



Is it Time to Fuel Up Your Portfolio With Parkland Fuel Corp.?

Description

Parkland Fuel Corp. ([TSX:PKI](#)) is a distributor and marketer of fuels and petroleum products. With a market cap of only \$2.9 billion, it truly is a hidden earnings-growth gem buried in the TSX. Parkland Fuel has a strong Canadian presence, but it also has a growing U.S. segment, which is expected to be a major driver of earnings over the next few years.

If you're a fan of the growth-by-acquisition strategy, then you may want to consider giving Parkland Fuel a look because its disciplined management team is all about making strategic acquisitions with the hopes of unlocking long-term value for its shareholders.

The company is a terrific growth-by-acquisition story that many Canadian investors may not be aware of. Parkland Fuel recently acquired **Chevron Corporation's** ([NYSE:CVX](#)) Canadian fuel business for an estimated \$1.5 billion, which will add 129 gas stations in the metro Vancouver area to the company's portfolio as well as 37 commercial cardlock and three marine fueling locations. All of these assets will beef up Parkland Fuel's already impressive portfolio and provide a nice top-line boost over the medium term.

The management team is top notch, and you can bet there will be a ton of opportunities to unlock synergies in the months that follow the acquisition's close. The company believes that about \$50 million in synergies will be unlocked from this acquisition alone. It's expected that the cash flow generated will finance even more acquisitions going forward.

I'm a huge fan of the company's growth strategy because the management team really cares about finding long-term value for shareholders and not just making deals for the sake of making deals. I believe this discipline will allow the company to be an earnings-growth king over the next few years and allow for consistent dividend increases to go with a rising stock price.

The stock currently pays a 3.9% dividend yield, which is very impressive considering the stock has more than doubled over the last five years. The management team has grown the business by a huge amount over the last few years and has done so without taking on an obscene amount of debt to finance its accretive acquisitions. Going forward, we can expect the management team to continue

using their strategic growth-by-acquisition model, and I think there's a ton of room to run in the gas station market, which is still extremely fragmented.

If you're an investor seeking growth and a high dividend, then Parkland Fuel could be your one-stop shop. The stock currently has a 61.3 price-to-earnings multiple and a 3.6 price-to-book multiple, both of which are slightly higher than the company's five-year historical average multiples of 28.8, and 3.2, respectively. The stock definitely isn't cheap right now, so I'd recommend buying a small chunk now with the intention of buying more on any pullbacks that may happen later this year.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CVX (Chevron Corporation)
2. TSX:PKI (Parkland Fuel Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/17

Date Created

2017/04/24

Author

joefrenette

default watermark

default watermark