



TFSA Investors: 1 Great Business to Own

Description

Superior Plus ([TSX:SPB](#)) engages in the [energy distribution and specialty chemicals businesses](#) in Canada, the United States, and Chile. The company's Canadian propane distribution segment engages in the propane and natural gas liquid marketing wholesale business. The U.S. propane distribution segment distributes and sells propane, heating oil, and other refined fuels in the eastern U.S., the Midwest, and California. The company's specialty chemicals segment supplies sodium chlorate and technology to the pulp and paper industries as well as potassium and chlor-alkali products. The company was founded in 1996 and is based in Toronto.

Record operating results

In 2020, Superior delivered record results, while maintaining focus on providing a safe and productive environment for all employees. The company utilized modern digital tools and technology to achieve goals and successfully reported record full-year earnings before interest, taxes, depreciation, and amortization (EBITDA) from operations of over \$500 million, excluding the impact of IFRS 16, which was a \$250 million improvement compared to previous full-year results.

The company's senior debt to credit facility was also reduced, demonstrating the strong cash flow from operations generated by Superior's businesses. In addition, the company completed \$70 million in tuck-in acquisitions of retail propane distribution assets in the eastern U.S., California, and Canada.

Successful acquisition integration

In the company's U.S. propane-distribution business, Superior made [excellent progress](#) by integrating the operations of NGL Propane LLC (NGL) into the company's business and realizing synergies from the acquisition. Due to this progress, the company increased Superior's target for run-rate synergies to US\$24 million from US\$20 million, and it achieved US\$20 million in run-rate synergies exiting 2019, which was a year earlier than it had expected.

The landscape to acquire solid retail propane assets in the company's operating regions in the eastern

U.S. and California is robust with significant potential opportunities. Superior's propane-distribution model, developed and operationalized, is modern and provides Superior with a competitive advantage through a professional sales and marketing approach and an advanced operating model utilizing data and digitalization to increase organic growth and improve operational and logistic efficiencies.

In 2020, the company plans to roll out Superior's propane distribution model into Superior's U.S. business, which is anticipated to improve operational efficiency and reduce costs. Superior's recent acquisition of UPE contributed positively to the Canadian business as it grew the company's wholesale volumes by over 350 million litres and now has a strategic entry point to build retail propane distribution in California.

Healthy margin improvement

Wholesale propane fundamentals improved from the prior year, which enabled the company to capitalize on significant average margin improvement. Superior's retail propane distribution business, Superior Propane, continued to advance a digital strategy, by rolling out an additional 30,000 tank sensors in the year. This division now has tank sensors on over 50% of the company's delivered volumes.

The company is committed to reducing Superior's leverage ratio while executing the company's tuck-in acquisition strategy. Superior also has a succession plan in place to identify and develop future leaders of the organization to ensure the continued success of the company in the future.

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