



## TFI International Inc.: New Name, Same Great Company

### Description

Portfolio manager Barry Schwartz appeared on BNN's August 29 edition of *Market Call* in the Top Picks segment of the show, where investment experts provide viewers with three stocks they like and why.

One of the companies Schwartz touted was **TFI International Inc.** ([TSX:TFII](#)), the new corporate name of TransForce, an international logistics and transportation leader.

If you don't know who Schwartz is, perhaps the fact that his three previous picks from September 1, 2016, have delivered an average total return over the past year of 29.4% with all three up at least 15%.

If that's not enough, Schwartz's [interview](#) in the soon-to-be investment classic *Market Masters* by Robin Speziale, a rising star in the investment industry, encouraged me to find some free cash flow gems trading on the TSX.

### Free cash flow gems

My three picks were **Great Canadian Gaming Corp.** (TSX:GC), **Linamar Corporation** ([TSX:LNR](#)), and what's now known as TFI International. The annualized total return for each is 51.8%, 30.3%, and 11.3%, respectively.

TFII had the lowest return of the three stocks thanks to a bad start to 2017 in which its stock price dropped from the mid-\$30s all the way down to \$26 in June. However, in the last three months, TFII is up 8.3% as its business strengthens.

"It was hurt by weaker truckload pricing during the first half of 2017. It appears that pricing has improved significantly over the past couple of months, and TFI should benefit from a more normal pricing season," Barry Schwarz said on BNN. "TFI has a shareholder-focused management team that thinks wisely about capital allocation. The company has been actively buying back its stock this year at much lower levels."

## Capital allocation is critical

Perhaps that's why Fool.ca contributor Tyler Kirkpatrick recently [wondered](#) if TFI International was run by a Henry Singleton clone, given CEO Alain Bedard's penchant for buying back stock.

There's more to Henry Singleton than share repurchases; he also used company stock to make acquisitions when its share price was high and piled on the debt when interest rates were low.

He's probably the greatest capital allocator of the modern era. Bedard, I'm sure, would be grateful to be anywhere close to Singleton's abilities.

## How has Bedard done regarding share repurchases?

Over the past five years, TFI International has repurchased \$411.5 million of its shares — \$151.2 million of which were repurchased in 2016 at an average price of \$23.47 per share.

From January 1, 2016, through December 31, 2016, TFII stock hit a high of \$35.57 and a low of \$18.94. The company paid 13.9% less than the 2016 midpoint of \$27.26 per share.

It's rare for companies to buy back shares at less than the midpoint in a calendar year. More often than not, they end up buying close to a 52-week high.

So, in my estimation, Bedard has done well.

## Bottom line

As Schwartz said on BNN, TFI International's truckload margins were hurt in the first half of the year. With those on the mend in the second half, it's running on all cylinders.

I liked it at \$28, I like it at \$31, and I'll like it at \$34 and beyond. Long term, it's a keeper.

## CATEGORY

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## TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)
2. TSX:TFII (TFI International)

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washworth

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