



Is TransForce Inc. the Top Transportation Stock to Buy Today?

Description

TransForce Inc. (TSX:TFI), a North American leader in the transportation and logistics industry, announced better-than-expected fourth-quarter earnings after the market closed on March 2, but its stock has responded by falling over 4% in the trading sessions since. Let's take a closer look at the results to determine if this weakness represents a long-term buying opportunity or a warning sign.

Breaking down the fourth-quarter earnings beat

Here's a summary of TransForce's fourth-quarter earnings results compared to what analysts had expected, and its results in the same period a year ago.

Metric	Reported	Expected	Year Ago
Adjusted Earnings Per Share	\$0.45	\$0.44	\$0.25
Revenue	\$1.07 billion	\$1.03 billion	\$792.56 million

Source: *Financial Times*

TransForce's adjusted earnings per share increased 80% and its revenue increased 35.5% compared to the fourth quarter of fiscal 2013. The company's very strong revenue growth can be attributed to its acquisitions of Clarke Transport Inc., Vitran Corporation, Transport America Inc., and Contrans Group during the year, along with 0.3% organic sales growth. Its immense earnings per share growth can also be attributed to acquisitions, which led to adjusted net income increasing 104.1% to \$47.52 million.

Here's a quick breakdown of eight other notable statistics from the report compared to the year-ago period:

1. Total revenue increased 3.8% to \$341.76 million in its Package & Courier segment
2. Total revenue increased 47.1% to \$240.83 million in its Less-Than-Truckload segment
3. Total revenue increased 104.9% to \$373.06 million in its Truckload segment
4. Total revenue increased 34.9% to \$55.97 million in its Waste Management segment
5. Earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 65.2% to

\$126.08 million

6. Operating income increased 83.7% to \$79.91 million
7. Net cash from operating activities increased 69% to \$119.86 million
8. Free cash flow increased 60% to \$93.51 million

Does TransForce represent a long-term opportunity today?

I think the post-earnings weakness in TransForce's stock represents a great long-term buying opportunity. I think this because it trades at attractive valuations, including just 17.1 times fiscal 2014's adjusted earnings per share of \$1.74 and only 13.8 times fiscal 2015's estimated earnings per share of \$2.16, both of which are very inexpensive compared to its five-year average price-to-earnings multiple of 25.

Furthermore, the company pays an annual dividend of \$0.68 per share, which gives its stock a generous 2.3% yield at current levels. The company has also increased its dividend four times since 2011, so I think this makes it qualify as both a value and dividend-growth play today.

With all of the information provided above in mind, I think TransForce Inc. represents the best long-term investment opportunity in the transportation industry today. Foolish investors should take a closer look and strongly consider establishing long-term positions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TFII (TFI International)

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