



Achieve Your Investment Goals Sooner with Canada's Best Growth Stock

Description

Independent fuel distributor **Parkland Fuel** ([TSX:PKI](#)) has gained 15% since the start of 2019 and appears poised to surge higher over the remainder of the year as it progressively delivers value for investors. Through a series of [transformative acquisitions](#), Parkland has become one of North America's leading — and fastest-growing — independent fuel distributor in Canada.

Parkland's appeal is underscored by its regular monthly dividend, which it has hiked for the last six years straight to be yielding just under 3%. As the company unlocks further value, its earnings will continue to grow supporting further dividend hikes. One of the best ways to maximize the return on your investment is to access the power of compounding by regularly reinvesting those dividends by purchasing additional stock.

Strong results

Parkland reported some stellar first-quarter 2019 results, including record adjusted EBITDA of \$315 million or more than double the \$153 million reported for the equivalent period in 2018. That can be attributed to strong same-store sales growth for Parkland's portfolio of conveniences stores, a 27% increase in the volume of fuel delivered and synergies realized from earlier acquisitions.

Earlier this year, Parkland completed the [Sol deal](#), which saw it acquire 75% of the largest independent fuel distributor in the Caribbean.

The company announced that by the end of the first quarter, it had completed initiatives that will unlock \$100 million in synergies annually from its Ultramar and Chevron acquisitions completed in 2017. The Sol deal will further enhance Parkland's earnings as it is bedded down and additional synergies are realized.

For these reasons, Parkland's earnings will continue growing at a healthy clip.

The refit and turnaround completed by Parkland in 2018 for the Burnaby refinery acquired as part of its acquisition of Chevron's downstream Canadian assets has been a boon for the company. For the first

quarter 2019, the refinery reported a utilization rate of 92% compared to 33% for the same period a year earlier, thereby indicating that it is more efficient as well as productive, which bodes well for increased profitability.

Parkland anticipates full-year 2019 EBITDA of \$960 million, which is 8% greater than the \$887 million reported for 2018. After announcing such strong first-quarter results, it is likely that the company will exceed its guidance.

The company is also in the process of raising \$500 million through a debt offering, the proceeds of which will be directed to repaying its \$250 million term loan facility, which comes due in 2021 and other debt.

While investors wait for that to give its stock a further boost, they will be rewarded by its regular monthly dividend yielding just under 3%, which with a payout ratio of 63% of trailing 12-month diluted net income per share is certainly sustainable. That moderate payout ratio coupled with growing earnings bodes well for further dividend hikes.

Maximize returns

It is here that Parkland's attractiveness as a vehicle for building wealth becomes particularly clear.

You see, Parkland offers investors the opportunity to reinvest their dividends by purchasing additional shares through its dividend reinvest plan (DRIP). When using that option shareholders receive a 5% discount on any additional shares purchased, reducing their cost base and further enhancing the returns that can be generated.

By using the DRIP, investors can access the power of compounding, which, when coupled with a regularly growing dividend will maximize the return that can be earned, allowing them to achieve their goals quicker. An investment of \$10,000 in Parkland 10 years ago, when the dividends were received in cash, would see that investment now worth \$56,449, which equates to a return of 464% or 19% annually.

Had the dividends been reinvested, the initial investment would now be worth \$82,188, or eight times greater, which is equivalent to an impressive annualized return of 23%

This demonstrates that over the long term, Parkland is an extremely attractive candidate for investors seeking to maximize their returns and build wealth as quickly as possible.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:PKI (Parkland Fuel Corporation)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/09/06

Date Created

2019/06/25

Author

mattdsmith

default watermark

default watermark