Dollarama Inc. (TSX:DOL) Is Among Quality Stocks Trading at Lows: Should We Buy the Dips?

Description

While I am of the view that investors should maintain a long-term perspective when deciding where to invest, there are times when short-term stock price movements should be acted upon — times when the mispricing of stocks gets to a point when it creates an opportunity to act, or when a stock is either dramatically overpriced or underpriced.

Here I will look at three stocks that have fallen to 52-week lows to determine if any are good buying opportunities.

Dollarama (TSX:DOL)

With its second-quarter fiscal 2019 sales falling short of expectations, Dollarama stock got pummeled last week and is down 17% year to date, falling decidedly from its highs amid a valuation that had gotten stretched, a consumer that is becoming less robust, and a strategy that has increasingly relied on pricing that exceeds its "one dollar" beginnings.

So, where are we now?

Well, with its second-quarter results, the company raised its 2019 outlook, but have investor expectations risen too high?

The stock still trades at a P/E multiple of 25 times this year's expected earnings, down from when it was trading at 29 times, but still high considering that same-store sales numbers are slowing.

I remain on the sidelines, as I believe the risk is still elevated with Dollarama stock.

BCE (TSX:BCE)(NYSE:BCE)

BCE stock is down 10% versus one year ago, as the wireless market has been ultra-competitive, and as its status as a reliable dividend stock has made it a bond proxy, susceptible to interest rate movements.

But this 5.74%-dividend-yielding behemoth has been a pillar of strength over the long term for dividend investors, with a 107% increase in dividends in the last nine years, free cash flow of more than $3 billion in 2017, and free cash flow as a percentage of revenue of well over 10%.

And longer term, BCE management continues to use this cash flow to reward shareholders but also to invest in the business, currently investing in its wireless business and in its fibre-optic networks, which are the future of the telecommunications business.

In my view, this is a great time for dividend investors to grab a piece of BCE stock.

George Weston (TSX:WN)

George Weston stock has also taken a hit and is now down 10% year to date, which is a lot for a defensive, relatively stable company like this one.

With its ownership of **Loblaw Companies**, which is seeing improving performance as a result of investments in IT and the supply chain, approaching 50%, and the company's program to add $100 million to EBITDA by 2020-21, George Weston appears well positioned for improvement.

But this past year has seen many operating challenges and intense competition, so what's next?

Well, the stock is now trading at a P/E multiple of 14 times this year's expected earnings, and 13 times next year's expected earnings, with a 2% dividend yield.

That's a very attractive price for a defensive stock that has a large cash balance and a strong competitive position.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:DOL (Dollarama Inc.)
4. TSX:WN (George Weston Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Tags

1. Editor's Choice

Date
2025/08/23
Date Created
2018/09/18
Author
karenjennifer