Should You Buy Dollarama (TSX:DOL) Post-Earnings?

Description

It's business as usual for **Dollarama** (TSX:DOL). In case you haven't heard, Dollarama announced results for the fourth quarter today. Here's a quick recap of those results and what they mean for prospective and current investors. More importantly, let's try to answer the question of whether you should buy Dollarama now.

Q4 results are in

Results for the fourth quarter were, in a word, stellar. The company reported strong sales of $1,224.9 million, reflecting an 11% increase over the prior year. The primary driver behind that growth was a year-over-year increase of 65 Dollarama stores.

The increased sales numbers translated into impressive earnings of $220 million, or $0.74 per diluted share. This translates into an impressive 32.1% increase per diluted share over the same period last year. Over the course of the full year, Dollarama's earnings saw a 20.4% bump to $2.18 per diluted share.

What does this mean for investors?

Dollarama is the largest dollar store in Canada. The company boasts over 1,400 stores in every province. The products that Dollarama sells are pegged at specific price points up to $4. Many of the lower-priced items are bundled into a single price, which furthers the overall value proposition that Dollarama offers.

That value proposition is a key point that continues to drive customers into stores. By way of example, value-conscious customers are drawn to dollar stores during times when the economy cools. In fact, dollar stores are known to thrive during those slowdowns when other retailers struggle.

Given the fact that there are increasing signs of a slowdown, Dollarama could be an attractive optionfor many investors.

Dollarama also noted that additional price points up to $5 will be introduced throughout the current year. This will allow Dollarama to carry a broader array of higher-quality goods in its stores and provide more bundling opportunities.

Prospective Dollarama investors should take note of one more important factor that few realize. Dollarama is expanding outside Canada into Latin America. Stores within Latin America are branded as DollarCity. DollarCity locations still offer many of the same products at similarly attractive price points.

Specifically, Dollarama has a growing presence in Columbia, Guatemala, El Salvador, and Peru. Across the region, Dollarama had 350 stores as of December 31. By way of comparison, at the end of the prior year, Dollarama's international network comprised just 264 stores.

In the most recent quarter, the company added 38 net new international stores. Net earnings from the region in the most recent quarter amounted to $18.4 million.

The international growth opportunity alone warrants growth-seeking investors to buy Dollarama, but there's still more.

How about something extra?

Retailers, particularly traditional brick-and-mortar retailers, will rarely offer up a dividend. When they do offer a payout, it's typically on the low end. Dollarama adheres to that rule, offering a paltry 0.29% yield.

Fortunately, that rate is rising, if just a bit. The company announced a 10% hike to its dividend during its earnings release. The new dividend will work out to $0.0553 per common share. That hardly makes Dollarama a viable income stock, at least not yet.

The increase does, however, continue a precedent of handsome annual increases by the company to close that gap with other great dividend-paying stocks.

Next steps: Is it too late to buy Dollarama?

Dollarama is a great investment. The company boasts a reliable business that is seeing growth both in the domestic and international markets. In my opinion, Dollarama should be part of every well-diversified portfolio.

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