Here's Why This Canadian Stock Is the Best North American Logistics Investment

Description

Investors looking for exposure to the logistics industry have three solid choices today — though only one of them is a Canadian stock.

But what a great TSX index stock it is. **TFI International** (TSX:TFII) has had a great 12 months: a one-year past earnings growth of 298.5% shows that this is the stock to stack if you want to beat the competition. Indeed, it even beats itself, with a five-year average past earnings growth of 23.4% highlighting just how good a year it's been.

With a dividend yield of 2.51% heading up the reasons to buy, TFI International shows a range of both high-quality and good value stats: a 22% ROE for the last year is significantly high for the TSX index, while a P/E of 10.1 times earnings is spot on.

Reasons to stay away are few, but they should be noted: A P/B of 2.2 times book is a little high, though certainly not the worst such ratio for a Canadian stock, while a comparative debt level of 96.2% of net worth may put off those investors with a low appetite for risk. Meanwhile, a 5.4% expected annual growth in earnings is not significantly high.

What are the stats like south of the border?

Compare the data with that of its biggest American rival, **FedEx** (NYSE:FDX), and you'll immediately start to see why TFI International may be the better logistics stock for newcomers. While its track record is strong, FedEx's one-year past earnings growth of 68.4% is considerably lower than TFI International's. They both have very similar five-year averages, though, with FedEx enjoying overall past earnings growth of 22.1% and a 9.6% expected annual growth in earnings.

Similarities abound in a debt level of 89.6% of net worth and a 26% last-year ROE. FedEx shows very similar valuation to TFI International, too, with a P/E of 9.2 times earnings and P/B of 2.3 times book. It's almost uncanny how similar these two stocks are, in fact, though TFI International edges out on top next to FedEx's lower dividend yield of 1.5%.

Is there any competition on the NYSE?

However, all of this is positively cheerful compared with that other American logistics and parcel transport company, **United Parcel Service** (NYSE:UPS). Its growth was positive, but much lower, with an increase in earnings over the last 12 months 52.4%, for instance, and a lower five-year average of 8.4%.

The valuation is worse, too, with a P/E of 16.1 times earnings (not so bad) and P/B of 28.1 times book (presented without comment). While a past-year ROE of 174% is significantly high for the market, a high level of debt at 747.5% shows that this stock is not for the risk-averse investor, though a higher dividend yield of 3.59% matched with an apparently industry standard 8.5% expected annual growth in earnings makes for a solid reason to buy.

The bottom line

Stick to the TSX index choice if you like a nicely valued stock with a great track record. If you want to get a bit of geographical diversification, you could always stack an American option alongside it; in this case, UPS might be the better option with its higher dividend yield, or stick with FedEx if you prefer a sturdier balance sheet.

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