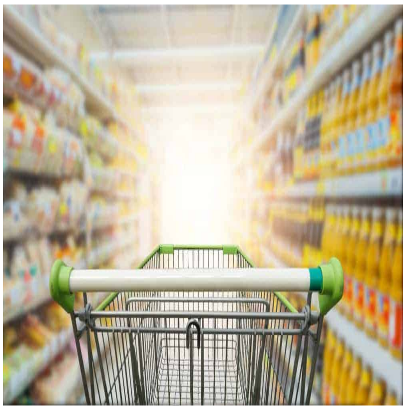

Is Dollarama Stock Valuable on the TSX Today?

Description

Dollarama (TSX:DOL) has long been known as an inflation-fighting company. And that doesn't just come from Dollarama stock and its performance. The company is usually the last to boost prices, managing to retain customer loyalty even as inflation rises higher.

This strategy has caused Dollarama stock to rise higher as well. Shares of the company are up 22.6% on the **TSX** today. Yet it now trades at 33.8 times earnings. So let's take a good look at Dollarama stock, and see if it's worth your investment.

The bull case

If you're planning on being a short-term investor of two to three years, Dollarama stock could be a great purchase. The retail company has done a stellar job of overhauling its products over the last few years, specifically during the pandemic. It now has a range of prices, from the cheap dollar products it had before, to the more "pricey" items that include major brand names.

These pricier items have led to a significant increase in revenue. The company's revenue rose even during the pandemic, thanks to being deemed an essential service. In fact, the company has beat estimates quarter after quarter, recently reporting earnings per share of $0.49.

What's more, while Dollarama stock trades near its target price, it still has a bit further to go. And remember, that's a consensus target price of $79. Some analysts believe the inflation-fighting stock could rise even higher on the TSX today.

The bear case

The problem is that Dollarama stock has a lot of new things going on. It's possible that once the dust settles and inflation normalizes, Canadians may take their cash elsewhere and seek out other growth stocks. And honestly, when the end of a market correction or recession happens, pretty much anything could be a growth stock.

Then there are the sales themselves. A poll conducted by investment banking company Stifel, found that Canadians expect to increase their spending at dollar stores due to inflation. This could prove very promising for the stock over the next year, one analyst stated. However, once inflation eases, there could be a sudden reduction in spending at these value stores.

The question is whether or not Dollarama will be able to retain customers. And a fall could occur shortly, given the stock's rise that's been particularly high during 2022. We saw this before the March 2020 crash, with shares hitting the $50 range before falling completely. Still, with news of inflation, the company went on a tear. Only time will tell if this trend continues.

Consider the history

When analyzing a company's value on the TSX today, I like to look at historical data. Dollarama has been around for over a decade. In the last 10 years, shares have risen by 660% as of this writing. That equates to a compound annual growth rate (CAGR) of 22.45%. This is significant, sure, but there have been quite a few dips along the way. After climbing for almost a year, when the economy starts to recover, we could be in for another dip. So, remain cautious when considering the strong performance of Dollarama stock in the next year to come.

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. agraff
2. alegatewolfe

Category

1. Investing

Date
2025/09/10
Date Created
2022/07/29
Author
alegatewolfe