



Where to Invest Now With the Low-Flying Loonie

Description

In case you haven't noticed, volatility has returned. Along with that [volatility](#) comes a notable drop in the loonie. In case you haven't noticed, our low-flying loonie is now hovering just over US\$0.77.

This represents a four-month low and has many investors wondering where to seek shelter from that volatility. Fortunately, there are still some great options to consider.

The dollar store advantage continues

One such advantage is by investing in **Dollarama** ([TSX:DOL](#)). Dollarama is the largest dollar store operation in Canada, with nearly 1,400 locations scattered across the country. The company has also taken a unique, if not aggressive approach to expansion over the years.

But what makes it a great buy right now? Dollar stores see stellar growth during slower economic times. As cash-strapped consumers seek out cheaper alternatives to their everyday items, they often end up in a dollar store such as Dollarama. That's when Dollarama's unique pricing model comes into play.

Dollarama sells goods at set price points up to \$4. Many of those items are often bundled, adding a sense of value to shoppers. For those value-minded shoppers, the recent bout of inflation provides yet another reason to turn to Dollarama.

Let's not forget our low-flying loonie. Dollarama's goods are almost entirely imported from China, paid for in U.S. dollars. With the loonie falling against the greenback, that means reduced buying power for Dollarama. This is both good and bad for investors.

Reduced buying power essentially comes down to buying less of the same product for the same price. Another option would be for Dollarama to seek out cheaper alternatives to those products, at that new (lower) price. A final option for Dollarama is to introduce a higher price point. This would allow the company to introduce higher-priced items. This last option was what Dollarama did several years ago when the loonie bottomed out below US\$0.70.

How is Dollarama faring in 2021?

Despite the low-flying loonie, increased inflation, and market volatility, Dollarama continues to see stellar results. The most recent quarterly results available include the period ending October 31. This notably doesn't include the expected bump in holiday shopping.

In that quarter, Dollarama saw sales increase to \$1,122.3 million, reflecting a solid 5.5% bump over the prior period. EBITDA came in at \$347 million, registering an 11.2% jump over the prior period. During that period, Dollarama opened 16 net new stores, bringing the total number of stores to 1,397. This represents an additional 64 stores open during the most recent quarter compared with the same period last year.

Final thoughts on the low-flying loonie and a Dollarama investment

All investments, including Dollarama, carry some risk. Fortunately, in the case of Dollarama, the company is set up to thrive during extended periods of volatility and inflation. This factor alone makes the company a good candidate to include as part of any [well-diversified portfolio](#).

CATEGORY

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