



## Better Addition to Your TFSA: Dollarama Inc. or Shopify Inc.?

### Description

The first five months of 2018 have presented a challenge for Canadian investors. Indexes in the United States plunged in late January and early February, and the broad sell-off had a negative impact on the Canadian stock market as well. The S&P/TSX Composite Index has managed to rebound in April and May, but it's still in negative territory in 2018 as of close on May 23.

The relative weakness of North American markets has prompted some to predict a "lost year," and others have [turned to emerging markets](#). Today, I want to focus on two companies that have performed extremely well in recent years on the back of fast-growing industries. Can Canadian investors expect the same sort of returns over the next few years from the respective stocks?

#### Dollarama Inc. ([TSX:DOL](#))

Dollarama is the largest dollar store retail operator in Canada. Dollar stores have [bucked the trend](#) of declining brick-and-mortar retailers in North America over the past decade. In the United States, the three leading dollar store chains opened more than 1,800 stores in 2017. Dollarama increased its store count from 1,095 on January 29, 2017, to 1,160 stores on January 28, 2018.

Shares of Dollarama have dropped by 4% in 2018 as of close on May 23 in spite of positive earnings released in successive quarters. For the full year in fiscal 2018, Dollarama's sales have increased by 10.2%, and net earnings have climbed to \$519.4 million over \$445.6 million in the prior year.

Dollarama also offers a modest dividend of \$0.12 per share, representing a 0.3% dividend yield. It is attractive because of its growth potential, and with the company eyeing 60-70 new store openings in 2018, investors should consider stacking shares after its recent retreat.

#### Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#))

Shopify is an Ottawa-based company that provides a cloud-based e-commerce platform to its customer base of merchants. Its stock has rallied after another short-sell campaign and is up 14.3% month over month as of close on May 23.

Consumers have progressively and more commonly adopted e-commerce as a method of doing their shopping over the years. On a global scale, e-commerce sales are expected to reach over \$1.5 trillion in 2018. Black Friday and Cyber Monday sales exceeded \$1 billion on Shopify platforms in 2017.

During the blockbuster weekend, e-commerce reported a number of key milestones. These included mobile sales exceeding desktop sales, Cyber Monday closing the gap with Black Friday, email referrers reporting the highest conversion rate, and apparel coming in as the most bought category.

In the first quarter of 2018, Shopify saw revenues climb 68% year over year. Subscription solutions revenue also increased 61.2% to \$100.2 million. Gross profit jumped 71% to \$123.8 million, and adjusted net income hit \$4.2 million. Shopify stock has climbed over 40% in 2018, but it has been a volatile few months. Investors who've missed the entry points after the two recent short-sell campaigns should exercise caution as we look ahead to the summer.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:SHOP (Shopify Inc.)

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