



The Vaccine Mandate Just Made This Value Stock More Valuable

Description

Last week, the federal government introduced a vaccine mandate for truckers crossing the U.S.-Canada border. The problem is, a significant number of truckers haven't been fully vaccinated yet. With Canada importing roughly 90% of its fresh food and vegetables across the border via road, this issue could reduce supply or significantly increase the cost of food logistics.

TFI International ([TSX:TFII](#))([NYSE:TFII](#)) is at the forefront of this. The Montreal-based logistics company could raise prices and add more staff as the mandates kick in. CEO Alain Bédard mentioned this during an investor call back in December. "Some of them [the truckers] are just saying, 'You know what? With COVID, I'm out.' Right? And now, if we bring ... the mandate on the vaccine, it's just going to get worse," he said.

In other words, prices are going up, and the company is trying to hire more drivers to cover the shortage. This could boost the top line in 2022, extending TFI's epic run from last year.

Bull run

TFI stock was in a bull run for much of 2021. The stock more than doubled in value (up 106%) last year, ending up as one of the best performers on the TSX. By comparison, the S&P/TSX Composite Index is up just 21.7% over the same period.

Demand for consumer products and logistics services surged last year alongside the economic recovery. Easing restrictions boosted demand for TFI's services, driving total revenue up by 124% year over year.

The company [delivered \\$2.1 billion](#) in revenue in the September quarter, beating consensus estimates of \$1.9 billion. Adjusted earnings were up 56% to \$1.46 a share, beating consensus estimates by 16%. The impressive financial results might explain why the stock posted triple-digit gains last year.

Outlook for 2022

TFI International is well positioned to outperform the overall market, as these vaccine mandates create a squeeze and put upward pressure on prices. The company has also embarked on an acquisition drive likely to keep it strong financially while expanding its business operations into new markets.

For instance, it has acquired D&D Sexton, which owns 400 refrigerated and dry van trailers in addition to 120 tractors expected to strengthen its foothold in the temperature-controlled transportation segment.

Improving the business environment has allowed the company to strengthen its revenue and earnings growth rate. TFI stock is trading at just 18.2 times earnings and is an [attractive buy](#) on pullbacks.

Bottom line

A significant share of truckers crossing the U.S.-Canada border haven't been vaccinated yet. The new vaccine mandate disqualifies them from entering Canada. These workers are essential for the nation's food security, which means logistics companies are going to do what they can to cover the shortage. Raising prices and offering better compensation to vaccinated drivers could be the solution.

TFI International has already seen prices and revenue climb in 2021. This trend could continue in 2022. Investors should keep an eye on this underappreciated stock.

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Date

2025/08/23

Date Created

2022/01/20

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