Worried About the Market Crash? Bet on This TSX Stock Now!

Description

As volatility becomes the new norm in the stock market, it's prudent to invest in stocks that offer stability and growth. One such stock on my radar is **Dollarama** (TSX:DOL). Dollarama, being an essential business, is likely to witness sustained demand for everyday products, which will keep the cash register ringing. The company's resilient business will add much-needed stability to your portfolio. Besides, Dollarama's extensive store base and compelling value provide ample room for growth irrespective of economic cycles.

Why buy Dollarama stock?

Dollarama appeals to all demographics and income ranges thanks to its value proposition, which is a key differentiator. Dollarama's broad assortment of everyday goods at multiple fixed price points up to $4 makes it a preferred shopping destination for value-driven consumers. Moreover, the company's unrivalled presence in convenient locations across Canada drives consistent traffic. Dollarama, being Canada's largest dollar store operator, has presence across all the 10 provinces with 2.5 times more stores than its four largest competitors combined.

Dollarama's key performance indicators look solid. The company's revenues have grown at a CAGR of 12.1% from fiscal 2011 to fiscal 2019. Meanwhile, Dollarama's EBITDA increased at a CAGR of 18.1% during the same period. Higher revenues and EBITDA supported double-digit growth in its bottom line. The company's net earnings increased at a CAGR of 21.3% from fiscal 2011 to fiscal 2019. Investors should note that Dollarama is also steadily expanding its store count, which has grown at a CAGR of 8.2% during the same period.

Dollarama has also performed better than most of its U.S. peers on the margins front. Its operating margins are almost three times higher than the margins of the U.S. dollar store operators like Dollar General and Dollar Tree. The company's low-cost operating model and a favorable mix of both private labels as well as national brands support margin growth. Further, Dollarama sources nearly 50% of its merchandise directly from across 25 countries, which reduces cost.

Dollarama impressed with its fiscal 2020 performance. The company's comparable sales grew 4.3% in fiscal 2020, much higher than the 2.7% growth in fiscal 2019. Meanwhile, sales and EPS increased by 6.7% and 7.2%, respectively. The company expanded its retail footprint through 66 net new stores and ended fiscal 2020 with 1,291 stores.

Bottom line

As uncertainty prevails and the unemployment rate goes high, Dollarama remains well positioned to benefit from being Canada's leading value retailer. Dollarama witnessed a spike in demand as customers rushed to buy essentials, as COVID-19 cases ramped up. While the surge in traffic is likely to level off, the company could continue to see sustained momentum in comparable sales, thanks to its loyal customer base.

The company has adequate liquidity to meet its operating cash needs and is likely to generate ample cash flows from operating activities to fund its growth initiatives, service debt, and pay dividends.

Dollarama stock has a beta (five-year monthly) of 0.66, implying it will not be heavily impacted by the high volatility and uncertainty in the market. Hence, it's prudent to accumulate Dollarama stock to ride out volatility in the market.

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Date
2025/08/27
Date Created
2020/04/23
Author
snahata