



The Most Insightful Comments From Dollarama's (TSX:DOL) Conference Call

Description

Dollarama ([TSX:DOL](#)) had a lot to say on its quarterly earnings conference call yesterday. The many insightful comments have provided a lot of colour for investors. So, whether you already own Dollarama stock or you are contemplating owning it, read on.

After living through [a quarter of turmoil and uncertainty](#), the company remains in top shape. And coming out of the crisis, there will be many good things coming its way. Here are the most relevant and insightful comments from Dollarama's conference call.

Falling real estate prices may mean a windfall for Dollarama

First, let's recognize the absolute turmoil that we are living through today. As one of Canada's essential retailers, Dollarama was far less hit than most. The company's latest quarter is a testament to that, with same-store sales growing 0.7% — a great result considering the environment.

While Dollarama is so far handling this crisis well, others are not. Real estate values are declining. A countless number of retail spaces will be vacated in the next while. Some of these vacated spots may be prime spots that Dollarama was hoping for. As management stated on the call, they are studying this and following it closely.

With this, Dollarama may soon have a shot at securing some new opportunities it hasn't had in the past. The company might also be able to renew leases on more favourable terms.

Dollarama's purchase price of Dollar City just went down 13%

This crisis will one day end. Things will get back to some version of normal. This will pass. Dollarama's purchase price for Dollar City was based on a formula, dependent on EBITDA for the 12-month period ending June. Since Dollar City's EBITDA will be lower than initially expected due to COVID-19, the purchase price is now lower.

The long-term outlook for Dollar City has not changed. This is key. The convenience and strong value proposition offered by Dollar City and Dollarama continue to bring shoppers in. Dollarama just got a deal.

Dollarama is being a “good corporate citizen”

Through this pandemic, Dollarama has [increased wages by 10%](#). This will last until July 1, unless a decision is made to extend it. Also, the company has made the decision to temporarily refrain from raising prices. Lastly, Dollarama has continued to pay its landlords without any hesitation. Whether a store was closed or not, all payments to landlords continued as normal. Maybe landlords will remember this when it comes time to renew leases.

This sensitivity in this time of great hardship will not go unnoticed — by customers, employees, landlords, and business partners. These are the many actions that build long-term trust, loyalty, and respect. This will result in future benefits to Dollarama, big and small.

Foolish bottom line

We already know about Dollarama’s impressive history. From its start with one store in 1992 to more than 1,400 stores today, its success has been historic. Through this crisis, the company has been and is being tested. So far, its business model and supply chain have been resilient.

On Dollarama’s quarterly conference call yesterday, we got a sense of what has gotten the company this far. With these insights that I’ve shared with you today, we can get a sense of what will take the company even further in the future.

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