



Investing \$1,000 in This Retailer Would Have Made You Almost \$13,000

Description

One of the fastest ways to build wealth is to invest in high-quality growth stocks that possess the ability to consistently deliver value and beat the market. **Dollarama** ([TSX:DOL](#)) is a company that has delivered stellar returns over the last 10 years. If you had invested \$1,000 in the thrift store operator a decade ago and reinvested the dividends paid it would be worth \$13,754 today.

Dollarama over the last year alone beat the broader market gaining a whopping 28% compared to the **S&P/TSX Composite Index's** 12%, and there are signs of further solid gains ahead. The company reported some solid fiscal third-quarter 2020 results toward the end of 2019.

Solid outlook

Dollarama opened 21 net new stores during the period bringing its total store count in Canada to 1,271. Sales for the quarter were up by 9.6% year over year and comparable store sales expanded by just over 5%. That strong growth gave earnings a solid lift. Third quarter EBITDA shot up by 4% compared to the equivalent period in 2019 and diluted net earnings increased by a healthy 10% to \$0.44 per share.

There are signs of further solid growth ahead, particularly once Dollarama's strategic investment in Latin American thrift store operator Dollarcity is considered. Dollarama agreed to pay around \$122 million for a 50.1% stake in Dollarcity, which has expanded at a rapid clip in the Latin American countries of El Salvador, Guatemala, and Colombia to have 210 stores by 30 September 2019. That includes 104 locations in Colombia, 48 in El Salvador and 58 in Guatemala.

Colombia is shaping up as an important growth market for Dollarcity because it has one of the fastest growing economies in the region, reporting third-quarter GDP growth of 3.3%. The IMF expects Colombia's economy to expand by 3.6% year over year in 2020, which is one of the higher growth rates in the region. A combination of a young rapidly expanding population, briskly growing middle class, and low incomes, creates an ideal environment for thrift stores that will see strong demand for Dollarcity's goods.

The [only risks](#) to consider are the impact of recent civil unrest on Colombia's economy and the considerable local competition that exists for the reasons that make Colombia an attractive market for thrift stores.

While dollar stores have proven relatively resistant to the rapid growth of e-commerce and online retailing, which triggered a [retail apocalypse](#) of epic proportions, Dollarama at the start of 2019 launched an online store with the same pricing as its physical locations. This further expands its reach and helps to protect it from the rapid growth of online sales.

Foolish takeaway

Regardless of its rapid growth over the last decade, Dollarama continues expanding its operations and hence sales at a solid clip. A combination of an improve economic outlook, the steady demand for the goods offered by thrift stores, and its move into Latin America will give Dollarama's sales a solid lift. That in turn will bolster earnings, ultimately giving its market value a solid boost.

While past performance is no guarantee of future returns, Dollarama looks likely to deliver further considerable value for investors over the long term, making now the time to buy.

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

2025/08/27

Date Created

2020/01/31

Author

mattsmith

default watermark