# Project Overland · TFI International (NYSE/TSX: TFII)

Leveraged take-private · CDPQ + Brookfield consortium · Investment Committee memo

| | | | |
|---|---|---|---|
| **Recommendation** | **PROCEED (price-disciplined)** | Base IRR / MOIC | **13.9% / 1.91x** |
| Offer / share | US$187.88 (22% premium) | Entry EV / FY26E EBITDA | 12.7x (13.9x LTM) |
| Equity purchase price | US$15.5B | Entry net leverage | 4.9x |
| Sponsor equity check | US$12.3B (65% of cap) | Exit multiple / hold | 12.5x / 5 yrs |

## Thesis

TFI International is a founder-run consolidator in North American trucking, trading at a full but not stretched multiple at the early turn of the freight cycle. The 2023 to 2025 freight recession pulled FY2025 adjusted EBITDA to a roughly $1.2B trough. The Q2 2026 run-rate has recovered to a ~$1.46B annualized pace, and Class 8 orders, the earliest tell on carrier reinvestment, are running +125% year-to-date, with June up ~230% year-over-year.

This is a compounder take-private financed on cash flow, not a classic levered flip. The return rests on three levers, none of them heroic. First, cash generation: TFI produced US$784M of pre-financing free cash flow over the trailing twelve months, among the highest conversion in the sector. Under the new capital structure, levered free cash flow starts near $600M and compounds, sweeping net leverage from 4.9x to roughly 1.1x over the hold. Second, EBITDA normalization from ~$1.45B to ~$2.08B, a 7.5% CAGR off the recession trough. Third, an exit at roughly the entry multiple, 12.5x against 12.7x forward, with no multiple expansion underwritten. The structure fits CDPQ and Brookfield: both are long-duration, lower-hurdle Canadian capital, and TFI is a Montreal-domiciled national champion where CDPQ is the natural anchor and founder-CEO Alain Bédard is a credible rollover partner.

Entry discipline carries the thesis. At 12.7x forward you can't underwrite a 25% IRR here, and we don't. The base case is a 13.9% IRR built on cash generation and cycle normalization. The value-creation bridge below decomposes it to 68% EBITDA growth, 35% deleveraging, and a ~4% multiple de-rate as drag, with no reliance on re-rating.

## Entry and structure

| Sources ($M) | | Uses ($M) | |
|---|---|---|---|
| New Term Loan B | 4,100 | Purchase of equity | 15,481 |
| New Senior Notes | 2,500 | Refinance existing net debt | 2,900 |
| Sponsor equity | 12,331 | Advisory & financing fees | 400 |
| | | Cash to balance sheet | 150 |
| **Total** | **18,931** | **Total** | **18,931** |

*Net-debt convention: the $2,900M refinanced is already net of the target's ~$100M existing cash, so that cash is not separately sourced.*

New debt of US$6.6B (5.0x LTM EBITDA) is deliberately conservative for a ~$1.3B-EBITDA cash generator. You cannot lever a 12.7x-EV asset aggressively without breaking coverage, and CDPQ and Brookfield do not need to. Interest is roughly 3x covered at entry. On deductibility: year-1 interest lands at ~28% of EBITDA, just inside Canada's EIFEL cap of 30% of tax-EBITDA. The sweep restores full headroom from FY2028, so the shield stays intact for the rest of the hold.

### Value-creation levers (5-year operating plan)

| | FY2026E | FY2031E | Δ |
|---|---|---|---|
| Revenue (ex-fuel) | $7.5B | $9.6B | +28% |
| Adj. EBITDA | $1,448M | $2,077M | 7.5% CAGR |
| Net leverage | 4.9x | 1.1x | (3.8x) |
| Cumulative debt paydown | — | ~$4.1B | TLB fully repaid |

1. **Freight-cycle normalization.** EBITDA margin on revenue ex-fuel ramps from 19.3% to 21.7% over five years, roughly +240bps of operating leverage as volumes and rates recover off the recession trough (TFI already printed 19.2% ex-fuel in Q2'26). This is a recovery toward prior-cycle profitability, not a new structural high. Truckload is the most cyclically geared segment (Q2'26 operating income +50% year-over-year), while LTL and Logistics diversify the cycle. If this proves a cycle peak rather than mid-cycle, the minus-10% EBITDA column of the sensitivity captures it, and the IRR still floors near 8%.
2. **Deleveraging.** A 100% excess-FCF sweep retires the Term Loan B in full by FY2031, converting ~$4.1B of debt reduction directly into equity value.
3. **Disciplined bolt-on M&A.** Bédard's core competency supports the growth rate without balance-sheet stress, financed inside free cash flow.

### Value-creation bridge

| Sponsor equity, $M | | % of value created |
|---|---|---|
| Entry equity value (EV less LBO net debt) | 11,931 | — |
| + EBITDA growth (Δ EBITDA × entry multiple) | +7,993 | 68% |
| + Deleveraging (FCF sweep, ~$4.1B) | +4,100 | 35% |
| − Multiple de-rate (12.7x → 12.5x) | −413 | (4%) |
| **= Exit equity value** | **23,611** | **100%** |

The return is operational rather than engineered: roughly two-thirds is EBITDA growth, one-third is debt paydown, and the multiple is a small drag. The sponsor check of $12.3B exceeds entry equity by the ~$0.4B of fees, which earn no return.

### Exit

Five-year hold, exit end-FY2031 at 12.5x EBITDA via secondary buyout, strategic sale, or re-IPO. That is 0.2x below the entry forward multiple, despite handing the next owner a deleveraged, mid-cycle, higher-quality business. Base case: exit EV US$26.0B, exit equity US$23.6B, MOIC 1.91x, IRR 13.9%.

Sensitivity (backing model, Returns sheet): IRR spans roughly 8% at the low corner (exit 11.0x, EBITDA minus-10%) to 18% at the high corner (exit 13.5x, EBITDA plus-10%). The dominant swing factor is the exit multiple, then the durability of the freight recovery. Leverage is not the driver.

### Three risks (named, with kill metrics)

1. **Cyclical entry timing.** The Class 8 order surge is partly EPA-2027 NOx pre-buy and fleet replacement rather than durable end-demand, and the new capacity it brings can cap 2027 to 2028 rates. A double-dip stalls both EBITDA and deleveraging. *Mitigants:* low entry leverage (4.9x, covenant headroom), TFI's variable-cost owner-operator Truckload model, segment diversification. *Kill metric:* Truckload operating margin below ~11% for two consecutive quarters.
2. **Entry-price discipline.** A competitive process, or a higher founder-anchored premium pushing entry above ~13x forward, drops the base IRR below the ~12% consortium hurdle (Returns Table 2). *Mitigant:* hard walk-away above ~12.5 to 13.0x forward.
3. **Founder and capital-allocation dependence.** Bédard is the compounding engine, and the plan's growth assumes continuity of his M&A discipline. A leadership transition, or a large dilutive tuck-in that stresses the balance sheet, breaks the thesis. *Mitigant:* management rollover with a multi-year earnout and board-level M&A governance.

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*Backing model:* `tfi_lbo.xlsx` *(8 sheets: Control, Sources & Uses, Operating, WC & Capex, Debt, FCF, Returns, Summary; all figures live-linked, sources equal uses, debt schedule ties through the hold). Data and citations:* `data/tfi_facts.md`*. Independent analytical work product for portfolio purposes; not investment advice.*