1 Top Growth Stock to Buy in November

Description

The Fed's latest interest rate cut and the growing likelihood of the trade spat between China and the U.S. being resolved have generated considerable optimism surrounding the global economic outlook. These events were a boon for financial markets, catapulting the **S&P 500** and **S&P/TSX Composite** to record highs and will continue to give stocks a solid boost. One top stock to buy today, which stands out for all the right reasons, is **Parkland Fuel** (TSX:PKI); it has gained an impressive 34% for the year to date and poised to deliver further value.

Growing operations

Parkland, through a series of accretive and transformative acquisitions, is now a leading fuel distributor in North America. It recently diversified its business into the Caribbean through the $1.6 billion purchase of **Sol Investments**. The company recently revised its full-year 2019 guidance upwards, lifting forecast EBITDA by 6% from its original guidance to $1.24 billion.

This came on the back of some solid quarterly results since the start of 2019, including for the third quarter, where EBITDA shot up by 51% year over year to a record $302 million. This notable improvement in earnings can be attributed to a whopping 34% increase in the volume of fuel sold during the quarter. Most of that impressive growth has come from Parkland's U.S. business, where fuel volumes sold expanded by an impressive 65% year over year, operating revenue shot up by 43%, and adjusted EBITDA more than doubled to $17 million. Parkland's supply segment also performed strongly with EBITDA soaring by 21% because of higher sales volumes and margins.

Parkland's earnings will continue to grow because of the Sol acquisition, which has seen it obtain a 75% interest in the largest independent fuel marketer and supplier in the Caribbean, where it markets 4.8 billion litres of fuel annually across 23 countries. The company is also in the process of bedding down earlier acquisitions, which has allowed it to release $160 million in synergies that are expected to reach $180 million by 2020.

Parkland is also advancing a range of organic growth initiatives, which will further lift earnings. These include introducing its On the Run/Marché Express store concepts and proprietary 9th Street Food Co.

Brand as well as various re-branding initiatives. It is also focused on reducing costs and bolstering operating margins to grow earnings.

For a company which has aggressively expanded its operations through large transformative acquisitions, Parkland finished the third quarter with a solid balance sheet. This included cash of $290 million and long-term debt totalling $3.7 billion, which is a manageable three times forecast EBITDA, and that ratio will fall as earnings grow.

Parkland also has a history of paying a steadily growing dividend, which it has hiked for the last six years straight to be yielding 2.5%. Growing EBITDA from internal initiatives and recent acquisitions will boost earnings, allowing the company to reward shareholders with further dividend increases. That payment has a payout ratio of around 60%, meaning that it is sustainable, and there is plenty of room for further hikes.

Foolish takeaway

Parkland is, without a doubt, one of Canada's top growth stocks. It is poised to benefit from the improved economic outlook, which will give earnings a solid bump, leading to a higher market value. The relatively inelastic demand for fuels combined with Parkland's diversified operations and scale means that it possesses a solid economic moat and defensive characteristics, which will protect earnings during economic downturns.

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