



# Parkland Income Fund

## *Acquisition of Bluewave Energy*



---

**Mike Chorlton**  
**President and CEO**

December 2009

---

# Forward Looking Statements

*Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding Parkland's position as the largest independent fuel distributor in Canada, Parkland having a strong platform for growth through consolidation, the acquisition of Bluewave Energy being accretive, Parkland having increased total credit facilities as well as the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving Parkland. Many of these statements can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words. Parkland believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described in the Fund's annual report, annual information form and other continuous disclosure documents. Such forward-looking statements necessarily involve known and unknown risks and uncertainties and other factors, which may cause the Fund's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Such factors include, but are not limited to: certain cost savings being realized upon completion of the acquisition of Bluewave Energy, general economic, market and business conditions; industry capacity; competitive action by other companies; refining and marketing margins; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; changes in environmental and other regulations; and other factors, many of which are beyond the control of Parkland. Any forward-looking statements are made as of the date hereof and the Fund does not undertake any obligation, except as required under applicable law, to publicly update or revise such statements to reflect new information, subsequent or otherwise.*



# Transaction Overview

## Purchase Price

- C\$214 million (subject to closing adjustments relating to working capital)
  - Bluewave's management, employees, and certain founding investors will have the option to receive the consideration up to 2.0 million of Class C Limited Partnership Units for an aggregate of \$25.1 million
  - Balance of the purchase price will be funded by cash on hand, existing credit capacity, incremental borrowing from expanded credit facilities and assumption of certain Bluewave liabilities

## Attractive Acquisition Metrics<sup>(1)</sup>

- ~6.2x trailing 12 months normalized EBITDA
- Highly accretive transaction (15-18% accretive to LTM cash flow per unit and 13-15% accretive to LTM earnings per unit)

## Transaction Structure

- Two step transaction whereby Parkland would (i) acquire certain assets from Bluewave, and (ii) subsequently acquire Bluewave's equity securities

## Retention of Bluewave Brand and Personnel

- Intend to offer employment to all current senior management and to retain substantially all employees
- Envision operating Bluewave as a division, utilizing the brand and maintaining a significant operating presence in the Dartmouth area for the foreseeable future

## Closing Conditions

- Subject to the receipt of all necessary third party and regulatory approvals including approval under the Competition Act and from the TSX
- Anticipated close at the end of January 2010



(1) See reconciliation of Bluewave non-GAAP measures on page 16

# Transaction Rationale

<b>Leading independent fuel distributor</b>	<ul style="list-style-type: none"><li>▪ Adds a leading independent fuel distributor to Parkland's business portfolio</li></ul>
<b>Strong platform for growth</b>	<ul style="list-style-type: none"><li>▪ Robust pipeline of future acquisition opportunities</li></ul>
<b>Enhanced diversification</b>	<ul style="list-style-type: none"><li>▪ Increases portion of Parkland's fuel marketing business that is independent of refiners' margins and improves the Fund's overall geographic and customer diversity</li></ul>
<b>Adds strategic relationship</b>	<ul style="list-style-type: none"><li>▪ Adds major branded fuel relationship with Shell</li></ul>
<b>Expanded geographic footprint</b>	<ul style="list-style-type: none"><li>▪ Expands Parkland's geographic reach into Atlantic Canada and strengthens the Fund's position in Ontario and Western Canada</li></ul>
<b>Potential synergies</b>	<ul style="list-style-type: none"><li>▪ Increased fuel volume purchases should lead to cost savings</li><li>▪ Opportunity to amalgamate operations primarily in Alberta will result in meaningful cost savings</li><li>▪ Administrative cost synergies (Board and audit fees, some management personnel)</li></ul>
<b>Immediately accretive</b>	<ul style="list-style-type: none"><li>▪ Expected to be immediately accretive to net income and cash flows per unit</li><li>▪ Attractive acquisition multiple compared to other similar transactions</li><li>▪ Maintain strong balance sheet position</li></ul>



---

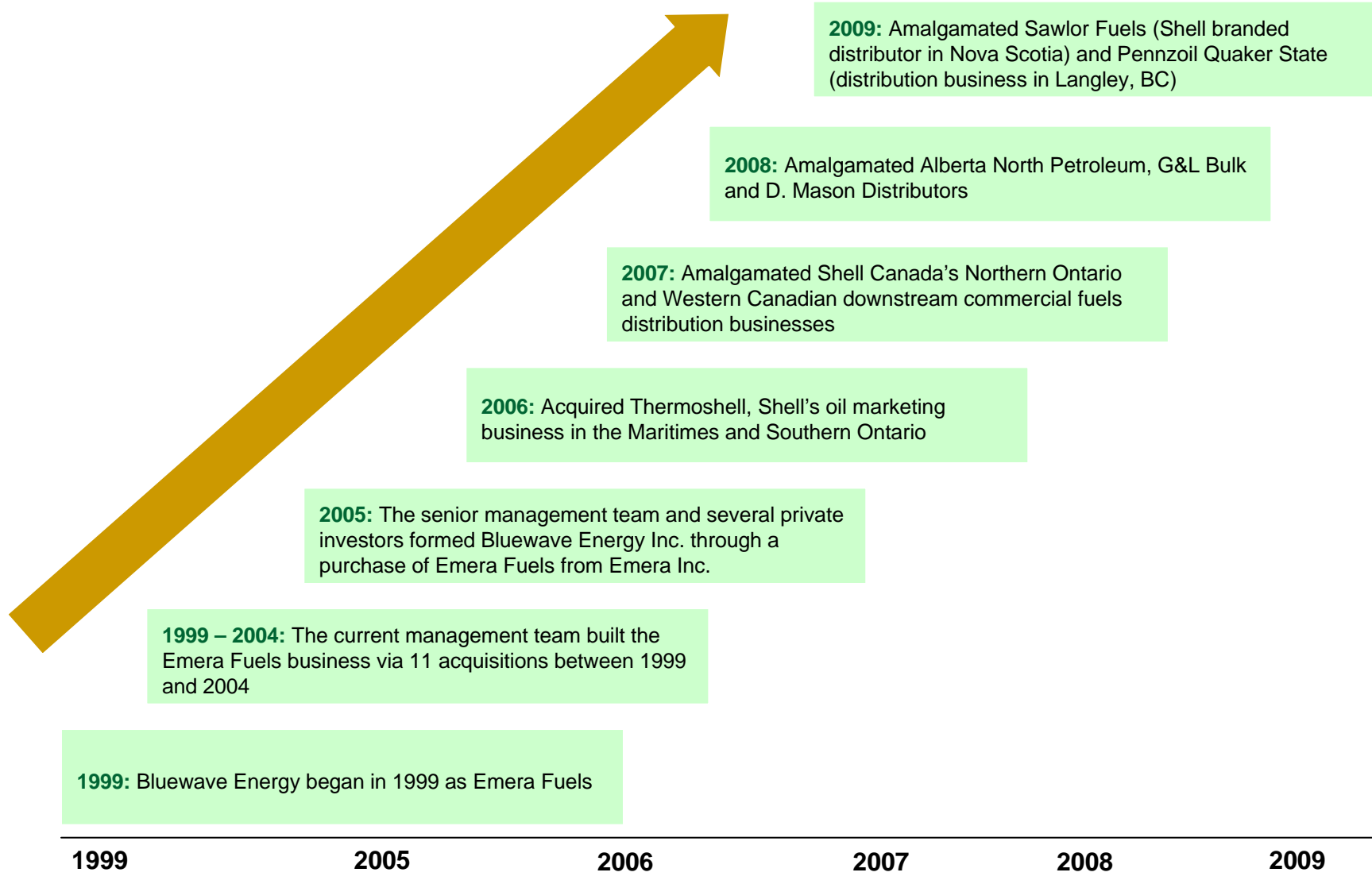
# Overview of Bluewave Energy

- Bluewave is one of the largest independent fuel distributors in Canada
  - Sells diesel oil, motor gasolines, heating oil, lubricants and a number of other refinery-produced products
  - Authorized distributor of Shell fuels
  - Customer base of ~73,000 end consumers and businesses; consistently outperforms competition in independent customer satisfaction surveys
  - Fleet of 185 delivery trucks
  - 48 branch offices across Canada which in total employ 420 people and 105 contractors
  - Gross margin of \$91.1 million and normalized EBITDA<sup>(1)</sup> of \$34.4 million for 12 month period ended August 31, 2009



(1) See reconciliation of Bluewave non-GAAP measures on page 16

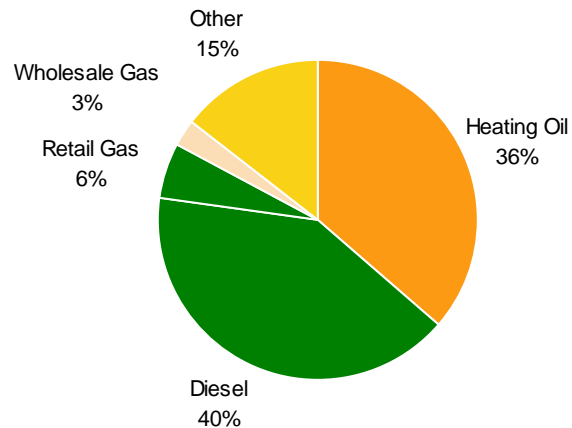
# Bluewave's History of Growth



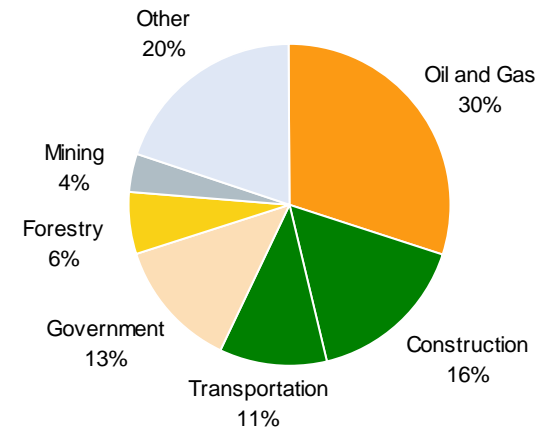
# Bluewave's Product and Customer Diversification

- Bluewave offers a diversified suite of products and services
  - Diversified customer base, delivering heating oil, diesel fuel, gasoline, lubricants and related products to homes as well as agriculture, transportation, construction and upstream oil and gas commercial customers
  - Strong reputation in its markets

**LTM Gross Margin Contribution by Products<sup>(1)</sup>**



**YTD Volume Contribution by End Market<sup>(1,2)</sup>**



(1) As of August 2009

(2) Volume analysis conducted on each respective period's top 100 customers

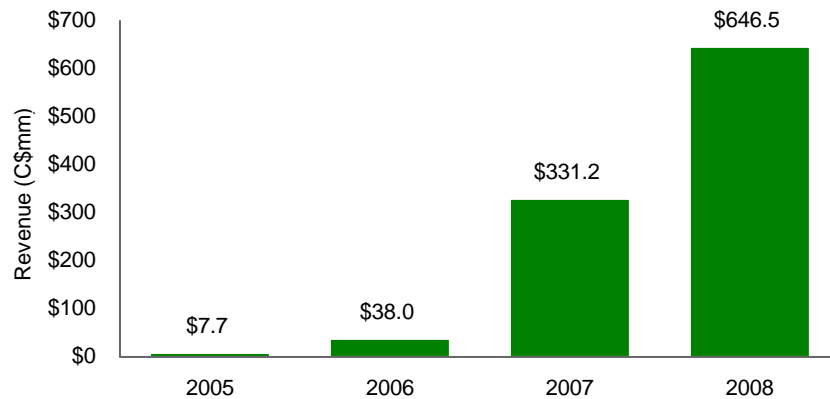
*Bluewave is well diversified by product line and industry sector*



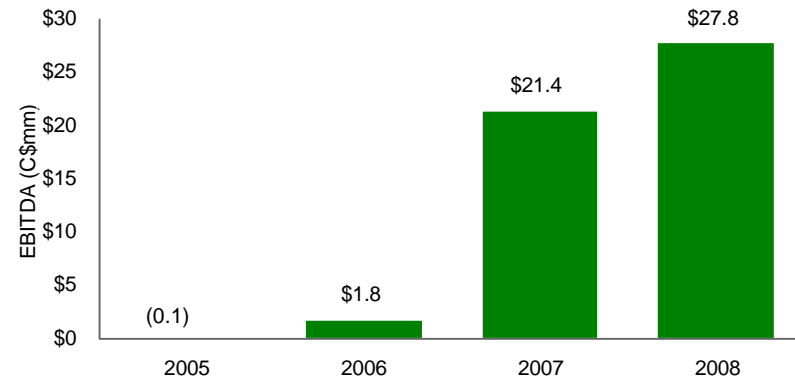
# Bluewave's Financial Summary<sup>(1)</sup>

- Bluewave has grown its revenue and EBITDA significantly over the last three years
- EBITDA growth from \$1.8 million in 2006 to \$27.8 million in 2008 was primarily a result of acquisitions

2005 – 2008 Revenue Growth



2005 – 2008 EBITDA Growth<sup>(1)</sup>



*Bluewave's strong growth profile is expected to continue into the future*

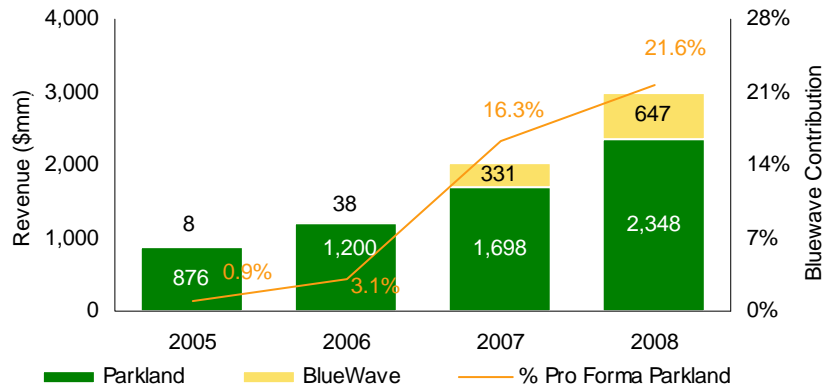


(1) See reconciliation of Bluewave non-GAAP measures on page 16

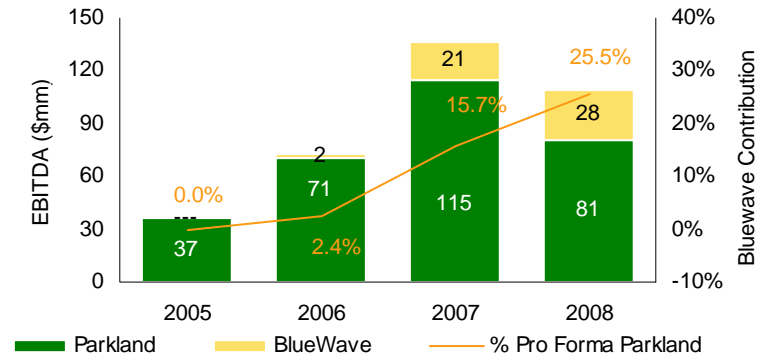
# Adds Scale & Growth Potential to Parkland's Operations

- Bluewave would represent 21.6% and 25.5%, respectively, of Parkland's pro forma revenue and EBITDA in 2008
- Acquisition will increase growth across a variety of products and geographies
  - Volume of Western Canadian business is expected to increase significantly over the next 5 years, (led by commercial sales, in particular, diesel)
  - Volumes will also increase in Central Canada mainly from the commercial sector

2005 – 2008 Pro Forma Revenue



2005 – 2008 Pro Forma EBITDA<sup>(1)</sup>



**Transaction adds scale and provides Parkland with significant growth, both immediately and through a robust pipeline of potential future acquisitions and organizational capability focused on growth**

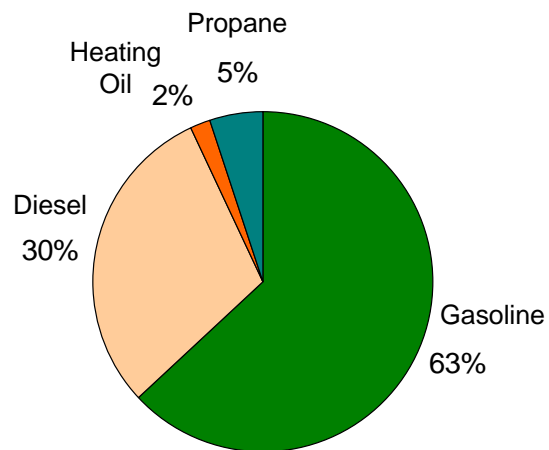


(1) See reconciliation of Bluewave non-GAAP measures on page 16. Refer to Parkland's financial disclosure for reconciliation of non-GAAP measures

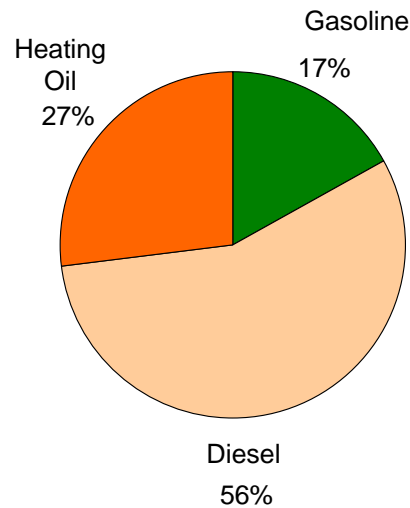
# Improved Product Mix

- Acquisition will add additional diesel and heating oil volume, and further improve Parkland's product mix

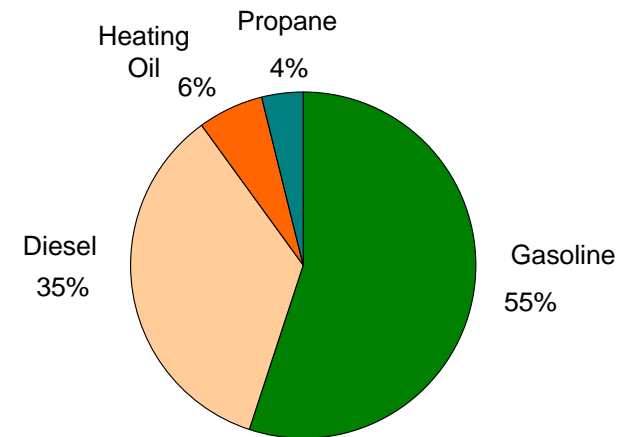
**Parkland Volumes (1)**



**Bluewave Volumes (1)**



**Pro Forma Parkland Volumes (1)**

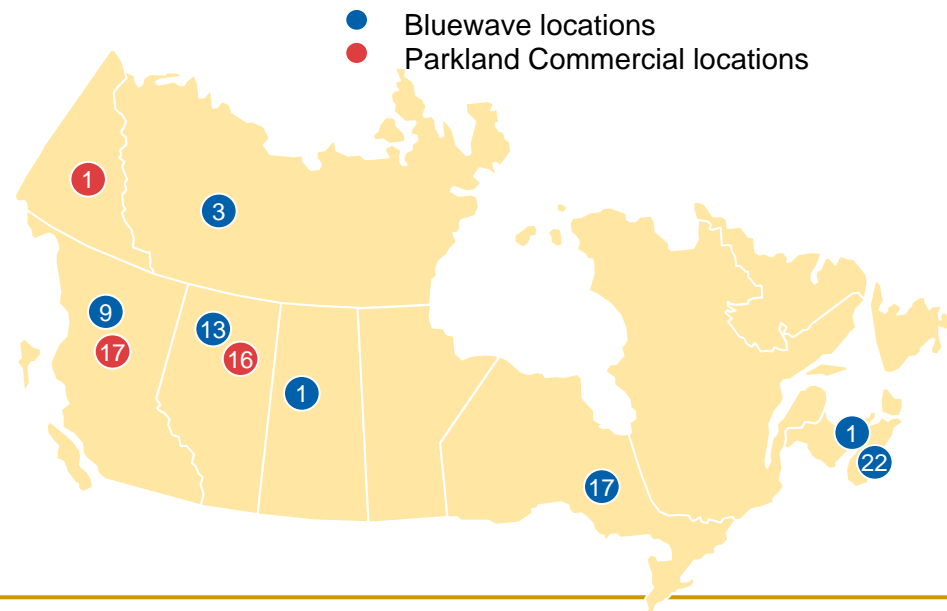


(1) As of August 2009 for Bluewave and 2009E for Parkland



# Enhanced Geographic Footprint and Significant Synergies

- Transaction expands Parkland's geographic reach into Atlantic Canada, strengthens its position in Ontario and Western Canada and improves its overall geographic and customer diversity
- Estimated that the transaction will result in synergies totaling ~\$5 million
  - Savings from overhead costs, network operations through the amalgamation of facilities and fuel supply due to higher volumes purchased from suppliers
  - 50% of synergies expected to be realized in 2010, with full synergies being achieved in 2011 and beyond



## Consistent with Parkland's Focus on Acquiring Complementary Businesses with Strong Growth Prospects

- Acquisition is consistent with Parkland's key acquisition criteria:
  - Strategic fit
  - Network strength
  - Brand fit
  - Offer mix
  - Organizational capability
  - Synergies
  - Accretive opportunities
- Bluewave is a well-managed industry leader that is highly complementary to Parkland's existing business
- Acquisition is financially accretive to Parkland and will provide an expanded strategic platform on which to pursue additional growth opportunities in Central and Atlantic Canada

*Bluewave is a compelling growth opportunity that meets all of Parkland's acquisition criteria*



# Immediate Highly Accretive Acquisition Metrics

## LTM<sup>(1)</sup> Cash Flow Accretion

<i>C\$ millions</i>	<b>No Units Issued</b>	<b>2mm Units Issued</b>
Parkland Operating Cash Flow <sup>(2)</sup>	95.0	95.0
Bluewave Operating Cash Flow <sup>(2),(3)</sup>	29.4	29.4
Pro forma	124.4	124.4
Adjustments (after tax)		
After-Tax Synergies	-	-
Incremental Interest expense	(12.1)	(10.9)
Total Adjustments	(12.1)	(10.9)
Pro Forma Cash Flow	112.2	113.5
Parkland Stand alone Units	50.7	50.7
Acquisition Units Issued	-	2.0
Pro Forma Parkland Units	50.7	52.7
Parkland Stand alone CFPU	\$1.87	\$1.87
Pro Forma CFPU	\$2.21	\$2.15
Accretion (\$)	\$0.34	\$0.28
Accretion (%)	18.2%	15.0%

## LTM<sup>(1)</sup> Net Income Accretion

<i>C\$ millions</i>	<b>No Units Issued</b>	<b>2mm Units Issued</b>
Parkland Net Income <sup>(4)</sup>	55.0	55.0
Bluewave Net Income <sup>(3)</sup>	20.2	20.2
Pro forma	75.2	75.2
Adjustments (after tax)		
After-Tax Synergies	-	-
Incremental Interest expense	(12.1)	(10.9)
Total Adjustments	(12.1)	(10.9)
Pro Forma Net Income	63.0	64.3
Parkland Stand alone Units	50.7	50.7
Acquisition Units Issued	-	2.0
Pro Forma Parkland Units	50.7	52.7
Parkland Stand alone EPU	\$1.08	\$1.08
Pro Forma EPU	\$1.24	\$1.22
Accretion (\$)	\$0.16	\$0.14
Accretion (%)	14.8%	13.0%

- If pro forma leverage (including convertible debentures) were 2.0x LTM EBITDA<sup>(5)</sup>, LTM cash flow and earnings accretion would have been 12.3% and 11.1% respectively

(1) Last twelve months (LTM) as of September 2009 for Parkland and August 2009 for Bluewave

(2) Cash flow before changes in working capital

(3) See reconciliation of Bluewave non-GAAP measures on page 16

(4) Parkland LTM earnings are normalized for non-recurring items of \$0.8 million

(5) Refer to Parkland's financial disclosure for reconciliation of non-GAAP measures



# Conservative Balance Sheet

- The following illustrative balance sheet assumes that no units are issued by Parkland to vendors

C\$ millions	Parkland 30-Sep-09	Bluewave <sup>(1)</sup> 30-Sep-09	Pre-closing <sup>(2)</sup> Adjustments	Closing Adjustments	Combined
<b>Assets</b>					
Cash	4.9	-	-	(3.0)	1.9
Other current assets	165.8	58.9	-	-	224.6
Net fixed assets	202.4	25.4	-	-	227.8
Other assets	64.3	47.9	3.9	110.4	226.5
<b>Total assets</b>	<b>437.2</b>	<b>132.2</b>	<b>3.9</b>	<b>107.4</b>	<b>680.8</b>
<b>Liabilities and unitholders' equity</b>					
Bank indebtedness	9.0	-	-	-	9.0
Accounts payable	110.1	22.3	-	-	132.4
Long term debt	96.6	-	(93.8)	209.4	212.2
Convertible debenture	-	-	97.8	-	97.8
Other liabilities	27.2	7.9	-	-	35.1
Total liabilities	242.9	30.2	3.9	209.4	486.5
Capital stock	194.3	94.7	-	(94.7)	194.3
Retained earnings	-	7.4	-	(7.4)	0.0
Total common unitholders' equity	194.3	102.0	-	(102.0)	194.3
<b>Total liabilities and unitholders' equity</b>	<b>437.2</b>	<b>132.2</b>	<b>3.9</b>	<b>107.4</b>	<b>680.8</b>
LTM EBITDA <sup>(3)</sup>	102.2	34.4	-	-	136.6
Total Debt	105.6	-	-	209.4	319.0
Total debt / total capital	0.35x	0.00x	-	-	0.62x
Total debt / EBITDA	1.03x	0.00x	-	-	2.33x

Parkland's leverage remains conservative following the transaction



(1) Adjusted to reflect extinguishment of Bluewave's net debt prior to closing

(2) Pre-closing adjustments relate to issuance of convertible debentures by Parkland

(3) See reconciliation of Bluewave non-GAAP measures on page 16. Refer to Parkland's financial disclosure for reconciliation of non-GAAP measures.

## Parkland's Financial Profile

	Stand Alone	Pro Forma	
		No Unit Election	Maximum Unit Election
Listing (TSX)	PKI.UN	PKI.UN	PKI.UN
Units Outstanding (millions)	50.7	50.7	52.7
Market Capitalization (\$ millions) <sup>(1)</sup>	\$638	\$638	\$663
Total Debt (\$ millions) <sup>(2)</sup>	\$106	\$319	\$294
Enterprise Value (\$ millions) <sup>(1)</sup>	\$739	\$955	\$955
Monthly Distribution per unit	\$0.105	\$0.105	\$0.105

(1) As at December 21, 2009

(2) As at Q3 2009



---

# Summary

- **Bluewave reinforces Parkland's position as Canada's leading independent petroleum distribution business**
- Bluewave has a five year trend of strong, improving results
- Transaction expected to be immediately accretive to earnings and cash flow on a per unit basis
- Expands the Fund's geographic footprint into Atlantic Canada while strengthening its position in Ontario and Western Canada
- Adds major branded fuel relationship with Shell
- Establishes a solid platform for future growth via industry consolidation
- Enhanced risk management through revenue diversification and growth in non-fuel revenues
- Parkland maintains a strong balance sheet; no change to distribution policy
- Parkland intends to convert to a corporation at the beginning of 2011
  - Conversion plans may be revisited sooner, should significant events dictate



# Reconciliation of Bluewave Non-GAAP Measures

<i>C\$ millions</i> <sup>(1)</sup>	<u>2007</u>	<u>2008</u>	<u>LTM Aug. 30, 2009</u>
<b>As Stated</b>			
Net Earnings	3	12	12
Taxes	0	0	0
Interest expense	3	6	6
Depreciation / Amortization	<u>6</u>	<u>7</u>	<u>9</u>
EBITDA	12	25	26
Cash from operations <sup>(2)</sup>	8	19	21
<b>Normalizing Adjustments</b>			
Non-recurring items	1	3	7
Full-year effect items	9	1	2
Other <sup>(3)</sup>	<u>(0)</u>	<u>(1)</u>	<u>(1)</u>
Total Normalizing Adjustments	9	3	9
<b>Normalized</b>			
EBITDA	21	28	34
Net Earnings	12	15	20
Cash from operations <sup>(2)</sup>	18	22	29

(1) Totals may not add up due to rounding

(2) Cash from operations before changes in non-cash working capital

(3) Collected interest on accounts receivable less credit card fees

