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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended: **September 30, 2021**
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: **001-35653**

SUNOCO LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

30-0740483

(I.R.S. Employer Identification Number)

8111 Westchester Drive, Suite 400, Dallas, Texas 75225

(Address of principal executive offices, including zip code)

(214) 981-0700

(Registrant's telephone number, including area code)

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	SUN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging Growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes No

The registrant had 83,352,123 common units representing limited partner interests and 16,410,780 Class C units representing limited partner interests outstanding at October 29, 2021.

SUNOCO LP
FORM 10-Q
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SUNOCO LP
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)
(unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 88	\$ 97
Accounts receivable, net	540	295
Receivables from affiliates	9	11
Inventories, net	493	382
Other current assets	126	62
Total current assets	1,256	847
Property and equipment	2,275	2,231
Accumulated depreciation	(888)	(806)
Property and equipment, net	1,387	1,425
Other assets:		
Finance lease right-of-use assets, net	9	3
Operating lease right-of-use assets, net	515	536
Goodwill	1,568	1,564
Intangible assets	894	894
Accumulated amortization	(349)	(306)
Intangible assets, net	545	588
Other noncurrent assets	172	168
Investment in unconsolidated affiliate	133	136
Total assets	\$ 5,585	\$ 5,267
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 611	\$ 267
Accounts payable to affiliates	63	79
Accrued expenses and other current liabilities	306	282
Operating lease current liabilities	19	19
Current maturities of long-term debt	6	6
Total current liabilities	1,005	653
Operating lease noncurrent liabilities	519	538
Revolving line of credit	250	—
Long-term debt, net	2,672	3,106
Advances from affiliates	127	125
Deferred tax liability	108	104
Other noncurrent liabilities	104	109
Total liabilities	4,785	4,635
Commitments and contingencies (Note 10)		
Equity:		
Limited partners:		
Common unitholders (83,352,123 units issued and outstanding as of September 30, 2021 and 83,333,631 units issued and outstanding as of December 31, 2020)	800	632
Class C unitholders - held by subsidiaries (16,410,780 units issued and outstanding as of September 30, 2021 and December 31, 2020)	—	—
Total equity	800	632
Total liabilities and equity	\$ 5,585	\$ 5,267

The accompanying notes are an integral part of these consolidated financial statements.

SUNOCO LP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Dollars in millions, except per unit data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
Motor fuel sales	\$ 4,666	\$ 2,711	\$ 12,321	\$ 7,869
Non motor fuel sales	79	60	218	185
Lease income	34	34	103	103
Total revenues	4,779	2,805	12,642	8,157
Cost of sales and operating expenses:				
Cost of sales	4,472	2,497	11,631	7,383
General and administrative	28	28	79	87
Other operating	70	68	192	219
Lease expense	15	16	44	46
(Gain) loss on disposal of assets	(4)	(1)	(12)	7
Depreciation, amortization and accretion	45	50	135	142
Total cost of sales and operating expenses	4,626	2,658	12,069	7,884
Operating income	153	147	573	273
Other income (expense):				
Interest expense, net	(40)	(43)	(124)	(131)
Equity in earnings of unconsolidated affiliate	1	1	3	3
Loss on extinguishment of debt	—	—	(7)	—
Income before income taxes	114	105	445	145
Income tax expense	10	5	21	16
Net income and comprehensive income	\$ 104	\$ 100	\$ 424	\$ 129
Net income per common unit:				
Basic	\$ 1.01	\$ 0.97	\$ 4.38	\$ 0.85
Diluted	\$ 1.00	\$ 0.96	\$ 4.33	\$ 0.84
Weighted average common units outstanding:				
Basic	83,352,123	83,056,365	83,348,540	83,033,556
Diluted	84,549,277	83,770,034	84,364,321	83,668,835
Cash distributions per unit	\$ 0.8255	\$ 0.8255	\$ 2.4765	\$ 2.4765

The accompanying notes are an integral part of these consolidated financial statements.

SUNOCO LP
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars in millions)
(unaudited)

Balance at December 31, 2020	\$	632
Cash distribution to unitholders		(88)
Unit-based compensation		4
Other		(4)
Net income		154
Balance at March 31, 2021		698
Cash distribution to unitholders		(88)
Unit-based compensation		3
Net income		166
Balance at June 30, 2021		779
Cash distribution to unitholders		(88)
Unit-based compensation		5
Net income		104
Balance at September 30, 2021	\$	800
Balance at December 31, 2019	\$	758
Cash distribution to unitholders		(88)
Unit-based compensation		4
Net loss		(128)
Balance at March 31, 2020		546
Cash distribution to unitholders		(88)
Unit-based compensation		3
Net income		157
Balance at June 30, 2020		618
Cash distribution to unitholders		(88)
Unit-based compensation		4
Other		1
Net income		100
Balance at September 30, 2020	\$	635

The accompanying notes are an integral part of these consolidated financial statements.

SUNOCO LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 424	\$ 129
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	135	142
Amortization of deferred financing fees	6	5
(Gain) loss on disposal of assets	(12)	7
Loss on extinguishment of debt	7	—
Non-cash unit-based compensation expense	12	11
Deferred income tax	3	(3)
Inventory valuation adjustment	(168)	126
Equity in earnings of unconsolidated affiliate	(3)	(3)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(245)	147
Receivables from affiliates	2	6
Inventories, net	57	(34)
Other assets	(79)	22
Accounts payable	379	(150)
Accounts payable to affiliates	(16)	62
Accrued expenses and other current liabilities	24	6
Other noncurrent liabilities	(14)	(11)
Net cash provided by operating activities	<u>512</u>	<u>462</u>
Cash flows from investing activities:		
Capital expenditures	(92)	(80)
Contributions to unconsolidated affiliate	—	(8)
Distributions from unconsolidated affiliate in excess of cumulative earnings	6	9
Cash paid for acquisition	(6)	—
Proceeds from disposal of property and equipment	27	6
Net cash used in investing activities	<u>(65)</u>	<u>(73)</u>
Cash flows from financing activities:		
Payments on long-term debt	(442)	(8)
Revolver borrowings	878	952
Revolver repayments	(628)	(1,027)
Distributions to unitholders	(264)	(264)
Net cash used in financing activities	<u>(456)</u>	<u>(347)</u>
Net increase (decrease) in cash and cash equivalents	(9)	42
Cash and cash equivalents at beginning of period	97	21
Cash and cash equivalents at end of period	<u>\$ 88</u>	<u>\$ 63</u>
Supplemental disclosure of non-cash investing activities:		
Change in note payable to affiliate	\$ 5	\$ 8

The accompanying notes are an integral part of these consolidated financial statements.

SUNOCO LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization and Principles of Consolidation

As used in this document, the terms “Partnership,” “SUN,” “we,” “us,” and “our” should be understood to refer to Sunoco LP and our consolidated subsidiaries, unless the context clearly indicates otherwise.

We are a Delaware master limited partnership. We are managed by our general partner, Sunoco GP LLC (“General Partner”), which is owned by Energy Transfer LP (“ET”). Prior to April 1, 2021, Energy Transfer Operating, L.P. (“ETO”) owned our General Partner. On April 1, 2021, ETO merged into ET with ET surviving the merger. As of September 30, 2021, ET and its subsidiaries owned 100% of the membership interests in our General Partner, all of our incentive distribution rights (“IDRs”) and approximately 34.1% of our common units, which constitutes a 28.5% limited partner interest in us.

The consolidated financial statements are composed of Sunoco LP, a publicly traded Delaware limited partnership, and our wholly-owned subsidiaries.

Our primary operations are conducted by the following consolidated subsidiaries:

- Sunoco, LLC (“Sunoco LLC”), a Delaware limited liability company, primarily distributes motor fuel in 30 states throughout the East Coast, Midwest, South Central and Southeast regions of the United States. Sunoco LLC also processes transmix and distributes refined product through its terminals in Alabama, Texas, Arkansas, Maryland and New York.
- Sunoco Retail LLC (“Sunoco Retail”), a Pennsylvania limited liability company, owns and operates retail stores that sell motor fuel and merchandise primarily in New Jersey. Sunoco Retail also leases owned sites to commission agents who sell motor fuels to the motoring public on Sunoco Retail's behalf for a commission.
- Aloha Petroleum LLC (“Aloha LLC”), a Delaware limited liability company, distributes motor fuel and operates terminal facilities on the Hawaiian Islands.
- Aloha Petroleum, Ltd. (“Aloha”), a Hawaii corporation, owns and operates retail stores on the Hawaiian Islands.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain items have been reclassified for presentation purposes to conform to the accounting policies of the consolidated entity. These reclassifications had no material impact on operating income, net income and comprehensive income, the balance sheets or statements of cash flows.

2. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). Pursuant to Regulation S-X, certain information and disclosures normally included in the annual financial statements have been condensed or omitted. The interim consolidated financial statements and notes included herein should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission (“SEC”) on February 19, 2021.

Significant Accounting Policies

As of September 30, 2021, there have been no changes in the Partnership's significant accounting policies from those described in the Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 19, 2021.

Motor Fuel and Sales Taxes

For bulk sales, certain motor fuel and sales taxes are collected from customers and remitted to governmental agencies either directly by the Partnership or through suppliers. The Partnership's accounting policy for direct sales to dealer and commercial customers is to exclude the collected motor fuel tax from sales and cost of sales.

For other locations where the Partnership holds inventory, including commission agent arrangements and Partnership-operated retail locations, motor fuel sales and motor fuel cost of sales include motor fuel taxes. Such amounts were \$88 million and \$82 million for the three months ended September 30, 2021 and 2020, respectively, and \$252 million and \$226 million for the nine months ended September 30, 2021 and 2020, respectively. Merchandise sales and cost of merchandise sales are reported net of sales tax in the accompanying consolidated statements of operations and comprehensive income.

3. Accounts Receivable, net

Accounts receivable, net, consisted of the following:

	September 30, 2021	December 31, 2020
	<i>(in millions)</i>	
Accounts receivable, trade	\$ 436	\$ 239
Credit card receivables	39	24
Vendor receivables for rebates and branding	33	26
Other receivables	34	13
Allowance for expected credit losses	(2)	(7)
Accounts receivable, net	<u>\$ 540</u>	<u>\$ 295</u>

4. Inventories, net

Due to changes in fuel prices, we recorded an inventory adjustment on the value of fuel inventory of \$168 million for the nine months ended September 30, 2021.

Fuel inventories are stated at the lower of cost or market using the last-in-first-out (“LIFO”) method. As of September 30, 2021 and December 31, 2020, the carrying value of the Partnership’s fuel inventory included lower of cost or market reserves of \$143 million and \$311 million, respectively, and the inventory carrying value equaled or exceeded its replacement cost. For the three and nine months ended September 30, 2021 and 2020, the Partnership’s consolidated statements of operations and comprehensive income did not include any material amounts of income from the liquidation of LIFO fuel inventory.

Inventories, net, consisted of the following:

	September 30, 2021	December 31, 2020
	<i>(in millions)</i>	
Fuel	\$ 485	\$ 374
Other	8	8
Inventories, net	<u>\$ 493</u>	<u>\$ 382</u>

5. Accrued Expenses and Other Current Liabilities

Current accrued expenses and other current liabilities consisted of the following:

	September 30, 2021	December 31, 2020
	<i>(in millions)</i>	
Wage and other employee-related accrued expenses	\$ 23	\$ 23
Accrued tax expense	146	135
Accrued insurance	22	24
Accrued interest expense	41	49
Dealer deposits	21	22
Accrued environmental expense	6	4
Other	47	25
Total	<u>\$ 306</u>	<u>\$ 282</u>

6. Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2021	December 31, 2020
	<i>(in millions)</i>	
Sale leaseback financing obligation	\$ 92	\$ 97
2018 Revolver	250	—
4.875% Senior Notes Due 2023 (1)	—	436
5.500% Senior Notes Due 2026 (2)	800	800
6.000% Senior Notes Due 2027	600	600
5.875% Senior Notes Due 2028 (2)	400	400
4.500% Senior Notes Due 2029 (3)	800	800
Finance leases	9	6
Total debt	2,951	3,139
Less: current maturities	6	6
Less: debt issuance costs	23	27
Long-term debt, net	\$ 2,922	\$ 3,106

(1) On January 15, 2021, we used proceeds from borrowings on our 2018 Revolver (described below) to repurchase the remaining \$436 million outstanding principal amount of our 4.875% senior notes due 2023.

(2) In connection with the merger of ETO into ET on April 1, 2021, as discussed in Note 1, the guarantees of the Partnership's senior notes due 2026 and 2028 have been assumed by ET. On October 20, 2021, the Partnership completed a private offering of \$800 million in aggregate principal amount of 4.500% senior notes due 2030. The Partnership used the proceeds from the private offering to fund a tender offer and repurchase all of the 2026 senior notes. In connection with our issuance of the 2030 Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2030 Notes for an issue of registered notes with terms substantively identical to the 2030 Notes and evidencing the same indebtedness as the 2030 Notes on or before October 20, 2022.

(3) In connection with our issuance of the 2029 Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2029 Notes for an issue of registered notes with terms substantively identical to the 2029 Notes and evidencing the same indebtedness as the 2029 Notes on or before November 9, 2021. The exchange offer was completed on July 6, 2021.

Revolving Credit Agreement

The Partnership is party to an Amended and Restated Credit Agreement among the Partnership, as borrower, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, swingline lender and a line of credit issuer (the "2018 Revolver"). As of September 30, 2021, the balance on the 2018 Revolver was \$250 million, and \$6 million in standby letters of credit were outstanding. The unused availability on the 2018 Revolver at September 30, 2021 was \$1.2 billion. The weighted average interest rate on the total amount outstanding at September 30, 2021 was 2.09%. The Partnership was in compliance with all financial covenants at September 30, 2021.

Fair Value of Debt

The estimated fair value of debt is calculated using Level 2 inputs. The estimated fair value of debt as of September 30, 2021 was approximately \$3.0 billion, based on outstanding balances as of the end of the period using current interest rates for similar securities.

7. Other Noncurrent Liabilities

Other noncurrent liabilities consisted of the following:

	September 30, 2021	December 31, 2020
	<i>(in millions)</i>	
Reserve for underground storage tank removal	\$ 77	\$ 75
Accrued environmental expense, long-term	12	16
Other	15	18
Total	<u>\$ 104</u>	<u>\$ 109</u>

8. Related-Party Transactions

We are party to fee-based commercial agreements with various affiliates of ET for pipeline, terminalling and storage services. We also have agreements with subsidiaries of ET for the purchase and sale of fuel.

On July 1, 2019, we entered into a 50% owned joint venture on the J.C. Nolan diesel fuel pipeline to West Texas. ET operates the J.C. Nolan pipeline for the joint venture, which transports diesel fuel from Hebert, Texas to a terminal in the Midland, Texas area. The carrying value of our investment in this unconsolidated joint venture was \$133 million and \$136 million as of September 30, 2021 and December 31, 2020, respectively. In addition, we recorded income on the unconsolidated joint venture of \$1 million and \$1 million for the three months ended September 30, 2021 and 2020, respectively, and \$3 million and \$3 million for the nine months ended September 30, 2021 and 2020, respectively.

Summary of Transactions

Related party transactions with affiliates for the three and nine months ended September 30, 2021 and 2020 were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Motor fuel sales to affiliates	\$ 7	\$ 4	\$ 16	\$ 53
Bulk fuel purchases from affiliates	\$ 461	\$ 222	\$ 1,213	\$ 661

Significant affiliate balances and activity related to the consolidated balance sheets are as follows:

- Net advances from affiliates were \$127 million and \$125 million as of September 30, 2021 and December 31, 2020, respectively. Advances from affiliates are primarily related to the treasury services agreements between Sunoco LLC and Energy Transfer (R&M), LLC and between Sunoco Retail and Energy Transfer (R&M), LLC, which are in place for purposes of cash management and transactions related to the diesel fuel pipeline joint venture with ET.
- Net accounts receivable from affiliates were \$9 million and \$11 million as of September 30, 2021 and December 31, 2020, respectively, which are primarily related to motor fuel sales to affiliates.
- Net accounts payable to affiliates were \$63 million and \$79 million as of September 30, 2021 and December 31, 2020, respectively, which are related to operational expenses and bulk fuel purchases.

9. Revenue

Disaggregation of Revenue

We operate our business in two primary segments, Fuel Distribution and Marketing and All Other. We disaggregate revenue within the segments by channels.

The following table depicts the disaggregation of revenue by channel within each segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>(in millions)</i>				
Fuel Distribution and Marketing Segment				
Distributor	\$ 2,328	\$ 1,316	\$ 6,066	\$ 3,428
Dealer	983	586	2,565	1,621
Unbranded wholesale	804	426	2,216	1,569
Commission agent	384	272	1,043	951
Non motor fuel sales	21	14	51	45
Lease income	33	30	98	89
Total	4,553	2,644	12,039	7,703
All Other Segment				
Motor fuel				
	167	111	431	300
Non motor fuel sales	58	46	167	140
Lease income	1	4	5	14
Total	226	161	603	454
Total revenue	\$ 4,779	\$ 2,805	\$ 12,642	\$ 8,157

Contract Balances with Customers

The balances of receivables from contracts with customers listed in the table below include both current trade receivables and long-term receivables, net of allowance for expected credit losses. The allowance for expected credit losses represents our best estimate of the probable losses associated with potential customer defaults. We estimate the expected credit losses based on historical write-off experience by industry and current expectations of future credit losses.

The balances of the Partnership's contract assets and contract liabilities as of September 30, 2021 and December 31, 2020 were as follows:

	September 30, 2021		December 31, 2020	
	<i>(in millions)</i>			
Contract balances				
Contract asset	\$	148	\$	121
Accounts receivable from contracts with customers	\$	473	\$	256
Contract liability	\$	—	\$	—

Costs to Obtain or Fulfill a Contract

The Partnership recognizes an asset from the costs incurred to obtain a contract (e.g. sales commissions) only if it expects to recover those costs. On the other hand, the costs to fulfill a contract are capitalized if the costs are specifically identifiable to a contract, would result in enhancing resources that will be used in satisfying performance obligations in the future, and are expected to be recovered. These capitalized costs are recorded as a part of other current assets and other non-current assets and are amortized as a reduction of revenue on a systematic basis consistent with the pattern of transfer of the goods or services to which such costs relate. The amount of amortization on these capitalized costs that the Partnership recognized was \$6 million and \$15 million for the three and nine months ended September 30, 2021, respectively, and \$4 million and \$14 million for the three and nine months ended September 30, 2020, respectively. The Partnership has also made a policy election of expensing the costs to obtain a contract, as and when they are incurred, in cases where the expected amortization period is one year or less.

10. Commitments and Contingencies

Litigation

We have at various points and may in the future become involved in various legal proceedings arising out of our operations in the normal course of business. These proceedings would be subject to the uncertainties inherent in any litigation, and we regularly assess the need for accounting recognition or disclosure of these contingencies. We would expect to defend ourselves vigorously in all such matters. Based on currently available information, we believe it is unlikely that the outcome of known matters would have a material adverse impact on our financial condition, results of operations or cash flows.

Lessee Accounting

The Partnership leases retail stores, other property, and equipment under non-cancellable operating leases whose initial terms are typically 5 to 15 years, with some having a term of 40 years or more, along with options that permit renewals for additional periods. At the inception of each, we determine if the arrangement is a lease or contains an embedded lease and review the facts and circumstances of the arrangement to classify leased assets as operating or finance. The Partnership has elected not to record any leases with terms of 12 months or less on the balance sheet.

At this time, the majority of active leases within our portfolio are classified as operating leases. Operating leases are included in lease right-of-use (“ROU”) assets, operating lease current liabilities, and operating lease noncurrent liabilities in our consolidated balance sheets. Finance leases represent a small portion of the active lease agreements and are included in ROU assets and long-term debt in our consolidated balance sheets. The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make minimum lease payments arising from the lease for the duration of the lease term.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 20 years or greater. The exercise of lease renewal options is typically at our discretion. Additionally, many leases contain early termination clauses; however, early termination typically requires the agreement of both parties to the lease. At lease inception, all renewal options reasonably certain to be exercised are considered when determining the lease term. At this time, the Partnership does not have leases that include options to purchase or automatic transfer of ownership of the leased property to the Partnership. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term.

To determine the present value of future minimum lease payments, we use the implicit rate when readily determinable. At this time, many of our leases do not provide an implicit rate; therefore, to determine the present value of minimum lease payments we use our incremental borrowing rate based on the information available at lease commencement date. The ROU assets also include any lease payments made on or before the commencement date and exclude lease incentives.

Minimum rent payments are expensed on a straight-line basis over the term of the lease. In addition, some leases may require additional contingent or variable lease payments based on factors specific to the individual agreement. Variable lease payments we are typically responsible for include payment of real estate taxes, maintenance expenses and insurance.

The details of the Partnership's operating and finance lease liabilities are as follows:

<u>Lease Term and Discount Rate</u>	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
Weighted-average remaining lease term (years)		
Operating leases	22	24
Finance leases	29	9
Weighted-average discount rate (%)		
Operating leases	6 %	6 %
Finance leases	4 %	8 %

Other information	Nine Months Ended September 30,			
	2021		2020	
	<i>(in millions)</i>			
Cash paid for amount included in the measurement of lease liabilities				
Operating cash flows from operating leases	\$	(37)	\$	(39)
Operating cash flows from finance leases	\$	(1)	\$	—
Financing cash flows from finance leases	\$	(1)	\$	(3)
Leased assets obtained in exchange for new finance lease liabilities	\$	9	\$	—
Leased assets obtained in exchange for new operating lease liabilities	\$	1	\$	11

Maturity of lease liabilities (as of September 30, 2021)	Operating leases		Finance leases		Total
	<i>(in millions)</i>				
2021 (remainder)	\$	12	\$	—	\$
2022		48		—	
2023		47		—	
2024		46		—	
2025		46		—	
Thereafter		812		16	
Total lease payment		1,011		16	
Less: interest		473		7	
Present value of lease liabilities	\$	538	\$	9	\$

Lessor Accounting

The Partnership leases or subleases a portion of its real estate portfolio to third party companies as a stable source of long-term revenue. Our lessor and sublease portfolio consists mainly of operating leases with convenience store operators. At this time, most lessor agreements contain 5-year terms with renewal options to extend and early termination options based on established terms specific to the individual agreement.

11. Interest Expense, net

Components of net interest expense were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,					
	2021	2020	2021	2020				
	<i>(in millions)</i>							
Interest expense	\$	38	\$	41	\$	118	\$	128
Amortization of deferred financing fees		2		2		6		5
Interest income		—		—		—		(2)
Interest expense, net	\$	40	\$	43	\$	124	\$	131

12. Income Tax Expense

As a partnership, we are generally not subject to federal income tax and most state income taxes. However, the Partnership conducts certain activities through corporate subsidiaries which are subject to federal and state income taxes.

Our effective tax rate differs from the statutory rate primarily due to Partnership earnings that are not subject to U.S. federal and most state income taxes at the Partnership level. A reconciliation of income tax expense from continuing operations at the U.S. federal statutory rate of 21% to net income tax expense is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	<i>(in millions)</i>			
Income tax expense at statutory federal rate	\$ 24	\$ 22	\$ 94	\$ 31
Partnership earnings not subject to tax	(18)	(18)	(79)	(20)
State and local tax, net of federal benefit	2	1	5	4
Other	2	—	1	1
Net income tax expense	<u>\$ 10</u>	<u>\$ 5</u>	<u>\$ 21</u>	<u>\$ 16</u>

13. Partners' Capital

As of September 30, 2021, ET and its subsidiaries owned 28,463,967 common units, which constitutes 34.1% of our outstanding common units, and the public owned 54,888,156 common units. As of September 30, 2021, our consolidated subsidiaries owned all of the 16,410,780 Class C units representing limited partner interests in the Partnership (the "Class C Units").

Common Units

The change in our outstanding common units for the nine months ended September 30, 2021 is as follows:

	Number of Units
Number of common units at December 31, 2020	83,333,631
Phantom vested units exercised	18,492
Number of common units at September 30, 2021	<u>83,352,123</u>

Allocation of Net Income

Our Partnership Agreement contains provisions for the allocation of net income and loss to the unitholders. For purposes of maintaining partner capital accounts, the Partnership Agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interest. Normal allocations according to percentage interests are made after giving effect to incentive cash distributions, which are allocated 100% to ET.

The calculation of net income allocated to the partners is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Attributable to Common Units				
Distributions	\$ 68	\$ 69	\$ 206	\$ 206
Distributions (in excess of) less than net income	16	12	159	(135)
Limited partners' interest in net income	<u>\$ 84</u>	<u>\$ 81</u>	<u>\$ 365</u>	<u>\$ 71</u>

Cash Distributions

Our Partnership Agreement sets forth the calculation used to determine the amount and priority of cash distributions that the common unitholders receive.

Cash distributions paid or declared during 2021 were as follows:

Payment Date	Limited Partners		Distribution to IDR Holders
	Per Unit Distribution	Total Cash Distribution	
	<i>(in millions, except per unit amounts)</i>		
November 19, 2021	\$ 0.8255	\$ 69	\$ 18
August 19, 2021	\$ 0.8255	\$ 69	\$ 18
May 19, 2021	\$ 0.8255	\$ 69	\$ 18
February 19, 2021	\$ 0.8255	\$ 69	\$ 18

14. Segment Reporting

Our consolidated financial statements reflect two reportable segments, Fuel Distribution and Marketing and All Other.

We report Adjusted EBITDA by segment as a measure of segment performance. We define Adjusted EBITDA as earnings before net interest expense, income tax expense and depreciation, amortization and accretion expense, non-cash unit-based compensation expense, gains and losses on disposal of assets and non-cash impairment charges, unrealized gains and losses on commodity derivatives, inventory adjustments, and certain other operating expenses reflected in net income that we do not believe are indicative of ongoing core operations. Inventory adjustments that are excluded from the calculation of Adjusted EBITDA represent changes in lower of cost or market reserves on the Partnership's inventory. These amounts are unrealized valuation adjustments applied to fuel volumes remaining in inventory at the end of the period.

The following table presents financial information by segment for the three and nine months ended September 30, 2021 and 2020:

Three Months Ended September 30,

	2021				2020			
	Fuel Distribution and Marketing	All Other	Intercompany Eliminations	Totals	Fuel Distribution and Marketing	All Other	Intercompany Eliminations	Totals
<i>(in millions)</i>								
Revenue								
Motor fuel sales	\$ 4,499	\$ 167		\$ 4,666	\$ 2,600	\$ 111		\$ 2,711
Non motor fuel sales	21	58		79	14	46		60
Lease income	33	1		34	30	4		34
Intersegment sales	407	—	(407)	—	259	—	(259)	—
Total revenue	4,960	226	(407)	4,779	2,903	161	(259)	2,805
Gross profit (1)								
Motor fuel	216	15		231	224	13		237
Non motor fuel	12	30		42	11	26		37
Lease	33	1		34	30	4		34
Total gross profit	261	46		307	265	43		308
Total operating expenses	115	39		154	122	39		161
Operating income	146	7		153	143	4		147
Interest expense, net	(34)	(6)		(40)	(37)	(6)		(43)
Equity in earnings of unconsolidated affiliate	1	—		1	1	—		1
Income (loss) from operations before income taxes	113	1		114	107	(2)		105
Income tax expense	9	1		10	—	5		5
Net income (loss) and comprehensive income (loss)	\$ 104	\$ —		\$ 104	\$ 107	\$ (7)		\$ 100
Depreciation, amortization and accretion	38	7		45	44	6		50
Interest expense, net	34	6		40	37	6		43
Income tax expense	9	1		10	—	5		5
Non-cash unit-based compensation expense	5	—		5	4	—		4
Gain on disposal of assets	(2)	(2)		(4)	—	(1)		(1)
Unrealized loss (gain) on commodity derivatives	2	—		2	(6)	—		(6)
Inventory adjustments	(9)	—		(9)	(14)	3		(11)
Equity in earnings of unconsolidated affiliate	(1)	—		(1)	(1)	—		(1)
Adjusted EBITDA related to unconsolidated affiliate	3	—		3	2	—		2
Other non-cash adjustments	3	—		3	4	—		4
Adjusted EBITDA	\$ 186	\$ 12		\$ 198	\$ 177	\$ 12		\$ 189
Capital expenditures	\$ 34	\$ 10		\$ 44	\$ 19	\$ 2		\$ 21
Total assets as of September 30, 2021 and December 31, 2020, respectively	\$ 4,531	\$ 1,054		\$ 5,585	\$ 3,417	\$ 1,850		\$ 5,267

(1) Excludes depreciation, amortization and accretion.

Nine Months Ended September 30,

	2021				2020			
	Fuel Distribution and Marketing	All Other	Intercompany Eliminations	Totals	Fuel Distribution and Marketing	All Other	Intercompany Eliminations	Totals
<i>(in millions)</i>								
Revenue								
Motor fuel sales	\$ 11,890	\$ 431		\$ 12,321	\$ 7,569	\$ 300		\$ 7,869
Non motor fuel sales	51	167		218	45	140		185
Lease income	98	5		103	89	14		103
Intersegment sales	1,068	—	(1,068)	—	704	—	(704)	—
Total revenue	13,107	603	(1,068)	12,642	8,407	454	(704)	8,157
Gross profit (1)								
Motor fuel	754	35		789	493	59		552
Non motor fuel	38	81		119	35	84		119
Lease	98	5		103	89	14		103
Total gross profit	890	121		1,011	617	157		774
Total operating expenses	323	115		438	394	107		501
Operating income	567	6		573	223	50		273
Interest expense, net	(109)	(15)		(124)	(112)	(19)		(131)
Loss on extinguishment of debt	(7)	—		(7)	—	—		—
Equity in earnings of unconsolidated affiliate	3	—		3	3	—		3
Income (loss) from operations before income taxes	454	(9)		445	114	31		145
Income tax expense	21	—		21	3	13		16
Net income (loss) and comprehensive income	<u>\$ 433</u>	<u>\$ (9)</u>		<u>\$ 424</u>	<u>\$ 111</u>	<u>\$ 18</u>		<u>\$ 129</u>
Depreciation, amortization and accretion	113	22		135	117	25		142
Interest expense, net	109	15		124	112	19		131
Income tax expense	21	—		21	3	13		16
Non-cash unit-based compensation expense	12	—		12	11	—		11
(Gain) loss on disposal of assets	(10)	(2)		(12)	—	7		7
Loss on extinguishment of debt	7	—		7	—	—		—
Unrealized loss on commodity derivatives	(5)	—		(5)	—	—		—
Inventory adjustments	(168)	—		(168)	125	1		126
Equity in earnings of unconsolidated affiliate	(3)	—		(3)	(3)	—		(3)
Adjusted EBITDA related to unconsolidated affiliate	7	—		7	7	—		7
Other non-cash adjustments	14	—		14	14	—		14
Adjusted EBITDA	<u>\$ 530</u>	<u>\$ 26</u>		<u>\$ 556</u>	<u>\$ 497</u>	<u>\$ 83</u>		<u>\$ 580</u>
Capital expenditures	\$ 79	\$ 13		\$ 92	\$ 59	\$ 21		\$ 80
Total assets as of September 30, 2021 and December 31, 2020, respectively	\$ 4,531	\$ 1,054		\$ 5,585	\$ 3,417	\$ 1,850		\$ 5,267

(1) Excludes depreciation, amortization and accretion.

15. Net Income per Common Unit

A reconciliation of the numerators and denominators of the basic and diluted net income per common unit computations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	<i>(in millions, except units and per unit amounts)</i>			
Net income and comprehensive income	\$ 104	\$ 100	\$ 424	\$ 129
Less:				
Incentive distribution rights	18	18	54	53
Distributions on nonvested phantom unit awards	2	1	5	5
Limited partners' interest in net income	\$ 84	\$ 81	\$ 365	\$ 71
Weighted average common units outstanding:				
Basic	83,352,123	83,056,365	83,348,540	83,033,556
Dilutive effect of nonvested phantom unit awards	1,197,154	713,669	1,015,781	635,279
Diluted	84,549,277	83,770,034	84,364,321	83,668,835
Net income per common unit:				
Basic	\$ 1.01	\$ 0.97	\$ 4.38	\$ 0.85
Diluted	\$ 1.00	\$ 0.96	\$ 4.33	\$ 0.84

16. Subsequent Event

On October 8, 2021, SUN acquired eight refined product terminals from NuStar Energy L.P. for \$250 million. The terminals have a combined storage capacity of approximately 14.8 million barrels and are located along the East Coast and in the greater Chicago market.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included elsewhere in this report. Additional discussion and analysis related to the Partnership is contained in our Annual Report on Form 10-K including the audited financial statements for the fiscal year ended December 31, 2020 included therein.

Adjusted EBITDA is a non-GAAP financial measure of performance that has limitations and should not be considered as a substitute for net income or other GAAP measures. Please see "Key Measures Used to Evaluate and Assess Our Business" below for a discussion of our use of Adjusted EBITDA in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a reconciliation to net income (loss) for the periods presented.

Cautionary Statement Regarding Forward-Looking Statements

Some of the information in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical fact included in this Quarterly Report on Form 10-Q, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. Statements using words such as "believe," "plan," "expect," "anticipate," "intend," "forecast," "assume," "estimate," "continue," "position," "predict," "project," "goal," "strategy," "budget," "potential," "will" and other similar words or phrases are used to help identify forward-looking statements, although not all forward-looking statements contain such identifying words. Descriptions of our objectives, goals, targets, plans, strategies, costs, anticipated capital expenditures, expected cost savings and benefits are also forward-looking statements. These forward-looking statements are based on our current plans and expectations and involve a number of risks and uncertainties that could cause actual results and events to vary materially from the results and events anticipated or implied by such forward-looking statements, including:

- our ability to make, complete and integrate acquisitions from affiliates or third-parties;
- business strategy and operations of Energy Transfer LP ("ET") and its conflicts of interest with us;
- changes in the price of and demand for the motor fuel that we distribute and our ability to appropriately hedge any motor fuel we hold in inventory;
- our dependence on limited principal suppliers;
- competition in the wholesale motor fuel distribution and retail store industry;
- changing customer preferences for alternate fuel sources or improvement in fuel efficiency;
- volatility of fuel prices or a prolonged period of low fuel prices and the effects of actions by, or disputes among or between, oil producing countries with respect to matters related to the price or production of oil;
- impacts of world health events, including the coronavirus ("COVID-19") pandemic;
- the possibility of cyber and malware attacks;
- changes in our credit rating, as assigned by rating agencies;
- a deterioration in the credit and/or capital markets;
- general economic conditions;
- environmental, tax and other federal, state and local laws and regulations;
- the fact that we are not fully insured against all risks incident to our business;
- dangers inherent in the storage and transportation of motor fuel;
- our ability to manage growth and/or control costs;
- our reliance on senior management, supplier trade credit and information technology; and
- our partnership structure, which may create conflicts of interest between us and Sunoco GP LLC, our general partner (our "General Partner"), and its affiliates, and limits the fiduciary duties of our General Partner and its affiliates.

All forward-looking statements, express or implied, are expressly qualified in their entirety by the foregoing cautionary statements.

Many of the foregoing risks and uncertainties are, and could be, heightened by the COVID-19 pandemic and any further worsening of the global business and economic environment. New factors that could impact forward-looking statements emerge from

time to time, and it is not possible for us to predict all such factors. Should one or more of the risks or uncertainties described or referenced in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the year ended December 31, 2020 occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

You should not put undue reliance on any forward-looking statements. When considering forward-looking statements, please review the risks described or referenced under the heading “Item 1A. Risk Factors” herein, including the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2020. The list of factors that could affect future performance and the accuracy of forward-looking statements is illustrative but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. The forward-looking statements included in this report are based on, and include, our estimates as of the filing of this report. We anticipate that subsequent events and market developments will cause our estimates to change. However, we specifically disclaim any obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q, except as required by law, even if new information becomes available in the future.

Overview

As used in this Management’s Discussion and Analysis of Financial Condition and Results of Operations, the terms “Partnership,” “SUN,” “we,” “us,” or “our” should be understood to refer to Sunoco LP and our consolidated subsidiaries, unless the context clearly indicates otherwise.

We are a Delaware master limited partnership primarily engaged in the distribution of motor fuels to independent dealers, distributors, and other customers and the distribution of motor fuels to end customers at retail sites operated by commission agents. In addition, we receive rental income through the leasing or subleasing of real estate used in the retail distribution of motor fuels. As of September 30, 2021, we operated 78 retail stores located in Hawaii and New Jersey.

We are managed by Sunoco GP LLC, our General Partner, which is owned by ET. Prior to April 1, 2021, Energy Transfer Operating, L.P. (“ETO”) owned our General Partner. On April 1, 2021, ETO merged into ET with ET surviving the merger. As of September 30, 2021, ET owned 100% of the membership interests in our General Partner, all of our incentive distribution rights and approximately 34.1% of our common units, which constitutes a 28.5% limited partner interest in us.

We believe we are one of the largest independent motor fuel distributors by gallons in the United States and one of the largest distributors of Chevron, Exxon, and Valero branded motor fuel in the United States. In addition to distributing motor fuel, we also distribute other petroleum products such as propane and lubricating oil.

We purchase motor fuel primarily from independent refiners and major oil companies and distribute it across more than 30 states throughout the East Coast, Midwest, South Central and Southeast regions of the United States, as well as Hawaii to:

- 78 company-owned and operated retail stores;
- 535 independently operated commission agent locations where we sell motor fuel to retail customers under commission arrangements with such operators;
- 6,759 retail stores operated by independent operators, which we refer to as “dealers” or “distributors,” pursuant to long-term distribution agreements; and
- 2,450 other commercial customers, including unbranded retail stores, other fuel distributors, school districts, municipalities and other industrial customers.

Our retail stores operate under several brands, including our proprietary brands APlus and Aloha Island Mart, and offer a broad selection of food, beverages, snacks, grocery and non-food merchandise, motor fuels and other services.

Recent Developments and Outlook

On October 8, 2021, SUN acquired eight refined product terminals from NuStar Energy L.P. for \$250 million. The terminals have a combined storage capacity of approximately 14.8 million barrels and are located along the East Coast and in the greater Chicago market.

Additionally, on September 24, 2021, SUN acquired a refined product terminal from Cato, Incorporated for approximately \$6 million. The terminal, located in Salisbury, Maryland, has storage capacity of approximately 140 thousand barrels.

The Partnership expects both acquisitions to be accretive to unitholders in the first year of ownership.

Key Measures Used to Evaluate and Assess Our Business

Management uses a variety of financial measurements to analyze business performance, including the following key measures:

- *Motor fuel gallons sold.* One of the primary drivers of our business is the total volume of motor fuel sold through our channels. Fuel distribution contracts with our customers generally provide that we distribute motor fuel at a fixed, volume-based profit margin or at an agreed upon level of price support. As a result, gross profit is directly tied to the volume of motor fuel that we distribute. Total motor fuel gross profit dollars earned from the product of gross profit per gallon and motor fuel gallons sold are used by management to evaluate business performance.
- *Gross profit per gallon.* Gross profit per gallon is calculated as the gross profit on motor fuel (excluding non-cash inventory adjustments as described under "Adjusted EBITDA" below) divided by the number of gallons sold, and is typically expressed as cents per gallon. Our gross profit per gallon varies amongst our third-party relationships and is impacted by the availability of certain discounts and rebates from suppliers. Retail gross profit per gallon is heavily impacted by volatile pricing and intense competition from retail stores, supermarkets, club stores and other retail formats, which varies based on the market.
- *Adjusted EBITDA.* Adjusted EBITDA, as used throughout this document, is defined as earnings before net interest expense, income taxes, depreciation, amortization and accretion expense, allocated non-cash unit-based compensation expense, unrealized gains and losses on commodity derivatives and inventory 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. Inventory adjustments that are excluded from the calculation of Adjusted EBITDA represent changes in lower of cost or market reserves on the Partnership's inventory. These amounts are unrealized valuation adjustments applied to fuel volumes remaining in inventory at the end of the period.

Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of Adjusted EBITDA to net income, which is the most directly comparable financial measure calculated and presented in accordance with GAAP, read "Key Operating Metrics and Results of Operations" below.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance because:

- Adjusted EBITDA is used as a performance measure under our revolving credit facility;
- securities analysts and other interested parties use Adjusted EBITDA as a measure of financial performance; and
- our management uses Adjusted EBITDA for internal planning purposes, including aspects of our consolidated operating budget, and capital expenditures;

Adjusted EBITDA is not a recognized term under GAAP and does not purport to be an alternative to net income (loss) as a measure of operating performance. Adjusted EBITDA has limitations as an analytical tool, and one should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- it does not reflect interest expense or the cash requirements necessary to service interest or principal payments on our revolving credit facility or senior notes;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect cash requirements for such replacements; and
- as not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

Adjusted EBITDA reflects amounts for the unconsolidated affiliate based on the same recognition and measurement methods used to record equity in earnings of unconsolidated affiliate. Adjusted EBITDA related to unconsolidated affiliate excludes the same items with respect to the unconsolidated affiliate as those excluded from the calculation of Adjusted EBITDA, such as interest, taxes, depreciation, depletion, amortization and other non-cash items. Although these amounts are excluded from Adjusted EBITDA related to unconsolidated affiliate, such exclusion should not be understood to imply that we have control over the operations and resulting revenues and expenses of such affiliate. We do not control our unconsolidated affiliate; therefore, we do not control the earnings or cash flows of such affiliate. The use of Adjusted EBITDA or Adjusted EBITDA related to unconsolidated affiliate as an analytical tool should be limited accordingly.

Key Operating Metrics and Results of Operations

The following information is intended to provide investors with a reasonable basis for assessing our historical operations, but should not serve as the only criteria for predicting our future performance.

Three Months Ended September 30, 2021 compared to Three Months Ended September 30, 2020

The following table sets forth, for the periods indicated, information concerning key measures we rely on to gauge our operating performance:

	Three Months Ended September 30,					
	2021			2020		
	Fuel Distribution and Marketing	All Other	Total	Fuel Distribution and Marketing	All Other	Total
	<i>(dollars and gallons in millions, except gross profit per gallon)</i>					
Revenues:						
Motor fuel sales	\$ 4,499	\$ 167	\$ 4,666	\$ 2,600	\$ 111	\$ 2,711
Non motor fuel sales	21	58	79	14	46	60
Lease income	33	1	34	30	4	34
Total revenues	\$ 4,553	\$ 226	\$ 4,779	\$ 2,644	\$ 161	\$ 2,805
Gross profit (1):						
Motor fuel sales	\$ 216	\$ 15	\$ 231	\$ 224	\$ 13	\$ 237
Non motor fuel sales	12	30	42	11	26	37
Lease	33	1	34	30	4	34
Total gross profit	\$ 261	\$ 46	\$ 307	\$ 265	\$ 43	\$ 308
Net income (loss) and comprehensive income (loss)	\$ 104	\$ —	\$ 104	\$ 107	\$ (7)	\$ 100
Adjusted EBITDA (2)	\$ 186	\$ 12	\$ 198	\$ 177	\$ 12	\$ 189
Operating Data:						
Total motor fuel gallons sold			1,971			1,853
Motor fuel gross profit cents per gallon (3)			11.3 ¢			12.1 ¢

(1) Excludes depreciation, amortization and accretion.

(2) We define Adjusted EBITDA, which is a non-GAAP financial measure, as described above under “Key Measures Used to Evaluate and Assess Our Business.”

(3) Excludes the impact of inventory adjustments consistent with the definition of Adjusted EBITDA.

The Partnership's results of operations are discussed on a consolidated basis below. Those results are primarily driven by the fuel distribution and marketing segment, which is the Partnership's only significant segment. To the extent that results of operations are significantly impacted by discrete items or activities within the all other segment, such impacts are specifically attributed to the all other segment in the discussion and analysis below.

In the discussion below, the analysis of the Partnership's primary revenue generating activities are discussed in the analysis of Adjusted EBITDA, and other significant items impacting net income are analyzed separately.

The following table presents a reconciliation of Adjusted EBITDA to net income for the three months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Change
	2021	2020	
	<i>(in millions)</i>		
Adjusted EBITDA			
Fuel distribution and marketing	\$ 186	\$ 177	\$ 9
All other	12	12	—
Total Adjusted EBITDA	198	189	9
Depreciation, amortization and accretion	(45)	(50)	5
Interest expense, net	(40)	(43)	3
Non-cash unit-based compensation expense	(5)	(4)	(1)
Gain on disposal of assets	4	1	3
Unrealized gain (loss) on commodity derivatives	(2)	6	(8)
Inventory adjustments	9	11	(2)
Equity in earnings of unconsolidated affiliate	1	1	—
Adjusted EBITDA related to unconsolidated affiliate	(3)	(2)	(1)
Other non-cash adjustments	(3)	(4)	1
Income tax expense	(10)	(5)	(5)
Net income and comprehensive income	\$ 104	\$ 100	\$ 4

The following discussion of results compares the operations for the three months ended September 30, 2021 and 2020.

Adjusted EBITDA. Adjusted EBITDA for the three months ended September 30, 2021 was \$198 million, an increase of \$9 million from the three months ended September 30, 2020. The increase is primarily attributable to the following changes:

- an increase in the gross profit on motor fuel sales of \$4 million, primarily due to a 6.4% increase in gallons sold; partially offset by a 7.3% decrease in gross profit per gallon sold; and
- an increase in non motor fuel sales of \$5 million, primarily due to increased credit card transactions, merchandise gross profit and franchise fee income.

Depreciation, Amortization and Accretion. Depreciation, amortization and accretion was \$45 million for the three months ended September 30, 2021 and \$50 million for the three months ended September 30, 2020.

Interest Expense. Interest expense for the three months ended September 30, 2021 was \$40 million, a decrease of \$3 million from the three months ended September 30, 2020. This decrease is primarily attributable to a slight decrease in average total long-term debt and a decrease in the weighted average interest rate on long-term debt for the respective periods.

Gain on Disposal of Assets. Gains and losses on disposals of assets reflect the difference between the net book value of disposed assets and the proceeds received upon disposal of those assets. For the three months ended September 30, 2021 and 2020, proceeds of disposal from property and equipment were \$13 million and \$3 million, respectively.

Unrealized Gain (Loss) on Commodity Derivatives. The unrealized gains and losses on our commodity derivatives represent the changes in fair value of our commodity derivatives. The change in unrealized gains and losses between periods is impacted by the notional amounts and commodity price changes on our commodity derivatives. Additional information on commodity derivatives is included in "Item 3. Quantitative and Qualitative Disclosures about Market Risk" below.

Inventory Adjustments. Inventory adjustments represent changes in lower of cost or market reserves using the last-in-first-out ("LIFO") method on the Partnership's inventory. These amounts are unrealized valuation adjustments applied to fuel volumes remaining in inventory at the end of the period. For the three months ended September 30, 2021, an increase in fuel prices reduced lower of cost or market reserve requirements for the period by \$9 million, creating a favorable impact to net income. For the three

months ended September 30, 2020, an increase in fuel prices reduced lower of cost or market reserve requirements for the period by \$11 million, creating a favorable impact to net income.

Income Tax Expense. Income tax expense for the three months ended September 30, 2021 was \$10 million, an increase of \$5 million from income tax expense of \$5 million for the three months ended September 30, 2020. The increase is primarily attributable to higher earnings from the Partnership's consolidated corporate subsidiaries.

Nine Months Ended September 30, 2021 compared to Nine Months Ended September 30, 2020

The following table sets forth, for the periods indicated, information concerning key measures we rely on to gauge our operating performance:

	Nine Months Ended September 30,					
	2021			2020		
	Fuel Distribution and Marketing	All Other	Total	Fuel Distribution and Marketing	All Other	Total
	<i>(dollars and gallons in millions, except gross profit per gallon)</i>					
Revenues:						
Motor fuel sales	\$ 11,890	\$ 431	\$ 12,321	\$ 7,569	\$ 300	\$ 7,869
Non motor fuel sales	51	167	218	45	140	185
Lease income	98	5	103	89	14	103
Total revenues	\$ 12,039	\$ 603	\$ 12,642	\$ 7,703	\$ 454	\$ 8,157
Gross profit (1):						
Motor fuel sales	\$ 754	\$ 35	\$ 789	\$ 493	\$ 59	\$ 552
Non motor fuel sales	38	81	119	35	84	119
Lease	98	5	103	89	14	103
Total gross profit	\$ 890	\$ 121	\$ 1,011	\$ 617	\$ 157	\$ 774
Net income and comprehensive income (loss)	\$ 433	\$ (9)	\$ 424	\$ 111	\$ 18	\$ 129
Adjusted EBITDA (2)	\$ 530	\$ 26	\$ 556	\$ 497	\$ 83	\$ 580
Operating Data:						
Total motor fuel gallons sold			5,660			5,265
Motor fuel gross profit cents per gallon (3)			11.0 ¢			12.9 ¢

(1) Excludes depreciation, amortization and accretion.

(2) We define Adjusted EBITDA, a non-GAAP financial measure, as described above under "Key Measures Used to Evaluate and Assess Our Business."

(3) Excludes the impact of inventory adjustments consistent with the definition of Adjusted EBITDA.

The Partnership's results of operations are discussed on a consolidated basis below. Those results are primarily driven by the fuel distribution and marketing segment, which is the Partnership's only significant segment. To the extent that results of operations are significantly impacted by discrete items or activities within the all other segment, such impacts are specifically attributed to the all other segment in the discussion and analysis below.

In the discussion below, the analysis of the Partnership's primary revenue generating activities are discussed in the analysis of Adjusted EBITDA, and other significant items impacting net income are analyzed separately.

The following table presents a reconciliation of Adjusted EBITDA to net income for the nine months ended September 30, 2021 and 2020:

	<u>Nine Months Ended September 30,</u>		<u>Change</u>
	<u>2021</u>	<u>2020</u>	
	<i>(in millions)</i>		
Adjusted EBITDA:			
Fuel distribution and marketing	\$ 530	\$ 497	\$ 33
All other	26	83	(57)
Total Adjusted EBITDA	556	580	(24)
Depreciation, amortization and accretion	(135)	(142)	7
Interest expense, net	(124)	(131)	7
Non-cash unit-based compensation expense	(12)	(11)	(1)
Gain (loss) on disposal of assets	12	(7)	19
Loss on extinguishment of debt	(7)	—	(7)
Unrealized gain on commodity derivatives	5	—	5
Inventory adjustments	168	(126)	294
Equity in earnings of unconsolidated affiliate	3	3	—
Adjusted EBITDA related to unconsolidated affiliate	(7)	(7)	—
Other non-cash adjustments	(14)	(14)	—
Income tax expense	(21)	(16)	(5)
Net income and comprehensive income	<u>\$ 424</u>	<u>\$ 129</u>	<u>\$ 295</u>

The following discussion of results compares the operations for the nine months ended September 30, 2021 and 2020.

Adjusted EBITDA. Adjusted EBITDA for the nine months ended September 30, 2021 was \$556 million, a decrease of \$24 million from the nine months ended September 30, 2020. The decrease is primarily attributable to the following changes:

- a decrease in the gross profit on motor fuel sales of \$62 million, primarily due to an 14.8% decrease in gross profit per gallon sold, partially offset by an 7.5% increase in gallons sold; partially offset by
- a decrease in operating costs of \$38 million. These expenses include other operating expense, general and administrative expense and lease expense. The decrease was primarily due to lower employee costs and lower expected credit losses.

Depreciation, Amortization and Accretion. Depreciation, amortization and accretion was \$135 million for the nine months ended September 30, 2021 and \$142 million for the nine months ended September 30, 2020.

Interest Expense. Interest expense for the nine months ended September 30, 2021 was \$124 million, a decrease of \$7 million from the nine months ended September 30, 2020. This decrease is primarily attributable to a slight decrease in average total long-term debt and a decrease in the weighted average interest rate on long-term debt for the respective periods.

Gain (Loss) on Disposal of Assets. Gains and losses on disposals of assets reflect the difference between the net book value of disposed assets and the proceeds received upon disposal of those assets. For the nine months ended September 30, 2021 and 2020, proceeds of disposal from property and equipment were \$27 million and \$6 million, respectively.

Unrealized Gain on Commodity Derivatives. The unrealized gains and losses on our commodity derivatives represent the changes in fair value of our commodity derivatives. The change in unrealized gains and losses between periods is impacted by the notional amounts and commodity price changes on our commodity derivatives. Additional information on commodity derivatives is included in "Item 3. Quantitative and Qualitative Disclosures about Market Risk" below.

Inventory Adjustments. Inventory adjustments represent changes in lower of cost or market reserves on the Partnership's inventory. These amounts are unrealized valuation adjustments applied to fuel volumes remaining in inventory at the end of the period. For the nine months ended September 30, 2021, an increase in fuel prices reduced lower of cost or market reserve requirements

for the period by \$168 million, creating a favorable impact to net income. For the nine months ended September 30, 2020, a decline in fuel prices caused the lower of cost or market reserves to increase by a net of \$126 million resulting in an adverse impact to net income.

Income Tax Expense. Income tax expense for the nine months ended September 30, 2021 was \$21 million, an increase of \$5 million from income tax expense of \$16 million for the nine months ended September 30, 2020. The increase is primarily attributable to higher earnings from the Partnership's consolidated corporate subsidiaries.

Liquidity and Capital Resources

Liquidity

Our principal liquidity requirements are to finance current operations, to fund capital expenditures, including acquisitions from time to time, to service our debt and to make distributions. We expect our ongoing sources of liquidity to include cash generated from operations, borrowings under our revolving credit facility and the issuance of additional long-term debt or partnership units as appropriate given market conditions. We expect that these sources of funds will be adequate to provide for our short-term and long-term liquidity needs.

Our ability to meet our debt service obligations and other capital requirements, including capital expenditures and acquisitions, will depend on our future operating performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond our control. As a normal part of our business, depending on market conditions, we will from time to time consider opportunities to repay, redeem, repurchase or refinance our indebtedness. Changes in our operating plans, lower than anticipated sales, increased expenses, acquisitions or other events may cause us to seek additional debt or equity financing in future periods. There can be no guarantee that financing will be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions. In addition, any of the risks described or referenced under the heading "Item 1A. Risk Factors" herein, including the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2020 may also significantly impact our liquidity.

As of September 30, 2021, we had \$88 million of cash and cash equivalents on hand and borrowing capacity of \$1.2 billion under the Amended and Restated Credit Agreement among the Partnership, as borrower, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, swingline lender and a line of credit issuer (the "2018 Revolver"). The Partnership was in compliance with all financial covenants at September 30, 2021. Based on our current estimates, we expect to utilize capacity under the 2018 Revolver, along with cash from operations, to fund our announced growth capital expenditures and working capital needs for 2021; however, we may issue debt or equity securities prior to that time as we deem prudent to provide liquidity for new capital projects or other partnership purposes.

Cash Flows

Our cash flows may change in the future due to a number of factors, some of which we cannot control. These factors include regulatory changes, the price of products and services, the demand for such products and services, margin requirements resulting from significant changes in commodity prices, operational risks, the successful integration of our acquisitions and other factors.

	For the Nine Months Ended September 30,	
	2021	2020
	<i>(in millions)</i>	
Net cash provided by (used in)		
Operating activities	\$ 512	\$ 462
Investing activities	(65)	(73)
Financing activities	(456)	(347)
Net increase (decrease) in cash and cash equivalents	\$ (9)	\$ 42

Operating Activities

Changes in cash flows from operating activities between periods primarily result from changes in earnings, excluding the impacts of non-cash items and changes in operating assets and liabilities (net of effects of acquisitions). Non-cash items include recurring non-cash expenses, such as depreciation, depletion and amortization expense and non-cash unit-based compensation expense. Cash flows from operating activities also differ from earnings as a result of non-cash charges that may not be recurring, such

as impairment charges. Our daily working capital requirements fluctuate within each month, primarily in response to the timing of payments for motor fuels, motor fuels tax and rent.

Nine months ended September 30, 2021 compared to nine months ended September 30, 2020. Net cash provided by operations was \$512 million and \$462 million for the nine months of 2021 and 2020, respectively. The increase in cash flows provided by operations was due to an increase in net cash flow from operating assets and liabilities of \$60 million compared to the nine months ended September 30, 2020; partially offset by a \$10 million net decrease in cash basis net income compared to the nine months ended September 30, 2020.

Investing Activities

Cash flows from investing activities primarily consist of capital expenditures, cash contributions to unconsolidated affiliate, cash amounts paid for acquisitions, and cash proceeds from sale or disposal of assets. Changes in capital expenditures between periods primarily result from increases or decreases in our growth capital expenditures to fund our construction and expansion projects.

Nine months ended September 30, 2021 compared to nine months ended September 30, 2020. Net cash used in investing activities was \$65 million and \$73 million for the first nine months of 2021 and 2020, respectively. Capital expenditures were \$92 million and \$80 million for the first nine months of 2021 and 2020, respectively. Contributions to the J.C. Nolan joint venture were \$8 million for the nine months ended September 30, 2020. Distributions from the J.C. Nolan joint venture in excess of cumulative earnings were \$6 million and \$9 million for the nine months ended September 30, 2021 and 2020, respectively. Proceeds from disposal of property and equipment were \$27 million and \$6 million for the first nine months of 2021 and 2020, respectively. In addition, investing activities included a refined product terminal acquisition of \$6 million for the first nine months of 2021.

Financing Activities

Changes in cash flows from financing activities between periods primarily result from changes in the levels of borrowings and equity issuances, which are primarily used to fund our acquisitions and growth capital expenditures. Distributions increase between the periods based on increases in the number of common units outstanding or increases in the distribution rate.

Nine months ended September 30, 2021 compared to nine months ended September 30, 2020. Net cash used in financing activities was \$456 million and \$347 million for the first nine months of 2021 and 2020, respectively. During the nine months ended September 30, 2021, we:

- borrowed \$878 million and repaid \$628 million under the 2018 Revolver to fund daily operations and to repurchase the senior notes discussed below;
- paid \$436 million to repurchase the 4.875% senior notes due 2023; and
- paid \$264 million in distributions to our unitholders, of which \$123 million was paid to ET.

During the nine months ended September 30, 2020, we:

- borrowed \$952 million and repaid \$1,027 million under the 2018 Revolver to fund daily operations; and
- paid \$264 million in distributions to our unitholders, of which \$123 million was paid to ETO and ET, collectively.

We intend to pay cash distributions to the holders of our common units and Class C units representing limited partner interests in the Partnership (“Class C Units”) on a quarterly basis, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our General Partner and its affiliates. Class C unitholders receive distributions at a fixed rate equal to \$0.8682 per quarter for each Class C Unit outstanding. There is no guarantee that we will pay a distribution on our units. On October 25, 2021, we declared a quarterly distribution totaling \$69 million, or \$0.8255 per common unit, based on the results for the three months ended September 30, 2021, excluding distributions to Class C unitholders. The declared distribution will be paid on November 19, 2021 to unitholders of record on November 5, 2021.

Capital Expenditures

Included in our capital expenditures for the first nine months of 2021 was \$22 million in maintenance capital and \$70 million in growth capital. Growth capital relates primarily to dealer supply contracts.

We currently expect to spend approximately \$45 million in maintenance capital and \$150 million in growth capital for the full year 2021.

Description of Indebtedness

Our outstanding consolidated indebtedness was as follows:

	September 30, 2021	December 31, 2020
	<i>(in millions)</i>	
Sale leaseback financing obligation	\$ 92	\$ 97
2018 Revolver	250	—
4.875% Senior Notes Due 2023 (1)	—	436
5.500% Senior Notes Due 2026 (2)	800	800
6.000% Senior Notes Due 2027	600	600
5.875% Senior Notes Due 2028 (2)	400	400
4.500% Senior Notes Due 2029 (3)	800	800
Finance leases	9	6
Total debt	2,951	3,139
Less: current maturities	6	6
Less: debt issuance costs	23	27
Long-term debt, net	\$ 2,922	\$ 3,106

(1) On January 15, 2021, we used proceeds from borrowings on our 2018 Revolver to repurchase the remaining \$436 million outstanding principal amount of our 4.875% senior notes due 2023.

(2) In connection with the merger of ETO into ET on April 1, 2021, as discussed in Note 1 in the Notes to Consolidated Financial Statements in "Item 1. Financial Statements", the guarantees of the Partnership's senior notes due 2026 and 2028 have been assumed by ET. On October 20, 2021, the Partnership completed a private offering of \$800 million in aggregate principal amount of 4.500% senior notes due 2030. The Partnership used the proceeds from the private offering to fund a tender offer and repurchase all of the 2026 senior notes. In connection with our issuance of the 2030 Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2030 Notes for an issue of registered notes with terms substantively identical to the 2030 Notes and evidencing the same indebtedness as the 2030 Notes on or before October 20, 2022.

(3) In connection with our issuance of the 2029 Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2029 Notes for an issue of registered notes with terms substantively identical to the 2029 Notes and evidencing the same indebtedness as the 2029 Notes on or before November 9, 2021. The exchange offer was completed on July 6, 2021.

Revolving Credit Agreement

The Partnership is party to the 2018 Revolver. As of September 30, 2021, the balance on the 2018 Revolver was \$250 million, and \$6 million in standby letters of credit were outstanding. The unused availability on the 2018 Revolver at September 30, 2021 was \$1.2 billion. The weighted average interest rate on the total amount outstanding at September 30, 2021 was 2.09%. The Partnership was in compliance with all financial covenants at September 30, 2021.

Contractual Obligations and Commitments

Contractual Obligations. We have contractual obligations that are required to be settled in cash. As of September 30, 2021, we had \$250 million borrowed on the 2018 Revolver compared to \$0 million borrowed on the 2018 Revolver at December 31, 2020. Further, as of September 30, 2021, we had \$2.6 billion outstanding under our Senior Notes. See Note 6 in the Notes to Consolidated Financial Statements in "Item 1. Financial Statements" for more information on our debt transactions.

We periodically enter into derivatives, such as futures and options, to manage our fuel price risk on inventory in the distribution system. Fuel hedging positions are not significant to our operations. On a consolidated basis, the Partnership had a position of 1.2 million barrels with an aggregated unrealized gain of \$1.1 million outstanding at September 30, 2021.

Properties. Most of our leases are net leases requiring us to pay taxes, insurance and maintenance costs. We believe that no individual site is material to us.

Estimates and Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting policies are those we believe are both most important to the portrayal of our financial condition and results of operations, and require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. Our significant accounting policies are described in Note 2 in the Notes to Consolidated Financial Statements in "Item 1. Financial Statements" of this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are subject to market risk from exposure to changes in interest rates based on our financing, investing and cash management activities. We had \$250 million of outstanding borrowings on the 2018 Revolver as of September 30, 2021. The annualized effect of a one percentage point change in floating interest rates on our variable rate debt obligations outstanding at September 30, 2021 would be a \$2.5 million change to interest expense. Our primary exposure relates to:

- interest rate risk on short-term borrowings; and
- the impact of interest rate movements on our ability to obtain adequate financing to fund future acquisitions.

While we cannot predict or manage our ability to refinance existing debt or the impact interest rate movements will have on our existing debt, management evaluates our financial position on an ongoing basis. From time to time, we may enter into interest rate swaps to reduce the impact of changes in interest rates on our floating rate debt. We had no interest rate swaps in effect during the first nine months of 2021 or 2020.

Commodity Price Risk

Sunoco LLC and Aloha LLC hold working inventories of refined petroleum products, renewable fuels, gasoline blendstocks and transmix in storage. As of September 30, 2021, Sunoco LLC held approximately \$420 million and Aloha LLC held approximately \$38 million of such inventory. While in storage, volatility in the market price of stored motor fuel could adversely impact the price at which we can later sell the motor fuel. However, Sunoco LLC uses futures, forwards and other derivative instruments (collectively, "positions") to hedge a variety of price risks relating to deviations in that inventory from a target base operating level established by management. Derivative instruments utilized consist primarily of exchange-traded futures contracts traded on the NYMEX, CME and ICE as well as over-the-counter transactions (including swap agreements) entered into with established financial institutions and other credit-approved energy companies. Sunoco LLC's policy is generally to purchase only products for which there is a market and to structure sales contracts so that price fluctuations do not materially affect profit. Sunoco LLC also engages in controlled trading in accordance with specific parameters set forth in a written risk management policy. While these derivative instruments represent economic hedges, they are not designated as hedges for accounting purposes.

On a consolidated basis, the Partnership had a position of 1.2 million barrels with an aggregate unrealized gain of \$1.1 million outstanding at September 30, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by paragraph (b) of Rule 13a-15 under the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded, as of the end of the period covered by this report, that our disclosure controls and procedures were effective at the reasonable assurance level for which they were designed in that the information required to be disclosed by the Partnership in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting (as defined in Rule 13(a)-15(f) or Rule 15d-15(f) of the Exchange Act) during the three months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we do not believe that we are party to any litigation that will have a material adverse impact.

Item 1A. Risk Factors

The following risk factors should be read in conjunction with our risk factors described in "Part I - Item 1A. Risk Factors" in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission on February 19, 2021.

Cybersecurity attacks, data breaches and other disruptions affecting us, or our service providers, could materially and adversely affect our business, operations, reputation, and financial results.

The security and integrity of our information technology infrastructure and physical assets is critical to our business and our ability to perform day-to-day operations and deliver services. In addition, in the ordinary course of our business, we collect, process, transmit and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information, in our data centers and on our networks. We also engage third parties, such as service providers and vendors, who provide a broad array of software, technologies, tools, and other products, services and functions (e.g., human resources, finance, data transmission, communications, risk, compliance, among others) that enable us to conduct, monitor and/or protect our business, operations, systems and data assets.

Our information technology and infrastructure, physical assets and data, may be vulnerable to unauthorized access, computer viruses, malicious attacks and other events (e.g., distributed denial of service attacks, ransomware attacks) that are beyond our control. These events can result from malfeasance by external parties, such as hackers, or due to human error by our or our service providers' employees and contractors (e.g., due to social engineering or phishing attacks). In addition, the COVID-19 pandemic has presented additional operational and cybersecurity risks to our information technology infrastructure and physical assets due to our providers' work-from-home arrangements.

We and certain of our service providers have from time to time, been subject to cyberattacks and security incidents. The frequency and magnitude of cyberattacks is expected to increase and attackers are becoming more sophisticated. We may be unable to anticipate, detect or prevent future attacks, particularly as the methodologies used by attackers change frequently or are not recognized until launched, and we may be unable to investigate or remediate incidents because attackers are increasingly using techniques and tools designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence.

Breaches of our information technology infrastructure or physical assets, or other disruptions, could result in damage to our assets, safety incidents, damage to the environment, potential liability or the loss of contracts, and have a material adverse effect on our operations, financial position and results of operations. A successful cyberattack or other security incident could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or loss could result in legal claims or proceedings, regulatory investigations and enforcement, penalties and fines, increased costs for system remediation and compliance requirements, disruption of our operations, damage to our reputation, loss of confidence in our products and services, any or all of which could have a material adverse effect on our business and results. We may be required to invest significant additional resources to comply with evolving cybersecurity regulations and to modify and enhance our information security and controls, and to investigate and remediate any security vulnerabilities. Any losses, costs or liabilities may not be covered by, or may exceed the coverage limits of, any or all of our applicable insurance policies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Limited Partnership Sunoco LP dated as of May 8, 2018 (Incorporated by reference to Exhibit 3.1 of the quarterly report on Form 10-Q (File Number 001-35653) filed by the registrant on May 10, 2018)
3.2	First Amended and Restated Agreement of Limited Partnership of Susser Petroleum Partners LP, dated September 25, 2012 (Incorporated by reference to Exhibit 3.1 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on September 25, 2012)
3.3	Amendment No. 1 to the First Amended and Restated Agreement of Limited Partnership of Susser Petroleum Partners LP (Incorporated by reference to Exhibit 3.2 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on October 28, 2014)
3.4	Amendment No. 2 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP (Incorporated by reference to Exhibit 3.1 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on August 6, 2015)
3.5	Amendment No. 3 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP (Incorporated by reference to Exhibit 3.1 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on January 5, 2016)
3.6	Amendment No. 4 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP (Incorporated by reference to Exhibit 3.2 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on June 8, 2016)
3.7	Amendment No. 5 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP (Incorporated by reference to Exhibit 3.1 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on March 31, 2017)
3.8	Amendment No. 6 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP (Incorporated by reference to Exhibit 3.2 of the quarterly report on Form 10-Q (File Number 001-35653) filed by the registrant on May 10, 2018)
3.9	Amendment No. 7 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP (Incorporated by reference to Exhibit 3.1 of the quarterly report on Form 10-Q (File Number 001-35653) filed by the registrant on August 8, 2019)
3.10	Certificate of Formation of Susser Petroleum Partners GP LLC (Incorporated by reference to Exhibit 3.4 of the registration statement on Form S-1 (File Number 333-182276), as amended, originally filed by the registrant on June 22, 2012)
3.11	Certificate of Amendment to the Certificate of Formation of Susser Petroleum Partners GP LLC (Incorporated by reference to Exhibit 3.3 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on October 28, 2014)
3.12	Amended and Restated Limited Liability Company Agreement of Susser Petroleum Partners GP LLC, dated September 25, 2012 (Incorporated by reference to Exhibit 3.2 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on September 25, 2012)
3.13	Amendment No. 1 to Amended and Restated Limited Liability Company Agreement of Susser Petroleum Partners GP LLC (Incorporated by reference to Exhibit 3.4 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on October 28, 2014)
3.14	Amendment No. 2 to the Amended and Restated Limited Liability Company Agreement of Sunoco GP LLC dated as of June 6, 2016 (Incorporated by reference to Exhibit 3.3 of the current report on Form 8-K (File Number 001-35653) filed by the registrant on June 8, 2016)
3.15	Amendment No. 3 to the Amended and Restated Limited Liability Company Agreement of Sunoco GP LLC dated as of May 8, 2018 (Incorporated by reference to Exhibit 3.3 of the quarterly report on Form 10-Q (File Number 001-35653) filed by the registrant on May 10, 2018)
22.1	List of Guarantor and Issuer Subsidiaries (Incorporated by reference to Exhibit 22.1 to the quarterly report on Form 10-Q (File Number 001-35653) filed by the registrant on May 2, 2021)
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act
32.1 **	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
32.2 **	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act

101* The following financial information from the Partnership's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Equity, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags

104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* - Filed herewith

** - Furnished herewith

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 thereunto duly authorized.

Date: November 4, 2021

SUNOCO LP

By Sunoco GP LLC, its general partner

By /s/ Rick Raymer
Rick Raymer
Vice President, Controller and
Principal Accounting Officer
(In his capacity as principal accounting officer)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Kim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sunoco LP (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

I, 2021

/s/ Joseph Kim

Joseph Kim

President and Chief Executive Officer of Sunoco GP LLC, the general partner of Sunoco LP

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dylan Bramhall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sunoco LP (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

l, 2021

/s/ Dylan Bramhall

Dylan Bramhall

Chief Financial Officer of Sunoco GP LLC, the general partner of Sunoco LP

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Sunoco LP (the "Partnership") on Form 10-Q for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Kim, as President and Chief Executive Officer of Sunoco GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 4, 2021

/s/ Joseph Kim

Joseph Kim

President and Chief Executive Officer of Sunoco GP LLC, the
general partner of Sunoco LP

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Sunoco LP (the "Partnership") on Form 10-Q for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dylan Bramhall, as Chief Financial Officer of Sunoco GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 4, 2021

/s/ Dylan Bramhall

Dylan Bramhall

Chief Financial Officer of Sunoco GP LLC, the general partner of
Sunoco LP

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.