Dollarama Inc (TSX:DOL) Stock: Grab Bigger Dividends in 2021

Description

Dollarama (TSX:DOL) has been a superb stock through the COVID-19 period. As of this writing, it was up 18.5% for the year. It fell only 19% during the COVID-19 market crash — less than the average TSX stock. If you put $10,000 in DOL stock at the beginning of the year, you'd be up nearly $2,000 now. Not only that, but you've have positioned yourself well to benefit from the stock's coming dividend increase.

Dollarama hikes its dividend

In its third-quarter report, Dollarama announced that it would be hiking its dividend by 6.8%. Starting next year, the quarterly dividend will be $0.047 per share, or $0.188 annualized. That gives us a yield of 0.35%. That's not the highest yield around, but as we saw this year, Dollarama is thriving. If it continues its COVID-era success in future years, then the dividend could go much higher.

A big success in 2020

Dollarama was a massive success in the COVID-19 era, surviving the pandemic and even thriving in more recent months. In the second quarter, the company took a bit of a hit, because of pandemic pay and other COVID-related costs. But all of those costs were over by mid-August. The reduction of costs paved the way for a massive win in Q3.

In the third quarter, Dollarama knocked it out of the park on almost all relevant metrics. Some highlights included the following:

- 12.3% revenue growth
- 7.1% same store sales growth
- 18% increase in diluted EPS
- 19 new stores opened

All of these metrics were ahead of Wall Street expectations. It was because of these results that the company was able to raise its dividend. Dollarama isn't the kind of company that raises its payout on autopilot every year, but this year was good enough to justify a hike. If you're interested in the higher dividends that are now on offer, you're in luck, because you still have time to grab the stock ahead of the dividend hike.

What's coming next year?

This year, you'll be able to grab Dollarama stock in time for the dividend increase.

The shareholder of record date is January 8, so there's still plenty of time to grab the stock. If you do so, you'll enjoy a higher payout next year.

With that being said, the stock has already priced in the increase. As of this writing, the stock yielded just 0.35% going off *next year's payout*. That's only 0.02% higher than it was before the dividend hike was announced. Perhaps buying Dollarama stock just for next year's dividend hike isn't the best idea. But buying it because of the recent earnings beat may be wise. As Q3 showed, Dollarama can still grow impressively amid a pandemic and after establishing a presence in every Canadian city. Who knows? Maybe the dividend will grow even more from here.

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