



Get “Superior” Returns With This Top TSX Stock

Description

Undoubtedly, **Superior Plus** ([TSX:SPB](#)) is among the [top propane marketers and distributors](#) in North America.

Besides its strong market footprint in the U.S and Canada, a lot seems to be working in favour of this company. Accordingly, investors are keen about the prospects of this TSX stock regarding its long-term return potential.

In my view, a tonne of upside remains on the table with this stock. Here's why.

Excellent fundamentals make this a top TSX stock

Superior Plus is an intriguing company to dive into. A lesser-known name in the energy space, I think this is one of those overlooked stocks that could get re-rated higher by investors over time.

The company's recent investor day highlights why. Superior Plus announced some pretty bullish forward-looking projections during its investor day virtual event. Indeed, the company's forecasted EBITDA of \$700-\$750 million by 2026 took some investors by surprise.

Accordingly, analysts are expecting the company to announce some sort of strategic plan to hit this target. Whether via tuck-in acquisitions or other aggressive strategies, Superior Plus is on the move to shake up its sector. Indeed, for long-term growth investors, this is good news.

Analysts believe that this targeted EBITDA is possible. Of course, the potential for debt or equity issuances down the road remain a risk. However, given the company's current cash position and balance sheet strength, some deal making may be rewarded by the market.

Indeed, it remains to be seen what Superior Plus has planned for investors. However, consolidating a fragmented U.S. market provides a lot of potential upside for growth. Superior Plus's current liquidity and free cash flow situation provide a lot of flexibility in this regard. Accordingly, I see the optimism with this play today.

Portfolio transformation bullish for this stock

Recently, Superior Plus was able to complete the sale of Specialty Chemicals to Birch Hill Equity Partners for \$725 million. Superiors received \$600 million in cash and a 6% unsecured note worth \$125 million as consideration for this transaction. Indeed, the proceeds of this deal will improve the company's balance sheet flexibility, lower its net debt and strengthen its growth-by-acquisition strategic potential.

This company took its final step towards transforming into a pure play with this transaction. Following the sale, Superior Plus is not focused on expanding its market-leading retail propane distribution platform.

In 2020, the company managed to acquire energy-distribution assets of over \$285 million. And as of 2021, the energy-distribution company has sealed three acquisitions in Canada and the U.S.

Indeed, the company is not going to stop here. I think we can expect a couple of well-timed and strategized acquisitions for this company down the road.

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chrismacdonald

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