



## Parkland Fuel Corp. (TSX:PKI) Caribbean Adventure Should Pay Dividends

### Description

**Parkland Fuel** ([TSX:PKI](#)), what I consider to be the [heir apparent](#) to **Alimentation Couche-Tard**, is at it again.

On October 10, 2018, Parkland announced that it was buying 75% of SOL Investments — a Barbados-based operator of gas stations, convenience stores, and fuel distribution businesses in the Caribbean — for \$1.6 billion with the option to buy the remaining 25% at 8.5 times SOL's adjusted EBITDA.

Assuming Parkland completes its purchase by the end of 2018, the option to buy kicks in at the start of 2021.

“The addition of SOL will extend our global supply reach and enable us to continue to build our supply advantage to benefit our entire business,” stated Parkland CEO Bob Espey in the deal announcement press release. “With its integrated supply chain backed by an extensive distribution network, fortress assets, a premier brand portfolio and an exceptional team, SOL has built a strong market position with unparalleled regional scale.”

Parkland is paying 7.5 times adjusted EBITDA for SOL. The Simpson Group, which currently owns SOL, will acquire 12.2 million shares of Parkland's stock as part of the deal's financing, giving it a 9.9% stake in the Calgary company.

### What does Parkland get for \$1.6 billion?

First and foremost, Parkland acquires stable revenue and earnings from 526 gas stations in the Caribbean. Its most recent annual adjusted EBITDA was \$280 million.

SOL is the largest independent fuel marketer and convenience store operator in the Caribbean. Its annual fuel volume is more than 4.8 billion liters, upping Parkland's annual volume by 30% overnight while also providing it with the scale and infrastructure to expand in both the Caribbean and Latin America.

SOL's retail business accounts for about 42% of the Caribbean company's overall fuel volume. It operates gas stations in 20 countries across the region — half of which are either company owned or company leased with the remainder dealer owned and operated. Shell and Esso are the company's

two most prominent retail brands, accounting for 68% of the overall retail footprint.

SOL's other businesses account for the rest. These operating segments include supply and distribution, commercial and industrial, and aviation. SOL also owns a 29% non-operating interest in SARA Refinery in Martinique. It can refine up to 16,000 barrels of oil each day.

### Ride the trend

Fool contributor Brian Pacampara [highlighted](#) Parkland's 5% pop October 11 on the acquisition news, suggesting that its momentum could carry it higher, despite already gaining 75% year to date. Given all the gains, it's hard to believe that Parkland's dividend yield is still a desirable 2.6%.

"There are still plenty of small- to mid-sized independent convenience-store chains available for the right price, so it's not impossible that Parkland could become the next great consolidator in the U.S.," I wrote October 1. "Ten years ago, investors had never heard of Parkland, so I'd be reluctant to bet against it."

Parkland is primed for significant growth. This latest acquisition shows it's willing to go anywhere to get it. That's an excellent thing if you're a Parkland shareholder.

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### Date

2025/08/17

### Date Created

2018/10/14

### Author

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