



Dollarama (TSX:DOL) Has Rallied 33% Year to Date: Should You Buy Today?

Description

Dollarama Inc ([TSX:DOL](#)) has been picking up steam lately, and investors may be wondering whether this could be the start of a much bigger rally. Let's take a close look at the stock to see whether it's a good buy today or not.

Big rally since most recent earnings disappointment

Dollarama's stock was [flying high a couple years ago](#) because it could see no halt to its growth. Last year, however, same-store sales growth was softer, and the stock took a beating as a result. While Dollarama saw another sell-off after the release of its [most recent quarterly results](#), it has started to rally since then, and year to date it's up around 33%.

This could be a sign that investors aren't quite ready to give up on this stock just yet, which still shows a lot of promise.

Why the company might still have a lot of growth left

Dollarama is still planning to grow and expand across the country, as there are still plenty of opportunities where it can grab market share. There is also a lot of room to grow organically as well. The more we hear about consumer debt levels rising and problems surrounding insolvency, the more of a need there is for a reduction in consumer spending.

That's where I still see a big need for Dollarama and why the stock might still be able to achieve the strong growth numbers that it has previously. With a price point of four dollars or less on its items, there are lots of ways that consumers can cut down their costs by shopping at a discount retailer like Dollarama. Its products are comparable, and sometimes even the same as what consumers can find in big-box stores.

The need to keep costs down might be what helps drive growth up for Dollarama. And even if the store has a few bad outings, that doesn't change the strength of its business model. One of the big

challenges in retail is that many things that can weigh down performance; even something as unpredictable as the weather can have a big impact on seasonal sales.

While it may seem like a trivial excuse for a company to give, it's not uncommon or unfounded. A late start to summer could impact items designed for the warmer months of the year, so the stock's decline over the past year might be a bit of an overreaction.

Bottom line

Dollarama still has excellent growth prospects, and it's definitely better than many other retail stocks out there. Now that the stock has started gaining some momentum, it might be a safer time to buy with the freefall over. If the stock can rebound with a strong quarter to start the 2020 fiscal year, the share price could take off in a hurry.

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