Dollarama Inc. Can Help Boost Your Portfolio to New Levels

Description

Dollarama Inc. (TSX:DOL) is the largest owner-operator of dollar stores in the country. The company surpassed the 1,000-store mark last year and is slated for more store openings this year. Dollarama is ready to provide us with a myriad of products under $4 that we often don't realize we need until we see them in the store.

Let's take a look at Dollarama and why you should consider the company to be a part of your portfolio.

The stock might be down, but not out

Dollarama has been on a massive growth spurt ever since the company went public. Over the past five years the company has recorded and incredible growth of over 400%. Currently, the stock trades at just shy of $80, the mid-way point between the 52-week high of $93.90 and the low of $61.78.

Year-to-date the stock is down by less than 1%, and chances are that loss will be erased over the course of the next week or two. The real power of this stock has always been long-term growth. Keep in mind that the entire market is down at this point–not just Dollarama.

Dollarama also pays a dividend, but this is hardly a reason to invest as the quarterly dividend is only $0.09 per share, giving the company a yield of 0.45%. Still, Dollarama has raised the dividend in the past year and will likely do so in 2016.

A weak loonie

While the loonie may have clawed back some value since the lows of last month, the fact remains that our loonie is flying a little lower than it has in comparison with the last few years. For Dollarama, the lower loonie means that the buying power of the company is reduced when acquiring the goods to sell, which are mainly from China.

Dollarama typically picks up goods at 25-35 cents and then sells those good for $1 or more. With the low dollar, that purchasing power is reduced, leaving Dollarama with two options: reduce product sizes or increase prices. Fortunately for investors, the company is doing both.

The company is likely to introduce the $4 price point at some point this year.

Untapped potential in new and existing markets

Dollarama has plans to expand in Canada beyond 1,200 locations over the next few years. By many accounts, the market is not yet saturated with dollar stores, and there are plenty of communities out there waiting for Dollarama and the products the company offers.

Times of economy weakness are when dollar stores like Dollarama thrive. Consumers need to cut costs and be more frugal. It is times like these that consumers flock to Dollarama for goods. With the current weakness in Alberta, Dollarama, which noted that business has not slowed there, will likely see business pick up.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

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