



## 3 Reasons to Consider Buying TransForce Inc.

### Description

**TransForce Inc.** (TSX:TFI), Canada's largest trucking company, has recently been on a roll and topped off this week with a solid earnings report and an analyst upgrade. Need more reasons to consider adding this stock to your portfolio? How about the company's seamless acquisition of three companies, including trucking rival Contrans?

### Higher profits

Earlier this week, TransForce reported fourth-quarter profits of \$43 million or \$0.31 per share, up from \$12.3 million or \$0.13 per share in the same period in 2013. Revenue at the Montreal-based company jumped to \$1.07 billion for the quarter, versus \$792 million a year earlier.

TransForce said it concluded the fourth quarter of 2014 with free cash flow generation of \$93 million, up 60% from \$58 million in the prior year. "In the fourth quarter, acquisitions boosted total revenue above the one-billion mark for the first time ever," said Alain Bedard, chairman, president and CEO at TransForce.

### Acquisitions abound

TransForce has completed three major acquisitions in the past 15 months, highlighted by a deal in July 2014 to buy rival Contrans Group Inc. for \$495 million. In late December 2013, the company purchased Vitran Corp. for \$136 million, and in June 2014, signed a deal to acquire Transport America Inc. for \$310 million including debt.

"Last year's acquisitions have bolstered our strength, further added talent to our workforce, and solidified our position in the markets we serve," said Bedard in this week's earnings report.

At the time of the Contrans acquisition, Bedard said the takeover deals were too good to pass up from a competitive point of view, as railways increased their share of the transportation market.

### Analyst action

On Wednesday, Canaccord Genuity analyst David Tyerman upgraded TransForce's stock from buy to hold amid higher expectations of an improved return. "We continue to believe TransForce should produce good earnings improvement in 2015 and beyond from margin expansion driven by operational improvements at existing operations and synergies from recent acquisitions," Tyerman said.

Tyerman said he expects strong earnings per share growth through 2017, which will in turn drive share prices higher. He raised his target price for Transforce to \$33 from \$31.

Still not convinced of TransForce's strengths? Going forward, Bedard expects 2015 total revenue to approach \$4.5 billion and basic EPS to be in the range of \$1.85 to \$2.00. TransForce will use its free cash flow to pay off debt, while excess capital will be deployed in initiatives that generate a superior return on assets, and return cash to shareholders. That suggests a possible dividend increase, adding one more reason to add TransForce to your portfolio.

## CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. TSX:TFII (TFI International)

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dwatt

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