Why TFI International Inc. Fell as Much as 10.5% on Friday

Description

TFI International Inc. (TSX:TFII), one of North America's largest trucking companies, released its third-quarter earnings results Friday morning, and its stock responded by falling as much as 10.5% in the day's trading session before paring much of those losses and settling down just about 1.5%. Let's break down the quarterly results and the fundamentals of its stock to determine if we should consider using this weakness as a long-term buying opportunity or if the early morning sell-off is a sign of things to come in the trading sessions ahead.

Breaking down the third-quarter results

Here's a quick breakdown of eight of the most notable financial statistics from TFI's three-month period ended September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Total revenue from continuing operations	$1,154.44 million	$975.46 million	18.3%
Revenue before fuel surcharge from continuing operations	$1,048.19 million	$897.45 million	16.8%
Adjusted EBITDA from continuing operations	$128.19 million	$113.79 million	12.7%
Operating income from continuing operations	$60.55 million	$69.26 million	(12.6%)
Free cash flow from continuing operations	$197.97 million	$81.34 million	143.4%
Free cash flow from continuing operations per share	$2.20	$0.88	150%

Adjusted net income from continuing operations	$48.8 million	$53.5 million	(8.8%)
Adjusted net income from continuing operations per diluted share (EPS)	$0.53	$0.57	(7%)

Should you be a long-term buyer today?

It was a great quarter overall for TFI given the fact that its slight decline in adjusted net income was due to negative contributions from acquisitions, and it posted very strong results for the first nine months of the year, in which its total revenue from continuing operations increased 23.2% to $3.56 billion, its adjusted EPS from continuing operations increased 5.6% to $1.50, and its free cash flow from continuing operations increased 50.2% to $3.02 per share.

With all of this being said, I think the post-earnings drop in TFI's stock represents a very attractive entry point for long-term investors for two fundamental reasons.

First, it's wildly undervalued. TFI's stock now trades at just 14.8 times fiscal 2017's estimated EPS of $2.13 and only 13.6 times fiscal 2018's estimated EPS of $2.33, both of which are very inexpensive compared with its five-year average multiple of 23.9; these multiples are also inexpensive given its current earnings-growth rate, and its estimated 9.4% earnings-growth rate in 2018.

Second, it has a great dividend. TFI currently pays a quarterly dividend of $0.19 per share, equating to $0.76 per share annually, which gives it a respectable 2.4% yield. Foolish investors must also note that the company's 11.8% dividend hike in October 2016 has it on track for 2017 to mark the seventh consecutive year in which it has raised its annual dividend payment, making it one of the best dividend-growth stocks in the trucking industry today.

With all of the information above in mind, I think all Foolish investors should strongly consider beginning to scale in to long-term positions in TFI International today.

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Date
2025/07/05
Date Created
2017/10/30
Author
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