My Top Stock Pick for 2018: Growth Investing

Description

Over the past year, shares of **Dollarama Inc.** (TSX:DOL) have increased by more than 55%, as the company has continued to claw at the ankles of the mid-priced retailers such as Sears Canada and **Hudson's Bay Co.** (TSX:HBC). In spite of being a dollar store, investors and consumers are now well aware that the retailer offers many items for more than $1, and, as a result, it has started to encroach on the turf of higher-end stores.

As an example, a young consumer on their own for the first time can purchase a spatula for $15-20 at the more established retailers (which deliver higher-quality goods), or they visit Dollarama and pay less than $5 for a similar product. Which option is more feasible?

When considering the path this company is on, things could not be better. Almost a decade from the last recession, sales and bottom-line profits have never been higher, with revenues totaling almost $3.2 billion over the past four quarters and net profit coming in at slightly more than $500 million for the same period. Given that the net profit margins are in excess of 15%, and revenues are increasing at a rate of 12.8% from fiscal 2014 to 2017, the company is in the unique position of being able to cannibalize existing locations, while increasing the bottom line.

As there are only 1,135 locations from coast to coast, shareholders can expect fantastic things over the next year. Given that the plan is to continue opening new locations until 2020, the company still has close to three years before it begins to mature, and the above-average rates of growth begin to slow. Although investors are only being offered a dividend yield of 0.25%, the shift in retail is not yet complete.

As many traditional retailers have yet to find their new positions in the market, investors can expect companies such as Dollarama to be one of the biggest benefactors from the retail shake-up. The next year will be no different, as more locations are opened, and investors experience an increase in revenues, earnings, and dividends throughout the year — potentially even an increase in the share-buyback plan. Only time will tell.

What about south of the border?

For those seeking a U.S. name to add to their portfolios, 2018 may be the year that Bill Ackman wins more than he loses, and shares of **Chipotle Mexican Grill, Inc.** (NYSE:CMG) make their way out of the basement.

After yet another health scare and share pullback, this investment is looking more attractive, as the infrastructure to drive sales growth continues to be built. The burrito market has started to become crowded, as consumers are starting to seek out other options. The catalyst for this name may come in the form of a breakfast burrito or potentially the initiation of a greater share buyback. In either case, investors will be better off.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CMG (Chipotle Mexican Grill, Inc.)
2. TSX:DOL (Dollarama Inc.)

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Category

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