



## Dollarama Inc. (TSX:DOL) Stock Declines 6.7% on a Disappointing Q1: Is Now a Good Time to Buy?

### Description

**Dollarama Inc.** ([TSX:DOL](#)) had a big drop in price on Thursday after the company released its first-quarter results. Dollarama achieved sales growth of over 7% in the quarter and earnings were up by a similar amount; however, the company still fell short of estimates for both its top and bottom lines. Let's take a closer look at the results to assess how the company did and whether this could be a good buying opportunity for investors.

### Company blames weather for soft sales growth

Dollarama CEO Neil Rossy stated in the earnings release that, "Despite lighter than usual summer assortment sales in the first quarter due to poor weather, we delivered another solid performance and our underlying assumptions for the full year remain unchanged."

We've seen other retailers use the weather as an excuse this earnings season. And while Dollarama certainly doesn't seem like a store that would be heavily impacted by a late start to the season, the fact that the company didn't make change to its outlook this year suggests that it still believes that it can make up for the disappointing quarter.

### Operational efficiencies

The company was proud to show investors that its selling, general, and administrative (SG&A) expenses were down as a percentage this quarter, as Rossy went on to say in the release that, "We are also pleased with the tangible results of our continued focus on cost control and productivity improvements, leading to an improvement in SG&A as a percentage of sales and the mitigation of minimum wage increases."

For the quarter, SG&A was 15.14% of sales compared to 15.53% a year ago. It's a modest improvement for a company that could probably make [bigger changes](#) to strengthen its financials, but it's still a step in the right direction.

## Consumers could see higher prices as a result of tariffs

Dollarama announced that its customers may see prices rise as a result of retaliatory duties that Canada plans to impose on certain goods imported from the U.S.

However, Rossy was quick to point out every retailer is going to be in the same boat, "It won't be fun for any retailer in the country and I guess the saving grace is that it will affect all retailers in Canada the same way."

## Sales growth isn't a big concern

Although Dollarama missed expectations, the company is not raising any alarms, as it claims that without the impact of poor sales from its summer products, its same-stores sales growth would have been within its guidance for the year, which projected growth to fall between 4% and 5%. Same-stores sales were up just 2.6% in Q1, which is less than the 4.6% growth the company achieved a year ago.

## Is Dollarama a buy?

I expect [more of a sell-off](#) to happen and therefore wouldn't suggest that investors buy on the dip just yet. Dollarama is an expensive stock to own and new store openings have boosted its results and have been a big reason behind the company's strong growth. Ultimately, there's just not enough in these results to get excited about the company's prospects for me to think that it's a good buy today.

## CATEGORY

1. Investing

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djagielski

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