Dollarama's Earnings Show it's 1 of the Top Canadian Stocks to Buy Today

Description

For months now, as inflation has picked up, **Dollarama** (TSX:DOL) has looked like one of the best Canadian stocks you can buy.

With inflation so significant these days, the majority of Canadian stocks are being negatively impacted. With Dollarama, though, this economic situation can be positive.

Any time consumers see their budgets get squeezed, whether it's through higher inflation or a significant recession, discount retailers like Dollarama, especially retailers selling essential items, see a major uptick in volume.

Consumers are looking for any way possible to reduce their expenses as costs rise rapidly. So, while other companies are likely to see lower sales in the short-term while inflation weighs on consumers' budgets, Dollarama is the type of business that should realize a positive impact from the current environment, and that's precisely what's been happening.

So, after reporting first-quarter earnings for its fiscal 2023 year yesterday, Dollarama showed clearly why it's one of the best Canadian stocks to buy now.

Dollarama reports strong first-quarter earnings

For the first quarter of Dollarama's fiscal 2023, the company reported earnings per share (EPS) of $0.49, which beat the consensus estimate of $0.47 and grew by over 30% from the same quarter last year.

That beat is impressive. However, what really stood out was the fact that Dollarama reported sales growth of 12.4%, with 7.3% of the growth in sales coming from same-store sales growth (SSSG).

So, while Dollarama opened 10 new stores in the quarter, it's also clearly seeing an uptick in volume at its existing stores as more consumers look to buy their essentials at discount retailers.

Another impressive takeaway from Dollarama's earnings and another sign that it's one of the best Canadian stocks to buy was that its gross margin remained strong. The gross margin was down slightly, roughly 16 basis points. However, given the inflationary pressures that Dollarama had to deal with, the gross margin essentially staying flat is impressive.

Despite these strong results, the company maintained its guidance and continues to expect that its fiscal 2023 EPS will fall between $2.49 and $2.70. That forecast also includes Dollarama opening several new stores this year. So, between its new locations opening and its impressive SSSG, Dollarama continues to be one of the best Canadian stocks you can buy.

Dollarama is one of the best Canadian stocks to buy in this environment

In this environment, it's difficult to find growth stocks that have the potential to rally and aren't being negatively impacted by the ongoing financial situation.

Therefore, with the fact that Dollarama is an incredible growth stock firing on all cylinders and offers investors a defensive investment that can gain value in this environment, there's no question it's one of the best stocks to buy.

The company has already received several increases to its average target price from analysts. This is in large part due to upgrades made to estimates for both its earnings this year and next after the company reported these impressive numbers, which shows Dollarama is taking full advantage of the current environment.

Therefore, while the incredible growth stock still trades at an appealing valuation and continues to offer significant upside potential for long-term investors, it's easily one of the best Canadian stocks to buy now.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. danieldacosta
2. kduncombe

Category

1. Investing

Date
2025/08/24
Date Created
2022/06/09
Author
danieldacosta