2 Canadian Stocks That Will Benefit Profoundly From U.S. Tax Reform

Description

U.S. tax reform has been a hot topic of late, but what does that really mean for us Canadian investors? Many pundits have noted that it'll make Canada a less attractive place for business, and there has been a tonne of speculation floating around, noting that Canada may follow suit by cutting corporate taxes to remain competitive with our neighbours south of the border.

In addition to cutting the corporate tax rate, President Trump is also looking to cut regulations, while Canada appears to be heading in the opposite direction with new business regulations coming into play, such as carbon taxes. It certainly appears that Canadian investors have a lot to be worried about if they're overexposed domestically.

If you're looking for a way to profit from U.S. tax reform without venturing into the American exchanges, here are two Canadian stocks that I believe are poised to benefit a great deal from the tax cuts down south.

Alimentation Couche Tard Inc. (TSX:ATD.B)

Couche Tard is a convenience store operator that has gone into hibernation over the past few years. The management team excels at spotting value in the c-store industry, and the synergies it unlocks from each acquisition it makes is a major reason why the earnings have surged through the roof over the past decade.

With ~70% of its revenues coming from the U.S., Couche Tard is slated to become a major winner from U.S. tax reform. In addition to a lower tax rate, the U.S. economy is also set for take-off, and as more consumers open their wallets at the convenience store, it's looking like Couche Tard could make up for lost time over the next few years, as the tailwinds continue to mount for this earnings-growth king, which is slated to enjoy +20% in EPS growth over the next few years, as its CST Brands and Holiday synergies are gradually unlocked.

Couche Tard is a diamond in the rough that I think many Canadian investors may be overlooking.

Boyd Group Income Fund (TSX:BYD.UN)

Okay, technically Boyd isn't a stock; it's an income fund that doesn't really offer much in the way of income with its mere 0.5% yield. But in spite of the name of the security, investors are primarily in it for the capital gains and not the income.

Like Couche Tard, Boyd is another M&A superstar with a significant amount of U.S. exposure. I've been pushing Boyd for quite some time now, as I believe it's the best earnings-growth business that many Canadian investors have probably have never heard of.

With over 80% of sales coming from the U.S., Boyd is poised to become one of the biggest TSX-traded winners when it comes to U.S. tax reform.

As a "serial acquirer" and "juicer of synergies," it's expected that Boyd is going to further expand its presence in the U.S., and that means shares are likely going to pick up momentum going into the latter part of 2018 and beyond. The "income fund" was a five-bagger for the past five years, and this shooting star is showing no signs of a slowdown, so I'd back up the truck today before average investors start to take notice.

Bottom line

Both of these Canadian "serial acquirers" have been making a huge splash in the U.S. market — a move that'll pay end up paying dividends over the medium and long term. If you're looking for a way to capitalize on U.S. tax reform, I'd recommend Couche Tard if you're looking for value, and Boyd if you want pure momentum.

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