



## 3 Takeaways from Dollarama's (TSX:DOL) Q2 Earnings

### Description

**Dollarama** ([TSX:DOL](#)) released its second-quarter results last week, and it was more of the same that we've come to expect from the popular retailer.

Plagued with unimpressive growth rates in recent years, investors simply haven't been as excited about the popular dollar store chain as they have been in the past. While 2019 has been an [improvement](#) from the previous year, Dollarama still has a lot to prove to investors. In Q2, the company had a good showing, but it was still not impressive enough to prevent the stock from sliding.

Here are three things that stood out for me in the company's most recent report.

### Sales and profits grow but at noticeably different rates

Dollarama had a strong quarter with sales rising by 9% from the previous year, reaching more than \$946 million in revenue. The company saw only some of that incremental revenue flow through to the bottom line, as earnings also rose by less than \$3 million for an increase of about 2%.

It's a modest increase as not only were margins lower this quarter, but the company also incurred greater operating expenses and financing costs as well. In particular, general, administrative, and operating expenses were up 11% year over year, which the company attributes to more store openings — a trend that's expected to continue this year.

### Same-store sales numbers still not very impressive

Dollarama used to have strong same-store sales numbers, and it wouldn't be uncommon for them to reach double digits. However, that's changed lately, where even [growth numbers](#) of less than 3% haven't been out of the norm. In Q2, the company's same-store sales of 4.7% were a big improvement from the 2.6% that it achieved a year ago. The main driver for the growth was a result of consumers buying more per items per transaction.

Although 4.7% is an improvement from the prior year, it's likely not as strong as investors were hoping for. The weaker this number is, the more that Dollarama will have to rely on new stores to generate higher sales numbers.

## Cash flow from operations down by \$37 million

As Dollarama continues to grow and expand its business, a key area of focus is going to be on its cash flow. During the last quarter, the company generated nearly \$40 million less in its operating activities than it did in the prior year. This was primarily due to non-cash working capital, which was actually down \$42 million from the prior year.

While it could simply be an anomaly as working capital is one of the more volatile numbers when it comes to cash flow, it's something investors will want to keep an eye on, as it's not a trend that should persist unless there are some underlying problems impacting the business.

## Bottom line

The results for Dollarama weren't too surprising. There wasn't a whole lot to get excited about this quarter, which is why the stock dropped as a result of the company's most recent earnings report. While the stock has done a good job of recovering from last year's abysmal performance, I wouldn't be surprised if this sends the stock back down, erasing some of those gains.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing

### Date

2025/08/17

### Date Created

2019/09/16

### Author

djagielski

**default watermark**