



## Which Is the Better Investment: Canadian Tire Corporation Limited or Dollarama Inc.?

### Description

**Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) and **Dollarama Inc.** ([TSX:DOL](#)) are two retailers that have posted better-than-expected results during a period of economic weakness across the market. Both can be considered candidates for being Canada's best retailer, and both have a widespread footprint of locations across the country.

While either of these companies would make a sound investment for your portfolio, it is worth taking a close look at both of these companies to see how they measure up to your specific portfolio goals.

### The case for Canadian Tire

Canadian Tire is a 90-year old retailer that has recently embraced the digital world, making a transition from a retail-first to a digital-first company.

Canadian Tire currently trades at just over \$121, sitting mid-way from both the 52-week high of \$137.48 and the low of \$109.48. Just like many other companies, and the market on the whole, the stock is down over the past three months by approximately 9%. Year-to-date, the stock is flat—just in the red by under 1%. Longer term, Canadian Tire is up over 5% over the course of a full year, and when this is extended to the past five years, this number improves to an impressive 113%.

Canadian Tire pays out a quarterly dividend of \$0.525 per share, and the company bumped up the dividend payment consecutively for several years now and, given the company's free cash flow, this is a trend that will likely continue to the delight of investors.

The company has put technology at the forefront of new stores and strives to not only show technology to help make sales, but to use technology to help shoppers choose and try out products. Some examples of this include a driving simulator to try out new tires in varying weather conditions, a virtual treadmill to study how you run to recommend the appropriate shoes, and an array of digital screens in front of product showcases that interact with customers.

Canadian Tire is a great investment for those seeking long-term growth and wanting to invest in a

company that is at the forefront of using technology in retail. The dividend income is also a welcome addition.

### **The case for Dollarama**

Dollar stores like Dollarama typically perform better during periods of economic weakness as consumers turn to low-cost options to curb costs.

Dollarama currently trades at \$86.85, just below the 52-week high of \$88.65. Over the course of the past three months, the stock has outperformed much of the market, appreciating by 17%. Year-to-date, Dollarama is up by over 46% and extending this out to a full year reveals a very impressive 545% increase.

Dollarama pays an annual dividend of \$0.36 per share and has not hesitated in the past to raise dividends, which has been done for the past four straight years. Given the strong results and commitment to maximize dividend payments, the dividend is likely to grow again.

Dollarama has an aggressive expansion plan that entails increasing the number of locations to 1,000 within the next year, and 1,200 by the end of the decade. In addition to this, Dollarama is undertaking a trial in Central America with the Dollar City chain. If the results of this trial are deemed a success, the company has the option to purchase the chain in 2019.

Dollarama is an excellent investment option for investors seeking long-term growth from a traditional brick-and-mortar retailer.

### **Conclusion**

Investors will be pleased with the growth and dividend prospects from either of these companies, but in my opinion, Canadian Tire represents the better investment option. The innovative use of technology on the sales floor is reason enough to see how the company is poised to grow and set an example for the retail industry as a whole.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:DOL (Dollarama Inc.)

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