



Is TFI International (TSX:TFII) Stock Undervalued?

Description

[Warren Buffett](#) famously said that investors should [buy the stocks of great companies and hold them forever](#). At the Motley Fool, we take Buffett's advice to heart and believe in the power of a long-term perspective when it comes to investing.

Everyone likes to [find a good, undervalued stock](#). During a market correction, even the shares of the best companies will tumble, giving brave investors a rare opportunity to purchase them at a discount. In many ways, the best value investors make their fortunes by buying the stocks of beaten down but otherwise solid companies.

Company

TFI International ([TSX:TFII](#))([NYSE:TFII](#)) provides transportation and logistics services in the United States, Canada, and Mexico, operating through Package and Courier, Less-Than-Truckload (LTL), Truckload (TL), and Logistics segments. Currently, the company has around company had 13,384 tractors, 50,091 trailers, and 9,428 independent contractors.

TFII has some solid fundamentals, with a 9.43% return on assets and 36.54% return on equity. YoY quarterly revenue growth is up 90.80%, with quarterly earnings growth up 120.90%. The company has decent operating cash flow and a good current ratio of 1.19.

Valuation

Currently, TFII is extending gains since Monday and is currently trading at \$96.88, which is extremely near the 52-week low of \$95.27. This indicates that the stock may be bottoming out.

TFII current has a market cap of \$8.874 billion, an enterprise value of \$12.01 billion, and an enterprise value-to-EBITDA ratio of 3.06, which is below that of peers in the transportation sector.

For the past 12 months, the price-to-earnings ratio of TFII was 3.08, with a price-to-free cash flow ratio

of 4.51, price-to-book ratio of 1.01, price-to-sales ratio of 0.28, and book value per share of approximately 97.78. These metrics indicate that TFII may be undervalued.

TFII is currently covered by a total of 20 analysts. Of them, 19 have issued a “buy” rating, zero have issued a “sell” rating, and one has issued a “hold” rating. This is considered a highly bullish sign given the high amount of positive coverage.

TFII has a Graham number of \$265.25 for the last 12 months, a measure of a stock’s upper limit intrinsic value based on its earnings per share and book value per share. Generally, if the stock price is below the Graham number, it is considered to be undervalued and worth investing in. In this case, TFII looks undervalued.

The Foolish takeaway

TFII looks undervalued. The stock is trading near its 52-week bottom and has very low valuation metrics, along with positive analyst coverage. Establishing a position in the current market correction might be a good way to lock in a low cost basis.

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