

3 Top Transportation Stocks You Should Buy Today

Description

North American transportation companies have become must-have investments because of the growing demand for their services, as the United States and Canada have continued to become leaders in the world's energy and manufacturing industries. With this in mind, let's take a look at three of the largest transportation companies to determine which one you should consider investing in today.

1. Canadian Pacific Railway Limited

Canadian Pacific Railway Limited ([TSX:CP](#))([NYSE:CP](#)) is one of the largest owners and operators of railroads in North America.

At today's levels Canadian Pacific's stock trades at just 21.3 times fiscal 2015's estimated earnings per share of \$10.92 and only 18.1 times fiscal 2016's estimated earnings per share of \$12.79, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 25.2 and the industry average price-to-earnings multiple of 26.5.

I think Canadian Pacific's stock could consistently command a fair multiple of at least 24, which would place its shares upwards of \$262 by the conclusion of fiscal 2015, and upwards of \$306.75 by the conclusion of fiscal 2016, representing upside of more than 12% and 32%, respectively, from current levels.

In addition, Canadian Pacific pays a quarterly dividend of \$0.35 per share, or \$1.40 per share annually, giving its stock a 0.6% yield at today's levels. A 0.6% yield is not high by any means, but it is important to note that the company has increased its dividend eight times since 2004, and its increased free cash flow could allow for another increase in the very near future.

2. TransForce Inc.

TransForce Inc. (TSX:TFI) is one of the leading providers of transportation and logistics services in North America.

At current levels TransForce's stock trades at just 16.8 times fiscal 2014's adjusted earnings per share of \$1.74 and only 13.5 times fiscal 2015's estimated earnings per share of \$2.16, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 25 and the industry average price-to-earnings multiple of 25.1.

I think TransForce's stock could consistently command a fair multiple of at least 16, which would place its shares upwards of \$34.50 by the conclusion of fiscal 2015, representing upside of more than 18% from today's levels.

Additionally, TransForce pays a quarterly dividend of \$0.17 per share, or \$0.68 per share annually, which gives its stock a 2.3% yield at current levels. The company has also increased its dividend for four consecutive years, and its consistent free cash flow generation could allow this streak to continue

for the next several years.

3. Mullen Group Ltd.

Mullen Group Ltd. ([TSX:MTL](#)) is one of the largest providers of specialized transportation and related services to the oil and natural gas industry, and is one of the leading suppliers of trucking and logistics services in Canada.

At today's levels Mullen's stock trades at just 15.8 times fiscal 2014's adjusted earnings per share of \$1.44 and only 13.2 times fiscal 2015's estimated earnings per share of \$1.73, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 17.9 and the industry average price-to-earnings multiple of 25.1.

I think Mullen's stock could consistently command a fair multiple of at least 16, which would place its shares upwards of \$27.50 by the conclusion of fiscal 2015, representing upside of more than 20% from current levels.

In addition, Mullen pays a monthly dividend of \$0.10 per share, or \$1.20 per share annually, giving it a 5.3% yield at today's levels. In its 2014 annual report the company stated that it intends to maintain its annual dividend payment of \$1.20 per share in 2015, so investors should not expect to see an increase until 2016 at the earliest.

Which of these transport stocks belong in your portfolio?

Canadian Pacific Railway, TransForce, and Mullen Group represent three of the market's top investment opportunities in the transportation industry today. Foolish investors should take a closer look and strongly consider establishing long-term positions in one of them.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)
3. TSX:MTL (Mullen Group Ltd.)
4. TSX:TFII (TFI International)

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