



Which Stock Is the Better Buy: TFI International Inc. or Mullen Group Ltd.?

Description

When the economy does well, so do retailers, and many companies need to transport goods from one location to another, which increases the demand for logistics and trucking services. Since there may be significant growth in this industry, I am going to have a look at two big logistics companies and assess which one could present the best investment opportunity today.

TFI International Inc. ([TSX:TFI](#)) offers transportation services across North America and serves many different industries, with its top customers being in the retail and manufactured goods industries. The company had 56% of its revenue come from Canada in the last quarter, and TFI has a significant presence south of the border. The company has been employing a growth strategy for 2017 and has acquired four different companies already this calendar year.

Mullen Group Ltd. ([TSX:MTL](#)) also operates in Canada and the United States, but in addition to trucking and logistics services, the company provides oilfield services. Like TFI, Mullen Group has also been heavily involved in acquisitions with six in the past year, although none in the company's most recent quarter. The company has been focusing on the acquisition of smaller competitors that it can integrate into its operations and achieve synergies with.

Review of financial performance

In its second-quarter results, TFI saw year-over-year revenues rise by 26%, and year-to-date sales have seen similar improvements. However, the increases in revenue have been attributed to the contributions made from new acquisitions; otherwise, sales would have shown an improvement of just 1%. In the past two years, the company's revenue has also been flat with profits averaging less than 4% of total sales.

Mullen Group, in Q2, saw its revenues rise over 10% from the prior year as the company's trucking/logistics segment posted a record \$183 million in sales for the period, although this included contributions from new acquisitions. Oilfield services in the quarter also showed a 14% improvement from a year ago, as drilling activity was up in the period. In its most recent fiscal year, the company's revenue declined by 15%, and it has dropped a total of 27% in just two years, while profit margins have

averaged less than 3%.

Which stock is a better value?

In the last 12 months, TFI's earnings per share (EPS) have totaled \$0.44, as the stock currently trades at a multiple of almost 70 times its earnings and more than twice its book value. By comparison, Mullen Group has a slightly higher EPS of \$0.48 and trades at 34 times its earnings and 1.7 times its book value. TFI is certainly the more expensive stock of the two, and investors are paying a premium for more growth and less risk as the company does not have the same exposure to oil and gas that Mullen Group does.

Neither company is showing significantly better growth in sales to warrant such a discrepancy in price, and for that reason, I would choose Mullen Group. The company trades at better multiples and is bit more diversified in its operations with some exposure to oil and gas, which — if they pick up — could result in significant growth for the company.

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