



How High Could TFI International Stock Soar?

Description

Canada's primary stock market started strong in 2022, posting an all-time high of 22,087.20 in April but lost 8.7% eventually for the year. High inflation and seven rate hikes by the Bank of Canada heightened market volatility. The **TSX** had a great start to 2023 but could sputter again after the first quarter.

While inflation is trending downwards and the central bank will pause its rate hike campaign, a cut is unlikely this year. Former BOC Governor, Mark Carney, said the monetary policy needs to remain tight as inflation is still too high. Because of the challenging environment, a market sell-off is possible.

However, an industrial stock whose business has done well in 2022 is an exciting prospect in 2023. **TFI International** ([TSX:TFII](#)), a leading transportation and logistics company in North America, has outperformed the broader market year to date, +22.96% versus +6.33%.

Market analysts covering the [blue-chip stock](#) are bullish and recommend a buy rating. Their high price target is \$189.06, although TFII could soar more than 13.4% in one year. The current share price is \$166.75.

Business overview

TFI International boasts an extensive network in North America, not to mention a vast e-commerce network that covers major cities in the region. The \$14.5 billion company has 80 operating companies providing services such as package and courier, less-than-truckload, truckload, and logistics.

Since management's goal is to grow the network of wholly-owned operating companies and increase shareholder returns, identifying and pursuing strategic acquisitions is an ongoing concern. The selection criteria are a strong management team, cultural fit, and earnings potential. TFI wants all its companies to have the financial and operational resources to grow their businesses.

Full-year highlights

In the 12 months that ended December 31, 2022, TFI's total revenue and net income rose 22.1% and 9.1% to US\$8.81 billion and US\$823.2 million versus full-year 2021, respectively. Moreover, net cash flow from operating activities increased 13.6% year over year to US\$971.6 million due to stronger operating performance and contributions from acquisitions.

Its Chairman, President and CEO, Alain Bédard, said, "TFI International successfully capped 2022 with strong fourth-quarter results." In the said quarter, operating income increased slightly higher on significantly improved operating margins, while full-year free cash flow rose 26%.

Shareholder returns

TFI pays a modest 1.12% dividend but has earned dividend aristocrat status on account of 11 consecutive years of dividend increases. In Q4 2022, the Board of Directors approved a 30% increase in the quarterly dividend. The company paid US\$97.3 million in dividends and spent US\$568 million for share buybacks.

Bédard adds, "We enter 2023 in the best position in TFI International's history and are eager to create additional shareholder value in the year ahead." Given the low 12.9% payout ratio, the dividends should be sustainable, and there's plenty of room for future increases.

High-growth stock

You get real value for money when you buy shares of TFI International. The total return of this industrial stock in 3 years is an impressive 295.9%. Furthermore, it's one of the TSX's top 30 [growth stocks](#) in 2021 (rank 20) and 2022 (rank 29).

Management is confident that TFI can produce remarkable success amid turbulent economic times. Its business line diversity, exposure to attractive niche markets, and self-help initiatives give the company a unique and competitive position in the transportation and logistics industry.

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