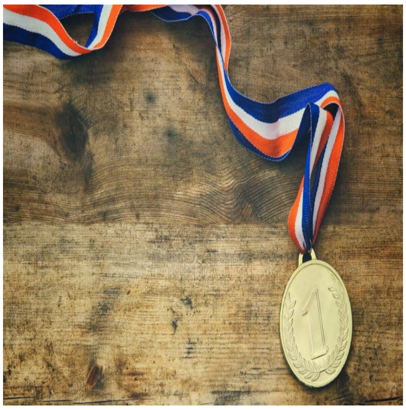

1 Top Canadian Stock to Keep on Your Watch List Today

Description

For investors seeking a long-term defensive play at a reasonable price today, **Dollarama** (TSX:DOL) is an excellent choice. The pandemic has certainly provided a major headwind for brick-and-mortar retail. However, investors will note Dollarama actually performed quite well through the chaos.

With retail stocks seeing a lot of momentum right now, there's a whole new set of reasons to own this stock today. Here are a couple additional reasons why investors should check out Dollarama right now.

Outlook remains strong

Recent results have indicated the roller coaster of 2020 may continue for some time. Indeed, the company's revenue decline in Q4 has led some investors to consider how defensive this stock really is. Foot traffic was drastically down, despite an increase in the average spend per customer. Indeed, lockdowns and pandemic-related restrictions are a key driver of these results.

The company reported a profit decline of $0.57 per share to $0.54 per share in its latest report. This coincided with small 0.2% year-on-year decrease in comparable-store sales. Total transaction volume was also down by 21.4%, almost entirely offset by an increase in sales per customer during this past quarter.

However, there's reason to be optimistic here. The fact that customers are spending more is a good thing. Each sale is becoming more profitable for Dollarama. So, if foot traffic increases post-pandemic, this is a very bullish thing for long-term investors in Dollarama.

Growth on the horizon for Dollarama

Being an "essential" store, Dollarama escaped the pandemic's impact on physical retail. Yes, this hit is expected to continue in the short term, but things look much more promising in the long term.

Despite the challenging last quarter, Dollarama continues on its plan to open 2,000 stores in Canada by the next decade. This announcement comes after a promising outlook for the coming years. In fiscal 2022, sales are expected to increase by 10.2%, while profits are expected to increase by a whopping 26.7%.

This year, the retailer plans to open around 70 new locations across the country, with investments of more than $150 million. While its current dividend yield of 0.4% is nothing to write home about, the company decided to increase its quarterly dividend by 7%. These dividend hikes are broadly positive for long-term investors focused on income growth.

Bottom line

Dollarama is clearly a reopening play. However, it is also a defensive play for investors who are worried about the economic damage done by the pandemic.

If consumers have limited spending power coming out of this pandemic, dollar store sales could recover faster than broader retail. Vaccine rollouts, a renewed growth plan, and a broader growth-to-value rotation in the market suggests that the Dollarama rally may have much more room to run.

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