



Is TFI International Inc. Run by the Next Henry Singleton?

Description

In his excellent book, *The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success*, William N. Thorndike Jr. wrote about eight CEOs who had provided shareholders of their companies' superior returns to the markets and peers. These CEOs had a few things in common. They ran large businesses that had decentralized operations with different business units operating mostly independently. They used debt to fund many accretive acquisitions and repurchased large amounts of their own stock.

Henry Singleton is a relatively unknown titan who, in the 37 years he ran Teledyne, delivered annual returns of 20.4%. Teledyne had all of the characteristics above during his time. And while you may not be able to invest in a company run by Henry Singleton now, you can have the next best thing.

TFI International Inc. ([TSX:TFII](#)) is run by Alain Bedard and has trucking and logistics operations in Canada, the U.S., and Mexico. TFI has grown through acquisition, purchasing small trucking companies to break into new markets. In the past five years, TFI has grown EPS by 15.3% annually and shares have returned 187% vs. 147% for the TSX.

Most importantly for investors, Alain continues to be devoted to increasing per-share value.

Returning cash to shareholders

Owning shares in a company means you own a percentage of the free cash flow of the company. But most companies do not return much of that cash directly to shareholders. In 2016, TFI spent over \$1.5 million buying back 6.4 million shares, and paid out another \$64.1 million as dividends. Through six months of 2017, TFI has bought back another 1.5 million shares and paid out \$0.38 per share in dividends.

The dividend yield of TFI right now is 2.6%, and it is growing; it's grown from \$0.46 annually in 2011 to \$0.76 in 2017.

Alain clearly sees TFI stock as undervalued, and a lot of money goes towards buying back shares. If the company once again maxes out the share buyback (six million shares in 2017), it works out to a

“buy-back” yield of 6%.

When you put it all together, TFI offers shareholders a yield of 8.6%, so you can see Alain is running the company in your best interest.

Valuation

On the most recent conference call, Alain reiterated his guidance that TFI will earn approximately \$2.89 in free cash flow after adjusting for a large one-time tax bill. At the current price, TFI trades at just 10.1 times free cash flow. So, not only should TFI grow at above market rates in the future, but it's objectively cheap now and the share price should appreciate just to catch up to the market.

Conclusion

Alain Bedard has built and is continuing to build a special company in TFI. And not only is he growing revenue and earnings, but he is dedicated to increasing the value of shares. If people study him, they'll see that Alain shares many similarities with the great Henry Singleton. Shareholders of Teledyne were very happy with Henry Singleton at the helm, and I think TFI shareholders will be happy with their returns as long as Alain Bedard is CEO.

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