Better Hold for the Next Decade: Dollarama Inc. (TSX:DOL) or BlackBerry Ltd. (TSX:BB)?

Description

The last decade has been extremely fruitful for growth investors. The two stocks we will cover today have had very different trajectories over this period. This has been due to structural changes in the economy and because of changing company leadership. Today, we are going to try to figure out which stock is the better hold over the next decade.

Dollarama (TSX:DOL)

Dollarama is a Montreal-based company and the largest dollar store retailer in Canada. Shares have soared over 1,100% over the past decade.

Dollar stores have broadened their appeal to different consumer segments over the last 10 years, largely due to structural changes that have occurred since the Great Recession. In the past, dollar stores attracted mainly low-income consumers, but now it draws much of its traffic from middle- and upper-middle-class shoppers. The strength of dollar stores in the face of broader weakness in the retail sector was the main reason I said Dollarama was a perfect recession-proof stock to hold last year.

The stock has faced some adversity over the past year. Dollarama has continued to post solid growth, but its earnings missed analyst expectations in successive quarters. Shares were down 21% year over year as of close on April 10. The stock was up 21.6% in 2019 so far.

The company released its fiscal year 2019 results on March 28. Sales rose 8.6% year over year to $3.54 billion and EBITDA increased 7% to $883.8 million. Sales and lower SG&A powered a 9.9% year-over-year increase in diluted net earnings to $1.67. In fiscal 2020, Dollarama forecasts 60-70 new store openings and comparable store sales growth in the range of 2.5-3.5%.

Shares of Dollarama hit an RSI of 70 as of close on April 10, which indicates that the stock is in technically overbought territory.

BlackBerry (TSX:BB)(NYSE:BB)

BlackBerry is a Waterloo-based company that has made the transition from a top-tier hardware company to a growing power in software. Shares have plunged 84% over the past 10 years. The company seemed to teeter on the verge of irrelevance earlier this decade, but the hiring of CEO John Chen has ushered in an impressive turnaround.

Chen was hired in November 2013. The stock was up 48% over the past five years as of close on April 10. From the outset, Chen sought to stabilize BlackBerry's revenue stream and transform the company from a "mobile technology company" to a "mobile solution company."

BlackBerry released its fourth-quarter and full-year results for fiscal 2019 on March 31. Licensing intellectual property generated $99 million in revenue in Q4 fiscal 2019 compared to $58 million in the prior year. Its BlackBerry Technology Solutions segment grew to $55 million over $46 million in fiscal 2018. Chen forecasted revenue growth between 23% and 27% in fiscal 2020, which generated excitement for analysts. The stock was up 27.8% in 2019 as of this writing.

Which is the better buy for the next decade?

Dollar stores were a classic disruptor in the retail sector over the past decade, but now the growth of e-commerce options is emerging as a threat. In late 2018, **Amazon.com** introduced a $10-and-under store, which has the potential to pose a serious threat to discount retailers. Dollarama's growth has slowed in the latter part of the decade, and consecutive earnings should concern long-term investors.

BlackBerry boasts a footprint in growing industries like cybersecurity and automated vehicle technology. It looks like the stock to bet on as we gear up for the 2020s.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/07/06
Date Created
2019/04/14
Author
aocallaghan