3 Reasons to Add Dollarama Inc. to Your Portfolio

Description

Dollarama Inc. (TSX:DOL) is one of the best retail stock in Canada at the moment, and for good reason too. The dollar store operator continues to surprise investors, analysts, and shoppers alike with quarter after quarter of impressive results.

If you haven't already added Dollarama to your portfolio, here are a few reasons why it's not too late to take a position in this retail stock.

Dollarama has that certain something that other retailers don't

If you've ever walked into a Dollarama, you are immediately immersed in a bizarre, yet wonderful world of bargains. This is not your typical dollar store. Dollarama has a wider variety of products than other dollar store operators, and with varying price points that now reach up to $4, Dollarama has an assortment of products for nearly any purpose.

Try as you might, you cannot enter this store and just purchase one thing. I've tried this on multiple times and failed miserably.

This special mix of products and prices is set to increase as Dollarama is rolling out the acceptance of credit cards to all locations following a successful pilot last year. Adding support for credit cards was sheer genius for the company, as a shopping cart full of items ranging in prices up to $4 can quickly surpass what most people would carry in cash.

Dollarama's products may be getting cheaper and more plentiful thanks to the loonie

The vast majority of Dollarama's products are imported from markets outside Canada, and the price that Dollarama pays to acquire those goods is far less than what we as consumers pay for the products.

With the loonie appreciating thanks to a variety of factors, the purchasing power of Dollarama is beginning to increase. This means that Dollarama could purchase more goods for the same price, or purchase new products that were previously too expensive to carry because of that increased purchasing power.

Dollarama continues to deliver impressive quarterly results

Earlier this summer, Dollarama provided an update on the first fiscal quarter of 2018. Among the figures in the report, Dollarama noted that sales grew by 10% in the quarter, finishing the quarter at $704.9 million.

Comparable store sales saw an uptick of 4.6%, which came in over and above the 6.6% increase realized in the previous year. Gross margins for the quarter came in at 37.6%, and operating income realized an increase of 15.7%, coming in at $155.8 million.

In terms of earnings, Dollarama reported diluted net earnings of $0.82 per share, representing an impressive 20.6% increase over the $0.68 per share reported in the same quarter last year.

While critics of the stock maintain that it is overvalued at present, there's little stopping the stock from surging further, and there is little reason to believe that Dollarama will see sales drop when the company continues to add products, is seeing increased sales, is expanding locations, and, thanks to a strengthening loonie, has better purchasing power with foreign suppliers.

In my opinion, Dollarama remains a great investment opportunity.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/28
Date Created
2017/08/29
Author
dafxentiou