



This Dividend-Growth Stock Could Be Like Buying Wal-Mart Stores, Inc. in 1971

Description

October 1, 1970 isn't exactly a notable date. Yet for a few select investors, it was the beginning of a very exciting ride.

Wal-Mart Stores, Inc. ([NYSE:WMT](#)) shares first started trading on the New York Stock Exchange, debuting at \$16.50. There were just six million shares outstanding with the majority held by founder and CEO Sam Walton.

It's unbelievable to look back at Wal-Mart's humble beginnings. The company had sales of just \$30.8 million in 1970 with a net profit of \$1.187 million — or \$0.23 per share. It had only 32 stores open in a handful of states.

By 1972, it started looking like Wal-Mart would be a serious growth story. It nearly doubled its store count to 51 and upped sales to \$78 million. Net profit more than doubled as well, increasing to \$0.47 per share.

Wal-Mart kept growing like a weed, spreading first across the U.S. and then the world. These days, the company has a market cap of US\$208 billion. Or, to put it another way, 1,000 shares invested in stock when the company first became public would be worth well over \$13 million today — including reinvested dividends.

Needless to say, that's the kind of return that can really have an impact on a portfolio. It can turn a mediocre retirement into one filled with untold luxury and plenty left over for heirs.

Unfortunately, it's hard to predict that kind of success story. If it were easy, we'd all be doing it. But what we can do is search for a company with similarities to Wal-Mart.

This isn't certain, of course. But it's very possible to identify these kinds of companies before they really take off if we look for a few telltale signs.

What to look for

Let's attempt to answer a question that has stumped investors for years. What exactly was Wal-Mart's secret sauce? How did it turn from a regional retailer to a dominant, worldwide behemoth?

It boils down to three things:

1. Top-notch management
2. A huge growth runway
3. An asset-lite business model that can grow without huge capital infusions

Once we narrow down companies that exhibit these few characteristics, then we can dig deep and come up with some serious contenders.

But for me, there's one that really takes the cake. While this Canadian stock has already grown into a retail powerhouse, it's still only in the second inning of an ultimate quest to become a true worldwide sensation.

Dollarama

I realize that there's already plenty of attention already paid to **Dollarama Inc.** ([TSX:DOL](#)). After all, shares are up more than 900% since the company IPO'd in 2009.

The company has done a terrific job of growing its store count and increasing sales in stores already open a year. Management plans to open 300-400 stores between now and 2019, and its most recent quarterly same-store sales increased 5.1%. You won't find that kind of growth anywhere else in the Canadian retail space.

Dollarama pays a \$0.10 per share quarterly dividend, which has grown each year since debuting in 2011. The current yield is just 0.4%, but it should continue to increase rapidly.

While there's still room for Dollarama to double its store footprint here in Canada without the sector becoming as saturated as it is in the United States, Dollarama's real prize isn't Canada. It's the rest of the world.

The company has dipped its toe in international waters, agreeing back in 2013 to provide business expertise and sourcing services to a Central American dollar store chain called Dollar City. At the time, Dollar City had 15 locations.

These days the chain has about 50 locations and is still growing rapidly. As part of its 2013 deal, Dollarama also acquired an option to purchase Dollar City — something analysts expect it to do in the next couple of years.

The dollar store sector in Central America is just getting started. That's where the potential growth lies. And that growth could end up being truly outstanding.

The bottom line

Dollarama is an \$11 billion company today. But it could still easily double or triple in size here in Canada, and Central America is going to be very exciting one day as well. In time, this name could expand around the world, becoming one of the Canadian market's true success stories.

CATEGORY

1. Dividend Stocks
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1. NYSE:WMT (Wal-Mart Stores Inc.)
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