



Why Dollarama Inc. Is Canada's Hottest Retail Stock

Description

One of the best-performing retail stocks in the market, and a personal favourite of mine, is **Dollarama Inc.** ([TSX:DOL](#)). The dollar store operator has a growing number of stores across the country and continues to defy critics that believe the company's meteoric growth is set to stop.

If you haven't invested in Dollarama yet, here are a few reasons why you really should consider it.

Dollarama has a certain appeal

There's something special about Dollarama stores. Walking into a Dollarama store to get that one thing you need more often than not results in you leaving with a few shopping bags. Some of this can be attributed to the unique array of products the company has on its shelves, and some it comes down to our own inability to pass on a bargain. Either way, it's great for Dollarama.

This appeal has extended so far that Dollarama is now firmly entrenched as a brand rather than just a dollar store. Think about what this means for a second. When we need to purchase something from a dollar store, we no longer think about going to any dollar store; instead, we call out Dollarama by name. It's brand loyalty, it's growing, and it's fueling Dollarama to grow.

Dollarama continues to grow

The growing army of loyal customers has helped fuel Dollarama's growth that continues to defy even the harshest critics. Dollarama now has over 1,050 stores across all provinces.

Dollarama recently reaffirmed a commitment to continue expanding with new stores. Dollarama has a target to open up to 70 new stores by the end of the current fiscal year. Despite this level of growth, experts agree that the dollar store market in Canada is not yet saturated and could still support several thousand more locations before it reaches the level of saturation that exists in the U.S.

Dollarama is looking into other potential avenues of growth to drive the company even higher. Earlier this year Dollarama began a pilot program in B.C. to gauge the impact of offering credit card payments in stores with the aim of rolling out credit card payments to the entire network.

This move could be particularly lucrative for the retailer as millennial customers have a preference for paying by credit, and the introduction of higher price points without offering a credit option could squeeze existing spending.

Dollarama is even looking at growth options outside Canada. The company has an agreement in place with the Central American chain, Dollar City. As per the agreement, Dollarama is providing business expertise as well as sourcing services to Dollar City. Dollarama has the option to acquire the business towards the end of the agreement. Dollar City currently has locations in several countries.

Dollarama continues to impress with quarterly results

In the most recent quarter Dollarama posted sales of \$729 million—an impressive 11.6% increase over the same quarter last year. This growth can be attributed to continued organic sales growth and the growth in the number of stores when compared to last year.

Comparable store sales increased by 5.7% for the quarter, which was over and above the 7.9% in the prior year. Margins remained at 38.4% of sales for the quarter—unchanged from last year. Diluted earnings per common share saw a significant increase of 18.9% for the quarter, coming in at \$0.88 per share.

Dollarama is a growth machine

Since Dollarama's IPO in 2009, the stock has soared by over 950%. And while this will make growth-minded investors very happy, Dollarama's dividend leaves a lot to be desired, at least for the moment.

Dollarama's quarterly dividend currently stands at \$0.10 per share, which gives the stock a fairly anemic yield of 0.39% given the current stock price. To be fair, dividend income is probably not the main reason to invest in Dollarama, but should the day come when the company is no longer looking at share buybacks, the dividend could be set to soar.

In my opinion, Dollarama is one of the best—if not *the* best—retail stocks in the market. The company's aggressive appetite for growth and stellar results will continue to fuel growth for the foreseeable future to the delight of investors.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/30

Date Created

2016/10/11

Author

dafxentiou

default watermark

default watermark