



This Canadian Shipping Company Is Crushing United Parcel Service, Inc. (NYSE:UPS)

Description

It hasn't always been the smoothest ride, but shareholders who have stuck with **TFI International Inc** ([TSX:TFII](#)) have profited handsomely. Since 1998, shareholders have experienced a 6,000% total return compared to a mere 200% return for the TSX and a 320% return for the **S&P 500**. Still, there have been plenty of big dips along the way that required patience.

In October of 2018, shares hit an all-time high of nearly \$50 per share shortly before a 20% drop. Today, TFI International stock now trades at a 10% free cash flow yield with a 2.5% dividend.

Is now the time to pile into this proven long-term winner?

TFI International is a master at executing

TFI International is a full service provider of transportation and logistics. Put simply, it moves things around North America. It owns 369 distribution facilities, 15,669 trucks, and 25,055 trailers.

When comes to executing on a long-term vision, TFI International is second to none. Management has long discussed its strategy of diversifying its business lines and rolling up an incredibly fragmented market. For decades, the company has done just that.

Roughly half of its business is in Canada, with the other half located in the U.S. Its customers are incredibly diverse, ranging from retail and automotive to energy and waste management. This diversification has proved critical during times of crisis.

For example, in 2007, just before the global financial crisis, the company's EBITDA margins were 12.5%. In 2008 and 2009, its margins were 12.4% and 12.3% respectively. In 2010, it grew these margins to 13.1%.

Being able to generate positive cash flow through the cycle has been critical to TFI International's success. Notably, it's allowed it to make acquisitions at market bottom prices, a capability few other

competitors have been able to match.

Over the last two decades, the company has purchased more than 100 companies. Since 2008, TFI International has acquired 66 companies, 19 of which occurred during the 2008 and 2009 turmoil.

Not only has management executed on growth plans, but they've also been reliably returning capital. Since 2014, more than \$800 million has been distributed to shareholders, nearly 25% of the company's current market cap.

All of these factors combined has made TFI International one of the best performing shipping companies over the last decade. Since 2009, its shares are up roughly 1,000%. Its American peer, **United Parcel Service, Inc.** ([NYSE:UPS](#)), is up just 50%.

Should you buy shares today?

Even after the recent 20% drop, TFI International's stock price is still near all-time highs. Now trading at more than 40 times earnings, it's getting increasingly difficult to justify its premium valuation. A few things account for the market's lofty expectations.

Recently, two U.S. investment banks began to cover the stock, both of which have 'strong buy' recommendations. This has introduced TFI International to scores of individual and institutional investors in the U.S.

Last year, the value of the U.S. stock market exceeded \$30 trillion. The Canadian stock market, for comparison, was only worth roughly \$2 trillion. It's likely that billions of dollars in capital are now looking at TFI International thanks to the new domestic coverage.

Still, the industry remains highly fragmented, meaning TFI International will likely continue its proven strategy of buying small competitors, gaining size in a market where scale dominates. However, the current valuation is undoubtedly rich. This stock is one for the watchlist.

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2. Investing

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