EVA©

Executive Summary

"Economic Value Added"

Content Analysis - July 27 2018

StockPointer

TFI INTERNATIONAL INC. TFII.

Address	**8801 Trans-Canada Highway, Suite 500** **Saint-Laurent, Québec CANADA H4S 1Z6**
Telephone	**514-331-4000**
Stock Exchange	**TSE**
Web Site	**http://www.tfiintl.com**
Fiscal Year	**December**
Economic Sector	**Industrial**
SIC	**4213**
Price / Earning Ratio	**18.2**
Price / Book Value Ratio	**2.45**
Currency	**CND $ in Millions**

TFI is a Canadian transport and logistics company based in Montreal, QC

Report Date : **26Jul18** Price : **$ 39.32**

Intrinsic Value	IV	Price / IV
Trailing 12 Months :	$ 44.37	0.89
Trailing 36 Months :	$ 32.33	1.22

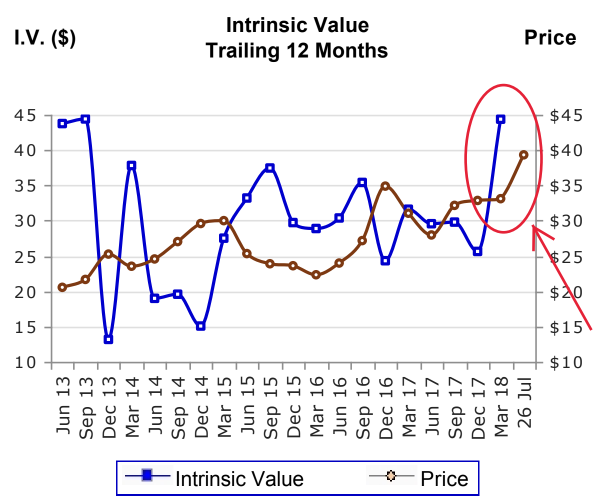
Market Value Added (MVA)	$	%
Market Value of Total Capital :	5,081.197	100.0%
- Invested Capital :	3,042.512	59.9%
= Market Value Added :	2,038.686	40.1%

Future Growth Value (FGV)	$	%
Market Value of Total Capital :	5,081.197	100.0%
- Current Operating Value :	5,270.285	103.7%
= Future Growth Value :	(189.088)	-3.7%

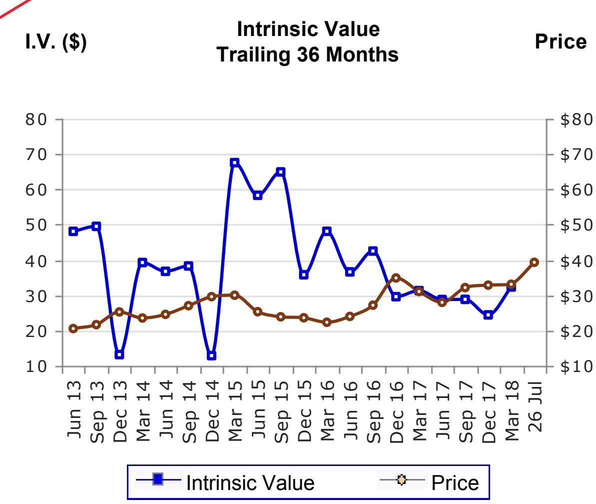
Peers US: ABRTY AVH BSTI CYJBY FPRUY GOL HUBG KNX LSTR ODFL PSTNY PTJSY SKYW SNDR YRCW

Peers CND: ALC. CHR. CJT. CJT.A CP. CRP. EIF. ENT. HJI. LGT.A LGT.B MTL. TTR. WJA. WTE.

INTRINSIC VALUE



The stock is currently trading at a slight discount which makes it a good opportunity. This is given by the ratio P/IV of 0.89. It can also be seen in the graph to the left where the IV goes above the current price indicating an undervalued stock.



Trailing 12 Months						Trailing 36 Months				
MAR14	**MAR15**	**MAR16**	**MAR17**	**MAR18**		**MAR14**	**MAR15**	**MAR16**	**MAR17**	**MAR18**
					PERFORMANCE					
223.927	305.848	310.051	337.661	414.065	NOPAT	416.974	264.920	279.942	317.853	353.926
2,057.565	3,331.936	3,429.943	3,228.112	3,042.512	÷ Capital	2,057.565	3,331.936	3,429.943	3,228.112	3,042.512
10.9%	**9.2%**	**9.0%**	**10.5%**	**13.6%**	**= Return / Capital**	**21.1%**	**10.8%**	**9.5%**	**9.5%**	**10.9%**
11.1%	9.2%	9.3%	7.3%	7.9%	- Cost of Capital	11.1%	9.2%	9.3%	7.3%	7.9%
-0.2%	**-0.1%**	**-0.2%**	**3.1%**	**5.8%**	**= Performance Spread**	**10.0%**	**1.6%**	**0.3%**	**2.2%**	**3.1%**
					VALUATION					
2,396.133	739.855	113.490	1,225.288	2,313.633	Future EVA	2,535.077	4,840.266	1,990.926	1,196.761	1,242.307
2,168.474	3,482.526	3,585.286	3,344.409	3,159.771	+ Capital (Adj. Mid-Year)	2,168.474	3,482.526	3,585.286	3,344.409	3,159.771
4,564.606	**4,222.382**	**3,698.776**	**4,569.697**	**5,473.404**	**= Total IV**	**4,703.551**	**8,322.793**	**5,576.212**	**4,541.170**	**4,402.078**
886.961	1,348.624	836.272	1,604.500	1,455.315	- Long Term Debt	886.961	1,348.624	836.272	1,604.500	1,455.315
46.422	56.732	42.897	68.742	71.353	- Other Liabilities	46.422	56.732	42.897	68.742	71.353
3,631.223	**2,817.026**	**2,819.607**	**2,896.455**	**3,946.736**	**= IV of Equity**	**3,770.168**	**6,917.437**	**4,697.043**	**2,867.928**	**2,875.410**
96.025	102.376	97.619	91.609	88.950	÷ Shares Outstanding	96.025	102.376	97.619	91.609	88.950
$ 37.82	**$ 27.52**	**$ 28.88**	**$ 31.62**	**$ 44.37**	**= IV of a Share**	**$ 39.26**	**$ 67.57**	**$ 48.12**	**$ 31.31**	**$ 32.33**
$ 23.54	$ 30.00	$ 22.33	$ 31.05	$ 33.11	Share Price	$ 23.54	$ 30.00	$ 22.33	$ 31.05	$ 33.11
0.62	**1.09**	**0.77**	**0.98**	**0.75**	**Price / Intrin. Value**	**0.60**	**0.44**	**0.46**	**0.99**	**1.02**

This is a trend we would like to see. Return on Capital is a vital metric as it gives us a sense of the profit earned over the capital invested. Here we see the the current ROC is 13.6% which is pretty good and the fact that it has been increasing over the past couple of years makes it even more attractive.

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Company profits, measured by the current operating value (COV), have been growing steadily over the past 5 years and have increased by 14.49% over the past 12 months. Hence, the 3.7% discount given by the future growth value seems too low compared to the growth the company is undergoing.

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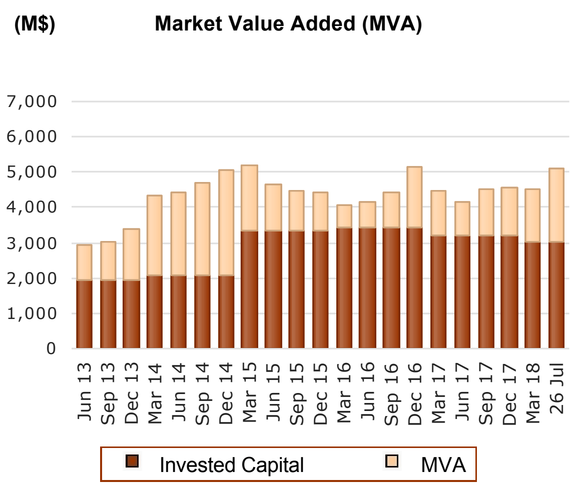
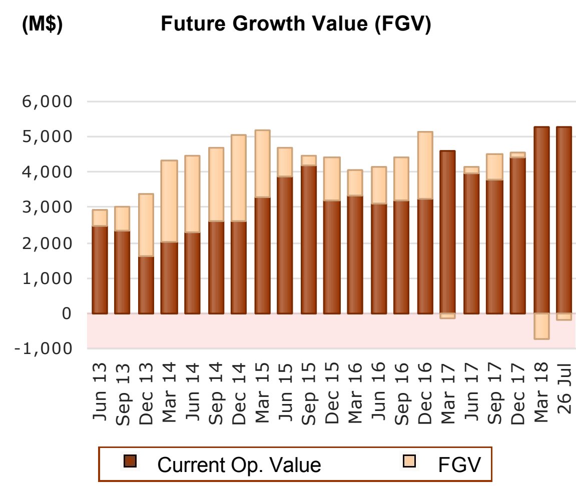
MARKET PERFORMANCE





Trailing 12 Months						Quarterly				
MAR14	**MAR15**	**MAR16**	**MAR17**	**MAR18**		**MAR17**	**JUN17**	**SEP17**	**DEC17**	**MAR18**
$ 23.54	**$ 30.00**	**$ 22.33**	**$ 31.05**	**$ 33.11**	**Price**	**$ 31.05**	**$ 27.97**	**$ 32.16**	**$ 32.86**	**$ 33.11**
					Market Value Added (MVA)					
4,344.078	5,195.502	4,054.863	4,459.927	4,533.713	**Total Market Value**	4,459.927	4,135.129	4,506.730	4,543.281	4,533.713
2,057.565	3,331.936	3,429.943	3,228.112	3,042.512	**- Invested Capital**	3,228.112	3,228.112	3,228.112	3,228.112	3,042.512
2,286.513	**1,863.566**	**624.920**	**1,231.815**	**1,491.202**	**= MVA**	**1,231.815**	**907.018**	**1,278.618**	**1,315.169**	**1,491.202**
53%	36%	15%	28%	33%	**% Market Value**	28%	22%	28%	29%	33%
					Current Operating Value (COV)					
223.927	305.848	310.051	337.661	414.065	**NOPAT**	337.661	311.431	319.341	361.582	414.065
11.1%	9.2%	9.3%	7.3%	7.9%	**÷ Cost of Capital**	7.3%	7.8%	8.5%	8.2%	7.9%
2,022.625	**3,308.793**	**3,347.137**	**4,603.369**	**5,270.285**	**= COV**	**4,603.369**	**3,975.300**	**3,776.777**	**4,400.547**	**5,270.285**
47%	64%	83%	103%	116%	**% Market Value**	103%	96%	84%	97%	116%
					Future Growth Value (FGV)					
4,344.078	5,195.502	4,054.863	4,459.927	4,533.713	**Total Market Value**	4,459.927	4,135.129	4,506.730	4,543.281	4,533.713
2,022.625	3,308.793	3,347.137	4,603.369	5,270.285	**- COV**	4,603.369	3,975.300	3,776.777	4,400.547	5,270.285
2,321.453	**1,886.709**	**707.726**	**(143.441)**	**(736.572)**	**= FGV**	**(143.441)**	**159.829**	**729.953**	**142.734**	**(736.572)**
53%	36%	17%	-3%	-16%	**% Market Value**	-3%	4%	16%	3%	-16%

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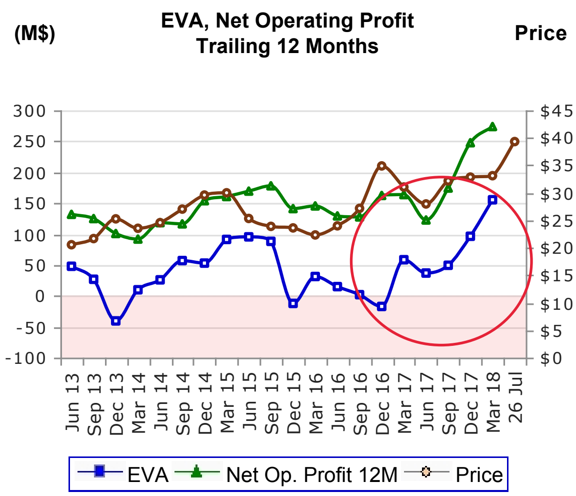
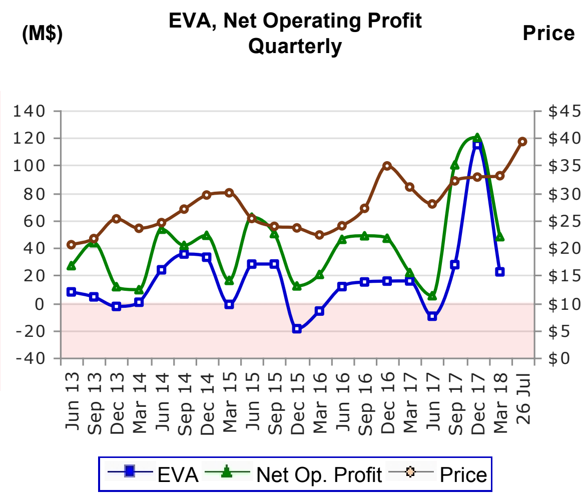
ECONOMIC PERFORMANCE



TFII's total Economic Value Added (EVA) is on an upward trend and has recently hit a new high at 155.4M. The EVA increase acts as a support to the price increase this stock has experienced.



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MAR14	**MAR15**	**MAR16**	**MAR17**	**MAR18**		**MAR17**	**JUN17**	**SEP17**	**DEC17**	**MAR18**
					Net Operating Profit After Tax (NOPAT)					
183.525	273.860	230.598	244.730	268.691	**Operating Profit**	40.191	72.775	63.854	67.438	64.624
101.014	143.009	171.916	177.885	195.207	**+ Adjustments**	54.539	54.539	54.539	54.539	31.589
60.612	111.021	92.463	84.954	49.833	**- Income Tax**	12.581	70.835	24.390	(59.388)	13.996
223.927	**305.848**	**310.051**	**337.661**	**414.065**	**= NOPAT**	**82.150**	**56.479**	**94.003**	**181.365**	**82.217**
					Economic Value Added (EVA)					
223.927	305.848	310.051	337.661	414.065	**NOPAT**	82.150	56.479	94.003	181.365	82.217
214.153	214.596	278.789	279.278	258.694	**- Capital Charge**	66.311	66.311	66.311	66.311	59.759
9.775	**91.252**	**31.263**	**58.383**	**155.371**	**= EVA**	**15.838**	**(9.832)**	**27.692**	**115.054**	**22.458**
(59.329)	81.477	(59.989)	27.120	96.988	**Change in EVA**	0.118	(25.671)	37.524	87.362	(92.597)
					Analysis					
2,057.565	3,331.936	3,429.943	3,228.112	3,042.512	**Capital**	3,228.112	3,228.112	3,228.112	3,228.112	3,042.512
10.9%	9.2%	9.0%	10.5%	13.6%	**Return / Capital**	2.5%	1.7%	2.9%	5.6%	2.7%
0.98	0.99	0.98	1.43	1.73	**Performance Index**	0.35	0.22	0.34	0.68	0.34
0.00	0.03	0.01	0.02	0.05	**EVA / Capital**	0.01	(0.00)	0.01	0.04	0.01
$ 0.10	$ 0.89	$ 0.32	$ 0.64	$ 1.75	**EVA / Share**	$ 0.17	$ (0.11)	$ 0.31	$ 1.29	$ 0.25
$ (0.64)	$ 0.79	$ (0.57)	$ 0.32	$ 1.11	**Change in EVA / Share**	$ 0.00	$ (0.28)	$ 0.42	$ 0.98	$ (1.03)

Since 2014, invested capital has increased by around 13%, per year on average. This was faced with an increase in NOPAT (net operating profit after taxes) of around 17.38%, per year on average. Furthermore, over the past 12 months NOPAT and Invested Capital gave us diverging outlooks, with capital decreasing by 5.75% and NOPAT increasing by 22.6%.

Moreover, the performance index has been linearly rising since 2016 indicating improved economic performance.

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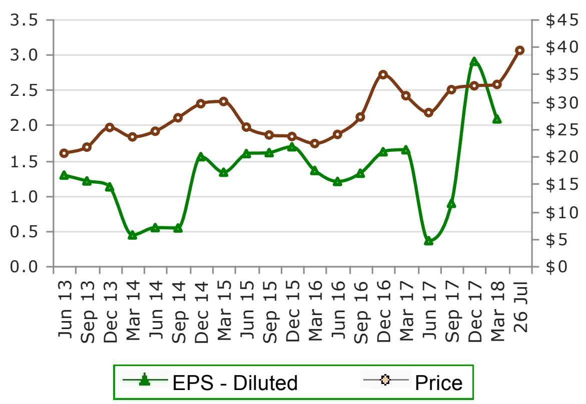
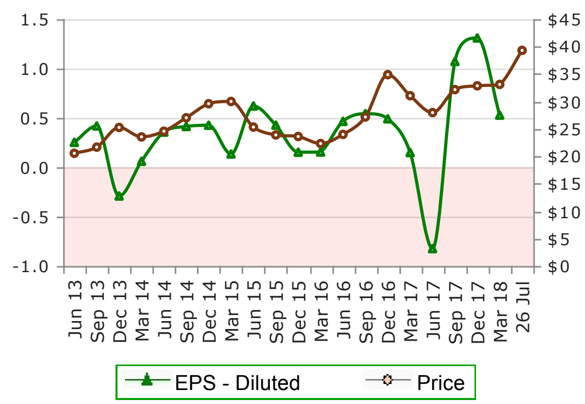
ACCOUNTING PERFORMANCE

($) **EPS (Diluted) and Price Trailing 12 Months** **Price**



($) **EPS (Diluted) and Price Quarterly** **Price**



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					Selected Income Statement Items					
3,130.401	3,975.967	3,970.898	4,262.883	4,765.628	**Sales**	1,171.874	1,232.231	1,154.443	1,182.471	1,196.483
2,613.845	3,287.706	3,321.913	3,555.262	3,964.936	**Cost of Goods Sold**	996.004	1,021.485	963.111	980.105	1,000.235
@NA	@NA	@NA	@NA	@NA	**R + D**	@NA	@NA	@NA	@NA	@NA
183.525	273.860	230.598	244.730	268.691	**Operating Profit**	40.191	72.775	63.854	67.438	64.624
49.432	136.028	138.019	155.796	192.086	**Net Income**	14.059	(75.037)	98.774	120.192	48.157
$ 0.55	$ 0.63	$ 0.68	$ 0.72	$ 0.80	**Dividends**	$ 0.19	$ 0.19	$ 0.19	$ 0.21	$ 0.21
$ 0.53	$ 1.37	$ 1.38	$ 1.69	$ 2.16	**EPS**	$ 0.15	$ (0.82)	$ 1.10	$ 1.34	$ 0.54
$ 0.44	$ 1.33	$ 1.35	$ 1.65	$ 2.09	**EPS - Diluted**	$ 0.15	$ (0.82)	$ 1.07	$ 1.31	$ 0.53
96.025	102.376	97.619	91.609	88.950	**Common Shares**	91.609	91.025	89.876	89.495	88.950
					Selected Balance Sheet and CashFlow Items					
540.775	654.633	535.905	692.485	687.528	**Current Assets**	692.485	762.702	677.215	652.412	687.528
@NA	@NA	@NA	@NA	@NA	**Other Assets**	@NA	@NA	@NA	@NA	@NA
396.860	772.572	512.813	537.074	527.364	**Current Liabilities**	537.074	541.043	533.411	535.750	527.364
1,484.189	2,452.098	1,620.143	2,609.282	2,315.182	**Total Liabilities**	2,609.282	2,602.053	2,406.340	2,312.504	2,315.182
884.575	1,030.422	1,442.311	1,451.904	1,437.389	**Common Equity**	1,451.904	1,292.657	1,344.564	1,415.124	1,437.389
108.559	184.336	178.482	114.429	48.664	**Free CashFlow**	(55.539)	(13.763)	28.403	32.920	1.104

- The company has paid out a chunk of its debt reducing its total liabilities by around 294M
- The drop in free cash-flows can be explained by the debt that was paid out during the year.
- Dividend payout has become more conservative over the years with the most recent payout ratio of 37%
- Dividend yield is 1.9%, while TFII has increased dividends annually by 9.8%, on average.