



Parkland Fuel Corp. (TSX:PKI) Is Poised to Soar Further

Description

Fears of a trade war, growing geopolitical risk in the Middle East, and [higher energy prices](#) have failed to crimp **Parkland Fuel Corp.'s (TSX:PKI)** growth. The leading Canadian distributor of fuels and petroleum products has seen its stock rise by an impressive 24% since the start of 2018, and there are signs of further gains ahead.

Now what?

A key driver of Parkland's exceptional gains was that it reported record first-quarter 2018 adjusted EBITDA of \$153 million, which was a 119% increase compared to the equivalent quarter in 2017. That came after a 53% year-over-year expansion in fuel and petroleum product volumes as well as 4.1% same-store sale growth from its C-Store branded convenience stores.

Parkland's EBITDA will keep expanding at a rapid clip. The company is in the process of bedding down a range of acquisitions; from initiatives implemented during the first quarter alone, the company has realized synergies worth \$44 million for 2018. As further projects are completed, Parkland expects to realize an additional \$80 million in synergies by 2020.

A key driver of future earnings growth will be the Burnaby Refinery, which was acquired when Parkland purchased **Chevron Corporation's** downstream Canadian assets for \$1.5 billion. During the first quarter, Parkland successfully completed the turnaround for the refinery, which will allow it to return to full processing capacity and lift its utilization rate. The refinery is expected to add \$230 million in earnings to Parkland once it is operating at full capacity.

The strength of its first-quarter results saw Parkland raise its full-year guidance with its increasing forecast 2018 EBITDA from \$600 million to \$650 million. If the company were to achieve this target, which appears likely because of its solid first-quarter results, it will represent a remarkable 56% increase compared to 2017. This would certainly cause Parkland's stock to soar once again.

Parkland finished the first quarter with a solid balance sheet, holding \$362 million in available liquidity, comprised of \$30 million in cash and \$330 million available on its credit facilities. Despite having made some sizable acquisitions in recent years, Parkland has a manageable \$2 billion in long-term debt,

which is a mere three times projected 2018 EBITDA.

While fears of a trade war and other geopolitical risks could crimp economic growth, they would have little lasting impact on Parkland. Fuels are an important source of energy in modern society, powering both economic and social activity. That means demand for Parkland's core product will remain strong, even if economic growth dips.

So what?

What makes Parkland more attractive is that loyal investors will be rewarded by its sustainable monthly dividend, which yields just over 3%. There is every indication that Parkland will hike its dividend because of the stronger than expected EBITDA growth for 2018.

Parkland remains one of Canada's [top growth stocks](#), but what makes it extremely appealing is that as the leading Canadian distributor of fuels, its earnings are relatively resilient to any downturn in the economy. This is a particularly important attribute to have during uncertain times like those now being witnessed.

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