Now Is the Time to Buy Canada's Best Growth Stock

Description

One-time investor darling that many pundits had called Canada's best growth stock **Dollarama** has fallen into disrepute, as its growth trajectory tapers off, seeing it become a target for short-sellers. While this is a disappointing development for investors seeking outsized returns, there is another option ; Canada's largest and fastest-growing independent marketer of fuel and other petroleum products **Parkland Fuel** (TSX:PKI).

Since the start of 2018, Parkland's stock has soared by over 50% compared to Dollarama's 27% loss, and there are signs of further solid gains ahead, which should see it outperform the broader TSX.

Now what?

Parkland reported a strong third-quarter 2018 with sales and operating revenue surging by 48% year over year to $3.8 billion, which saw Parkland announce record quarterly adjusted EBITDA of $200 million. That notable financial result can be attributed to an 18% year-over-year increase in the volume of fuel and petroleum products delivered. This was primarily driven by the acquisition of **Chevron's** Canadian downstream fuels business, including the Burnaby fuel refinery.

Impressively, distributable cash flow for the third quarter more than doubled to $112 million compared to a year earlier, thereby reducing Parkland's dividend-payout ratio for the period to a very sustainable 35%.

This solid expansion in earnings will continue into 2019 and beyond because of a range of organic growth initiatives and acquisitions. Parkland has established a range of ongoing marketing programs, including the On the Run/Marché Express store concepts as well as the rollout of the company's proprietary private label brand 59th Street Food Co.

It also made a number of deals during the third quarter that will be accretive for earnings. These include the agreement to acquire 75% of the stock of **Sol Limited**, the largest independent fuel marketer in the Caribbean for US$1.2 billion, which is expected to be closed during the fourth quarter 2018.

In August 2018, Parkland completed the $176 million purchase of Rhinehart Oil, a distributor of fuels and other petroleum products in Utah, Colorado, Wyoming, and New Mexico, roughly doubling the size of Parkland U.S.A.

Parkland is also in the process of rationalizing the businesses it acquired as part of the Ultramar and Chevron deals and anticipates unlocking $65 million in synergies for the full year 2018, and its value will rise to $180 million by 2020.

The strong year-to-date performance of Parkland's business combined with the additional earnings growth expected because of further synergies being unlocked from completed asset purchases and the conclusion of further acquisitions put the company on track to meet its 2018 guidance.

So what?

While investors wait for Parkland's rapidly expanding earning to lift its share price, they will be rewarded by its regular sustainable monthly dividend. The company has hiked that dividend for the last six years straight to give it a yield of just under 3%. The latest strong results, including the substantial growth of distributable cash flow, means that another dividend hike is in the cards.

For those reasons, Parkland is an attractive buy for investors seeking the opportunity to attain market-beating returns along with a regular growing income stream.

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Date
2025/07/21
Date Created
2018/11/05
Author
mattdsmith