense		6.22	6.22	6.22	6.22	6.22
Cash Balance		86.79				
Interest @ 1.0%		0.87	0.87	0.87	0.87	0.87
Net Interest Expense/(Income)		5.35	5.35	5.35	5.35	5.35
Net Interest Rate		4.30%	4.30%	4.30%	4.30%	4.30%
EBITDA		44.29	44.93	45.58	46.24	46.90
EBITDA/Interest Expense Coverage		7.12	7.23	7.33	7.44	7.54

Interest Rate Coverage Table

Debt Rating					
AAA					
AA					
A+					A+
A	A	A	A	A	
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Star Gas Partners

Ticker:

SGU

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	131.06	183.41	50.92	68.21	74.04	80.50	87.59	95.31	103.68
Total Assets	604.80	663.62	581.91	594.80	600.11	605.84	611.99	618.57	625.58
X1	0.22	0.28	0.09	0.11	0.12	0.13	0.14	0.15	0.17
Retained Earnings	0.00	0.00	0.00	0.00	25.31	51.04	77.19	103.77	130.78
Total Assets	604.80	663.62	581.91	594.80	600.11	605.84	611.99	618.57	625.58
X2	0.00	0.00	0.00	0.00	0.04	0.08	0.13	0.17	0.21
EBITDA	55.56	95.55	67.58	80.80	64.29	64.93	65.58	66.24	66.90
Total Assets	604.80	663.62	581.91	594.80	600.11	605.84	611.99	618.57	625.58
X3	0.09	0.14	0.12	0.14	0.11	0.11	0.11	0.11	0.11
Market Value of Equity	262.39	262.39	262.39	262.39	260.87	259.37	257.87	256.38	254.90
Total Liabilities	405.46	357.79	302.60	343.13	343.13	343.13	343.13	343.13	343.13
X4	0.65	0.73	0.87	0.76	0.76	0.76	0.75	0.75	0.74
Net Sales	1,543.09	1,206.81	1,212.78	1,591.31	1,607.22	1,623.30	1,639.53	1,655.92	1,672.48
Total Assets	604.80	663.62	581.91	594.80	600.11	605.84	611.99	618.57	625.58
X5	2.55	1.82	2.08	2.68	2.68	2.68	2.68	2.68	2.67
Altman Z Score	3.50	3.07	3.09	3.72	3.70	3.76	3.83	3.90	3.96

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red