Dollarama Stock Proves its Vigor in Hot-Blooded Markets

Description

It has been a chaotic week. With a bulkier rate hike, the bruise got bigger, and markets hit 52-week lows this week. The **TSX Composite Index** is now down 15%, and the **S&P 500** has dropped 24% from its respective top. Notably, the broad market indices' fall still seems enjoyable when we compare it to some of the top growth names. Rising rates disproportionately weigh on growth stocks. Thus, some names have fallen more than 70-80% this year.

DOL stock is close to record highs

However, it's interesting to note that some stocks have remained surprisingly strong amid the recent market correction. It is the discount retailer **Dollarama** (TSX:DOL). The stock has soared 15% this year and is only 8% away from its all-time high. Indeed, it's a rare breed!

Dollarama is a $20.5 billion discount retailer that has an extensive footprint across Canada. It offers a broad range of everyday consumer products, general merchandise, and seasonal items at low, fixed price points.

Dollarama's value proposition turns even more lucrative for customers during the inflationary environment. That's why the value retailer is relatively resilient to rising rates. Interestingly, Dollarama recently introduced additional price points up to $5 in 2022 to tackle rapidly rising inflation. The company expects pressure on margins amid rising costs, but the additional price point could alleviate that impact to some extent.

Stable financial growth

For the latest quarter, Dollarama reported 12% revenue growth and 32% net income growth year over year, and not just in the short term, Dollarama has showcased a fantastic financial performance in the long term as well.

For the last decade, its revenues grew by 10% CAGR and net income increased by 13% CAGR. Those are not among the best of the numbers, but for a stable retail company like Dollarama, that's still great. And as a result, DOL stock returned nearly 700% in the last decade, beating TSX stocks by a wide margin.

Its vast geographical presence is a big positive compared to peers. The company operates 1,431 stores across Canada and plans to reach 2,000 stores by 2031. In addition, direct sourcing from low-cost suppliers and longstanding relationships with them play well for its long-term business.

Notably, Canada is still an underpenetrated market in terms of retail stores as compared to the south of the border. Dollarcity — its Latin American retail subsidiary, is also on an expansion spree and plans to open 600 new stores by 2029. So, Dollarama could see solid growth going forward, with a greater number of stores and customer spending growth.

Dollarama is a stock for all kinds of markets!

Dollarama experienced margin volatility in the last few quarters amid rising costs. However, it is still well-positioned for decent financial growth in this inflationary environment.

So, DOL is among the very few stocks that could outperform amid these volatile markets. Its undervalued stock, strong financials and safe-haven appeal will likely drive the stock higher.

CATEGORY

1. Dividend Stocks
2. 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. kduncombe
2. vinitkularni20

Category

1. Dividend Stocks

2. Investing

Date
2025/09/10
Date Created
2022/06/17
Author
vinitkularni20