

TransForce

(TFI-TSX)

July 29, 2010
Brief Research Note
Transportation - Trucking & Logistics

Stock Rating: Outperform
Stock Price: \$9.33
Target Price: \$12.50

Jason Granger, CA, CFA
(416) 359-4293
Jason.Granger@bmo.com
Assoc: Devin Dodge

Member of: Top 15 Value Stock Selections

Q2/10 Well Above Expectations on Stabilizing Conditions and Cost Reductions

Impact

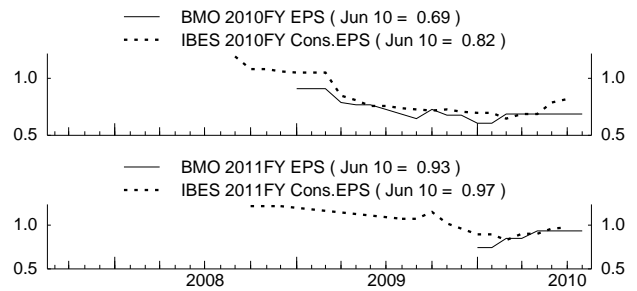
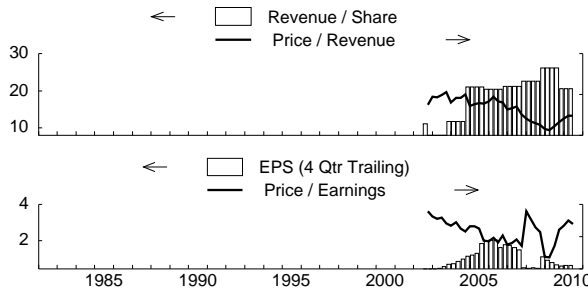
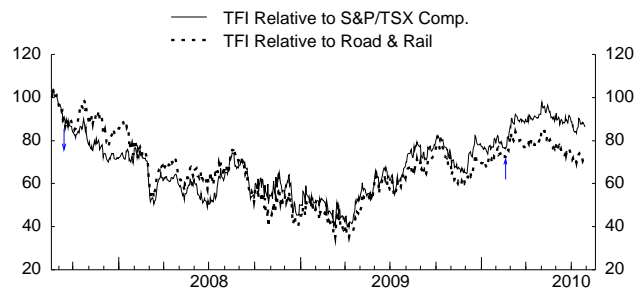
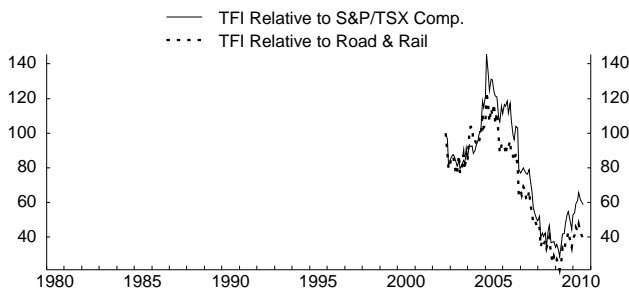
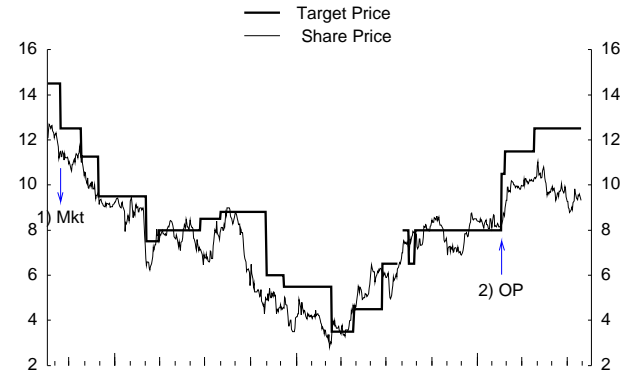
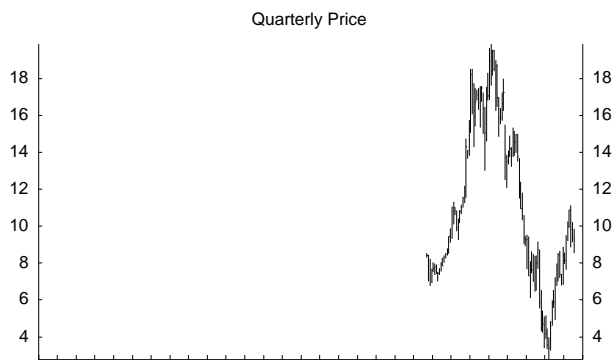
Positive

Details & Analysis

TransForce reported second-quarter adjusted EPS of \$0.24 (excluding a \$6.2 million non-cash loss on derivatives) compared to \$0.13 last year and the consensus forecast of \$0.18. We were forecasting EPS of \$0.16 per share. On a 9% increase in revenues, EBITDA was up 29% to \$71.4 million comfortably above consensus of \$63.6 million and our forecast of \$61.2 million. The EBITDA margin improved to 14.4% from 12.2% last year. We were expecting a margin of 12.5%. Revenues were \$497 million, up 9% from last year and moderately above our forecast. Before the incremental revenues from the ATS acquisition, revenues rose 4%. The company's energy-related operations benefited from increased activity, which reported organic revenue growth of \$11.9 million, while revenue appeared to stabilize for TransForce's other businesses. Management noted that pricing pressures continued in Q2/10, which more than offset a slight increase in volumes. TransForce continued to reduce its fixed costs and general and administrative expenses. Excluding the ATS acquisition, SG&A expenses declined \$2.0 million. Net Debt at the end of the quarter was \$693 million versus \$700 million at Q1/10 and \$760 million at the end of Q2/09. The company indicated it is confident that the quality of revenues will improve within the next 12 months. Conference call today at 9:00AM ET; Tel: 800-707-9445; Replay: 800-558-5253 or 416-626-4100 – Passcode: 21476550.

This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules. For disclosure statements, including the Analyst's Certification, please refer to pages 2 to 5.

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	5.60	1.5	11
Current*	0.67	14	0.40	4.3	60	5.78	1.6	12
Average:		11		10.2	79		2.3	23.8
Growth(%):								
5 Year:		-12.8		-20.7		7.2		

* Current EPS is the 4 Quarter Trailing to Q1/2010.

TFI - Rating as of 17-Aug-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

Last Daily Data Point: July 28, 2010

IMPORTANT DISCLOSURES**Analyst's Certification**

I, Jason Granger, CA, CFA, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of BMO Capital Markets and their affiliates, which includes the overall profitability of investment banking services. Compensation for research is based on effectiveness in generating new ideas and in communication of ideas to clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

Company Specific Disclosure

Disclosure 1: BMO Capital Markets has undertaken an underwriting liability with respect to this issuer within the past 12 months.

Disclosure 2: BMO Capital Markets has provided investment banking services with respect to this issuer within the past 12 months.

Disclosure 4: BMO Capital Markets or an affiliate has received compensation for investment banking services from this issuer within the past 12 months.

Disclosure 5: BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months.

Disclosure 6: This issuer is a client (or was a client) of BMO NB, BMO Capital Markets Corp., BMO CM Ltd. or an affiliate within the past 12 months: Investment Banking Services & Non-Securities Related Services.

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 (June 30, 2010)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starline Universe
Buy	Outperform	37.1%	13.7%	43.6%	40.9%	51.0%	54.4%
Hold	Market Perform	59.3%	10.4%	52.7%	54.8%	45.4%	40.2%
Sell	Underperform	3.6%	11.8%	3.6%	4.3%	3.6%	5.4%

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

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

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

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

Ratings and Sector Key

We use the following ratings system definitions:

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;

R = Restricted – Dissemination of research is currently restricted.

Market performance is measured by a benchmark index such as the S&P/TSX Composite Index, S&P 500, Nasdaq Composite, as appropriate for each company. BMO Capital Markets eight Top 15 lists guide investors to our best ideas according to different objectives (Canadian large, small, growth, value, income, quantitative; and US large, US small) have replaced the Top Pick rating.

Other Important Disclosures

For Other Important Disclosures on the stocks discussed in this report, please go to http://researchglobal.bmocapitalmarkets.com/Company_Disclosure_Public.asp or write to Editorial Department, BMO Capital Markets, 3 Times Square, New York, NY 10036 or Editorial Department, BMO Capital Markets, 1 First Canadian Place, Toronto, Ontario, M5X 1H3.

Prior BMO Capital Markets Ratings Systems

http://researchglobal.bmocapitalmarkets.com/documents/2009/prior_rating_systems.pdf

Dissemination of Research

Our research publications are available via our web site <http://bmocapitalmarkets.com/research/>. Institutional clients may also receive our research via FIRST CALL, FIRST CALL Research Direct, Reuters, Bloomberg, FactSet, Capital IQ, and TheMarkets.com. All of our research is made widely available at the same time to all BMO Capital Markets client groups entitled to our research. Additional dissemination may occur via email or regular mail. Please contact your investment advisor or institutional salesperson for more information.

Conflict Statement

A general description of how BMO Financial Group identifies and manages conflicts of interest is contained in our public facing policy for managing conflicts of interest in connection with investment research which is available at http://researchglobal.bmocapitalmarkets.com/Conflict_Statement_Public.asp

General Disclaimer

“BMO Capital Markets” is a trade name used by the BMO Investment Banking Group, which includes the wholesale arm of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltée./Ltd., BMO Capital Markets Ltd. in the U.K. and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Ltd. and BMO Capital Markets Corp are affiliates. Bank of Montreal or its subsidiaries (“BMO Financial Group”) has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or

other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Additional Matters

To Canadian Residents: BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltee/Ltd., affiliates of BMO Capital Markets Corp., furnish this report to Canadian residents and accept responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc. and/or BMO Nesbitt Burns Ltee/Ltd.

To U.S. Residents: BMO Capital Markets Corp. and/or BMO Nesbitt Burns Securities Ltd., affiliates of BMO NB, furnish this report to U.S. residents and accept responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp. and/or BMO Nesbitt Burns Securities Ltd.

To U.K. Residents: In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Services Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to, retail clients.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, retail clients are served through Harris N.A. Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets.

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, Harris N.A. and BMO Ireland Plc, and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC), BMO Nesbitt Burns Trading Corp. and BMO Capital Markets GKST Inc. (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member CIPF) in Canada, Europe and Asia, BMO Nesbitt Burns Securities Limited (U.S. registered and member of FINRA), and BMO Nesbitt Burns Ltée/Ltd. (Member CIPF) in Canada, and BMO Capital Markets Limited in Europe and Australia. "Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Corporation Limited, used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.
TM Trademark Bank of Montreal

©COPYRIGHT 2010 BMO CAPITAL MARKETS CORP.

A member of  Financial Group