Parkland FUEL CORPORATION (/)

Parkland Reports Record Adjusted EBITDA(1) of $61 Million for First Quarter of 2014 in Absence of Refiner's Margins and Reiterates 2014 Guidance

Parkland Reports Record Adjusted EBITDA of $61 million for First Quarter of 2014 in Absence of Refiner's Margins and Reiterates 2014 Guidance

Email this page (http://www.addthis.com/bookmark.php) | Print page | Share this page (http://www.addthis.com/bookmark.php)

RED DEER, ALBERTA--(Marketwired - May 5, 2014) - Parkland Fuel Corporation ("Parkland" or the "Corporation") (TSX:PKI), North America's fastest growing distributor and marketer of fuels and lubricants, today announced the financial and operating results for the three months ended March 31, 2014. All financial figures are expressed in Canadian dollars.

Q1 2014 Operational Highlights:

	For the three months ended March 31,		
	2014	2013	% Change
(in millions of litres)			
Total fuel volume	**2,272**	1,400	62
Retail fuel volume	**417**	400	4
Commercial fuel volume	**517**	433	19
(in millions of Canadian dollars)			
Adjusted EBITDA [1]	**61.2**	61.0	0
Net earnings	**22.3**	30.5	(27)
Distributable cash flow [2]	**44.6**	44.9	(1)

Dividend to distributable cash flow payout ratio	**43 %**	39 %

(1) Please see Adjusted EBITDA in the Non-GAAP Measures section in the MD&A.

(2) Please see Distributable Cash Flow reconciliation table and definition in Non-GAAP Measures, both of which can be found in the MD&A.

Grow

- First quarter results from SPF Energy Inc. were stronger than expected, delivering $5.2 million in Adjusted EBITDA;
- Retail same store fuel sales increased by 3.0% that, in combination with strong in-store promotions, drove a 9.4% increase in same store convenience store merchandise sales;
- Cold weather drove 5.5% growth in commercial base business; and
- Twelve Chevron-branded service stations were purchased in northern British Columbia subsequent to March 31, 2014.

Supply

- Elbow River Marketing delivered an incremental increase of $10.7 million in Adjusted EBITDA compared with the first quarter of 2013 due to a full quarter of earnings (Parkland acquired Elbow River February 15, 2013) and due to unique market conditions brought on by cold weather;
- The import capability and rail logistics of Elbow River Marketing ensured that Sparlings Propane had access to propane during the first quarter of 2014 while most of the industry struggled to source supply;
- Elbow River Marketing shipped 200 rail cars of diesel to SPF Energy Inc. in the first quarter to support volume growth; and
- New supply arrangements began to stream in the first quarter of 2014 which helped offset the loss of refiner's margins.

Operate

- Operating and direct costs on a cents per litre ("cpl") basis improved by 0.1 cpl (to 2.9 cpl from 3.0 cpl) but increased by 53% to $65.2 million in the first quarter of 2014, compared with $42.5 million for the same period in 2013 due to the acquisitions of Elbow River Marketing, the assets of TransMontaigne Marketing Canada Inc. ("TMCI"), Sparlings Propane, and SPF Energy Inc.;

- MG&A expenses on a cpl basis improved by 0.2 cpl (to 1.6 cpl from 1.8 cpl) but increased 46% to $36.4 million in the first quarter of 2014, compared with $24.9 million during the same period in 2013 for the same reasons described above.

"The fact that we were able to establish a new Adjusted EBITDA record this quarter is a testament to the health of our business, and demonstrates our team's ability to execute against our five year plan to double 2011 EBITDA by 2016," said Bob Espey, President and Chief Executive Officer of Parkland. "Our team has been successful in offsetting the loss of refiner's margins which, if you recall from the first quarter of 2013, were unusually strong."

2014-2016 Adjusted EBITDA Guidance:

The expected seasonal contribution of Adjusted EBITDA is shown in the schedule below:

	Q1		Q2		Q3		Q4		Total	
Adjusted EBITDA	29	%	20	%	22	%	29	%	100	%

While this schedule is based on historical averages, the first quarter of 2014 was unusually strong compared to previous years. Parkland is not changing its previous annual guidance, despite the strong First Quarter results due to our expectations of the business environment for the balance of 2014.

Adjusted EBITDA Forecast ($ millions)	**2014**	**2015**	**2016**	**Acquisition assumptions:** (Adjusted EBITDA acquired per year)
Expected Case	200	226	252	12
Low Case	185	210	228	7
High Case	209	239	269	15

Consolidated Highlights:

	Three months ended March 31,

(in millions of Canadian dollars, except volume and per Share amounts)	2014	2013	% Change
Income Statement Summary:			
Sales and operating revenues	2,024.3	1,212.8	67
Gross profit	165.0	127.6	29
Operating costs	65.2	42.5	(53)
Marketing, general and administrative	36.4	24.9	(46)
Depreciation and amortization expense	18.9	13.2	(43)
	44.5	47.0	(5)
Customer finance income	(0.6)	(0.5)	(20)
Finance costs	5.4	5.3	(2)
Foreign exchange gain (loss)	(2.9)	(0.3)	(867)
Loss on disposal of property, plant and equipment	1.1	0.3	(267)
Loss on risk management activities	9.4	2.7	(248)
Earnings before income taxes	32.1	39.5	(19)
Income tax expense	9.7	9.0	(8)
Net earnings	22.4	30.5	(27)
Net earnings per share			
- Basic	0.30	0.44	(32)
- Diluted (1)	0.30	0.42	(28)
Non-GAAP Financial Measures:			
Adjusted EBITDA (2)(3)	61.2	61.0	0
Distributable cash flow (2)(4)	44.6	44.9	(1)
Distributable cash flow per share (2)(4)	0.61	0.65	16
Dividends	19.2	17.7	9
Dividend to distributable cash flow payout ratio (2)(4)	43 %	39 %	

Key Metrics:			
Fuel volume (millions of litres)	*2,272*	*1,400*	*62*
Return on capital employed (ROCE)[2][5]	*18.7 %*	*26.9 %*	
Employees	*1,713*	*1,167*	*47*
Fuel Key Metrics - Cents per litre:			
Average Retail fuel adjusted gross profit [6]	*4.59*	*4.53*	*1*
Average Commercial fuel adjusted gross profit [6]	*11.33*	*11.70*	*(3)*
Operating costs	*2.87*	*3.04*	*6*
Marketing, general and administrative	*1.60*	*1.78*	*10*
Depreciation and amortization expense	*0.83*	*0.94*	*12*
Liquidity and bank ratios:			
Net debt:adjusted EBITDA [2][7]	*2.21*	*1.41*	
Senior debt:adjusted EBITDA [2][7]	*1.59*	*0.83*	
Interest coverage [2][6]	*7.96*	*8.84*	

(1) Diluted earnings (loss) per share can be impacted by an anti-dilutive impact of conversion of the debentures. Quarterly diluted earnings (loss) per share may therefore not accumulate to the same per share value as the year-to-date calculation.

(2) Please refer to the Non-GAAP Measures section in the MD&A for definitions.

(3) Please see Adjusted EBITDA discussion in the MD&A.

(4) Please see Distributable Cash Flow reconciliation table in the MD&A.

(5) Please see ROCE discussion in the MD&A.

(6) Please see Segmented Results discussion in the MD&A.

(7) Please refer to the Non-GAAP Measures section in the MD&A for reconciliations.

Parkland Penny Plan Scorecard

Area	Commitment	Analysis	2016 Target	Q1 2014	2013
Grow	Organic growth	**Upturn in Organic Growth** Driven by a 5.5% increase in base commercial volumes due to cold weather; 3.0% same store fuel sales growth in Parkland's retailer gas station network; stronger wholesale volumes; partially offset by planned retail site closures.	100 million litres per year	**30.5** million litres YTD	**11.2** million litres YTD
	Major acquisitions	**SPF Energy Inc. Delivers Additional Volumes** The acquisition SPF Energy Inc. drove increased volumes this quarter and is performing ahead of plan. The mergers and acquisitions environment remains very active.	4.6 billion litres by 2016	**1.2** billion litres (annual volume)	**2.7** billion litres (annual volume)
Supply	Supply Margins	**Progress Revealed this Quarter** The Q1 2014 results did not benefit from refiner's margins and demonstrate the health of Parkland's supply operation in the absence of the refiner's margin contract which ended December 2013.	100% Normalized profit plus 1/3 cent	**On Track**	**On Track**
	Operating costs	**Opex Costs Down Per Litre** Increased Activity in Elbow River Marketing offset by overall increase in Volume	2.48 cpl	**2.87** cpl TTM	**3.04** cpl TTM

Operate	Marketing, General and Administration ("MG&A") costs	**MG&A Increases Less than Volume** MG&A costs decrease on a per litre basis as volumes increase.	1.52 cpl	**1.60** cpl TTM	**1.78** cpl TTM
	Total Recordable Injury Frequency	**TRIF Improves Despite Cold Winter** Total Recordable Injury Frequency improved from 3.95 (TTM) in Q4 2013 to 2.98 (TTM) this quarter. Commercial launched its safety leadership training program for 200 managers to further improve.	Less than 2.00	**2.98** TTM	**3.95** TTM
Note: 2016 cost targets will be updated in the event of a significant change to Parkland's business mix. Abbreviations:		CPL = Cents per litre YTD = Year-to-date TTM = Trailing twelve months			

Distributable Cash Flow Remains Strong

Q1 2014 vs. Q1 2013

Distributable cash flow exceeded dividends in the first quarter by $25.4 million compared with $27.2 million in the first quarter of 2013. The dividend payout ratio for the first quarter of 2014 was 43% compared with 39% in the first quarter of 2013. Distributable cash flow decreased by $0.3 million to $44.6 million in the first quarter of 2014 compared with $44.9 million in the first quarter of 2013. The decrease in distributable cash flow is primarily due to the $2.2 million increase in current income tax expense partially offset by $1.8 million in lower maintenance capital expenditures and a $0.2 million increase in Adjusted EBITDA. The increase in the dividend payout ratio is also impacted by an increase of 4.3 million common shares outstanding.

Commercial Base Volumes Increase 5% Due to Cold Weather and Increased Sales

Q1 2014 vs. Q1 2013

Volumes

For the three months ended March 31, 2014, Parkland Commercial Fuels' volumes increased 19.5% to 517 million litres compared with 433 million litres in 2013. The 84 million litre increase included 60 million litres in incremental propane sales from Sparlings Propane and 5.5% volume growth in the base business (SPF Energy Inc. currently only contributes lubricant volumes to Commercial Fuel results).

Despite significant weather related operational challenges, fuel volumes in Eastern Canada increased due to colder weather and new accounts. While road closures and an increase in unplanned deliveries disrupted truck routing, the Eastern Canadian operations were successful in delivering propane and heating oil to both residential and commercial customers. Elbow River Marketing played a key role in ensuring the Sparlings operations in Ontario had access to propane while most of the industry struggled to source supply. In general, the Sparlings business is performing ahead of plan from a volume perspective.

Parkland Commercial Fuel sales in western Canada were down year over year primarily due to the discontinuation of a low margin marketer agreement in northern Alberta. However, when this agreement is factored out, Western commercial fuel volumes are up year over year as the result of increased propane sales and new account signings.

The Canadian Association of Oilwell Drilling Contractors "CAODC" reported that the average monthly count of active drilling rigs during the three months ended March 31, 2014 was 521, a five percent increase compared with 496 during the same period in 2013. Despite slightly higher activity levels across the entire oil and gas sector, much of the activity remains focussed on areas rich in crude, whereas a significant softening in natural gas drilling was observed in northern Alberta, an area of significant concentration for Parkland's Western commercial operation. Poor weather also reduced the volume delivered in this region during the quarter.

Adjusted Gross Profit

For the three months ended March 31, 2014, fuel gross profit increased 16% to $58.5 million compared with $50.6 million in 2013 due to higher volumes offset by lower margins on a cent per litre (cpl) basis. Sparlings Propane added $8.2 million in fuel adjusted gross profit in the first quarter of 2014.

Average adjusted fuel gross profit on a cents per litre basis for the first quarter of 2014 was 11.32 cpl, a decrease of 3% compared with 11.70 cpl in the first quarter of 2013 due in large part to an increase in low margin heavy fuel oil sales and several new large contracts that added significant volumes at lower margins across Canada.

Non-fuel gross profit increased 12% in the first quarter of 2014 to $18.1 million compared with $16.2 million in the first quarter of 2013 as a result of $2.5 million in additional lubricant profits from SPF Energy Inc., slightly better Canadian lubricant margins, offset by lower lubricant volumes in Canada. Sparlings Propane added $0.7 million in non-fuel adjusted gross profit in the first quarter of 2014.

Operating Costs

Parkland Commercial Fuels' operating costs for the first quarter of 2014 increased 20% to $40.8 million (7.9 cpl) compared with $34.1 million (7.9 cpl) during the same period in 2013 due to the addition of Sparlings Propane, a $1.6 million increase from SPF Energy Inc. and increased fleet costs due to severe weather, offset by cost savings in the base business.

Marketing General and Administration

Marketing, General and Administration expenses for the first quarter of 2014 increased 9% to $7.1 million (1.4 cpl) compared with $6.5 million (1.5 cpl) during the same period in 2013 due to the addition of Sparlings Propane, partially offset by cost savings in the base business that drove lower costs on a cpl basis.

Adjusted EBITDA

For the three months ended March 31, 2014, Parkland Commercial Fuels' EBITDA increased 12% to $29.8 million (5.8 cpl) compared with $26.6 million (6.1 cpl) in 2013.

Retail Corporate Locations See 3% Increase in Same Store Fuel Sales

Q1 2014 vs. Q1 2013

Volumes

For the three months ended March 31, 2014, Parkland Retail Fuel volumes increased 4% to 417 million litres compared with 400 million litres in 2013. The 17 million litre increase was the result of the addition of 21.5 million litres from SPF Energy Inc.'s retail operations and 3% same store fuel sales growth in company owned sites across Canada, offset by planned site closures.

Alberta, at 6.9%, led company owned same store fuel sales growth across the country as the result of a planned increase in advertising. This increased traffic also drove non-fuel margins through convenience store sales.

Adjusted Gross Profit

For the three months ended March 31, 2014, fuel and petroleum product adjusted gross profit increased 6% to $19.1 million compared with $18.1 million in 2013 due to the addition of $1.9 million from SPF Energy Inc., slightly offset by lower volumes and lower margins on a cent per litre (cpl) basis in Canada.

Average adjusted fuel gross profit on a cpl basis for the first quarter of 2014 was 4.6 cpl, an increase of 1% compared with 4.5 cpl in the first quarter of 2013.

Non-fuel gross profit increased 80% in the first quarter to $7.1 million compared with $3.9 million in 2013 due to the addition of $2.6 million from SPF Energy Inc. and a 9.4% increase in same store convenience store sales year over year in the company's Canadian owned network which was driven by increased traffic coupled with stronger in-store programs.

Operating Costs

Retail operating costs for the first quarter of 2014 increased 47% to $9.0 million (2.2 cpl) compared with $6.2 million (1.5 cpl) during the same period in 2013 due to the addition of $3.0 million from SPF Energy Inc. partially offset by $0.1 million in savings within the base business as a result of greater discipline on commissions in renewals with retailers.

Marketing General and Administration

Marketing, General and Administration expenses for the three months ended March 31, 2014 increased 5% to $3.6 million (0.9 cpl) compared with $3.4 million (0.9 cpl) during the same period in 2013 due to the addition of $0.4 million from SPF Energy Inc. and a planned increase in advertising that successfully drove up sales volumes at company operated sites, offset by $0.3 million in savings within the base business through cost controls.

Adjusted EBITDA

For the three months ended March 31, 2014, Parkland Retail Fuels' EBITDA increased 9% to $13.6 million (3.3 cpl) compared with $12.4 million (3.1 cpl) in 2013.

Elbow River Marketing Continues to Surpass Expectations (Again)

Q1 2014 vs. Q1 2013

Volumes

For the three months ended March 31, 2014 Parkland Wholesale, Supply and Distribution fuel volumes (factoring out intersegment sales) increased 136% to 1.3 billion litres compared with 567 million litres for the same period in 2013 primarily due to the addition of 355 million litres from Elbow River Marketing, 177 million litres from the purchased assets of TMCI, and the addition of 255 million litres from SPF Energy Inc.

The supply group made full use of Parkland's strategic infrastructure to supply Eastern Canada with propane during a period of critical supply constraints. Parkland's rail capacity, storage infrastructure, import capability and multiple supply relationships helped to ensure that the customers of Parkland's delivered fuel brands had access to propane.

Adjusted Gross Profit

For the three months ended March 31, 2014, fuel adjusted gross profit increased 34% to $49.6 million compared with $36.9 million in 2013 due to higher volumes from the acquisition of the assets of TMCI, SPF Energy Inc. and Elbow River Marketing, offset by lower margins on a cent per litre basis.

Average fuel and petroleum product adjusted gross profit on a cents per litre basis for the first quarter of 2014 was 3.7 cpl, a decrease of 43% compared with 6.5 cpl in the first quarter of 2013 due to the absence of refiner's margins compared to the first quarter of 2013 where unusually strong refiner's margins inflated the margin on a cpl basis for that period. This was partially offset in the first quarter of 2014 by the strong performance from Elbow River Marketing and the success of Parkland's supply initiatives.

Non-fuel gross profit increased 783% in the first quarter of 2014 to $7.5 million compared with $0.9 million in the first quarter of 2013 as a result of additional non-fuel product gross profits from Elbow River Marketing and SPF Energy Inc.

Operating Costs

Operating costs in the first quarter of 2014 increased to $15.6 million (1.2 cpl) compared with $2.2 million (0.4 cpl) during the same period in 2013 due to the addition of Elbow River Marketing and SPF Energy Inc. and the assets of TMCI.

Marketing General and Administration

Marketing, General and Administration expenses for the first quarter of 2014 increased to $14.0 million (1. 1 cpl) compared with $5.1 million (0.9 cpl) during the same period in 2013 for the same reasons described above.

Adjusted EBITDA

For the three months ended March 31, 2014, Parkland Wholesale, Supply and Distribution's EBITDA decreased 10% to $27.5 million (2.1 cpl) compared with $30.4 million (5.4 cpl) in 2013. Acquisition related earnings reflected in Wholesale, Supply and Distribution's EBITDA partially offset the elimination of refiner's margins with the end of the contract with Suncor in December, 2013. Elbow River Marketing experienced higher than normal sales of liquid petroleum gases and contributed $15.6 million of Adjusted EBITDA in the first quarter of 2014, compared with $4.9 million reported in the first quarter of 2013, commencing from the acquisition date of February 15, 2013.

Consolidated EBITDA Established Another Record

Q1 2014 vs. Q1 2013

Adjusted EBITDA for the first quarter of 2014 increased $0.2 million to $61.2 million compared with $61.0 million in the first quarter of 2013 as acquisition related earnings offset the elimination of refiner's margins with the end of the contract with Suncor in December, 2013.

Net Earnings Lower on Depreciation and Amortization

Q1 2014 vs. Q1 2013

Parkland's net earnings in the first quarter of 2014 decreased 27% to $22.3 million compared with net earnings of $30.5 million in the first quarter of 2013. The decrease in net earnings in the first quarter of 2014 compared with the prior year was primarily due to a $5.7 million increase in amortization and depreciation and the $1.0 million increase in unrealized loss from the change in fair value of forward contracts, future contracts and US dollar forward exchange contracts.

MD&A and Financial Statements

Management's Discussion and Analysis, the audited Consolidated Financial Statements, and the Notes to the Consolidated Financial Statements for the three months ended March 31, 2014 will be posted to **www.parkland.ca (http://www.parkland.ca/)** and SEDAR immediately after the results are released by newswire.

Conference Call Information

On May 5, 2014 (Today) Parkland Fuel Corporation will host a webcast and conference call at 4:00 p.m. Mountain Standard Time ("MST") (6:00 p.m.) Eastern Standard Time ("EST") to discuss the results for the three months ended March 31, 2014.

Please log into the webcast slide presentation 10 minutes before the start time at:

http://www.gowebcasting.com/5378 (http://www.gowebcasting.com/5378).

To access the conference call by telephone dial toll free 1-866-223-7781. Callers from the Toronto area should use (416) 340-2216. Please connect approximately 10 minutes prior to the beginning of the call.

The webcast will be available for replay two hours after the conference call ends. It will remain available at the link above for one year.

2014 Annual & Special Meeting of Shareholders

Parkland is holding its annual and special meeting of common shareholders on Tuesday, May 6, 2014 at 9:00 a.m. MST (11:00 a.m. EST) ("the Meeting").

Shareholders of record on March 20th are eligible to vote on the matters outlined in Parkland's information circular at the Meeting. The information circular, annual information form, and other documents pertaining to the Meeting can be found at **bit.ly/PKI-2014AGM (http://bit.ly/PKI-2014AGM)**or at **www.parkland.ca (http://www.parkland.ca/)**.

The formal business of the Meeting will be conducted by Jim Pantelidis, Chairman of Parkland's Board of Directors. Following the conclusion of formal business at the Meeting, President and CEO Bob Espey and Senior Vice President and CFO Mike Lambert will review Parkland's operations and strategy for investors.

Meeting Location:

The Metropolitan Conference Centre

The Strand/Trivoli Room

333 4 Avenue SW

Calgary, Alberta

Parkland will also simultaneously webcast the Meeting at the following URL:

http://www.gowebcasting.com/5379 (http://www.gowebcasting.com/5379)

About Parkland Fuel Corporation

Parkland Fuel Corporation is North America's fastest growing independent marketer of fuel and petroleum products. We deliver gasoline, diesel, propane, lubricants, heating oil and other high quality petroleum products to motorists, businesses, consumers and wholesale customers in Canada and the United States. Our mission is to be the partner of choice for our customers and suppliers, and we do this by building lasting relationships through outstanding service, reliability, safety, and professionalism. We are unique in our ability to provide customers with dependable access to supply, utilizing a portfolio of supply relationships, storage infrastructure, and third party rail and highway carriers to rapidly respond to supply disruptions in order to protect our customers' operations.

To sign up for Parkland's investor information services, please go to **http://bit.ly/PKI- Info (http://bit.ly/PKI-Info)**or visit **www.parkland.ca (http://www.parkland.ca/)**.

Forward Looking Information

Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding Parkland's future financial position, business and growth strategies, including the manner in which such strategies will be implemented, budgets, projected costs, sources of growth, capital expenditures, financial results, taxes, future acquisitions and the efficiencies to be derived therefrom, effectiveness of internal controls, sources of funding for growth capital expenditures, anticipated dividends and the amount thereof, if any, to be declared by Parkland Fuel Corporation, 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 and include, but are not limited to, statements regarding the accretive effects of acquisitions and the anticipated benefits of acquisitions. 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 Parkland's 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 Parkland'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: 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 Parkland 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.

For investor and media inquiries: Parkland Fuel Corporation
Tom McMillan
Director, Corporate Communications
1-800-662-7177 ext. 2533
www.parkland.ca