



3 Canadian Companies to Buy as the Loonie Remains Weak

Description

Since the beginning of January 2013 the Canadian dollar has declined by more than 20% versus the U.S. dollar. This is bad news if you wanted to buy a vacation property in Florida, but it's good news for many Canadian companies.

The reason is simple: many companies in Canada incur the bulk of their costs locally, but make most of their revenue abroad. So, as the Canadian dollar weakens relative to the U.S. dollar, their expenses decline relative to their revenues. This increases their margins and makes them more competitive.

Energy and mining companies come to mind first, but these companies have to contend with lower prices for their products.

But there are other companies that benefit from a depressed loonie too, and these companies make for much more promising investments. Below we take a look at three examples.

1. BlackBerry

BlackBerry Ltd. ([TSX:BB](#))([NASDAQ:BBRY](#)) has been a Canadian company since its inception in the mid-1980s. And according to its annual report, expenses such as “salaries, certain operating costs and manufacturing overhead are incurred primarily in Canadian dollars.”

But Canada accounted for only US\$216 million of revenue last year, equivalent to 6.4% of the total. By comparison, the United States accounted for nearly a quarter of revenues.

2. CAE

CAE Inc. ([TSX:CAE](#))([NYSE:CAE](#)) is the world leader in flight simulation technology. The company calls Montréal its home, and has a big manufacturing presence in the city, which includes a one million square foot facility.

But the company's revenues are truly global, split evenly between the U.S.A., Europe, and the rest of the world. So, like BlackBerry, CAE's margins and competitiveness should get a boost from a weak

loonie.

3. Shopify

Shopify Inc. (TSX:SH)(NASDAQ:SHOP) is one of Canada's hottest stocks right now, and for good reason. The tech company makes it easy for smaller businesses to sell their products online, and revenues more than doubled last year.

And now Shopify has yet another tailwind: the weak loonie. The company calls Ottawa its home and also has a big presence in Toronto. Yet Canada accounts for just 7% of total revenue, according to the company's prospectus. Meanwhile, the U.S.A. accounts for over two-thirds of revenue.

So, just like BlackBerry and CAE, Shopify's margins and competitiveness are getting a nice boost from the Canadian dollar. And if oil prices continue to stagnate, then this boost could make a very meaningful difference on the stock price.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:CAE (CAE Inc.)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:BB (BlackBerry)
5. TSX:CAE (CAE Inc.)

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