Parkland Corporation

2022 Third Quarter Results Analyst Conference Call

November 3, 2022 — 6:30 a.m. M.T.

Length: 42 minutes

PARKLAND

Parkland Corporation
1800, 240-4 Ave SW
Calgary, AB T2P 4H4

403-567-2500
Parkland.ca

CORPORATE PARTICIPANTS

Bob Espey
Parkland Corporation — President & Chief Executive Officer

Marcel Teunissen
Parkland Corporation — Chief Financial Officer

Valerie Roberts
Parkland Corporation — Director, Investor Relations

CONFERENCE CALL PARTICIPANTS

Michael Van Aelst
TD Securities — Analyst

Ben Isaacson
Scotiabank — Analyst

Carly Davenport
Goldman Sachs — Analyst

Steve Hansen
Raymond James — Analyst

Matthew Weekes
iA Capital Markets — Analyst

Peter Sklar
BMO Capital Markets — Analyst

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PRESENTATION

Operator

Good morning. My name is Marcella and I will be the operator assisting you today. At this time, I would like to welcome everyone to the Parkland 2022 Third Quarter Results Analyst Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question during this time, simply press star then the number one on your telephone keypad. If you'd like to withdraw your question, press star then two. Thank you.

I would now like to turn the conference over to Valerie Roberts, Director, Investor Relations for Parkland. Please go ahead.

Valerie Roberts — Director, Investor Relations, Parkland Corporation

Thank you, operator. With me today on the call are Bob Espey, President and CEO, and Marcel Teunissen, Chief Financial Officer. This call is webcast and I encourage listeners to follow along with the supporting slides. We will go through our prepared remarks and then open it up for questions from the investment community. Please limit yourself to one question and a follow up if necessary and, if you have other questions, re-enter the queue. We would ask analysts to follow up directly with the investor relations team afterwards for any detailed modelling questions.

During our call today we may make forward-looking statements related to expected future performance. These statements are based on current views and assumptions and are subject to uncertainties which are difficult to predict. These uncertainties include, but are not limited to, expected operating results and industry conditions, among other factors. Risk factors applicable to our business are set out in our revised annual information form and management's discussion and analysis.

We will also be discussing non-GAAP and other financial measures, which do not have any standardized meanings prescribed by IFRS. These measures are identified and defined in Parkland's continuous disclosure documents, which are available on our website or on SEDAR. Please refer to these documents as they identify factors which may cause actual results to differ materially from any forward-looking statements.

Dollar amounts discussed today are expressed in Canadian dollars unless otherwise noted.

I will now turn the call over to Bob.

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Great. Thank you, Val, and good morning. We appreciate you joining us today.

I'm pleased to lead off by highlighting that we completed our consolidation of Sol in mid-October. We also closed our acquisitions of Husky and GB Group's Jamaican business during the quarter. With all previously announced deals behind us, we remain focused on integration and capturing synergies to grow cash flow while lowering our leverage ratio and increasing distributions to shareholders.

Our recently closed transactions include our acquisition of 163 Husky retail sites. These sites are located in the following markets: Vancouver Island, Vancouver, Calgary, and Toronto, where we already have a supply advantage. These sites help to fill in some of the whitespace in our Canadian retail network and create more opportunities for us to engage with customers and better serve their needs. Our teams are excited to welcome this network to Parkland. In integrating these Husky sites, we will leverage our industry-leading controlled fuel brands of Chevron, Pioneer, and Ultramar, as well as our On the Run convenience brand. We will also enhance our food offerings and introduce JOURNIE™ Rewards. Similar to the Calgary Chevron location you see on the cover slide, once these rebrands are complete we expect a significant uplift in performance and customer traffic. With that, let's dive into the quarter.

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As followers of Parkland, you know that over many years we have demonstrated our resilience, building a durable business, delivering consistent operating performance, and exceeding the ambitious targets we set for ourselves. Through the quarter, commodity prices experienced unprecedented volatility. The net result was a 27% fall in WTI, a 33% fall in US gasoline, and a 17% fall in US diesel. In some local markets, this volatility was amplified, creating significant local imbalances. Parkland is not alone in experiencing these market dynamics.

This impacted our USA segment, where volatility led to losses. Excluding these, Parkland USA performed in line with expectations. We have taken definitive steps to ensure this is not repeated. We have curtailed our USA business and have contained the impacts to the third quarter. We expect our USA segment will return to normal run rate in Q4.

It is important to note that in the first nine months of 2022 Parkland has generated approximately $1.2 billion of adjusted EBITDA. This is a record for our Company, which highlights the underlying strength and resilience of our business. It also provides us with confidence to deliver our 2022 guidance range of $1.6 billion to $1.7 billion.

Let me touch briefly on our balance sheet, shareholder distributions, and growth. Until now, we have been primarily focused on growth; however, with the completion of our acquisitions we will now focus on deleveraging and enhancing shareholder distributions. I remain confident we can achieve our mid-decade growth target.

I'll now turn the call over to Marcel to speak in more detail about the financial results on slide four.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Thank you, Bob, and good morning, everyone.

I'll start with our Canadian segment, which delivered an adjusted EBITDA of $140 million, which is up 4% year over year. This was driven by higher fuel unit margins; the M&M, Vopak, Husky, and Crevier acquisitions; and growth in our cardlock businesses. And as prices at the pump retreated during the quarter, we saw average fill rates increase and we continued to see good backcourt conversion supported by our merchandising strategy. Same store food and company C-store sales excluding cigarettes grew over 5% compared to Q3 2021. Centre of store continues to perform well, reflecting the higher volumes and our pricing strategy. Quarter over quarter, candy was up 9%, salty snacks were up 14%, and packaged beverages were up 11%. We continued to grow our JOURNIE™ loyalty program, adding 300,000 new members in the quarter. This brings our total membership to approximately 3.8 million. Loyalty members shop in our stores more often, buy more products, and buy more fuel compared to non-JOURNIE™ members. We completed 70 On the Run conversions in the quarter and now have about 400 in our network. We continued to roll out a refreshed store design to enhance the customer experience and create convenience destinations that our customers actively seek out.

Our international segment delivered an adjusted EBITDA of $104 million, up from $83 million in the prior year. These results include 100% of the Sol business from August 4th when we signed the deal. Excluding this contribution in the third quarter, international was up 5% year over year. Volumes increased nearly 30%, primarily due to returning tourism, and we expect increased aviation traffic to provide a meaningful tailwind heading into Q4.

In our USA segment we recorded an adjusted EBITDA loss of $18 million. Excluding the wholesale losses, which we previously spoke about, our underlying operations delivered an adjusted EBITDA of $47 million. This is up 9% year over year and is in line with our expectations. In the USA, our retail and commercial volumes grew 14% year over year driven by our acquisitions. We continued to see strength in fuel margins, particularly

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on the retail side of the business. And also during the quarter several new major account wins helped triple the size of our marine business.

Moving to the refinery, reliable operations resulted in a composite utilization of 94% during the quarter. We generated an adjusted EBITDA of $135 million. This is a top five quarter for the refinery and these results reflect higher operating and compliance costs as well as higher trailing crude prices in a declining market. Some of these items are transitory in nature. As a rule of thumb, we expect to capture approximately 70% of crack margins over time, but volatility impacts this number quarter over quarter. As a reminder, we have a six-week to eight-week planned turnaround in the first quarter of 2023.

In total, Parkland delivered $328 million of adjusted EBITDA in the third quarter. While parts of our business performed well during the quarter, some fell below our expectations, but we do see the benefits of our strategically diversified business, which provides resilience through volatile times.

With that, let's turn to slide five. During the quarter, our leverage ratio increased 0.3x to 3.5x. Lower adjusted EBITDA in the third quarter compared to Q3 2021 increased our leverage by 0.2x. Payments for the Jamaica and Husky acquisitions increased our leverage ratio by 0.1x in the quarter. These were the last of our previously announced deals. We have started to see some working capital release with declining commodity prices and this is reversing part of the increase experienced in the first half of the year and lowered our ratio by 0.1x. And higher foreign exchange rates immediately increased the Canadian dollar value of our US dollar denominated debt and, while we do expect foreign exchange benefits in our international and US business results, the trailing 12-months impact will take time to work through our leverage ratio calculation. We continue to target a leverage ratio of less than 3x by 2023. Our leverage ratio may continue to be impacted by commodity price and foreign exchange volatility, but we are focused on the things that we can control, including operational execution to generate strong cash flow and maintaining liquidity.

Moving to slide six, we have a track record of disciplined capital allocation and over the past two years we have prioritized growth and completed about $2.9 billion of acquisitions, double the originally planned rate. Approximately 25% of these were funded by equity. We have now paused acquisitions and are focused on integrating and capturing synergies from the businesses we acquired. The economic environment has also changed with higher interest rates driving higher cost of capital and therefore we have reviewed our capital allocation framework. We continue to be focused on lowering our leverage ratio to maintain a strong balance sheet and financial flexibility. Last year we locked in lower interest rates and extended our maturities with the earliest bond due in 2026. In addition, we have $1.3 billion of liquidity at the end of the quarter and Parkland is well positioned to navigate an uncertain macroeconomic environment. Going forward, as part of rebalancing our capital allocation framework, we expect to allocate more of our cash flow towards shareholder distributions.

For the last decade we have delivered consistent annual dividend growth and earlier this year we increased our annual dividend by 5% to $1.30 per share. We believe our shares are currently undervalued and, as a result, we have decided to spend our dividend reinvestment program immediately. Using our existing NCIB, we expect to allocate some of our cash flow to buy back shares. This is the most attractive way to allocate capital at the moment.

We're also focused on high-grading our portfolio, which is to be expected after the acquisitions we have done. This will include divesting assets and businesses that no longer fit our strategy or do not generate sufficient returns. Proceeds from this activity will be deployed within our capital allocation framework. In addition, we have a large pool of high-return organic growth opportunities that will generate new cash flow and advance our strategy. We will invest capital at an appropriate pace.

We remain disciplined in our new capital investment opportunities, such as the renewable diesel facility at the Burnaby Refinery. We continued to advance the design and engineering of the project, but note that the

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environment has changed with higher inflation and changed government policy in Canada and the US, particularly the recently announced Inflation Reduction Act. We do believe that the project provides great economic and environmental benefits to Canada; however, we will review the economics of this project carefully before proceeding to a final investment decision next year.

And with that, I'll turn it back to Bob for his final comments.

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Great. Thank you, Marcel, for a great overview of the quarter.

Before we open the line for questions, I will update you on some of the strategic initiatives which will contribute to our future success. Our business is resilient and we have one of the most talented teams in the industry. The combination of our capabilities and strategic position allow us to seize the opportunities that lie ahead. You are familiar with the slide on the screen. We shared it in our 2021 investor day and it has been a constant in each of our disclosures since.

In our develop pillar, we have now completed all our previously announced acquisitions as well as the consolidation of our international segment. These have added scale to our business and a platform for growth and we see evidence of synergy capture, particularly with our recent Vopak acquisition, which is tracking ahead of plan. Our teams continued to drive organic growth. Effective merchandising and new concepts in our C-stores, such as our food program, are driving centre of store performance and advancing our convenience destination model. In our commercial business, we are leveraging our capabilities and scale to win large accounts. We saw this during the third quarter in our US marine division, which grew threefold.

In our diversify pillar, M&M plays a central role in our food and convenience destination strategies. By the end of the year, we will have doubled M&M's presence with our On the Run network from 150 locations to around 300. These doors within stores, or M&M Express locations, expand our proposition for providing customers with quality take-home meal options. Looking toward 2023, we are progressing a new store pipeline, including standalone and combined On the Run stores across Canada. We also expect to launch a fresh food concept in the second half of 2023, which will expand our M&M brand into the takeout and dine-in segments.

In our decarbonize pillar, we have upgraded the electric vehicle charging experience for our customers through the latest upgrade to our JOURNIE™ app. I encourage you to download it and take a look. Our EV customers can now start, stop, and monitor their charging sessions directly from the JOURNIE™ app. This eliminates the need for multiple applications and is a first in North America. It will provide us with insights on customer behaviours and enable us to deliver relevant cross promotional offers.

Let me wrap up by saying how proud I am of the Parkland team. We have the best in the industry. I would like to thank them for safely meeting our customers' needs. The senior team and I have tremendous confidence in the trajectory of each of our operating segments. In the USA, our retail and commercial businesses are strong and will continue to grow. In Canada, our retail business is resilient and growing and the commercial business is entering the traditionally strong winter season. Our international business has delivered steady growth and is positioned to benefit from a strong natural resource sector and a resurging tourism industry. And the refinery consistently delivers safe and reliable operations and continues to deliver strong financial performance. These are just some of the reasons we are confident in delivering our 2022 guidance and meeting our $2 billion run rate ambition by 2025.

With that, I'll now invite the moderator to open the line for questions.

Q & A

Operator

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Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by one on your touchtone phone. You will hear a three-tone prompt acknowledging your request. If you would like to withdraw your request, please press star followed by two. If you are using a speakerphone, please lift your handset before pressing any keys.

Your first question comes from Michael Van Aelst from TD Securities. Please go ahead.

Michael Van Aelst — Analyst, TD Securities

Hi, guys. First part of the question is just on the 2025 target of $2 billion in EBITDA. Do you need more acquisitions to get to this level or do you expect to see the organic growth pick up?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Look, we do have some good tailwinds in the business right now in terms of synergy capture. We're continuing to invest in our organic activities and those push us a long way to hitting that $2 billion target by mid-decade.

Michael Van Aelst — Analyst, TD Securities

Okay. So do you require any new acquisitions to get there?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Look, it's something we'll update the street on next quarter.

Michael Van Aelst — Analyst, TD Securities

Okay. And then I guess when you look at that, you talked, I guess the second part of the question was going to do with your free cash flow allocation, because I was wondering how you're going to balance your deleveraging targets to get below 3x in 2023 while also returning capital to shareholders in the NCIB. So how active are you going to be on the NCIB and what's your confidence level of getting leverage below 3x over that time, next 12 months?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Yeah, look, again, and I'll pass it over to Marcel, but the business cash flow is incredibly strong. We now have completed all of our acquisitions that were in our pipeline, which we stated that we would do previously, and as a result that cash flow is now available to both de-lever and increase distributions to shareholders. But I'll let Marcel give some more colour.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Yeah, Michael, for us, this is a balanced allocation of capital and free cash as we go in and so our first commitment continues to be on deleveraging. We believe now that that will be somewhere during 2023 that we hit that 3x level that we talked about before. But also within that we see sufficient room to start buying back shares and we will do that in moderation and we'll balance that also with having available liquidity and continue to have available liquidity just to manage the uncertain macroeconomic times, particularly in working capital calls if oil prices run up, and we continue to be focused on that. So it will be measured and it will be balanced, trying to hit all of those.

Michael Van Aelst — Analyst, TD Securities

All right. Thank you.

Operator

Your next question comes from the line of Ben Isaacson from Scotiabank. Please go ahead.

Ben Isaacson — Analyst, Scotiabank

Good morning, everyone. Maybe just a follow up on the last question, or maybe I'll just phrase it differently. So you've got $1.6 billion today, which only includes a little piece of the 25% of Sol, so perhaps your run rate EBITDA is maybe closer to $1.7 billion right now, and of course you're going to $2 billion by 2025, 2026. Can you just bridge that gap of $300 million for us in terms of what kind of pockets should we expect that $300 million to come from? And then just as a follow up to that question, when we get to that $2 billion of EBITDA, what kind of free cash flow per share does that translate to and does that include growth CapEx or not? Thank you.

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Hey, Ben. Thanks for the question. Lots in there. So our run rate, so next year you're directionally correct on the EBITDA, and that is with the turnaround, so our run rate is indicatively about $100 million higher than that. And then to close the gap, look, the bulk of that can be done with organic growth, you know, and the team continues to work those opportunities and push them.

With respect to, well, a couple of things around free cash flow. I mean the growth is primarily in our marketing businesses, which are high cash conversion businesses, so it is very strong cash flow with low maintenance CapEx to maintain it. Now, however, to get to that $2 billion target, we will be deploying organic capital to achieve that.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

And maybe also to add, Ben, we don't have a target out there for free cash flow per share, but it's something that, as we continue to look forward to 2025, we'll update the street on as well and give a number specifically in the future.

Ben Isaacson — Analyst, Scotiabank

Okay. And if I could just sneak in one more, you did talk about getting the leverage down to 3x or below in 2023. Can you just give us, if you can, a little bit narrower goalposts? I mean is that kind of early? Late? And what is the risk to that? I mean obviously we didn't expect to see this movement in Q3. Is there a risk that we could see that deteriorate a little bit further just because things are going in the wrong direction?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Look, look, let's say, let's just—we're not going in the wrong direction. We did have this incident. I mean look, I think if you step back and look at the strength of the balance sheet and the cash flow of the business, you can chart a pretty clear path here to deleveraging. I mean the other thing that Marcel did allude to in our discussion here was some divestitures, which we're looking at in some parts of the business, which will help us get there. We're confident we can get there next year.

Ben Isaacson — Analyst, Scotiabank

Yeah, that's a fair point. Thank you very much. Appreciate it.

Operator

Your next question comes from the line of Neil Mehta from Goldman Sachs. Please go ahead.

Carly Davenport — Analyst, Goldman Sachs

Hey, good morning. This is Carly on for Neil. Thanks for taking the questions. You made some references to divestments in the prepared remarks. Can you just flush that out a little bit? How are you thinking about what's core versus non-core in the portfolio and are there any processes that have kind of started that we should be keeping in mind? And then I guess, as you think about proceeds from any type of transaction, how would you think about allocating those to debt pay down versus buybacks?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Yeah, why don't I kick off with what's for sale and Marcel will talk about how we use that cash? First part of it is focused on our Canadian business and our network planning, which is something we always do, but with the recent growth we've had, particularly in adding some of the more recent acquisitions, we will continue to push our network planning, and there are some sites that we'll potentially be divesting here. That'll be primarily used to fund continued organic growth in that business. And then we do have some pieces of the business as we've grown that we've accumulated that we can sell, particularly in some of our commercial product lines.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

And then in terms of some of the larger chunks of divestments as we look at it, of course we run carefully through a process and we currently don't have anything yet underway, but in preparation, make sure that we understand the market as well. And as those come to fruition, we'll just look at our capital allocation framework with the priorities and the balancing that we laid out before and how we do that. But for the larger pieces, the majority of that will go to those first two priorities, which is bring the leverage down and, number two, kind of additional shareholder distributions.

Carly Davenport — Analyst, Goldman Sachs

Great, thanks. That's helpful. And then just wanted to follow up on the refining side, you know, 4Q started off quite strong from a margin perspective on the West Coast. Can you just talk about how you're thinking about the moving pieces impacting capture rates for 4Q? And then are there any hedges in place at that business that we should be keeping in mind?

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Let me comment on that. So, similar to some of the headwinds that we saw in the third quarter in terms of prices coming down, we have, of course, seen absolute prices come up a bit in the fourth quarter, so that will be helpful. And while the crack spreads are high, I would just point out again that when diesel cracks are high typically compliance cost is higher as well, because that's driven by the diesel prices themselves. So that's the piece that will kind of impact that particular number.

We're still early in the quarter. We've only got the first month done, so kind of November/December we need to see. We just see kind of continued volatility overall in the spread. And that's not driven by our business, but just a lot more by the broader geopolitical situation as well as just refinery performance in other parts, particularly in North America, particularly on the West Coast. So we'll continue to see those kind of impacting that. The refinery is running well and so, as we kind of laid out in terms of our expectation to hit that guidance, to stay within the guidance that we've given before, we anticipate that our refinery continues to run well during the fourth quarter.

Carly Davenport — Analyst, Goldman Sachs

Great. Thank you.

Operator

Your next question comes from the line of Steve Hansen from Raymond James. Please go ahead.

Steve Hansen — Analyst, Raymond James

Thanks, guys. Just two small ones, actually. One was just I would like some additional clarity on, I think you referenced tripling of the marine business or some reference to that effect with adding a bunch of new customers, I'm curious about the magnitude of something like that relative to the US position. And then just secondarily, on the international side I think you referenced some tailwinds into Q4 around the tourism season, which sounds encouraging. Just curious to hear any more around what that could mean ultimately for the balance of the year. Thanks.

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Yeah, look, our marine team has done a great job growing market share. In on itself is not massively material to Parkland, but it is a good indication of organic growth and just the ability of our team to go into a sector and grow based on our ability to provide fuel in different jurisdictions and the service that we provide. So it is also, to your point, a leading indicator in the activity that we expect in the Caribbean with the cruise-related traffic, which drives more than just marine demand. It drives demand throughout a lot of different sectors in these tourist-sensitive markets. So look, we're quite bullish on that business and the prospects for it going into the final quarter and into 2023.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

And maybe also just as a reminder, the tourism season in the Caribbean really starts at the end of November into the first quarter and, if you recall, last year fourth quarter there were still all sorts of COVID restrictions going on, which we don't foresee this fourth quarter. So we'll see a full tourism season kind of this year and that will provide some good tailwinds relative to last year.

Steve Hansen — Analyst, Raymond James

That's very helpful. Thanks. And just two follow up on the free cash flow question, I don't know if it's too early as just yet, but any comments on CapEx for next year and how that might relate to the recent pattern would be helpful. Thanks.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

For next year we'll update the market as usual with our fourth quarter in terms of CapEx. We're still in the middle of going through our own budget exercise and making sure that we scrutinize it and that we balance the capital allocation framework as laid out, so we'll come with that with our Q4 results.

Steve Hansen — Analyst, Raymond James

Okay. Thank you.

Operator

Your next question comes from the line of Matthew Weekes from iA Capital Markets. Please go ahead.

Matthew Weekes — Analyst, iA Capital Markets

Good morning. Thanks for taking my questions. You talked about sort of putting the renewable diesel project on pause maybe for a little bit, sort of evaluating the economics in light of changing market conditions. Is that mostly to do with kind of rising rates and sort of looking at the capital allocation framework or other factors? And I'm just wondering if you could touch on that a little bit more. Thanks.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Yeah, no, let me take that question, Matthew. I didn't say that we were putting the project on pause, right? We are in the engineering phase of the project. There's a lot of work actually going on, as those large projects usually require, but as we also look just at the environment, which is to do a lot with legislation in Canada as well as in the US, which, while supportive, things have changed, so that's the first bit that we look at. And then the second bit is mostly general inflation, which we have seen, let's say, from the first announcement that we made. And we need to factor all of that in before we kind of decide to proceed. That doesn't mean that we aren't proceeding now to the work, but before we can take FID, which we expect to be later in 2023, we'll have to take a good look at whether it's an economic project.

I don't know Bob, do you want to…?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Yeah, no, look, and just to add to that, I mean specifically we've seen the legislative environment in the US change and get more preferential with the producer tax credit and we just have to make sure that the competitive landscape is the same in Canada and that the economics for a project like this makes sense in Canada.

Matthew Weekes — Analyst, iA Capital Markets

Okay, thanks. I appreciate that. And then I was wondering if you had any update now on sort of the amount of standalone convenience On the Run stores you have right now and if you're sort of on track for your expectations for the number of those you wanted to deploy by this time. Thanks.

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Look, quite excited about the progress the team is making in this area. We do have locations identified and next year we'll be in market with about half a dozen or so. These initially are concept stores where we'll test the concept.

We're also quite excited, and we alluded to it in the call, on taking M&M and migrating that into a fresh offer, which we would also combine in these sites. So stay tuned and, look, as soon as we're up and running, we'd love to welcome you to come and test our new offer.

Matthew Weekes — Analyst, iA Capital Markets

That would be great. Thanks. And I've had some of the products before at one of On the Run locations and then they're quite good. I appreciate the commentary on that. Thanks. I'll turn it back.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press star followed by one.

Your next question comes from the line of Peter Sklar from BMO. Your line is open.

Peter Sklar — Analyst, BMO Capital Markets

Thank you. So, this emphasis you keep talking about on disciplined capital allocation, which is something you've been talking about for a few months now, what is the underlying objective of this? Is it you're trying to achieve investment-grade rating or you think it will be positive for the stock price? What are you trying to achieve here?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Yes, look, just to clarify that, I mean we've completed our M&A, which we've always said we would do, so that's consistent with what we've said. We closed our last two deals in the quarter. This business cash flows tremendously well and, as we look forward here, we can continue to deleverage and also start to increase disbursements to our shareholders, right? So, Marcel, maybe you want to…

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

And Peter, I think it's actually quite, you know, it's consistent for us. So our goal is to grow shareholder value over time and that's been always our goal. Different circumstances perhaps, but that was through growth and acquisitions and we've demonstrated that we can do that through the acquisitions. Firstly, we have a lot of those acquisitions that we actually need to integrate and swallow, so that in itself drives that, but if you look at our current share price, and let's be honest, it's undervalued, and if, you know, I always say, if Parkland was for sale, that would be an M&A target for ourselves, so we'd buy back our own shares as the best way to kind of generate that sustainable shareholder value growth. And so it's within the same kind of capital allocation or capital discipline that we have demonstrated before that we now think our own shares are the best way to generate that value. And we will do that while kind of bringing our leverage down as well and of course to continue integrating the businesses that we've already bought.

Peter Sklar — Analyst, BMO Capital Markets

Okay, thank you. I have two other questions, if I may. So I believe during the third quarter the margins in your Canadian business, in your distribution business of refined product, you know, would have been suppressed because of inventory losses, that abrupt decline in energy prices you talked about. But do you expect, like are margins going to bounce back to the levels they were in Q1, Q2? I think you like to talk about margin in terms of fuel gross profit per litre. I think that's kind of the benchmark you use.

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Yeah, look, if you look at our core marketing businesses, margins tend to be relatively stable and tend to trend upward to compensate for price or cost increases. So that's consistent and consistent with what we're seeing. We do get some volatility at times because of inventory, and others see that as well in our various competitors that would be in similar segments.

On the wholesale side, again, other than in the US, we've seen that business hang in quite nicely. And in fact, certainly in Canada and the US, was as a key contributor in the quarter and helped the margins on both sides. One of the things that you do see in our business is the mix at times changes. As we grow wholesale at a quicker rate than some of our other marketing channels, you will see margins come down, but ultimately it's still a very good business and it doesn't mean that there is any margin headwind in the business. And again, I would say, while we do see at times volatility, it tends to be driven by revaluation of inventory. The actual underlying margins are fairly consistent quarter to quarter.

Peter Sklar — Analyst, BMO Capital Markets

Okay, thanks. And just my last question. On the refinery, can you explain how the high diesel price negatively impacted the capture rate? I thought that you're producing your own renewable diesel and so maybe you're incorporating your own diesel and you're buying from outside as well. Can you go through the mechanics of that?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Yeah, look, when we look at the economics of the facility, I mean there's many factors in place and, ultimately, a high diesel crack is very good for the facility. What we're always looking at, though, is that diesel price compared to the alternative of renewables. And that differential has come in. Now, maybe Marcel can provide more colour on that, but it's net a benefit for us, it's just shifting some of the economics around.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Yeah. And maybe this will help in the way to look at it. So, of course renewable diesel prices will typically go up with diesel prices, so they're well correlated, and I think we've previously said that's around three times the price of diesel. And we haven't looked at whether that actually, for the third quarter, was exactly the case, but that will help. But also the feedstocks for renewables, they're also correlated with that as well. So even when diesel prices drop, even our own co-processed kind of renewable diesel that comes out, that will also go up within it. So it compresses. And we were referring to that as the capture. So, while the overall gross crack spreads go up, the net crack spreads don't go up to the same extent, and that then results in that lower capture when you just simply take a percentage of that crack spread to kind of predict where the refinery margin is. It doesn't mean that we don't capture what we are entitled to; it's just that the rule of thumb that we have laid out will work slightly different when we see those volatile periods where certain cracks move wider than others. I hope that helps.

Peter Sklar — Analyst, BMO Capital Markets

Marcel, I thought you were producing your own renewable diesel.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

We do, but we need to buy the feedstock for that, and those feedstocks are also correlated with the price as well, right? So prices would have gone up in the period.

Peter Sklar — Analyst, BMO Capital Markets

Okay. Got it. Thank you.

Operator

Your next question comes from the line of Michael Van Aelst from TD Securities. Please go ahead.

Michael Van Aelst — Analyst, TD Securities

Thanks. I just wanted to follow up regarding the turnaround coming up in Q1. Can you comment on the timing when it's starting? How long you expect it to go? And then I also, you know, I know these are planned well in advance and they can't be delayed, but the crack spreads are really high right now and I'm wondering if there are other ways that you might be able to replace some of that refinery profits while its down through the trading arm or imports or whatnot.

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Typically those turnarounds are in the area of eight weeks, plus or minus, and this would be consistent with that. The exact start date I'm not aware of, but it will be in Q1.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Yeah, no, in terms of timing and postponing those?

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Yeah, look, these can't be postponed but, on the flip side, is we've demonstrated in the past that we can import product, which we will do to offset part of the shortfall.

Michael Van Aelst — Analyst, TD Securities

All right. Thank you.

Operator

There are no further questions at this time. Please proceed.

Bob Espey — President & Chief Executive Officer, Parkland Corporation

Great. Well, thanks very much for joining in. I look forward to touching base in the New Year.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.