

Is Dollarama (TSX:DOL) Still a Great Buy?

Description

It's no secret that **Dollarama Inc.** ([TSX:DOL](#)) is one of Canada's fastest-growing companies. In the past decade, the company has grown from its humble origins in Quebec to a nationwide behemoth with more than a thousand locations. And the stock's performance has followed suit. With a return of over 1,376% since its IPO, the company has made early investors who've held to today very happy.

The question is, can Dollarama continue to deliver such impressive returns to investors?

There are some solid reasons to believe that it can. In this article, I will explore a few of the reasons why Dollarama may still be a great buy, starting with the company's prospects for continued expansion.

Room for growth

It's probably fair to say that Dollarama is dominating the Canadian dollar store market. With 1,000 locations nationwide, it is by far the country's most popular dollar store.

The ubiquity of Dollarama might make you think the company has already saturated the market. There are, however, reasons to think Dollarama could continue to expand.

For one, there is [room for continued expansion](#) in the domestic market. For another, it's conceivable that Dollarama could break into foreign markets. While the U.S. market appears well served by Dollar Tree and other companies, Dollarama is not shying away from other international markets. In 2013, The company was considering an expansion into the Latin American market, going so far as to sign a sourcing deal with the Salvadoran company Dollar City.

Although it's unlikely that Dollarama's meteoric early expansion will be matched in the years ahead, the company still has plenty of room to grow if management plays its cards right.

Solid financials

As a company, Dollarama has some strong financial metrics. The company had a profit margin of about 16% for the fiscal year ended January 2017, which most analysts would consider a strong figure.

The company is also seeing solid sales growth. While net income has fluctuated up and down for the past few quarters, the company's sales numbers have been solidly growing year after year.

That's not to say that all signs for the company are rosy. A recent [failure to meet analysts' sales targets](#) shows that the company is not immune to setbacks. Overall, though, its financials look sound, and its long-term sales figures have been growing.

Strong price gains

Last but not least, Dollarama's stock has seen some very strong historical price appreciation.

To start with, the company's five-year gains have been absolutely phenomenal. Trading at just \$12.17 on July 26, 2013, the company closed at \$48 a mere five years later. It goes without saying that these returns have absolutely trounced the TSX average.

The stock also features some attractive fundamental metrics. While the trailing P/E of 30.88 is a little high, the forward P/E of 24.36 (reported by **Thomson Reuters** based on analyst estimates) is within the normal range for a company with strong earnings growth.

All in all, Dollarama is a strong growth stock that any Canadian investor should look into. The company has returned serious gains to its investors since its IPO, and it continues to expand with more and more locations across Canada — with international expansion a very real possibility in the near future.

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