



My Top TSX Stock to Buy Before March 2020

Description

The already undervalued dividend stock, **TFI International** ([TSX:TFII](#))([NYSE:TFII](#)) initiated its initial public offering (IPO) on the **New York Stock Exchange** today, February 13, 2020. I first recommended this stock on January 11 when it was trading for \$44.15. One month later, the market price of the stock is 7.5% higher at \$47.44 per share.

Now that the stock is trading on two exchanges, the stock is better positioned to reach investors.

Depending on the success of the NYSE IPO, [Canadian investors](#) could potentially expect a continued rise in well-covered dividend issuance and positive price performance in the next few years. Thus, the NYSE IPO may signal an upward correction for TFI International.

High revenue per share, low P/E ratio, & high ROE

TFI International reported an extremely decent return on equity (ROE) of 21.05%. A company with an ROE over 20% is generally well managed with a solid focus on taking care of its shareholders. Be cautious about investing in companies with low returns on equity, be and suspicious of companies with falling ROE and rising share prices.

The trailing 12-month (TTM) revenue per share of \$62.10 caught my eye. With the price per share at less than \$50, the stock may actually be selling at a 15-30% discount. The trailing price-to-earnings (P/E) ratio is only 13, which is substantially below the industry average of near 20.

The average analyst estimate according to Yahoo Finance is \$54.77 with a high of \$60 per share. TFI International could easily have a 20% upside within the next year. The diluted EPS of \$3.63 isn't extraordinarily high, but it isn't low either, considering there are many companies with negative earnings selling for over \$100 per share.

Long-run, above-average market price performance

In the past five years, TFI International's stock price has outperformed the **S&P/TSX Composite Index** level percentage change by 39.22%. The S&P/TSX index price level is only 16.86% higher, while TFI International's stock price has climbed to 56.08%.



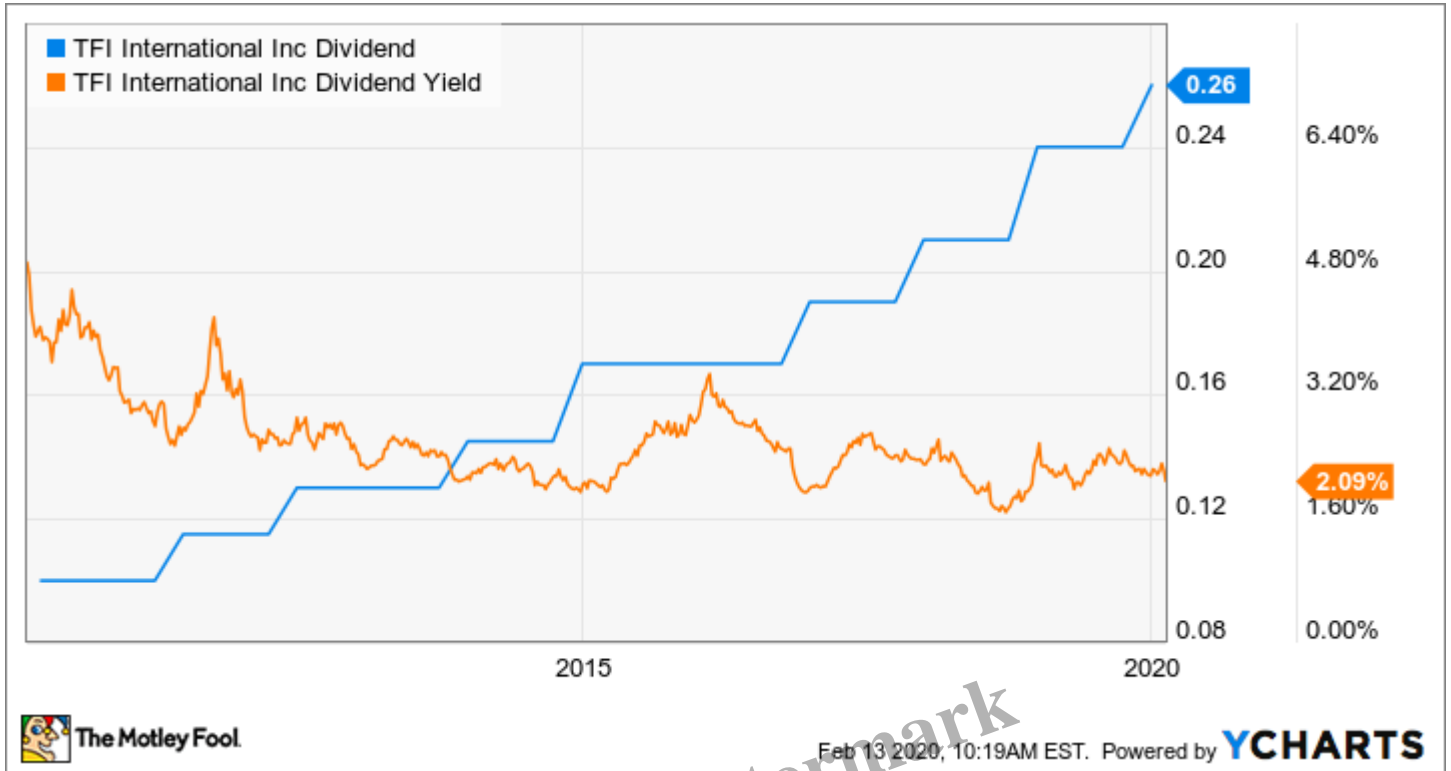
There are infinite possibilities for the stock's stellar performance. TFI International has been steadily increasing its net worth and plans to reduce the company's debt using returns from the NYSE IPO.

The downside of TFI International stock is the low expected revenue growth, which more than likely acted against the stock's market value. When investors expect a company to substantially grow revenue or profits, the stock price tends to perform better than the S&P/TSX Composite Index.

Dividend growth boosts stock prices

When investors price stocks, they always factor in expected returns from both dividends and capital gains. For the past 10 years, dividend payments have consistently increased from \$0.10 per share to \$0.26, or 160%, between March 2010 and December 2020.

Right now, TFI International retains 75% of earnings for company reinvestment. The dividend payment is safe according to current earnings and future expectations. If the dividend continues to rise, investors can also reasonably expect continued [market value gains](#).



The dividend yield varies with the price of the stock. Rising dividend payments with falling yields indicate that the shareholders may have earned some solid capital gains along with the cash payments.

Capital gains and the growth in cash disbursements for TFI International stock seem relatively balanced, as if investors can almost expect the annual dividend payments to remain near 2% of the share price.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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1. TSX:TFII (TFI International)

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