



Which Shipping Stock: High Yield or Dividend Growth?

Description

Shipping and transportation companies could be ready to run at full steam for several years. Shortages of pipeline capacity have driven producers to enlist other means of transportation like rail and transport trucks to move their products. Grain farmers need similar means of transport for their commodities. The growth of e-commerce has also led to the development of new forms of logistics and transportation methods to get packages into the hands of customers.

In Canada, companies like **TFI International Inc.** ([TSX:TFII](#)) and **Mullen Group Ltd.** ([TSX:MTL](#)) operate in the shipping space and may be a good way for investors to capitalize on the need for logistics and shipping services in today's economy.

Mullen Group Ltd. ([TSX:MTL](#))

The company provides shipping services to a number of industries, although oil and gas services account for a large portion, approximately 30% of total revenues. The depressed state of oil prices, especially in western Canada, negatively impacted the sector. MTL, which provides shipping services for both oil products and equipment, was negatively impacted as well. Increasing interest rates also negatively impacted freight demand overall.

In spite of 2018's challenges, the company had decent full-year 2018 results. MTL grew total revenues by 10.7% year-over-year, helped by improvements in the trucking and logistics segment, although total revenues are still below the company's all-time highs. While the company realized a loss on basic earnings per share, adjusted earnings per share (which removed one-time fees like oil-field goodwill impairment charges) were up by 46.9% as compared the previous year.

The company's results have been improving over the last year, especially after adjusting for one-time items, but the company has a little more debt than I would generally like to see. Even with the debt load, though, the company says that it's committed to maintaining its dividend yield of just under 5%.

TFI International Inc. ([TSX:TFII](#))

With a market capitalization of around \$3.6 billion, TFI is the larger company of the two. It is also the most diversified by business and geography. TFI operates a [number of couriers](#), truckload, less than truckload, and logistics businesses that cover most of Canada and the United States.

Full-year 2018 revenues for the company increased by 6% over 2017. TFI's results resemble MTL's in that the company reported a net loss in basic earnings in the fourth quarter of 2018. However, this loss was due to a one-time effect from an income tax reduction. After accounting for this anomaly, adjusted net income increased 60% as compared to Q4 2017 earnings.

The company pays a dividend, although the yield is much smaller than MTL's at 2.12%. But [its dividend](#) has been steadily growing for years. In the fourth quarter, the company announced it would increase the dividend again by 14%.

Which shipping is the best?

If you had to choose between the two companies, TFI is the clear choice for a number of reasons. It has the most diversified business model, for one thing. If e-commerce is one reason you are looking to buy a shipping company, TFI's courier and package business will most likely benefit more from the trend than MTL. MTL also appears to be far more exposed to the oil and gas industry than TFI if you are looking to avoid that commodity.

The dividends are also better with TFI than Mullen Group. Although the latter has a much larger initial yield, its payout is not as stable and does not grow as steadily as TFI. I'd therefore take the steady dividend grower over the high yield any day.

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Date

2025/08/18

Date Created

2019/03/02

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