

# TransForce

(TFI-TSX)

**Stock Rating:** Outperform  
**Stock Price:** \$9.33  
**Target Price:** \$11.50

**Member of:** Top 15 Value Stock Selections

**March 2, 2010**  
Brief Research Note  
Transportation - Trucking & Logistics

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## Small Waste Management Transaction Announced

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### Impact

Slightly Positive

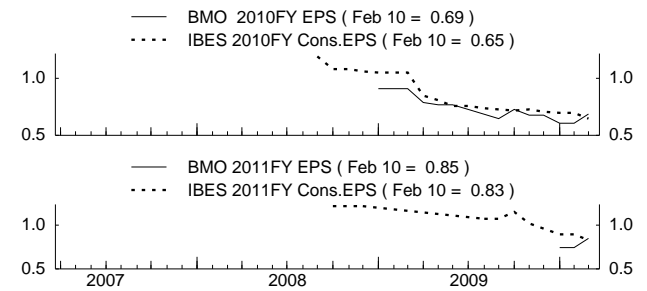
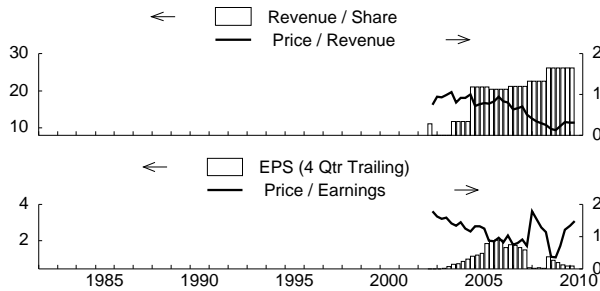
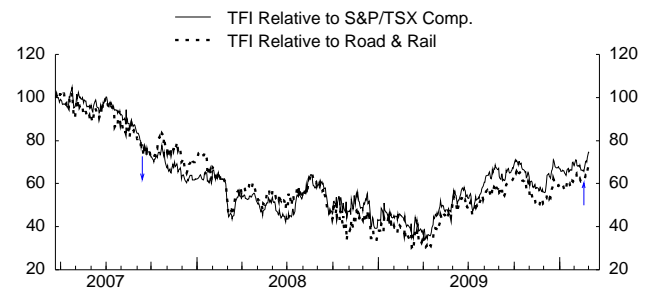
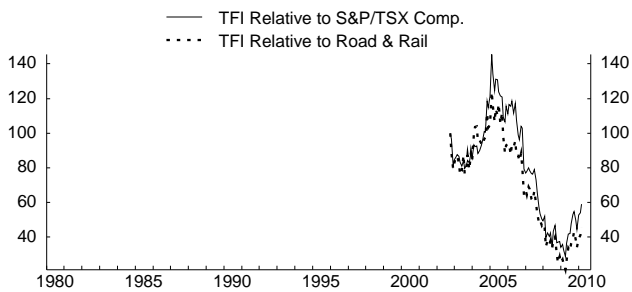
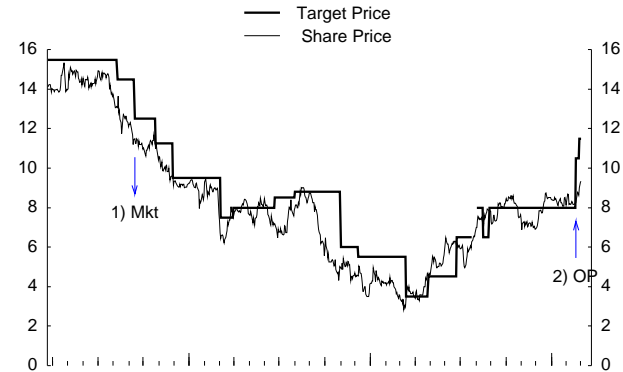
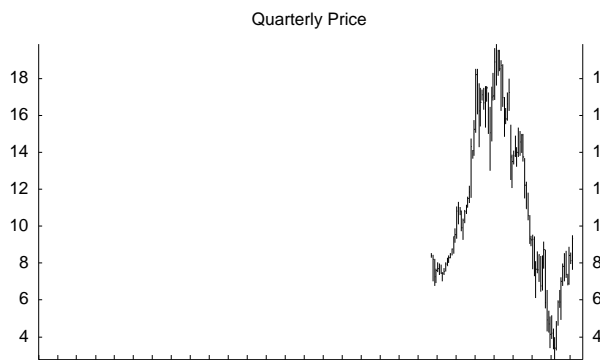
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### Details & Analysis

TransForce announced it has completed the acquisition of the remaining 50% of Lafèche Environmental Inc.'s landfill and environmental complex in Moose Creek, Ontario (near Ottawa), not already owned by Matrec, the company's waste management subsidiary. Matrec increased its ownership in the complex to 50% from 37.5% in 2008. This is a small transaction (financial terms were not disclosed) but one that should allow the company to improve margins in its waste management business. We estimate that TransForce's combined waste management operations generate revenue of roughly \$150 million (8% of 2009 revenue). Matrec provides residential, commercial and industrial collection and waste management services. It has four landfills: three in Quebec and one in Ontario (Moose Creek). Matrec has been performing well despite softness in the economy, which speaks to the defensive nature of the waste management industry and the growth and margin improvement opportunities for Matrec. In addition to its landfill operations, the Lafèche complex provides a range of environmental services, including recycling, composting, soil treatment and waste water treatment, and is developing a project to convert methane gas into electricity. The operation's founder and Matrec's former partner, André Lafèche, will remain as a consultant. The acquisition of the remaining 50% of the Lafèche complex closed on March 1, 2010. It is Matrec's fourth landfill-related transaction in the past three years.

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## TransForce Inc. (TFI)



FYE (Dec.)	EPS \$	P/E	DPS \$	Yield %	Payout %	BV \$	P/B	ROE %
2002	0.47	16	1.14	15.0	>100	3.52	2.2	13
2003	0.71	13	1.14	11.9	>100	3.23	3.0	21
2004	1.16	13	1.23	8.1	>100	4.08	3.7	32
2005	2.03	9	1.41	8.3	71	5.18	3.3	44
2006	1.78	8	1.53	11.3	85	6.67	2.0	30
2007	0.52	18	1.59	17.2	>100	5.68	1.6	8
2008	1.18	4	0.40	9.6	35	5.88	0.7	20
2009	0.62	13	0.40	4.8	63	5.88	1.4	11
Current*	0.63	15	0.40	4.3	63	5.60	1.7	11
Average:		11		10.2	79		2.3	23.7
Growth(%):								
5 Year:	-11.3		-20.1			6.5		

TFI - Rating as of 21-Mar-07 = OP

Date	Rating Change	Share Price
1 12-Sep-07	OP to Mkt	\$11.49
2 18-Feb-10	Mkt to OP	\$8.25

\* Current EPS is the 4 Quarter Trailing to Q4/2009.

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**Methodology and Risks to Price Target/Valuation**

**Methodology:** Our target price is based on 11.7x our 2010 EPS estimate and 5.5x our 2010 EV/EBITDA forecast.

**Risks:** Economic impact on freight demand for trucking; Trucking is a highly competitive industry; rapid increases in fuel costs could have a material adverse affect on future profitability; Regulatory changes have the potential to impede or improve the company's profitability

**Distribution of Ratings (Dec. 31, 2009)**

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	First Call Universe
Buy	Outperform	32.2%	12.3%	38.3%	36.1%	47.9%	50%
Hold	Market Perform	62.6%	10.2%	61.7%	56.9%	48.9%	43%
Sell	Underperform	5.3%	0%	0%	6.9%	3.2%	7%

\* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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OP = Outperform - Forecast to outperform the market;

Mkt = Market Perform - Forecast to perform roughly in line with the market;

Und = Underperform - Forecast to underperform the market;

(S) = speculative investment;

NR = No rating at this time;

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