



## 1 Energy-Related Stock That Is Still Rising in a Down Market

### Description

Energy investing has been a depressing ride over the years. Even with rising oil prices, it has been difficult to make money in the sector. The junior oil producers have done nothing but go down. The larger companies like **Suncor Energy** have risen somewhat, only to fall back recently towards their 52-week lows. If you're looking for smaller companies to invest in, the oil sector can be a place to either make big money or lose it.

The ups and downs, especially the downs, of the oil market have led me in a slightly different direction than I'd originally intended. I wanted to find investments that might promise a larger degree of safety while still capitalizing on the potential upside of a resurgent oil industry. These considerations led me to **Parkland Fuel** ([TSX:PKI](#)), a marketer of petroleum and fuel products.

The fact that this company is neither a producer nor a pipeline appeals to me. The company moves its fuel products by using a variety of means such as rail, road, and pipelines. It also provides storage services while fuel is waiting to be moved. The company has its own brands and also is a branded distributor for many large companies.

As is the case with many acquisitive companies, Parkland has a significant amount of debt. The company has made several acquisitions over the last few years that have caused its balance sheet to swell. While acquisitions such as that of CST brands (Ultramar) and Chevron Canada's downstream assets, completed in 2017, will expand its scope and scale, they also come at a hefty price tag. The debt is staggered with varying maturities, so managing it should not be a huge obstacle for Parkland.

All of these acquisitions have resulted in higher cash flows and earnings, though, so the company must be doing something right. In the second quarter of 2018, basic earnings per share amounted to \$0.61 as opposed to \$0.20 in the same quarter a year earlier. It also delivered 4,202 million litres of fuel and petroleum products over the same period, representing 62% increase. Sales and operating revenue doubled, rising from \$1,806 million to \$3,783 in the second quarter. The numbers give the impression that this company is experiencing solid growth.

The growth that this company has been experiencing is definitely reflected in the share price. Whereas

smaller oil producers like **Whitecap Resources** and even the larger producers like Suncor are trading at or near their 52-week lows, Parkland is trading near its 52-week high. Even the market chaos of the last few weeks has not slowed this stock down much; it's pretty remarkable — considering this company is in an oil-related industry and is a Canadian stock —that the price of its shares has held up quite well.

Parkland has been executing its strategy very well and has the growth to back it up. Its share price is one of the few on the TSX that has held up through the latest market turmoil, meaning investors must have faith in its business and financial strength. This could be a great growth story, but companies with large debt loads can be worrisome. If the debt doesn't bother you, Parkland could be a growth play. But if you do decide to invest, keep a close eye on the balance sheet.

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