

## 3 Important Things to Watch for in Dollarama Inc.'s Q3 Earnings Release

### Description

**Dollarama Inc.** ([TSX: DOL](#)) is the largest owner and operator of dollar stores in Canada and its stock has been one of the market's top performers in 2014, rising more than 21% year-to-date versus the TSX Composite Index's return of just over 10%. Strong earnings have played a pivotal role in the company's rising stock price and it could see another rally following the release of its third-quarter earnings before the market opens on December 4. With this idea in mind, let's take a look at three of the most important factors to watch for in the report and then decide whether or not we should consider initiating long-term positions today.

#### 1. EPS and revenue results versus Wall Street's expectations

First and foremost, it will be crucial for Dollarama to meet or exceed analysts' earnings per share and revenue expectations for the quarter. Here is a chart of what analysts currently expect the company to report versus its actual results in the year-ago period.

Metric	Expected	Year-Ago
Earnings Per Share	\$0.54	\$0.435
Revenue	\$590.85 million	\$522.95 million

Source: *Financial Times*

The estimates above call for earnings per share to increase 24.1% and revenue to increase 13% compared to the third quarter of fiscal 2014. These estimates seem very attainable for Dollarama, especially when you consider that it reported earnings per share growth of 25% and revenue growth of 11.9% in the first half of the fiscal year.

#### 2. Comparable-store sales growth

Secondly, watch for Dollarama's comparable-store sales growth during the quarter and make sure it remains on pace to deliver growth of over 3% for the fiscal year. The company's comparable-store sales increased 3.8% in the first half of the year, including 3.3% growth in the first quarter and 4.2% growth in the second quarter, and this growth has been driven by an increase in the average transaction size as well as an increase in the number of transactions.

#### 3. New store openings

Lastly, watch for the total number of new stores opened by Dollarama during the quarter and make sure it remains on pace to reach its goal of opening 70-80 in fiscal 2015. In the first half of the year, the company opened 43 new stores, putting it on track to reach its goal, so it would be ideal for it to open another 14-19 stores in the third quarter.

## Does Dollarama's stock represent a long-term opportunity today?

Dollarama is the largest dollar store chain in Canada and increased customer traffic at its stores has led it to a very strong financial performance in 2014. In response to the company's financial growth, its stock has risen more than 21% year-to-date and it could rally much higher following the release of its third-quarter earnings results on December 4.

Foolish investors seeking a long-term investment in the retail industry today should take a closer look at Dollarama, because even after its year-to-date rally, its stock still trades at only 21.1 times forward earnings estimates and has the added benefit of a 0.6% dividend yield.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

### Category

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