



JULY 29, 2010

TransForce Inc. (TFI C\$9.33, TSX)

Rating Buy–Above-average Risk

Target C\$14.00

Strong 2Q results consistent with major transportation peer results -- Benoit Poirier, CFA (514) 281-8653, benoit.poirier@vmd.desjardins.com

Impact: Positive

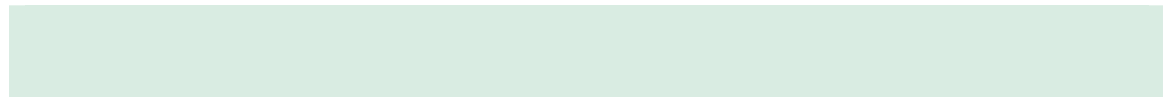
This morning TransForce reported strong 2Q10 results that were above expectations. Revenues came in at C\$497m vs our estimate of C\$498m and the consensus of C\$495m. Adjusted EPS for the quarter was C\$0.23 vs our estimate of C\$0.18, the consensus of C\$0.17 and 2Q09's C\$0.16. Note that our adjusted EPS excludes a loss related to changes in the fair value of derivatives and a gain on the disposal of PP&E. The main reason behind the beat was stronger-than-expected margins due to improved cost control (EBITDA margin came in at 14.2% while we expected 12.7%). Margins in all segments were stronger than our expectations, except for Package & Courier where margins were slightly below our estimate (17.4% vs 18.2%).

Management maintained its prudent outlook and said that revenues had stabilized as pricing pressures continued to offset the slight increase in volumes. TransForce is confident that the quality of its revenues as well as its financial position will improve within the next 12 months.

TransForce's robust results are consistent with the strong results from major transportation peers and industry indicators, which point to a stronger freight market in the months ahead. As a result, we expect a positive reaction to the shares today. In our opinion, TFI shares deserve a positive re-rating as we do not believe their current valuation accurately reflects the different earnings streams of the company's diversified businesses and their value-creation potential.

The company is scheduled to hold a conference call today at 9am (dial-in 800-707-9445).

The stock is rated Buy–Above-average Risk with a C\$14 target price.





DISCLOSURES

Distribution of ratings					
Rating category	Desjardins rating	Desjardins coverage universe (# of stocks)	% distribution	Desjardins Investment Banking (# of stocks)	% distribution
Buy	Top Pick/Buy	93	67	36	68
Hold	Hold	45	32	16	30
Sell	Sell	2	1	1	2
Total		140	100	53	100

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Top Pick	Buy	Hold	Sell	Not Rated
Desjardins' best investment ideas – stocks that offer the best risk/reward ratio and that are expected to significantly outperform their respective peer group* over a 12-month period	Stocks that are expected to outperform their respective peer group* over a 12-month period	Stocks that are expected to perform in line with their respective peer group* over a 12-month period	Stocks that are expected to underperform their respective peer group* over a 12-month period	Stock is being covered exclusively on an informational basis

RISK QUALIFIERS

Average Risk	Above-average Risk	Speculative
Risk represented by the stock is in line with its peer group* in terms of volatility, liquidity and earnings predictability	Risk represented by the stock is greater than that of its peer group* in terms of volatility, liquidity and earnings predictability	High degree of risk represented by the stock, marked by an exceptionally low level of predictability
* Peer group refers to all of the companies that an analyst has under coverage and does not necessarily correspond to what would typically be considered an industry group. Where an analyst's coverage universe is such that 'relative' performance against a 'peer group' is not meaningful, the analyst will benchmark the rating against the most appropriate market index		

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OFFICES

Montreal
1170 Peel Street
Suite 300
Montreal, Quebec H3B 0A9
(514) 987-1749

Toronto
145 King Street West
Suite 2750
Toronto, Ontario M5H 1J8
(416) 867-6000