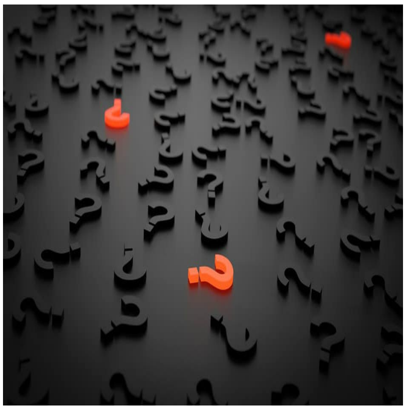

TFSA Investors: Is it Time to Back Up the Truck on This Overlooked Long-Term Market Beater?

Description

Some great Canadian stocks just don't get the amount of coverage that they deserve. Many of these hidden gems are mature companies that have been operating and returning a great deal of wealth back to shareholders for over a decade; however, due to their "boring" nature, many of these stocks fail to make it on Canadian financial networks like *BNN Bloomberg* on a consistent basis.

One such stock that you've probably never heard of but should add to your watch list is **TFI International Inc.** (TSX:TFII) a Montreal-based Canadian transport and logistics company that's primarily in the business of trucking. With Canada's largest trucking fleet (6,700 power units and 12,000 trailers), the company has a pretty solid position in the North American small freight or less-than-load (LTL) shipping scene.

Don't count out the truckers!

You're probably aware that the railroads are the dominant transporter of bulk goods across the country, but let's not forget about LTL shipping! For many clients who wish to get goods transported from point A to point B, use of a truck usually makes more sense if they're got a small load to deliver to a remote location that may not be close to a track.

Sure, trucking may be expensive versus the rails, especially with ridiculously high fuel costs, but trucking has its place in the transportation industry alongside the rails. They really complement each other rather than compete for business, especially since the Canadian rails are severely overloaded at this point in time!

If you think of the rails as arteries and trucks as smaller capillaries, then the story becomes clearer. A bulk of the goods are transported across the country by rail, and for the areas where rail can't reach, trucks fill in.

A decent quarter, but room for operational improvement exists

Last month, TFI reported its Q1 2018 numbers, which were relatively in line with analyst expectations on the top and slightly beating expectations on the bottom line. Management reiterated its fiscal 2018 EBITDA of $600 million, and as we head into the latter part of the year, we may see TFI benefit from a red-hot U.S. economy, which would be great for trucking.

Management is determined to improve the efficiency of its operations to ensure another catastrophic implosion doesn’t happen like it did during the financial crisis, when shares plummeted over 80% from peak to trough.

Bottom line

TFI is a great way to profit from the continued growth of the U.S. and Canadian economies, and at just 14.6 times forward earnings, shares definitely appear attractively valued today; however, I’d recommend investors use a wait-and-see approach until more evidence of operational improvements are made available.

Moreover, the stock had its fair share of bear market moments over the past five years, despite being up ~84% during this time span, so investors certainly shouldn’t rush to pick up shares today, as a better entry point may be in the cards over the next few years. For now, TFSA investors should keep this cyclical stock on their radar and take action if shares fall back to the low $30 levels.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:TFII (TFI International)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/09/02

Date Created
2018/05/17
Author
joefrenette