TSX Growth Stocks: Is Dollarama (TSX:DOL) a Buy?

Description

Long-term investing is one of the best ways to compound your money, especially when you can find top **TSX** growth stocks. In addition to value stocks that can provide attractive returns and dividend stocks that provide passive income, growth stocks can provide investors with astronomical gains.

One of the top features to look out for in a growth stock is a lengthy timeline for growth.

Finding top companies that can be relied on for years to bring you capital appreciation will be most rewarding in the long run.

Qualities you want to look for include strong management, an important product or service that will be in demand for years, and a significant competitive advantage.

So, is **Dollarama** (TSX:DOL), a top long-term TSX growth stock, worth buying today?

Top TSX growth stock

Dollarama is a top TSX growth stock that recently reported earnings at the beginning of April. Once again, it continues to see strong positive same-store sales growth (SSSG).

The impact on Dollarama's business so far from COVID-19 has been minimal at most. The stores have been declared an essential service and remain open across the country. Besides a few of its locations, which operate inside malls, 96% of its stores are open.

The fact that Dollarama has been considered essential when some of its competitors aren't could be a significant long-term benefit. As it operates now and its competitors can't compete, Dollarama has a significant opportunity to gain market share.

This is in addition to the massive market share the company has already gained in the last decade.

The company has been one of the fastest-growing stocks in Canada. A lot of that is due to the popularity of its stores. This has led the TSX growth stock to build significant numbers of stores in the last few years.

Despite it still opening a large number of stores each year, growth has inevitably been slowing in Canada. So, Dollarama went to Latin America and bought Dollar City.

The store openings it had planned may have to slow in 2020, as the company carries out cautionary cash flow measures over the near term. This is crucial for the business, as it looks to sustain its financials, keep its dividend intact, and maintain its investment-grade credit rating.

Robust financials

Maintaining its credit rating may be the most important, especially since its leverage ratios are approaching the max.

Despite debt issues, Dollarama's current liquidity and ability to generate free cash flow should be able to sustain the company in the short run through the pandemic.

Today, its shares are pretty fully valued, which is not surprising from a top TSX growth stock like Dollarama.

Not only are we going to see growth, but Dollarama is also defensive. So, we can expect sales to get a boost from the recession, as more people need to look for cheaper options.

However, from what we've seen in the past, just because the sales get a boost from a recession doesn't mean those sales drop off when the economy recovers. The company has done a brilliant job of retaining those customers over the years, even after the economy is out of a recession.

This makes sense, as many consumers have adopted a new shopping habit. Therefore, there aren't many people who will willingly go back to buying higher-priced substitutes if Dollarama's products do the job.

This is precisely why Dollarama is the type of stock that will always grow. Plus, Dollarama is one of the best at merchandising. It's not unlikely that you'll go for one thing and end up buying something you didn't even know it sold. That's the infinite growth power of Dollarama.

The company also pays a growing dividend yield, making it one of the most attractive dividend stocks on the TSX that's capable of both growing and protecting your hard-earned money.

Foolish takeaway

Dollarama isn't as cheap as some of the other growth stocks on the TSX. However, for long-term investors, it's still a buy today.

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