



Are You Overlooking This Energy Company?

Description

Most investors tend to gravitate to oil and gas companies that either extract, refine, or transport their goods such as **Husky Energy** or **TransCanada**, while overlooking the companies that deliver the oil, gas, and propane to the end users. Investing in companies such as this allows investors to double down on their energy portfolios, reaping the rewards from both the wholesale and retail markets.

One company, many subsidiaries

Our example today is **Parkland Fuels** ([TSX: PKI](#)) a company that has been growing through a healthy diet of refined margins and acquisitions. While many people may be unfamiliar with the name Parkland Fuels, many will know the company through its subsidiaries, including Bluewave Energy, Columbia Fuels, Neufield Petroleum & Propane, Island Petroleum, and SPF Energy, among others.

Through this plethora of subsidiaries, Parkland has become the nation's fastest-growing consumer-direct fuel supplier. Due to the rate of acquisitions Parkland has engaged in, it now has an operational presence in most Canadian provinces. It also operates in North Dakota, South Dakota, Montana, and Wyoming under the newly acquired SPF Energy banner, a banner that also included a sizable rail terminal in its purchase.

At one time the company was primarily a heating fuel delivery service to mainly rural Canada, but it has since expanded to include gas station franchises Fast Gas Plus and Race Track Gas. Parkland also purchased 10 Chevron gas bars in northern BC during the previous quarter.

Aiming for growth

When it comes to Parkland's balance sheet, the numbers do not disappoint — revenue in the previous quarter was \$2 billion, up from \$1.2 billion in Q1 2013. Net earnings came in at \$22 million, or \$0.30 per share, down from \$30 million, or \$0.44 per share. This drop should not alarm investors, though. Rather, investors should see this as part of the cost to acquire Elbow River Marketing, TransMontaigne Marketing, Sparling Propane, and SPF Energy. This is because Parkland is planning to meet its goal to double EBITDA between 2011 and 2016, with acquisitions being a key component of the plan.

Parkland sees itself as a potential exit strategy for independent fuel marketers looking to divest or retire from the industry. It has also positioned itself as a worthwhile partner for major refineries looking to sell or adjust their downstream marketing businesses.

Parkland Fuels' stock is looking quite healthy, with a Friday closing price of \$21.60 and a 52-week range of \$15.90 to \$21.99. The stock has an average price target of \$21.90 with a top price of \$23.00, with the ratings "buy" and "outperform". The stock also offers an annual dividend of \$1.06 with a yield of 4.9%. If you asked me whether you should take a further look into Parkland Fuels, my answer would be yes.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:PKI (Parkland Fuel Corporation)

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