



## Sell-Side Analysts Love This Mid Cap: Should You?

### Description

Heading into the final quarter of 2018, I was very bullish about Canada's newest convenience store and gas station consolidator, **Parkland Fuel** ([TSX:PKI](#)).

On October 1, I [suggested](#) that no one had heard of Parkland Fuel 10 years ago, and now it was embarking on a significant expansion across the U.S., Caribbean, and Latin America using tuck-in acquisitions to build out its footprint of stores.

Two weeks later, I was back [talking](#) about Parkland, as it had just announced a \$1.6 billion deal to buy 75% of Barbados-based SOL Investments, an operator of 526 gas stations and convenience stores in the Caribbean, upping Parkland's fuel volumes by 30%.

With an option to buy the other 25% for 8.5 times SOL's adjusted EBITDA anytime starting in 2021, Parkland wisely convinced SOL's owners to purchase 12.2 million newly minted shares (9.9% stake) to finance part of the initial acquisition cost.

"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," I wrote October 14.

It turns out I'm not the only one. Two sell-side research firms have made Parkland one of the top stocks to own in 2019.

### A lot of catalysts

Two things generally move stock prices higher: earnings growth and near- and long-term catalysts.

**Canaccord Genuity** included Parkland as one of 32 top stock picks for 2019. Analyst Derek Dley has a buy rating on PKI with a \$57 price target over the next 12 months, a healthy 54% upside.

“2018 was a strong year for Parkland, as the company generated impressive shareholder returns of 36 per cent” (vs. the Consumer Staples index, flat for the year),” Dley stated. “We expect the momentum to continue into 2019, as Parkland captures further synergies related to the recently acquired Chevron and CST assets, while producing positive results within Parkland’s network of convenience stores.”

He goes on to state that the SOL investment and others to follow in the U.S. will also produce accretive earnings growth making it a desirable investment in the year ahead.

### **A top pick despite a lower price target**

**Desjardins Securities** made Parkland one of 28 top picks for 2019, spread across eight different sectors.

Interestingly, despite being included in Desjardins’ research report, analyst David Newman lowered his price target by \$5 January 15 to \$45, suggesting investors can expect 22% upside in 2019, a good if not a great return for a top stock pick.

“We continue to see PKI as a well-oiled cash flow machine focused on building a diversified asset base.... We further believe PKI will continue to expand its presence in North America and the Caribbean region, leveraging its strong FCF and favourable access to capital,” Newman wrote in his January 15 report to clients. “Over time, we believe its M&A program and continued investment should reduce the more volatile components of the business (Burnaby Refinery), increase its scale and drive synergies, which could lead to a re-rating in the stock.”

So, even though he lowered the 12-month target price, he’s maintained a “buy” rating on the stock, believing the company has a long runway for growth.

Should you love Parkland stock as analysts do?

It’s hard to argue with the analyst’s assessment of this mid-cap stock’s business.

At \$37, Parkland’s a buy.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:CF (Canaccord Genuity Group Inc.)
2. TSX:PKI (Parkland Fuel Corporation)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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