TFSA Investors: Take Note of Canada's Hidden Gem

Description

Logistec Corporation (TSX:LGT-B) provides cargo handling and other services to marine, industrial, and municipal customers in North America. The company operates in two segments: Marine Services and Environmental Services. Logistec Corporation, founded in 1952 by Roger Paquin, has been publicly traded since 1969 and corporate headquarters are in Montreal, Canada.

The Marine Services segment accounts for 58% of annual revenue in 2018 and consists of the following operations: Dry bulk, break-bulk and container cargo handling at 38 ports and 64 terminals across North America; Marine transportation services geared primarily to the Arctic coastal trade; Marine agency services to foreign ship owners and operators serving the Canadian market.

The Environmental Services segment accounts for 42% of annual revenue in 2018 and provides services to industrial and municipal organizations relative to underground watermains, regulated materials management, site remediation, risk assessment, and manufacturing of woven hoses.

The company recently reported depressed earnings due to the trade war resulting in a price-to-earnings ratio of 27.26, a price-to-book ratio of 1.81 and a market capitalization of 485 million.

Leverage is moderate at Logistec and the company has a debt to equity ratio of 1.04. The company has average performance metrics with an operating margin of 4.24% and a return on equity of 7.01%.

The company's Marine Services segment has expanded over the years partly through the acquisition of smaller and independent cargo handlers.

Management has been quick to adopt innovative cargo handling techniques and has made required investments in modern equipment. Logistec is broadly diversified geographically with 45% of revenues coming from U.S. operations.

The company's facilities are equipped to handle commodities such as metals and forest products, fruit and refrigerated cargoes, and a variety of dry bulk cargoes such as grain, sugar, gypsum, coal, fertilizers and minerals.

The company’s strategy is focused on diversifying operations to cover a wide geographical area with a broad cargo mix and a blend of import-export activities. Despite looking to grow, however, Logistec maintains strict capital spending criteria, ensuring that as the company’s business volumes rise, Logistec’s profitability rises as well.

The company is focused on becoming the cargo-handler of choice in North America. Logistec regularly studies opportunities to acquire additional cargo handling businesses on the east and west coasts and to create organic growth through outsourcing opportunities, diversification into other product areas and increased value-added services to customers.

The company believes that, in the United States, the opportunity for growth through acquisitions is large, as the market is served by a significant number of smaller, independently owned players operating only locally.

In the Environmental Services segment, Logistec is working on geographically expanding Aqua-Pipe services in the USA and internationally. The company has increased production of large diameter woven hoses and geographic expansion of Logistec’s traditional environmental services is underway.

In summary, the company is a great guy at current prices. Logistec has been profitable every year since the 1969 initial public offering and paid dividends each year with payments that have grown.

The company has significant growth potential via a program of strategic acquisitions and product diversification and also has a healthy financial position with a debt to capitalization ratio of just 38.4%.

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