2 Top TSX Consumer Stocks to Buy in October

Description

The record-high inflation, rising interest rates, and supply-chain issues have taken a toll on most sectors. While shares of consumer companies aren't immune to these headwinds, they have experienced relatively stable performance in 2022, thanks to their defensive business model.

Thus, adding these low-volatility stocks to your portfolio would bring stability and reduce the overall risk amid ongoing macro headwinds and uncertainty. Against this backdrop, here are two top TSX consumer stocks that have fared better than the broader markets in 2022 and will likely beat the benchmark index in the foreseeable future.

Dollarama

Dollarama (TSX:DOL) has performed exceptionally well in 2022 and outperformed the benchmark index by a wide margin. For instance, Dollarama stock has gained over 29% this year compared to an approximate decline of 11% in the S&P/TSX Composite Index.

The key to Dollarama's success is its broad assortment of consumable products, compelling value, and store growth. Its large store base spread across all the 10 provinces provides it a competitive advantage over its peers.

Given its value offerings and solid store base, Dollarama's revenue and earnings have grown at a CAGR (compound annual growth rate) of 11% and 17%, respectively, since 2011. Further, in the first quarter (Q1) of fiscal year 2023, Dollarama reported sales growth of 12.4%. Meanwhile, its earnings per share (EPS) jumped by 32.4%. Also, Dollarama's EBIT (earnings before interest and taxes) margins remain high and steady, despite the macro disruptions.

Thanks to the steady earnings growth, Dollarama has consistently raised its dividend for over a decade and expects to increase it in the coming years.

Looking ahead, Dollarama is well positioned to deliver strong financials on the back of an increase in its store base. Dollarama plans to expand its store base to 2,000 by 2031. Further, its expanded offerings and value pricing will help it to win customers and drive its stock price higher.

Alimentation Couche-Tard

Shares of **Alimentation Couche-Tard** (TSX:ATD) are a must-have in your portfolio for stability, income, and consistent growth. Its stock is relatively less volatile irrespective of the wild market swings due to the recession-resilient business. Its solid store presence in Canada and growing foothold in the U.S. continue to support its sales and earnings.

Besides its significant scale, the ability to acquire and integrate fast-growing businesses accelerates its growth and supports its stock price. Alimentation Couche-Tard stock is up about 8% in 2022 and outperformed the benchmark index.

The company has been growing its revenue and EPS at a breakneck pace. Its top line has a CAGR of 11% since 2012. Meanwhile, its adjusted EPS grew at a CAGR of 20% during the same period. Thanks to its solid earnings base, Couche-Tard's dividend has a CAGR of 24.7% in the last 10 years.

Looking ahead, Couche-Tard's value offerings and cost efficiencies will support its organic sales and margins. Further, strength in the U.S. business, geographic expansion, and accretive acquisitions will support its growth. Couche-Tard's low-cost debt and solid balance sheet show that it has substantial investment capacity, which will drive long-term growth.

CATEGORY

1. Investing

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1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:DOL (Dollarama Inc.)

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