



## Will Dollarama's (TSX:DOL) Stock Price Hit \$50 This Winter?

### Description

**Dollarama** ([TSX:DOL](#)) is Canada's discount store leader with more than 1,200 stores all over the country and sales exceeding \$3.5 billion per year.

Dollarama sells a wide variety of everyday products from kitchen accessories to clothes to food at prices ranging from \$1 to \$4. It's like a convenience store at a discount. The company is expanding its product offering as much as possible and constantly updating its selection. It offers more than 4,000 products all year round and more than 700 seasonal products.

Since many Canadians are struggling financially, even with jobs, Dollarama's low prices are very welcomed. Who likes to pay more for something they can easily find it for less?

Dollarama is testing self-checkouts to reduce waiting times at the cash register and avoid losing sales when customers see long lineups and abandon their baskets.

The company is investing money in expanding its stores as well as its online activities for bulk orders while adding new items, particularly household goods and food, to boost sales.

At the same time, Dollarama has kept price increases to a minimum to better compete with Canadian and American retailers.

### Q3 was good but still disappointed

On December 4, Dollarama released its third-quarter results. The retailer reported an increase in same-store sales of 5.3%, exceeding the 3.1% growth recorded in the same quarter the previous year. Dollarama expects year-over-year revenue [growth](#) in the range of 4-4.5% for 2020.

Dollarama posted a profit of \$138.6 million in its third quarter, up about 5% from the same period last year.

The Montreal-based retailer's EPS reached \$0.44 for the quarter ended November 3. In comparison, it made a profit of \$132.1 million, or \$0.40 per share, in the same quarter last year.

Excluding items, Dollarama earned \$0.43 per share, missing analysts' estimates by \$0.02.

Quarterly revenue reached \$947.6 million, up 9.6% from \$864.3 million a year earlier. Analysts forecasted sales of \$936.8 million.

Dollarama added 21 new stores in the quarter, up from 14 in the same quarter last year. The opening of new stores contributed to sales growth but hurt profit due to higher costs.

The company remains on track to open between 60 and 70 new stores during the year and plans to expand its network to 1,700 locations by 2027.

Despite these strong results, shares dropped nearly 9% during the day of the earnings release.

Shares have increased by 5% since then. Currently trading at a price around \$47, Dollarama stock is still far from its 52-week high of \$52.12, which was reached on August 29. The last time shares hit \$50 was on September 9.

## Strong expected profit and revenue growth

I believe there is a strong chance that Dollarama will hit \$50 this winter, because its revenue and earnings prospects are very good.

For fiscal year 2020, which will end in April, Dollarama's revenue is expected to grow by 6.8% to \$3.8 billion. EPS is expected to increase by 6% to \$1.77. For fiscal 2021, numbers are even higher. Revenue should increase by 7% to reach \$4.05 billion, while EPS is expected to soar by 14% to \$2.02 per share.

If you're interested to have a strong defensive stock in your portfolio, it's a good idea to buy some shares now before Dollarama's stock goes up more.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

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