



Dividend Investors: This Is Why You Should Avoid This Popular Stock

Description

The mission of **Dollarama** ([TSX:DOL](#)) is to provide customers with compelling value. Investors are looking for the same and wondering if the stock is worth the current price of \$34.58 or less. The strong start of Canada's value retailer in 2019 and the ensuing surge in early March signal a good year on the TSX.

Unfortunately, the upward trend did not hold as DOL sputtered and slid -9.63% from \$37.91 to its latest price. A year ago, the stock price of this discount store stood at \$50.46. Dollarama's earnings report on the 28th of this month should be compelling enough for investors to include the stock in their second-quarter portfolios.

Company guidance

I wouldn't want to make a second guess and instead follow the results as well as the company's guidance from the preceding quarterly earnings report. For the fiscal 2019 third-quarter figures, sales of Dollarama increased by 6.6% to \$864.3 compared to 2018. Comparable store sales grew by 3.1% for the same period.

Operating income improved by 3% to \$195 million with a slight drop in gross margin. The company opened 14 net new stores during the quarter, which brings the total number of net new stores opened to date in fiscal 2019 to 43. Dollarama is targeting 60-70 new stores for the current fiscal year.

President and CEO Neil Rossy stated, "The strength of our operations and the efficiency of our simple, growth-oriented business model are further demonstrated by our solid performance across our key operating metrics, our robust earnings and our sustained ability to return substantial capital to our shareholders."

Protecting the turf

Dollarama remains atop the leaderboard in the retail space. The business model has rewarded the

company with enormous gains over the years. It's clear the discount retailer continues to rake in profit, but the pace has considerably slowed down. That might be the reason investors parted ways with [the once top-growth stock](#).

Competition in the sector is heightening, and with online sales increasing, Dollarama's core business is seriously under threat. The company is countering with the launching of its online store earlier this year. Most of the popular consumable and general merchandise can be bought online for the convenience of wholesale buyers.

Dollarama also spent on the makeover of stores including layouts, lighting, and other added embellishments. Customer satisfaction has risen since the checkout speed has vastly improved. Despite the clear and present danger, Dollarama is determined to keep its image intact and its identity unassailable. The company is ready to protect its turf.

Wonderful hope

Investors rue the hammering of the stock last year and see the ending of Dollarama's growth story. However, there is wonderful hope the resurgence of their beloved discount retailer will happen. There is room to grow once the market adjusts to slower growth.

Still, Dollarama is a decent investment prospect. Investors with long-term financial goals and who are not picky over big dividends can [buy on the weakness](#) today.

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