Profit From the Market Crash: Buy This Top Canadian Dividend-Growth Stock Yielding 4%

Description

Turmoil is engulfing financial markets because of fears that the spread of the coronavirus will trigger a global economic meltdown. The **Dow Jones Industrial** and **S&P/TSX Composite** have fallen by 15%. The latest carnage coupled with oil prices plunging to lows not seen since 2016 have caused stocks to plunge. One top Canadian dividend-growth stock which has lost 29% for the year to date is **Parkland Fuel** (TSX:PKI). While coronavirus fears will weigh on stocks for the foreseeable future, over the long term, quality stocks like Parkland will rebound. This makes the latest market crash an ideal time to add Parkland to your portfolio.

Economic moat

Through a series of accretive acquisitions, Parkland has grown to become a leading North American independent fuel and petroleum products distributor. It also acquired a sizable business in the Caribbean in 2018. This gives Parkland a unique position in an industry where demand for fuels is relatively inelastic, helping to protect its earnings from economic slumps.

Parkland has also built a solid economic moat through the scale of its operations, ownership of the Burnaby refinery, and the strength of its brands. This further protects its earnings, especially from competition in an industry that doesn't have particularly steep barriers to entry.

The collapse of Parkland's share price can be blamed more on a combination of a weaker stock market and the sharp collapse of oil prices, rather than any fundamental issues with its business. That underscores why now is the time to buy the stock.

Strong results

Don't forget that Parkland recently reported some solid numbers. It announced record 2019 adjusted EBITDA of $1.27 billion, which was 43% higher year over year, and beat revised third-quarter guidance of $1.24 billion. Parkland's net earnings soared by 85% year over year to $382 million at $2.60 per share.

A key driver of these robust results was the Burnaby refinery. After a 2018 refit, the plant, which is one of the few refineries in western Canada, has performed well. Burnaby’s 2019 utilization rate was 93.7%, or 16.1% higher than 2018, and refinery throughput grew by 21% year over year to 51,500 barrels of crude daily. That robust operational performance was responsible for driving a 17% increase in 2019 EBITDA for Parkland’s supply business.

The solid bottom line saw Parkland hike its annual dividend by almost 2% to $1.21 per share, giving it a tasty 3.8% yield. This is the eighth straight year where Parkland has rewarded investors with a dividend increase. Not only is the dividend sustainable, as highlighted by a payout ratio of 60%, but there is room for further hikes, even if earnings deteriorate.

Latest acquisitions, including Kellerstrass Oil in Salt Lake City as well as seven ConoMart retail sites and Mort Distribution in Montana, will bolster Parkland’s 2020 earnings. It also expects to unlock additional synergies from earlier deals, which will boost EBITDA. Parkland is also developing and enhancing its convenience store business to bolster earnings.

Foolish takeaway

Parkland is one of Canada’s top dividend stocks. Through accretive and opportunistic acquisitions, it has built a leading North American and Caribbean fuel distribution business. Parkland is generating solid earnings growth, which will be supported by the latest asset purchases. Inelastic demand for energy means that the fuels distributed by Parkland will be consumed, even if the economy slumps, thereby protecting its earnings. Investors will be rewarded by Parkland’s 3.8% yield while they wait for an economic recovery and its stock to rally.

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