



## Is Now the Time to Buy Dollarama (TSX:DOL) Stock?

### Description

**Dollarama Inc** ([TSX:DOL](#)) is a dollar store powerhouse. According to Statista, the company has a 20% share of the Canadian discount retail market, which means that its share of dollar store market is even higher, as discount retail encompasses all low-priced stores including mega-retailers such as **Wal-Mart**.

Throughout the 2000s, Canadians saw Dollarama stores sweep across the country, expanding from their home base in Mount Royal, Quebec, to over 1000 locations nationwide. More recently, the discount chain appears to have slowed down, with the fast-paced opening of locations having stalled and revenue growth slowed.

But don't count Dollarama out just yet. The company's most recent quarterly report showed surprisingly brisk growth, along with the opening of 33 new stores and a 10% dividend hike. Assuming this is the start of a trend, then Dollarama may yet have more to offer shareholders. To see whether that's the case, let's take a look at the company's Q4 and fiscal 2019 earnings.

### Latest earnings

On March 28, Dollarama released a surprisingly positive quarterly and full year report that showed strong growth across the board. In Q4, revenue increased 13%, diluted earnings increased 12.5%, and same store sales increased 2.6%. On the strength of these results, Dollarama raised its dividend by 10%. Also encouraging in Q4 was the opening of 33 new locations, an increase of roughly 3% over the same quarter a year before.

Dollarama's full-year results for 2019 were no less encouraging. For the year, sales increased 7%, diluted earnings increased 7%, same-store sales increased 2.7%, and 65 new stores were opened. The progress in opening new stores is particularly noteworthy, as one of the negative claims often made against Dollarama is that the company has already saturated the Canadian market and has little room to grow.

## Market position

Dollarama is the dominant player in the Canadian dollar store scene, with more than five times as many locations as its closest competitor, **Dollar Tree**. The company's share of discount retail in Canada stands at around 20%, putting it well ahead of any other Dollar store and not far from Wal-Mart Canada.

## Room for growth?

Given Dollarama's large market share in Canadian discount retail and majority share of the dollar store market, it's natural to ask if the company has much [room to grow domestically](#). In 2018, Dollarama put those concerns to rest by opening 65 new locations, increasing its total by about 5-6%. This shows that Dollarama still has the potential to grow within Canada.

A second potential growth area for Dollarama lies in international markets. In 2014, Dollarama signed an agreement to supply merchandise to the [Latin American chain Dollar City](#). Since then, that company has expanded, having added a number of new locations in several countries. The exact extent of Dollarama's partnership with Dollar City isn't clear, but it does retain the right to buy a majority stake in the company in 2020. Should that materialize, it could provide Dollarama with a path to expansion in an exciting, high-growth international market.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

### PARTNER-FEEDS

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

### Category

1. Dividend Stocks
2. Investing

### Date

2025/09/19

### Date Created

2019/05/27

### Author

andrewbutton

default watermark