Dollarama Inc. Is the Best Retail Stock You Can Buy

Description

When it comes to retail stocks, there are few (if any) companies on the market that have performed as well as **Dollarama Inc.** (TSX:DOL). The stock is highly cited as being a great success story. The company has not only survived but has become the industry leader in a highly competitive, cut-throat market

Here's a few reasons why everyone's favourite dollar-store operator and retail stock should be a part of your portfolio.

Demand for Dollarama is strong

There's something truly magnetic about Dollarama stores. You can't go in and buy just one item. I've tried, and each time I leave the store I have a few bags worth of goods, all priced $4 and under. Now this isn't reason alone to invest in the company, but it has helped propel the company to have over 1,000 locations, which is certainly a reason to consider investing.

Despite having more than 1,000 locations across the country, experts agree that the dollar-store market is nowhere near saturated in Canada. A report from last year cited that the market in Canada could handle an additional 1,000 stores or more before being anywhere near as saturated as the U.S. market.

Dollarama doesn't appear to be slowing. The company plans to open 70 stores this year with additional growth in the international market on its radar as well. The company has an agreement with the Dollar City chain in Guatemala and El Salvador; under the terms of that agreement Dollarama could buy the entire chain when the deal comes to an end in 2019.

Dollarama's results speak for themselves

In the most recent quarter Dollarama posted sales of $641 million, an increase of 13%. Comparable store sales grew at 6.6% in the quarter, which was over and above the 6.9% growth seen in the previous year. EBITDA also saw an impressive 26.4% increase, coming in at $133.9 million. Operating income for the quarter also saw a sharp increase, growing 27% for the quarter, coming in at $120.4

million.

In terms of earnings, Dollarama posted net earnings of $0.68 per share, a whopping 36% increase for the quarter. The stock currently trades at $96.68, and year-to-date the stock is up by a very healthy 20%.

While Dollarama pays out a quarterly dividend of $0.10 per share, the yield, which is currently at 0.41%, is hardly reason enough to invest in the company. That being said, the company has made shareholder value and dividend increases a focus.

Dollarama has increased the dividend in each of the past four years. Given recent results, the company is likely to continue this trend this year. Even with a paltry 0.41%, reinvested dividends could provide significant results over the long term.

Dollarama has also been undergoing a share-buyback program, which has continued to fuel the earnings-per-share growth of the stock. In fiscal 2015 Dollarama spent $436.2 million on purchasing 9.3 million shares, and in fiscal 2016 the company spent $625.4 million on 7.7 million shares, and so far in fiscal 2017 the company has spent $139.3 million on 1.5 million shares.

In my opinion, Dollarama remains a very strong investment option for those investors seeking growth over time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

Category

1. Investing

Date
2025/07/31
Date Created
2016/07/25
Author
dafxentiou