



Is Dollarama Stock a Buy Before its Q2 Earnings Event This Week?

Description

The Canadian value [retail](#) company **Dollarama** ([TSX:DOL](#)) is set to announce the results for the third quarter (Q3) of its fiscal year 2023 (ended in July) on Friday, September 9. Its stock continues to outperform the broader market this year, as the sales of its affordable products remain unaffected by the ongoing macroeconomic uncertainties.

DOL stock currently trades with 26.8% year-to-date gains at \$80.29 per share against a 9.2% drop in the **TSX Composite** benchmark. Before discussing whether Dollarama stock is worth buying before its Q3 earnings event, let's take a closer look at its recent financial growth trends and analysts' expectations from its upcoming quarterly results.

Dollarama's recent financial growth trends

If you don't know it already, Dollarama is a Mont Royal-headquartered discount store operator with a [market cap](#) of about \$23.1 billion. The company continues to expand the network of its retail stores. Currently, it has 1,431 locations across Canada, and it has also expanded the range of products available on its online store in recent years. Dollarama mainly sells its merchandise at fixed price points up to \$5, making its offerings more attractive for consumers in a high inflationary environment.

In its fiscal year 2022 (ended in January), Dollarama registered a 7.6% YoY (year-over-year) positive growth in its total revenue to \$4.3 billion. While its comparable store sales rose marginally by 1.7% YoY, the addition of 65 net new stores during the last fiscal year helped the company boost its overall sales. As a result, the discount retailer's adjusted earnings in the fiscal year 2022 rose by 21.1% to around \$2.18 per share.

Its top- and bottom-line growth trends [accelerated](#) further in the April quarter, as Dollarama's revenue rose by 12.4% YoY, while its adjusted earnings YoY growth rate touched 32.4%. A double-digit increase in consumer traffic amid easing pandemic-related restrictions and strong demand for its everyday consumable and seasonal goods were the two key factors driving its financial growth in the April quarter.

Estimates for Dollarama's Q2 earnings

Street analysts expect the ongoing strong growth trend in Dollarama's financials to remain intact in the July quarter. In the second quarter, the Canadian value retailer is expected to report a 15.3% YoY increase in its sales to \$1.2 billion. Similarly, its adjusted earnings for the quarter are estimated to be around \$0.64 per share, reflecting a solid 33.1% YoY increase.

Is DOL stock worth buying now?

In 2022 so far, several macroeconomic factors, including high inflation and rising interest rates, have raised fears about a near-term recession. However, these factors might not hurt the demand for Dollarama's affordable essential goods, as I've noted above. This is one of the key reasons why I expect the company to continue reporting solid financial growth in the coming quarters, which should help DOL stock soar further in the coming months.

If you're looking for a reliable stock that could continue to yield stable returns on your investment in the long run, irrespective of market cycles, Dollarama stock could be one of the best stocks to buy right now.

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