



## Could Drone Deliveries Be 2020's Breakout Growth Sector?

### Description

The logistics industry is about to get interesting. Just across the border, the U.S. Department of Transportation has okayed logistics company **UPS** ([NYSE:UPS](#)) to begin operation of a drone delivery service.

The ruling marks the beginning of a new phase for logistics and supply chain management, and will likely open the door for other shipping companies to begin working on their own airborne delivery systems.

UPS will use drones to transport healthcare supplies across America. The move follows successful trails in North Carolina moving medical supplies at a hospital complex.

UPS will now move forward with testing various deployment systems, including single-operator flights in which multiple drones are deployed, and a supplementary service that coordinates with trucking in areas that are harder to reach.

### Drone delivery could send logistics stocks flying

UPS isn't the only big-name company [getting in on flying deliveries](#). Amazon Prime Air is set to be the "next big thing" in retail delivery and will use autonomous quadcopters to get goods out to customers.

The **Amazon** service is ambitious in scope, and could see customers getting their packages within 30 minutes or placing an order. The system is just part of a wider network that will include the expansive Internet of Things.

While the UPS news is a breakthrough for North American markets, it's not a first. Back in May it was announced that **DHL** had teamed up with **EHang** to fly Falcon series autonomous aerial vehicles (AAVs) for deliveries up to five kilograms.

The autonomous drones pack vertical take-off technology and utilize A.I. and smart sensors for their landing systems.

## A top stock packing a moderate yield

TSX investors seeking exposure to freight logistics and the supply chain sector have a strong play with **TFI International** ([TSX:TFII](#)). Operating throughout the country with a strong and expanding U.S. presence, TFI's business model could benefit from a drone delivery system.

As the operator of Canada's fleet of trucks, and as the largest transporter of small-freight in the country, TFI is a [strong play in the logistics space](#).

Paying a 2.47% dividend yield, TFI is a solid choice for income investors seeking wide economic moats in relatively low risk areas.

While logistics companies are sensitive to market changes, their area of business is so diverse that they form part of the backbone of industry that includes the Canadian railways.

Investors seeking more of a domestic spin than an American one will be interested to note that the majority of TFI's income is sourced in Canada. Arranged into four distinct segments, TFI is active in truckload and less-than-truckload delivery, as well as package and courier services, in addition to logistics.

## The bottom line

Still undervalued and serving up a moderate dividend yield, TFI is a solid investment. While there are no overt signs that the company will be utilizing drone tech, the option could become commonplace should trials by Amazon and UPS continue successfully, in time becoming a growth sector all of its own. 2020 could see drone deliveries become a breakout sector if they succeed in reducing overheads through increased efficiencies.

### CATEGORY

1. Dividend Stocks
2. Investing
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4. Tech Stocks

### TICKERS GLOBAL

1. NYSE:UPS (United Parcel Service)
2. TSX:TFII (TFI International)

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