



Dollarama Inc. Has Another Great Quarter and Is Still a Great Investment

Description

Dollarama Inc. ([TSX:DOL](#)) announced fourth-quarter and full-fiscal-year results this week. The company continues to impress investors; as I write this, the stock is up by over 6% to over \$88.

Here's a recap of the results and what Dollarama has planned for the future.

Fourth-quarter results

Dollarama's fourth-quarter results showed considerable growth in a number of areas. Sales saw an impressive 14.6% increase, coming in at \$766.5 million over the previous quarter. When compared with the previous year, sales saw a 13.7% increase to \$2.65 billion.

Comparable-store sales, which measure the increase or decrease of the sales in stores that have been opened for at least 13 months, also showed considerable growth, coming in at 7.9% over the 8.5% from the previous year.

Operating income was reported to be \$176.9 million for the quarter, representing a growth of 25.6%. Diluted earnings per common share was also up by \$0.24, coming in at \$1.00.

Dollarama also announced an 11.1% increase to the dividend, which will now be \$0.10 per share. The increase is welcome news, but growth—not dividends—is the primary driver for investing in Dollarama.

Growth in a difficult market

During the fourth quarter, Dollarama managed to open 25 new stores. In the same quarter last year the company managed to open 27 new stores. Over the course of the full year, Dollarama managed to open 75 net new stores in comparison to 81 net new stores in the year prior.

Given the weakened loonie and the relative weakness in the market, some investors would not have expected such a strong quarter from the dollar store retailer. There are a few factors that helped propel Dollarama up.

Firstly, while the weak loonie reduces the buying power of Dollarama in China where many of the products are made, China has its own issues with weak demand, which has translated into more flexible pricing.

The company had previously stated that a weakened loonie would result in higher price points for the company or a reduction in value or bulk items. Those higher price points of \$3.50 and \$4.00 per item are still slated to be introduced later this year. Also to be introduced is a pilot to accept credit cards.

The second factor the economy itself. Dollar stores are notoriously successful during down periods in the economy as consumers seek out value-priced options from retailers like Dollarama.

Looking forward to fiscal 2017

The company provided an update with respect to some of the forecasted figures for fiscal 2017. These include a slight increase in gross margins, now falling in the 37-38% range, as well as increased capital expenditures of nearly \$60 million to be used for the construction of a new warehouse in Montreal.

Up to 70 new stores will be opened during the year, and comparable-store sales growth will fall into line with 4-5% growth for the year.

The company also announced a transition in leadership as Larry Rossy will remain executive chairman, but Neil Rossy will become Dollarama's president and CEO effective May 1. Neil has been with the company since inception and currently serves as the chief merchandising officer.

Dollarama remains a great investment opportunity for those investors seeking long-term growth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

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