



It's Time to Back Up the Truck on This Trucking Company

Description

TFI International ([TSX:TFII](#))([NYSE:TFII](#)) stock has been absolutely soaring as of late. Over the past year, shares of TFI have more than doubled.

Trucking isn't a particularly glamorous business. However, given the economic backdrop via surging vaccination rates and heightened economic growth predictions, it's a place many investors have flocked to of late.

Has all the upside been captured?

I think not. Here's why investors may wish to consider this [highly cyclical](#) play today.

Analysts raising targets

It turns out I'm not the only one bullish on TFI's near-term prospects.

In light of what could be some pretty bold economic growth on the horizon, some analysts believe there's plenty of upside for this stock. Walter Spracklin, an analyst at RBC Dominion, recently raised his price target significantly, boosting his target from \$86 to \$98 amid this optimism.

We can see why in the company's recently released Q1 results. TFI reported earnings per share and EBITDA of \$0.72 and \$170 million, respectively, matching analyst expectations. TGI revised its projections and raised its guidance for this year, which now ranges between \$3.80 and \$4.00 per share. Indeed, this included the estimates of seven months of contribution from its upcoming acquisition of **United Panel Service's** freight division.

Yes, the results of Q1 2021 were in line with the street consensus. However, there were some crucial takeaways. For example, the management team's confirmation of excellent pricing power in the trucking sector. The ability of TFI to raise prices and increase margins is an excellent catalyst for long-term investors.

The takeover of UPS's LTL division appears to be better than analysts initially expected. Accordingly, this is a key driver of upward analyst price target revisions.

Should this trend continue for some time, expectations of higher cash flow and earnings growth could take this stock on a nice ride. The fundamentals are certainly lining up perfectly for TFI investors right now.

TFI stock is attractively valued

Despite running a lot higher of late, TFI is still attractively priced.

Compared to the company's outlook for earnings and cash flow, TFI's stock price really doesn't reflect the extent of the bullishness in the market today, at least, not in my view.

TFI still trades at roughly 28 times earnings, despite this aforementioned growth outlook. I think as investors adjust their models, more buying could take this stock higher over the near term.

Yes, TFI currently trades at a premium to various analyst price target estimates right now. On that basis, it could appear overvalued.

However, compared to the broader market, TFI is attractive at these levels. The company's got some serious growth potential and is priced well for investors looking to capture this upside.

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