TFSA Investors: A Stock to Own if You Think the Canadian Dollar Will Fall

Description

Short-term currency speculation can be hazardous to your wealth. So, unless you're looking to make subtle adjustments to your TFSA to hedge against a pullback in the Canadian dollar, you'd be best advised to not to make any drastic decisions based solely on your expectations of where the loonie is headed next.

After the recent strength in the Canadian dollar relative to the greenback, many pundits are calling for a reversal as meagre economic data takes hold. More recently, the Canadian dollar exhibited a bit of weakness after hitting a nine-month high on news of poor retail sales. Whether this is the start of a trend is anybody's guess.

In any case, here's a stock to own if you've got too much riding on a stronger Canadian dollar, whether through a lack of U.S. exposure, or excessive hoards of Canadian cash and cash equivalents.

Enter **Alimentation Couche-Tard** (TSX:ATD.B), the convenience store kingpin that's a prime example of M&A done right.

The company reports in U.S. dollars and rakes in a considerable amount of dough south of the border, but the best part of Couche-Tard as a play on a weaker loonie is the fact that the company is an incredible bet, regardless of the trajectory of the USD/CAD rate.

Think of it as a hedge on a hedge.

Couche-Tard has unlocked tremendous value for shareholders over the years, not just by scooping up anything it can get its hands on, but by taking a value-oriented approach to making acquisitions and only pulling the trigger when there's an opportunity to pay a dime to get a dollar.

Whether that means getting a sweetheart deal upfront, the potential for substantial synergies, or for forming a solid foundation for which it can grow in a new market, you can be sure that Couche-Tard's management team will be putting in ample due diligence at all phases of the M&A cycle.

Looking ahead, Couche-Tard is well equipped to post double-digit EPS growth numbers; should the loonie give ground to the U.S. dollar, I expect those numbers will receive a nice, "unexpected" boost. As of the latest quarter, the strengthening loonie had an unfavourable effect on earnings. Should the currency move be reversed, Couche-Tard will have a nice windfall.

And let's not forget about valuation.

Couche-Tard is dirt-cheap after suffering a 10% correction after enjoying a stellar start to the year. Shares trade at 18.5 times next year's expected earnings and 11.4 times EV/EBITDA. That's ridiculously cheap for a company that can sustainably grow its bottom line by double-digits for years, if not decades at a time.

Despite being relatively quiet on the acquisition front this year, the name has continued to exhibit healthy revenue and earnings growth momentum. Over the last five years, net income has averaged growth of nearly 18% per year, and as management looks to double profitability in five years, I'd get ready for a correction to the upside.

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