Millennials: 2 M&A Kings to Fatten Up Your TFSA

Description

It's tough to keep up big earnings growth numbers these days. With the global economy on the slowdown as the Bank of Canada remains reluctant to cut interest rates, meaningful growth is going to continue to be tough to come by over the foreseeable future.

When it comes to Canadian firms with the urge to merge, however, the growth will keep on coming, as their managers roll up their sleeves and look to hunt down big bargains and synergies across various markets of interest.

In this piece, we'll have a look at two reliable staples that have been doing well and will likely shrug off the recent slowdown as value-creating acquisitions continue rolling in.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) is multinational convenience store operator that's been one of the TSX index's top performers over the past year, with shares up around 45% at the time of writing. Shares recently pulled back 6%, and I think that's nothing more than a buying opportunity for those looking for a winner that'll keep on winning through good economic conditions and bad.

Although Canadian growth is sluggish, Couche-Tard has the ability to keep unlocking value through its proven growth-by-acquisition model. Synergies are the secret sauce behind the company's impressive long-term earnings growth, and as cash flows continue chipping away at debt loads, another big deal could be in the cards by year end.

Such an announcement would be enough to add more fuel to Couche-Tard's rally, as management has proven themselves time and time again that they know how to deliver a fantastic return per invested dollar. Whether Couche-Tard pulls the trigger in the U.S., the Australian, or Asian markets, you can be sure that management will keep itself busy with the most promising opportunity at any given time should earnings begin tapering off.

Acquire. Integrate. Drive synergies through the roof. Repeat. And in the background, Couche-Tard has been killing it on the comps front in its existing stores.

Parkland Fuel

Up next, we have **Parkland Fuel** (TSX:PKI), a smaller version of Couche-Tard based out of Calgary. The gas retailing firm suffered a big 31% peak-to-trough flop late last year but has since regained a huge chunk of the losses.

Over the last five years, the company has commanded 20.6% in annualized revenue growth to go with 17.5% in annualized net income growth with free cash flows that have grown at around at an annualized rate of 17%. The stock trades at just 0.38 times sales and 3.49 times book with a ridiculously cheap 11.2 EV/EBITDA, which is lower than its five-year historical average EV/EBITDA of around 16.

Parkland is a cheap stock that has tremendous growth potential and a nice 2.9% dividend yield for those who desire a fair bit of income to go alongside their gains.

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