Dollarama (TSX:DOL) Stock Jumps 5% on Strong Quarterly Results

Description

Outside of the technology industry, **Dollarama** (TSX:DOL) has been one of the best-performing stocks during the pandemic. Year to date, the company's stock price is up by approximately 5%. Is the company a buy today? Let's take a look at the first-quarter results and find out if investors should add Dollarama stock to their portfolio.

The earnings report

Before the bell on Wednesday, June 10, Dollarama released first-quarter results which ended May 3:

Metric	Reported	Expected
Earnings per share	$0.28	$0.26
Revenue	$844.8 million	$839.77 million

As you can see, Dollarama beat on both the top and bottom lines. A strong showing considering, the quarter included the full month of April — the height of the pandemic shutdowns. This is important, as it is one of the first companies to have reported on a full month reflective of COVID-19 impacts.

Comparable same-store sales, a key metric in the industry, grew by 0.7% in the first quarter. This excluded temporary store closures as a result of COVID-19. Once those were included, same-store sales dropped by 2.4%. Although it is deemed an essential service, the company was forced to close stores operating in enclosed malls.

As the country is beginning its phased reopening, 32 Dollarama stores remained closed, and 204 are operating with reduced operating hours.

Total revenue increased by 2% while the operating income dipped by 17% year over year. Increased costs reflect the impact of COVID-19 mitigation efforts and led to a 80-basis-point dip in margins.

Pandemic measures included a 10% wage increase, in-store health and safety measures, strict protocols, and the addition of approximately 450,000 in store employee hours. Although a surge in traffic was experienced in early March, this quickly evaporated, as customers began to make fewer drips once strict COVID-19 measures and protocols were established.

Despite the ongoing pandemic, Dollarama also added 10 net new stores in the quarter. This brings its total to just over 1,300 across the country. With respect to Dollarcity, only five of the 232 stores in Latin America remain temporarily closed.

Given the strong results, the company also kept the dividend steady at $0.44 per share.

The year ahead

All eyes are on the year head. However, the company announced little in terms of future expectations. In fact, Dollarama did not issue guidance, as “it remains impossible to forecast the duration, severity and extent of the public health and economic impacts of the COVID-19 pandemic on the Corporation’s operations and future financial performance”

That’s not surprising but disappointing, nonetheless, as Dollarama is one of the few companies have been deemed an essential service. Analysts are expecting the company to grow earnings by 22% in fiscal 2022, as it rebounds along with the rest of the economy.

The Foolish bottom line

In early trading, the markets like what they see. Dollarama’s stock is up by approximately 5% this morning, and the future looks bright.

Dollarama is the country’s leading discount retailer. In the months ahead, the company is well positioned to take advantage. Although not official, we are likely in the midst of a recession, and consumers will be watching their pennies. This bodes well for a company such as Dollarama.

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