



## Investors: Buy Dollarama Inc. and Get More Value for Your Weak Loonies

### Description

There are few retailers that can stand tall in the current economy. **Dollarama Inc.** ([TSX:DOL](#)) is one of those few that is not only standing tall, but flourishing. Dollarama is a dollar-store operator that carries a broad range of goods across many categories, all for \$3 or less.

You may have shopped in one of the stores, and more than likely you've passed one of the more than 900 locations scattered across every province. Every time I go into one of the stores to buy that one thing I need, I end up filling a shopping cart with a variety of odds and ends.

Since that first Dollarama opened in 1992, people have been flocking to stores to buy that one thing they need, and walking out with a whole lot more.

Here are a couple of reasons you should consider investing in Dollarama.

### Dollarama has had a series of strong results

Dollar stores have typically outperformed the market over the past few years. Dollarama is no exception to this rule.

Year-to-date, the stock is up over 27%, and over the course of an entire year, this figure is a more impressive 60%. Longer term, the stock is up 486% in the past five years, making Dollarama a great option for investors seeking long-term growth.

Analysts are generally pleased with the performance of the stock and maintain an outperform rating, with a price target just north of \$80.

Despite the high stock price, Dollarama continues to deliver—in the last quarter, sales increased by 13% year over year to \$566.1 million.

### Dollarama has a clear path to expansion

Dollarama started out offering only products that cost \$1. Higher price points were eventually

introduced first in 2009 and then again in 2012, allowing the company to offer items of higher quality and variety. As the company expands, higher price points may be offered, further expanding the number of goods that can be purchased.

The company has a stated goal to increase the number of locations to 1,000 within the next year, and by the end of the decade that goal expands to 1,200 locations.

Looking internationally, Dollarama is currently undertaking a test in Central America with the Dollar City chain. Should that test prove successful, the company has the option under the current agreement to purchase the chain in 2019.

### **Dollarama is the right fit for the current environment**

If there was any doubt that the economy was starting to cool down, all of those concerns were confirmed with the market fluctuations over the past week and the recent slide of the loonie.

When the economy takes a turn for the worse, consumers seek out savings by turning to stores like Dollarama. This has been the case for nearly all periods of anemic growth in the economy, with dollar stores sprouting up across the country in response to those conditions.

With Dollarama's high price point, greater product offering, and large overall footprint, the current environment should greatly benefit the company, leading to higher margins and even more expansion.

In my opinion, Dollarama is a great option to consider for a long-term investor looking for growth. While the stock may seem a little pricey at \$75, there is a huge potential upside given the current economic conditions. If the current landscape slides into a full-on recession, expect Dollarama's value to increase even further.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:DOL (Dollarama Inc.)

### **Category**

1. Investing

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