



Why This Energy Stock Is Trading Near its All-Time High

Description

With the WTI oil price falling below US\$50 per barrel again, energy companies tumbled on Thursday. Some shares fell as much as 6%, while the midpoint decline was 3-4%.

Yet here we have **Parkland Fuel Corp.** ([TSX:PKI](#)), which fell less than 1%. In fact, in the last 12 months, Parkland Fuel's shares have actually appreciated nearly 36%; it greatly outperformed other energy companies.

Similarly, in the last five years, Parkland Fuel has appreciated 122%, while the next best-performing stock only appreciated 46% in the period. To make Parkland Fuel more impressive, it has achieved outperformance with a below-average level of volatility.

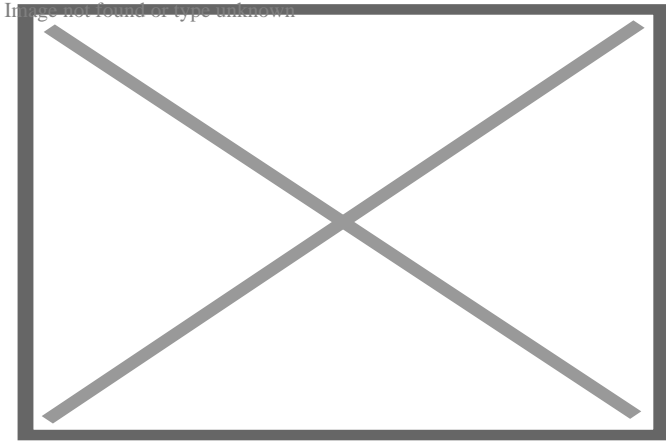
How does Parkland Fuel do it? Can it continue to outperform? Before exploring the answers to these questions, let's take a look first at its business.

What does Parkland Fuel do?

Parkland Fuel is the largest Canadian marketer of fuel and petroleum products. Specifically, it delivers refined fuels, propane, and other quality fuel and petroleum products to motorists, businesses, consumers, and wholesale customers in Canada and the U.S.

To do this, Parkland Fuel partners with refiners and suppliers. It benefits from inefficiencies in the market by taking advantage of arbitrage opportunities.

As well, it buys large volumes of the full range of refined products from refineries and sells these products through its marketing channels, including retail gas stations, and commercial fuel, propane, and lubricant delivery branches.



How Parkland Fuel is growing

Parkland Fuel grows organically and through acquisitions. It looks for ways to improve the customer experience and its operation efficiencies.

It also makes disciplined acquisitions that complement its business or expands its scale.

In April, Parkland Fuel agreed to acquire Chevron Canada R&M, which “[will] extend Parkland’s network coverage in British Columbia, and add significant supply infrastructure and logistics capability to support Parkland’s existing operations. Parkland will also become the exclusive distributor of Chevron-branded fuels in the network,” as discussed in its Q1 report.

As well, Parkland Fuel will acquire the majority of the Canadian business and assets of **CST Brands**, once **Couche Tard** closes the acquisition of CST Brands sometime between April and September 2018.

Both of these acquisitions will further strengthen Parkland Fuel’s leading position.

Dividend

Parkland Fuel has increased its dividend every year since 2013. At about \$31 per share, it offers a yield of 3.7%. Its dividend per share is about 1.8% higher than it was a year ago.

Investor takeaway

Parkland Fuel tends to deliver above-average price appreciation with below-average volatility in the energy space. Eight analysts at **Thomson Reuters** have a 12-month mean price target of \$35.80 per share on the stock, which implies upside potential of 15%. Not to mention the monthly dividend it offers.

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