

CATEGORIES: ARTICLES, HVAC, HEATING OIL, OIL CORPORATIONS, PETROLEUM PRODUCTS

## Superior Plus Corporation: An American Heating Oil Giant is Born

After investing nearly \$160 million in heating oil properties throughout the Northeast this fall, Superior Plus Corp. has become a major player on the U.S. heating oil scene. Although this is the Calgary, Alberta-based company's first foray into the U.S. energy market it is backed by the unmatched weight of its \$2.2 billion general enterprise, which includes specialty chemicals, construction products and Canada's largest propane distribution business.



Figure 1 (image: superiorplus.ca, chappoil.com, and pncequity.com)

[Superior bought up Sunoco Inc.'s heating oil and propane services](#) in September for \$82.5 million – taking advantage of Sunoco's redoubled interest in its gasoline holdings – and followed that up with the [\\$76 million purchase of part of Griffith Services from CH Energy Group in November](#). The two acquisitions brought Superior approximately 150,000 new customers in Pennsylvania, New York and New England.

The Griffith assets delivered nearly 40 million gallons of heating oil, 2 million gallons of propane and 13.4 million gallons of motor fuel to primarily residential customers in Connecticut, Pennsylvania and Rhode Island in 2008. The Sunoco holdings include two pipeline-supplied fuel terminals and 22 retail bulk plants providing up to 20 million gallons of storage capacity in the core Mid-Atlantic market.

“We are very pleased to enter into this transaction to expand our refined fuel distribution and energy services business in the north-eastern United States as

part of Superior's growth strategy," Grant Billing, Chairman and Chief Executive Officer of Superior, stated in a press release following the second acquisition.

He continues:

GES's business operations in Connecticut, Pennsylvania and Rhode Island are an excellent strategic fit and are complementary to the Sunoco assets Superior purchased on September 30, 2009. In addition to increasing residential and commercial heating oil, propane and motor fuel products and services, the distribution network is expected to create additional synergies as Superior integrates the two acquisitions.

It is no secret that the heating oil and propane distribution business in the northeastern U.S. and eastern Canada is highly fragmented, and Superior has set its sights on additional acquisition and consolidation opportunities in the region.

Even including the new U.S. heating oil properties, Superior Corp.'s propane services – the company's longest tenured enterprise – remains the backbone of the corporation. Started in 1951, Superior Propane now has a 45 percent share of the Canadian market, servicing 160,000 customers. Superior Corp. subsidiary ERCO is a leading supplier of chemicals and technology to the pulp and paper industries with manufacturing centers in the U.S. and South America, and other affiliates include construction products company Winroc and Superior Energy Management which provides fixed-price natural gas and electric services in Canada.

Billing, formerly an executive of Norcen Energy Resources, was brought on board to restructure the corporation after a [failed 2005 foray into aluminum products saddled the company with debt](#).

Heating oil services are not unlike propane services, and the Sunoco and Griffith properties are part of Superior's general strategy of expanding its reach in the energy sector, Greg McCamus, head of Superior's U.S. Refined Fuels arm said in an interview Nov. 26. The company had been planning the move for "some time" and thought the timing was right – with cash in hand – this fall, he added.

"Heating oil is a stable cash flow business similar to the propane business and a good way to establish our footprint and get more customers," he said.

There is “absolutely” an intention to expand the company’s nascent U.S. refined fuels business, McCamus said. With the industry mainly dominated by smaller players, Superior has an opportunity to flex its financial power to bring unique services.



Figure 2 Superior Plus, a Canadian-established corporation enters the States with a history in propane and a keen interest in the heating oil industry. (image: chadbourne.com)

In addition to expanding its energy portfolio, Superior also acquired Specialty Products and Insulation Co. in August for \$135 million and is in the process of a \$130 million revamping of its U.S. Midwest chemicals business.

“There is an opportunity to bring our brand and focus to more customers,” McCamus said.

While the company intends to maintain the focused local businesses of the new operators in its portfolio – and will keep most of the current employees and infrastructure in place – there will be an added emphasis on progressive service innovations, McCamus said.

Most of its new competitors do not emphasize expansion and Superior, armed with 4,600 current employees, sees a potential opportunity for growth, despite a general decline in heating oil use, McCamus said.

A foothold in the U.S. energy sector also gives the company a launching pad to service customers who may be interested in moving away from heating oil

towards propane, and Superior's size allows it to provide a wide suite of retail and services solutions. The company will also be able to facilitate a transition to high efficiency furnaces and can move its fixed-rate electric and natural gas services to current heating oil customers, McCamus said.

McCamus would not further elaborate on the company's expansion plans, stating that he was unable to speak publicly about specific acquisition targets. Currently, energy holdings represent merely a third of the corporation's entire assets, with U.S. refined fuels accounting for approximately 10 percent of net worth.

"We will continue to look at the best way to round out our footprint," he said. From a price standpoint, it is unlikely that customers will see any change with the new regime.

"Our approach is not to be the cheapest," McCamus said. "What we are trying to do is be competitive and provide high quality service with an emphasis on safety."

The goal is to "offer a basket of services to customers" who may want a variety of options in how they manage their energy needs, he added.

A CH Energy Group spokesperson echoed this assertion, assuring current GES customers earlier this month that they would see little change in their day-to-day operations.

"We're not seeing any changes to the way these companies are operating as part of the sale," spokesperson [John Maserjian told Petrol World](#). "We don't see any changes for their employees or their customers."

While McCamus remains bullish about Superior's prospects, indicating that the regulatory structures of the U.S. and Canada are similar enough that they should be easy to navigate, other analysts suggest that the company may face some near-term challenges as it remains strapped by the economic recession and the subsequent drop in demand.

A high wholesale price for crude oil (and propane) coupled with a thus far warmer-than-average winter and similarly tepid economic activity have led to energy conservation and an attending drop in revenues for Superior, [credit rating service DBRS reported recently](#). While declining demand has been somewhat offset by higher prices for Superior's chemicals company, Winroc has struggled recently, DBRS said.

On its own website [Superior contends that the economic downturn has bottomed out.](#)

Last week the company announced the closing of a \$50 million stock sale to raise funds for the GES acquisition. Superior had raised \$45 million in a similar stock deal in September and \$150 million in October by deferring a portion of its debt until 2016.

This article was posted on **Wednesday, December 9, 2009 at 4:17 pm** and is filed under *Articles, HVAC, Heating Oil, Oil Corporations, Petroleum Products*

To read more articles like this one visit HeatingOil.com.

Canal Street Station Box 1547

New York, NY 10013

© 2009 HeatingOil.com LLC