



Parkland Corporation

Q2 Analyst Conference Call

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PRESENTATION

Operator

Good morning. My name is Sylvie, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Parkland Q2 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 would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. And if you would like to withdraw your question, please press *, 2. Thank you.

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

Valerie Roberts — Director of Investor Relations, Parkland Corporation

Thank you, Operator.

With me today on the call are Bob Espey, President and CEO; Marcel Teunissen, Chief Financial Officer; and Pierre Magnan, President, Parkland International.

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 as necessary, and if you have any other questions, reenter 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 Annual Information Form and Management's Discussion & 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 in today's call are expressed in Canadian dollars unless otherwise noted.

I will now turn the call over to Bob.

Bob Espey — President and Chief Executive Officer, Parkland Corporation

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

I would like to start by congratulating the Parkland team on a record quarter for both Adjusted EBITDA and safety. This discipline, focus on customer service, and consistent execution have been incredible. You can see the impact of their hard work and dedication in our Q2 results.

We have significantly advanced every part of our strategy, and I am delighted with our progress. The team's accomplishments are building tremendous momentum across the business. We will touch on some examples.

I also want to recognize the contribution of Jim Pantelidis, who, at the end of last week, announced his retirement from our Board and as Chair. Jim guided the Company through tremendous growth and oversaw the evolution from a small regional player to an international organization. I would personally like to thank Jim for his mentorship, guidance, and support during my tenure as CEO.

I want to congratulate and welcome Steven Richardson to his new role as Chair, as well as welcome Nora Duke to the Board.

As you will see in our results, we are starting to see momentum in our US business. Following the reset of the team, they delivered a strong Q2. The fundamentals of our USA business are excellent, and I have confidence we will continue to capture synergies and deliver consistent results.

It is clear to me that Parkland has hit its stride. This gives me great confidence that we can achieve our goals and aspirations.

As followers of Parkland, you have watched our company grow over many years. You know that we have expanded into new geographies and markets, grown our brands and capabilities, and now serve more customers and communities. Parkland and our team play an essential role in our customers' lives. Reflecting this, we have refreshed the Parkland brand, which you will see throughout today's presentation.

With that, let's move to Slide 3.

This slide highlights the priorities we set out at the start of the year. These include: capturing synergies and cost efficiencies, driving organic growth, and optimizing our portfolio. We are making progress across each, and on today's call, I want to show you what we've achieved.

Teams across Parkland are capturing synergies. In Canada, we are harnessing our supply advantage and generating attractive margins from our Eastern Canadian terminals. We have also rebranded more than 60 Husky retail sites and have seen an over-30 percent volume uplift in our Ontario and BC locations.

In the USA, our team delivered a great quarter and continues to integrate the businesses we have acquired. We are confident that the team will realize our planned investment case and deliver the synergies our investors are accustomed to.

We have now simplified the structure and rightsized the team in each of our operating segments and corporate functions. When combined with natural attrition, approximately 250 positions have been eliminated.

In addition, we are capturing further cost efficiencies by optimizing third-party spend and enhancing our internal processes and systems. We expect to save \$35 million of MG&A this year and are on track to achieving a run rate savings of around \$100 million.

Our goal is to harness the benefits of scale and capture even greater value from our continued growth.

Shifting gears. We expect to deliver 3 percent to 5 percent organic growth per year in our retail and commercial lines of business by generating growth capital returns in the mid-teens.

For example, our International business continues to drive organic growth by leveraging the strength of our supply advantage. This helped increase Q2 volumes by more than 20 percent compared to the prior year.

Under Parkland ownership, we have added tremendous value to our International segment, with over 90 percent of our growth coming from synergies and organic growth. Pierre will talk more about this.

You've heard us say before that to win in the convenience space, you must have a strong food offer. This underpinned our purchase of M&M Food Market. Using M&M's expertise and following extensive customer research, we have deployed a proprietary food brand called Bites ON *the* RUN.

Comprised of 30 menu items, this restaurant-quality offer made its debut in our new stand-alone ON *the* RUN location in Montreal. It's early days for this concept, and over the next six months, we will learn a great deal about the customer experience. If you visit Montreal, I encourage you to stop in and enjoy some of this delicious food.

Lastly, we are making significant progress optimizing our portfolio by divesting noncore assets. I want to highlight three important numbers.

First, we expect to generate up to \$500 million of proceeds without compromising our \$2 billion Adjusted EBITDA ambition.

Second, we are actively marketing more than \$300 million of assets that are held for sale on the balance sheet. This is up \$44 million from the prior quarter.

Third, we have sold or reached agreements to sell assets totalling around \$100 million, with minimal impact to our EBITDA.

As I said in my opening remarks, Parkland has hit its stride and the team is delivering on their commitments to create value.

With that, I'll pass it over to Marcel and move to Slide 4.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Thank you, Bob, and good morning, everyone.

Parkland delivered an Adjusted EBITDA of \$470 million in the quarter. This is up 4 percent from last year.

During the first half of 2023, we delivered \$865 million of Adjusted EBITDA. This is up almost \$30 million from last year, despite the approximate \$100 million impact from the Refinery turnaround in the first quarter.

These numbers show the growth of our marketing business, driven by prudent acquisitions, effective integration, successful organic initiatives, and strengthening our supply advantage.

I'll now provide colour on each segment.

In Q2, our Canada segment delivered Adjusted EBITDA of \$150 million, which is down 14 percent from the prior year. The decrease was primarily driven by fuel unit margins, which have normalized following record highs last year.

Our strong KPIs reflect underlying performance. We delivered 9 percent growth in company-owned same-store fuel volumes and saw additional volume growth from prior-year acquisitions.

We also delivered Food and Company same-store sales growth, excluding cigarettes, of over 3 percent. This is up from negative 0.6 percent in Q2 last year.

Convenience alone was up over 5 percent, reflecting the impact of strong central store and beverage sales, increased traffic, and pricing strategies that enhance margin.

The impact of cigarette sales has started to normalize.

Our International segment delivered Adjusted EBITDA of \$168 million in Q2. This is up 93 percent from last year.

Key contributors to this growth include: the consolidation of the remaining 25 percent in Sol, higher volumes in our retail and contracted commercial businesses, organic growth in our aviation business, and contributions from our Jamaica acquisition.

Our International segment has delivered exceptional performance through the first half of the year, which included a non-recurring foreign exchange gain of \$26 million in the quarter, driven by its strong cash flow generation. We feel positive about the growth trajectory of our International segment, but I will remind you that Q3 is seasonally softer in this region.

Our USA segment delivered Adjusted EBITDA of \$74 million, which is up 45 percent year over year. This was driven by robust fuel unit margins and favourable market conditions.

We also benefitted from a delayed start of the agricultural season as a result of bad weather in Q1. Proactive category management in our C-stores underpinned Food and Company same-store sales growth, excluding cigarettes, of 4.9 percent.

Our Refinery segment delivered Adjusted EBITDA of \$109 million. We delivered composite utilization of 91 percent following the safe completion of our scheduled maintenance turnaround in April.

During the quarter, we saw crack spreads come down from the historical highs of Q2 last year.

Strong segment performance resulted in Q2 cash flows of \$521 million. That's nearly \$3 per share. On a trailing 12-month basis, we generated approximately \$11 of cash flow per share.

In the quarter, cash flow from operations fully funded our capital program, interest, and dividends, and we made repayments under our credit facility of \$232 million.

We are on track to lower our leverage ratio to 3 turns by the end of the year.

Overall, a great second quarter for Parkland, which sets us up well for the rest of the year.

And with that, I'll pass it to Pierre to discuss how we have grown the International business.

Pierre Magnan — President, Parkland International, Parkland Corporation

Thanks, Marcel, and good morning, everyone.

Let's move to Slide 5.

As we celebrate four-and-a-half years since the purchase of our 75 percent interest in Sol, it is worth taking a moment to look back on the performance of the division and how it has evolved.

Since closing, our incredible team has increased annual volumes by 50 percent, from approximately 5 billion to 7.5 billion litres. We have nearly doubled Adjusted EBITDA, we have improved our operating efficiency, and we have delivered excellent safety performance.

For those unfamiliar with the region, it is much more than tourism and the sum of its parts. The markets we operate in have diverse economies. The region has a growing population of over 43 million people and annual GDP growth averaging 3 percent to 5 percent per annum since 2018.

When we break down the composition of our results, retail contributes approximately half of our Adjusted EBITDA. It is rateable, and we are positioned to continue growing it on the strength of our leading brands that include Sol, Esso, Shell, Mobil, and Texaco; our leading market share, as we are the first- or second-largest player in most markets; our quality food offer that resonates with local customers; our leading loyalty capabilities that we are expanding; and our exceptional team that is laser focused on customers and continuously improving the offer.

Our robust commercial and wholesale businesses make up the remaining half of our results.

Our commercial segment has strong customer value propositions and focused sales professionals. We serve the aviation, power generation, oil and gas, mining, hospitality, construction, and manufacturing industries, and we meet their fuel, LPG, lubricant, and solar power needs.

Our wholesale business, which is typically delivered by ship or from our intermediate storage positions, is focused on larger regional customers, including governments, refiners, and other independent fuel distributors. These businesses are all supported by our supply advantage, which is built on our leading logistics expertise, strategic storage, local import infrastructure, and shipping assets. These allow us to source competitively priced products and distribute them safely to our diverse customers.

Moving to Slide 6.

Our dedicated team has unlocked significant value and nearly doubled annual Adjusted EBITDA over the past four-and-a-half years. While we have successfully completed bolt-on acquisitions and partnerships, the bulk of our growth, approximately 90 percent, has come from capturing synergies within the Sol business and driving organic growth.

The combination of our brands, people, customer value propositions, supply advantage, and sales culture have driven robust volume growth and solidified our competitive advantage. Combined with disciplined cost management, these activities have lowered our operating ratio by 10 percent and materially improved our ROIC and cash flow conversion.

Going forward, we see a runway of growth opportunities in existing and adjacent markets.

Later this year, we will leverage the customer experience and analytics expertise developed in Canada to roll out JOURNIE Rewards in Puerto Rico. This will support our recently rebranded 177 Mobil retail sites and further enhance our customer experience in the market.

I'm very proud of the team's delivery and excited about the future.

I'd now like to pass it back to Bob for his final comments.

Bob Espey

Thanks, Pierre.

The team has delivered impressive growth in our International segment, which illustrates our ability to acquire quality businesses, integrate them and capture supply synergies, and deliver organic growth. It's a perfect example of our strategy in action.

Successful companies execute a clearly articulated strategy. That's exactly what we've been doing. As I reflect on Parkland's accomplishments in the first half of this year, I attribute them to our relentless focus on customers and disciplined operational execution.

The momentum we are building underpins our confidence in our 2025 ambitions, which are: \$2 billion of Adjusted EBITDA without further acquisitions, \$9.50 of cash flow per share, and returns on invested capital of over 11 percent, and lowering leverage to the low end of our 2 to 3 turns target.

We entered the year with a clear focus on growing the business organically, integrating the great companies we have bought, and capturing supply synergies and cost efficiencies. In each aspect, we are doing what we said we would do, and I feel confident in our trajectory.

In our Canadian segment, you can see the impact of our investment in organic initiatives and our ability to launch compelling customer propositions that drive growth. *ON the RUN* and *JOURNIE* are great examples that increase same-store sales and volume growth. Fuel margins are set by the market. However, our supply advantages gives us that extra edge relative to our competitors.

The USA segment delivered a great quarter and are now repositioned and on track to deliver the synergies from the great businesses we acquired.

Our International segment has had an excellent start to the year. By focusing on the needs of their customers, the team has delivered two very strong quarters.

Our Refinery has also had a strong year, having successfully completed the scheduled turnaround. They are focused on safe and consistent operational execution.

All these operational indicators give me high confidence in our trajectory. We are trending at the higher end of our 2023 guidance.

Turning to Slide 8.

Winning at Parkland is a team sport. Our accomplishments are made possible by our talented team. One of the most enjoyable parts of my role as CEO is visiting and speaking with members of our team in all areas of the business.

I spoke with retailers and customers in our recently rebranded Husky sites, whose customers are responding very strongly to our *ON the RUN* stores and the selection of the quality products that we offer.

I visited our M&M Food Market team and saw first-hand the level of expertise that has been invested in our new Bites *ON the RUN* food offer. I want to compliment the team who went from concept to launch in 12 months.

I watched our commercial teams on Vancouver Island reroute their deliveries to ensure customers who were stranded by wildfires receive the essential fuels they needed.

Our US team has been reset around our lines of business to better meet the needs of our customers, in addition to improve safety, reduce costs, capture synergies, and deliver more consistent operational performance. The team has repositioned this business for future success.

Our International team continues to demonstrate that the Parkland advantage works in new markets. Underpinned by a supply advantage, we have leading brands, leading market share, a quality customer proposition, and are expanding our *JOURNIE* loyalty program.

We have a great team, and I would like to thank them for their commitment to safely servicing our customers. The Parkland team likes to win, and it gives me tremendous confidence in the future.

With that, we'll turn it back to the Operator for questions.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press *, followed by 1 on your touch-tone phone. You will then hear a three-tone prompt acknowledging your request. And if you would like to withdraw from the question queue, please press *, followed by 2. And if you are using a speakerphone, you will need to lift the handset before pressing any keys. Please go ahead and press *, 1 now if you have any questions.

And your first question will be from Ben Isaacson at Scotiabank. Please go ahead.

Ben Isaacson — Scotiabank

Good morning, everyone, and congrats on the quarter. Just one question from me. It's an annoying sales-side question.

So we're about 16 months away from your 2025 ambition of \$2 billion. It seems, to me at least, pretty clear that you're going to hit that target. So, as you work on your three- to five-year plan, how should we start to think about growth beyond the \$2 billion? And really, I want to break that maybe into three questions.

I think in your Q1 deck, you showed that you've achieved around 35 percent EBITDA growth annually since 2016. So can you just give us some kind of goalposts around that? Should we expect that to continue higher or lower?

You also, earlier in the call, talked about 3 percent to 5 percent organic growth. Is that something you think that is achievable beyond your '25 ambition?

And then finally on that piece, when we look back at your buckets that you've been working on to get to the \$2 billion—decarbonize, develop, and diversify—how do you think about those buckets going beyond '25? Are there new ones that we should look for? Are they going to be weighted differently?

So maybe you could just give some colour on your three- to five-year plan. Thank you.

Bob Espey

Hey, Ben. Thanks for the question. I think Val said you were only allowed one question, so. But happy to answer about what's next.

Look, first and foremost, I'm really confident in the team's ability to deliver the \$2 billion, hit our deleveraging target, our cash flow target, and our ROIC target. I think that's our first and foremost priority. And look, the team's working really hard and we're seeing great results along that line.

In terms of what's next, when we do think of the business, we think of it in three areas in the way that we tend to grow.

So the first is growing the business organically, which you highlighted, and that continued push to get more out of our assets, both through organic growth capital and marketing programs, and then ultimately, through efficiency and productivity improvements. And there's just a long to-do list there that never gets shorter.

The second thing is, and I think hidden in your question is, are we going to continue to acquire. And look, I think we've always demonstrated we're a disciplined acquirer. We've been able to find good value. And when we do find good value, we add that to the Parkland team and then we push on our supply.

And this quarter, you certainly saw it in various parts of the business, but specifically, in the International business, where we'll be able to take an asset, apply our supply capabilities to that, and generate immense value.

So bringing that together, we would expect that, at a minimum, we would grow at 3 percent to 5 percent. But if there's value in the marketplace and we can add value to assets, we will buy and continue our growth trajectory.

Ben Isaacson

And just on the buckets, Bob?

Bob Espey

Yeah. Look, our push, and you're seeing it in the results, is to diversify through our retail proposition, which is really leaning on a skill set that we have, which is running great retail businesses. And we continue to do that. You saw that again in the quarter, where our gross profit from our nonfuel business had some good growth.

And again, very proud of what the team's done there when it comes to the JOURNIE program or ON *the* RUN. We're now launching a fresh food offer, Bites ON *the* RUN, which were a market, and we also have a stand-alone offer. So lots of tailwinds on organic growth in that segment.

On the base business, so we call it our base fuel business, which, again we're proud to continue to invest in. Certainly, we see the energy that we provide is necessary for communities to move. And we'll continue to invest in that, again, if we can find good value on the M&A side.

And then the final piece is the decarb side. We've got some great examples of good progress that we've made there, whether that's our co-processing at Burnaby, also our carbon offset business that's growing at a nice rate here, and some of the work that we've done in International on solar. We're seeing really good progress in that area and expect that to continue to grow at a nice rate here.

Ben Isaacson

Great. Thanks so much. Appreciate it.

Operator

Thank you. Next question will be from Kevin Chiang at CIBC. Please go ahead.

Kevin Chiang — CIBC

Thanks for taking my question, and I echo Ben's congratulations on the good Q2 there. Maybe just one clarification question, and then I'll get to my other question.

On the restructuring, Bob, you mentioned \$100 million run-rate. Did you set a time frame as to when you'd achieve that? Is that something we should expect, I guess, in 2024? Or will that take a little bit longer?

And then just, I guess, my bigger question is, the US division saw a significant improvement in EBITDA. And I know you talked about favourable macro conditions that helped drive that, but you've also had some org changes there; a new leadership team has been put in place.

Just wondering if that reorg contributed to the earnings performance. And maybe how much of the outperformance in Q2 could be structural here just based on that org change. Thank you.

Bob Espey

Okay. Yeah. Great. Thanks. Thanks, Kevin.

Let me start with the US. Look, we're really pleased with the performance of that business. I know we've had some volatility in that segment, and we have undertaken some changes. So I do want to thank and congratulate the team there for their continued focus and leadership there.

Now the team is spending a lot of time putting the basics in place in that business, and we're starting to see that drive through. We've also reduced our exposure to the wholesale business, and you see that in the results. And hence, we are seeing a more rateable business. There was the impact of the one-time FX gain. But when you carve that out, you're kind of seeing where that business can perform on a rateable basis.

Kevin Chiang

Okay. And then just on the \$100 million run-rate cost savings, just timeline for that?

Bob Espey

I'll let Marcel talk to that.

Marcel Teunissen

Yeah. So, Kevin, we should be, in 2024, that'd be largely coming through the numbers. I think it's a combination of headcounts, which we have implemented, as Bob said, the majority of that already. And so that's just kind of running into next year for a full year.

And then we're looking a lot at third-party cost savings as well, just leveraging the scale of Parkland. We've acquired portfolios of suppliers of different things to our business, and we see that opportunity there as well to grind into that and to deliver that as part of the \$100 million. And so, in 2024, you should see the majority of that have come through for full maturity in 2025.

Kevin Chiang

That's perfect. Thank you. Thank you very much.

Operator

Thank you. Next question will be from Steve Hansen at Raymond James. Please go ahead.

Steve Hansen — Raymond James

Good morning, everyone. Thanks for the time.

It might be a little bit early to ask, but I'd just be curious. I'm hoping you could comment on the performance of your stand-alone ON *the* RUN stores thus far. I know it's still early, again, but you've got a handful in place that are up and running now.

Any comments you could offer around the directional push towards the strategy? And what the long-term vision might hold would be helpful, given the performance thus far. Yeah. Thanks.

Bob Espey

Yeah. Thanks, Steve. And thanks for the question. And I understand that you've actually personally visited one of our stand-alone sites, so we do appreciate that.

Look, I would say early indications are very positive, certainly in the one in BC, so the one that you would have visited. What we're seeing is some interesting trends.

So first, tracking well above our initial business plan, but the mix is a little different than we would have anticipated. So we're seeing more of the high-margin centre of store drive the performance, and we're seeing less reliance on tobacco and lottery, which is a good thing. In fact, the tobacco is tracking at about a quarter to a third of sales, and typically we would see that in the 50 percent, so. Yet sales are up above plan, and again, it's driven mainly by centre of store.

The other thing is we do have an expanded M&M offer at the site, and we're seeing good uptake of that. So the frozen food part of that is doing well. And the Triple O's on site there is getting momentum.

So look, what we're seeing is—and we're seeing sort of a similar pattern in the new Montreal site, which is now three weeks in market, so it's hard to really get trends out. But again, same sort of thing where we're seeing their centre of store, our alcohol sales there are doing well, and also seeing M&M frozen. It's also where we launched our first Bites ON *the* RUN.

So look, we're quite encouraged by that. We'll be in market with three more sites this year, which will allow us to, again, continue to confirm and also play with the concept a bit.

But when you stand back and look at urban convenience, which is what we're targeting there, I mean, it's a big opportunity within Canada. When we look at that, those urban markets—I mean, you've got Vancouver, Toronto, Montreal, the big urban centres, and then the secondary markets or the small urban centres like Ottawa, Calgary, Edmonton—and you can see a scenario there where there's a couple hundred store opportunity over time in that stand-alone segment.

Steve Hansen

That's a great colour. Thanks.

And just one last one on the International segment. You described how well it's grown over the past several years and touched on some of the diversity of the market opportunities there.

If you're looking at the organic growth opportunities in terms of the top sort of priorities, is there anything that stands out on a go-forward basis, whether it's, again, the hospitality or the industrial sector, oil and gas? Where would the priorities lie for organic growth down in the Caribbean right now?

Bob Espey

Yeah. Look, again, we're fortunate that Pierre is actually in Calgary sitting here. So he's here for a couple weeks from Cayman, so we'll let Pierre talk to that.

Pierre Magnan

Yeah. Thanks, Bob. Good morning, Steve.

We're most excited about the retail opportunity. It's about half of our business. And we see a real opportunity to take concepts, systems, programs from the Canadian business, which is more mature, and we've started testing them successfully in our larger markets, and we'll continue to do that. And so that should be one of our engines of organic growth here for the next few years.

Steve Hansen

Appreciate the colour, guys. Thanks.

Operator

Thank you. Next question will be from John Royall at JP Morgan. Please go ahead.

John Royall — JP Morgan

Hi. Good morning. Thanks for taking my question.

So just on the guidance, now guiding to the top end of the range. Can you give us some colour on the drivers versus your prior expectations?

And is it a better margin environment for refining? Or faster-than-expected work on some of your initiatives? Or maybe a combination?

Marcel Teunissen

Yeah. Let me take that question, John, just to talk about it.

So I think when we originally set our guidance at the start of the year, we obviously also had to go through Q1, where we had our Refinery turnaround, which, as you know, is a big event. So coming out of that kind of on plan, a bit ahead of budget as well, I think that gave us confidence just generally in the range. So that's one.

I think some of our cost-saving initiatives are now coming through, so that gives us strong support and confidence in the number. The International segment has been doing very well so far this year, so we see that as a good indicator for that.

There's some offsets, which we talked about a bit earlier. So while in the Canadian segment we see the underlying business performance being strong, margins have kind of normalized a bit. And so that's a big factor overall in how we look at that second half of the year.

But if you look at where we are year to date and we look into the second half of the year, we have confidence that we hit that higher end of the range.

John Royall

Great. Thanks, Marcel.

And then just a follow-up with the divestments you've announced. Maybe you can characterize for us why they weren't a fit within your portfolio.

And then, what kind of visibility do you have right now to the further divestments to get you to the \$500 million target?

And just as a point of clarification, you have a, I think you said, 3 times leverage by the end of the year. Does that include the entire \$500 million target?

Bob Espey

Well, let's break that into two pieces, John. I can talk about the specific divestments and then Marcel can add to that.

In terms of what we've achieved, so we talked about \$100 million. They're primarily of retail and surplus land, so. And again, I commend the team on the deals that they've been able to do. And also, the impact to EBITDA is really minimal. And so look, this is a good ROIC impact to the business.

I'll let Marcel talk about subsequent—where else we're targeting and then, ultimately, timing.

Marcel Teunissen

Yeah. Maybe just a bit more on those retail divestments. Right, so we're talking about high-value sites that, as real estate, are more valuable than to continue to run them as retail sites. But in most cases, we have been able to kind of lease the sites back for a period of time while land developers

think about what they do. So we kind of got our cash and get to eat it too. So we kind of ran with that. So that's kind of the first bit that Bob talks about, and we'll continue. We have more in the pipeline to continue those as well.

We've talked previously about parts of our commercial business in Canada that are no longer a good fit overall with the strategy. And while there's a bit of EBITDA impacts of that business, there's enough offset within that so that's overall neutral. And we talked about some infrastructure assets previously as well. And those conversations are kind of progressing and well on the way.

Overall, you will see this on the balance sheet. We now hold \$300 million of assets for sale, which means they're actively being progressed, and we expect those to complete within the next year.

And then the \$500 million, which is our overall number, is kind of what we expect to deliver by 2025. So you will see some of that, as I said, the \$300 million within the next year. So some this year and then some into next year, as well as the remainder kind of running into '24 and '25.

John Royall

Very helpful. Thank you.

Marcel Teunissen

And then leverage—so overall in leverage, therefore, we have included some of it in the leverage numbers. But for this year, it's kind of mostly the impact that we've already talked about for the transactions that we're completing. And I'm eagerly awaiting to get some of the cash also in the bank for those deals.

John Royall

Okay. Thank you.

Operator

Thank you. Next question will be from Luke Hannan at Canaccord Genuity. Please go ahead.

Luke Hannan — Canaccord Genuity

Yeah. Thanks. Good morning. I wanted to ask a quick question on the Canada segment.

It was mentioned in the MD&A that there was some actions that you took to optimize retail pricing. I'm just curious, is that because of ongoing inflation? Is that data and analytics that you're responding to competitors in the environment? It was a tailwind in the quarter. I guess I'm curious to know if you see more opportunity to be able to expand that going forward.

Marcel Teunissen

Yeah. Let me just make a comment.

So maybe firstly, all of the above, in terms of the drivers for that. Right, so I think we've previously talked about our analytic capability, which leads to much more dynamic pricing, let's say, than

traditionally has been done. And I think it's a great capability for us to kind of optimize that side by side and making more margin.

We have seen pressure of inflation, both on kind of minimum wages, as well as just logistics cost and driver cost, et cetera. And that's kind of what everybody in the industry has seen. So that's kind of structurally providing support for that price.

But if you compare it, relatively, to last year in the same period, last year Q2, we saw a lot of market volatility that was driven by the Ukraine war, so prices were going all over. That led to some higher-than-normal unit margins on the fuel side. And so what we've seen this year so far is that we have seen some normalization, but still kind of including the impacts of the inflation into the margin, as well as our price optimization.

Kind of looking forward margin, calling margin in this business is difficult. It will go around a bit, but I think the fundamentals that we've just seen around it continue to be very supportive. So we'll see how we go through the rest of the quarter, but I think we're managing it actively.

Luke Hannan

Okay. Thanks. And then for my follow-up here is on M&M, and specifically M&M Express. We've seen the number of third-party retailers that you have arrangements with sort of fluctuate quarter over quarter. I'm just curious to know if there's a right number that you guys are looking for in terms of the number of third-party retailers that you have as part of that program.

Bob Espey

Yeah. So which—I'm not following the question fully. Are you talking franchisees, which we've been expanding?

Luke Hannan

Yeah. In the site count, this disclosure, I think there's arrangements with roughly 2,200 third-party retailers to be able to sell the M&M products, a little bit of a change from the last quarter.

Bob Espey

Yeah. Okay. That's the Express program where we're in third-party sites. And look, the team's done some good work rationalizing that. There were some retailers there that weren't representing the product well, and they've decided to pull back in a couple of areas.

Marcel Teunissen

Yeah. And on the flip side, we've been pushing the M&M Express concept in all our convenience stores. So most of the convenience stores that we have in Canada now have the M&M Express concept within that. And as Bob said, we control the offer better, we can present it better. And it's actually been on the same-store sales basis as being one of our fastest-growing kind of categories, kind of quarter over quarter. So we're quite pleased with that. And we also continue to grow the number of franchise stores as appropriate within the market.

Luke Hannan

Got it. Thank you.

Operator

Thank you. Next question will be from Michael Van Aelst at TD Cowen. Please go ahead.

Michael Van Aelst — TD Cowen

Hi. Thank you. I just want to touch on the rebranding of the Husky sites. Can you repeat what the lift you've been seeing? And then are these all being switched to ON *the* RUN?

And what are you doing as you convert them? Are you doing any renovations? What programs are being changed now? And what will be added later? That kind of thing.

Bob Espey

Yeah. Hi, Michael. It's Bob. Good question.

And look, we're really pleased with what we're seeing in the rebrand of the Husky network. And it does speak to the strength of our brands. A little bit of a different story in different regions of the country. So if you look at in BC, where we've been rebranding Chevron and ON *the* RUN, we've seen dramatic lift. And it speaks to the strength of both brands and the ability to pull in consumers.

And in terms of how much they extend to the investment, I mean, those sites were pretty tired. So they are pretty comprehensive overhauls of the site, both exterior and interior, to make sure that we bring it up to Parkland standards. But again, what we're seeing there in the West is a 30 percent lift on average in our same-store volume. These are early numbers and then, certainly, above-average comps in the C-store.

Now, interestingly, none of that is currently factored into our same-store sales growth because we only look at sites that have been within the network for a year. So we'll expect to see that pull through next year in our comps.

In the East, we've been rebranding primarily to Pioneer with some Ultramar and, again, ON *the* RUN backcourt and seeing similar sorts of growth. I'd say the one area where it hasn't come as quickly is in the Calgary market with Chevron ON *the* RUN. And I would attribute that to the Chevron brand isn't as well recognized in Alberta, but we're doing some promotional work there to bring that up. But again, the trend is up and certainly over with the Husky brand at those sites.

So overall, again, when I step back and I look at that acquisition, it really is a testament to the power of the brands and the team to drive performance in-site. And that's before taking into account our supply advantage, which we're also bringing to that network.

Michael Van Aelst

Thanks for that, Bob. So just to be clear, though, as you're rebranding, you are doing all the upgrades to the—

Bob Espey

We are.

Michael Van Aelst

Okay. And are all the programs, all the ON *the* RUN programs going in right away? Or are they going in phases over the next few years?

Bob Espey

No. They're all going in right away. So when you go into a site, it's at our standard, which would be the branding standards, our merchandising mix. And then the other big thing is an enhanced frozen offer, which would be M&M, which again, we're seeing some good uptake in those sites.

Michael Van Aelst

Excellent. Thank you and congratulations on the quarter.

Bob Espey

Thanks.

Operator

Thanks. And next question will be from Neil Mehta at Goldman Sachs. Please go ahead.

Nicolette Slusser — Goldman Sachs

Hi. Good morning. Thanks for taking the question. This is Nicolette Slusser on for Neil Mehta.

So just wanted to focus on this 2025 expected outcomes, I think where you lay out \$2 billion of Adjusted EBITDA, leverage ratio at the low end of the 2 to 3 times, and then \$9.50 of cash flow per share.

Are there any early thoughts about what the capital returns framework may look like at that point when meeting these targets? And how the over 4 percent current dividend yield would fit into that framework? Thank you.

Marcel Teunissen

Yep. Let me take that question, Nicolette.

So we continue for now and up to 2025 to continue to focus on our priorities as we've laid them out. So first is to bring our leverage down to the lower end of that range. So that's our first priority. We have a good track record of dividend growth over many, many years and our shareholders are important. So you continue to see that we take a look at our dividend and be constructive in that.

And in addition, where we see opportunities opportunistically for share buybacks, especially as our shares continue to be undervalued, we'll continue to do that. And then the remainder goes

into organic growth. The pace of our divestment program, so to reallocate capital within our overall portfolio, is an important part of that as well. And so we balance that.

First order of business, though, is to get leverage below 3 and to get back into our normal range, and that's what we're focused on at the moment.

Nicolette Slusser

Great. Thank you so much.

Operator

Thank you. Once again, as a reminder, ladies and gentlemen, if you would like to ask a question, please press *, followed by 1 on your touch-tone phone.

Next will be Luke Davis at RBC. Please go ahead.

Luke Davis — RBC

Yeah, thanks. Good morning. So just to expand on some of the prior questions, given some of the initiatives that you've outlined in performance today, it seems like you're potentially tracking ahead of that 2025 target to hit \$2 billion in EBITDA. So just curious if you see a path to achieving that run rate sometime next year; and if you could just outline some of the key drivers or risks to that, both on kind of a macro and internal basis.

Bob Espey

Yeah. Good question. And look, we are making good progress against that target and feeling very comfortable with that as a 2025 target, consistent with what we've talked about in the past. And you're seeing some of the results show through here.

You can see it's based on organic growth synergies on the organic growth side. Again, we're seeing KPIs, strong KPIs, across the business. Pierre talked about the organic growth he's seen in International. So that's a real key component to that.

The second thing is the synergies, particularly in our US business. And as our team there digs in, they're finding lots of opportunities. So we're feeling quite bullish about the opportunity to deliver the returns that our investors expect in that market.

And then the other thing is what Marcel alluded to. I mean, we do continue to look for opportunities for efficiencies across the business driven in our overhead structure. And there's two phases to that. The first is the work that we've currently done that Marcel alluded to. And the second thing is we're doing a lot of work on our underlying systems and processes. We expect to be able to take more of that out over the subsequent couple of years.

So when you do bring that all together, we're very comfortable with the target and are making good progress against that.

Luke Davis

That's helpful. Thanks, Bob.

Operator

Thank you. And at this time, we have no further questions. Please proceed with closing remarks.

Bob Espey

Great. Thanks. Thanks for listening in. Look forward to connecting next quarter. Have a good summer.

Operator

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call. Once again, thank you for attending. And at this time, we do ask that you please disconnect your lines. Have a good weekend.