Here Is Why Dollarama Inc. (TSX:DOL) Is the Perfect Recession-Proof Stock

Description

The 2007-2008 financial crisis and subsequent recession ravaged the portfolios of investors, but it also did irreparable damage to key industries. Retail has fundamentally changed in the years following the Great Recession. Many top stores have been forced to dramatically scale back brick-and-mortar operations, and others have shut down permanently.

One retail business has not only survived the great recession, but thrived. That is the dollar store business, which has seen revenues soar in the years following the financial crisis. In the midst of economic turmoil, discounted products were widely sought after. Dollar stores, which had previously been geared towards clientele in lower income brackets, achieved appeal with a broad array of consumers.

Dollar stores have filled a niche and can fulfill the basic needs of a consumer who may not wish to make the trip to a grocery retailer or big-box store. Rising food prices have also driven people to the dollar store for cheaper alternatives.

Investors are now faced with headwinds in the stock market, as the threat of protectionism has engulfed many of the top global economies. We are now late in the recovery that has lasted since 2009, and dollar stores have performed exceedingly well through the duration. Those who want to be prepared for a pullback and a potential recession should consider what has turned into a robust industry. Let’s take a look at the top option for Canadians.

Dollarama Inc. (TSX:DOL) shareholders approved a three-for-one stock split in June. Shares of Dollarama fell 0.54% on June 27 to close at $51.48. The stock had dropped 1.6% in 2018 as of this writing. The company released its fiscal 2019 first-quarter results on June 7.

Sales at Dollarama were up 7.3% year over year to $756.1 million, while comparable store sales experienced growth of 2.6% in the quarter. Dollarama reported that the poor weather was a drag on sales in Q1, which sparked a small sell-off following the earnings release. The company typically sees a spike in sales during the month of April, but there was some catch up in May. In spite of this relative disappointment, Dollarama maintained its full-year projections, which is encouraging.

Dollarama also announced a quarterly dividend of $0.12 per share, representing a 0.3% dividend yield.

There are legitimate concerns regarding the global economy and how it will react to rising trade tensions. Even without this threat, global growth was set to slow in the coming years, and, as mentioned, we are overdue for a pullback after a long recovery.

Dollar store retailers have established a strong footprint in an economy that has been reshaped over the course of this decade. Dollarama is the largest in Canada, and the company plans to open 60-70 new stores in 2019. Investors on the hunt for a growth stock in the midst of broader turmoil should consider Dollarama today.

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Date
2025/08/25
Date Created
2018/06/30
Author
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