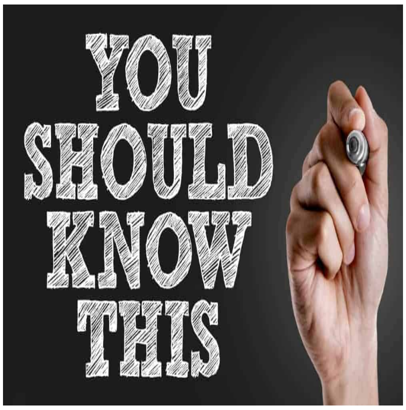

5 Things to Know About Dollarama Stock

Description

Throughout 2022, many Canadian stocks have fallen in price, with some losing more than 75% of their value. This isn't necessarily surprising, given the current economic environment. However, what could be surprising is that a stock like **Dollarama** (TSX:DOL), which has long traded with a major growth premium, hasn't lost any value this year. In fact, it's gained roughly 30% so far year to date.

Dollarama has been an impressive company for years. It offers Canadian consumers something that everyone is looking for: essential items at discounted prices. Therefore, it shouldn't be surprising that both its business and stock have seen a massive boost from a high-inflation environment.

Dollarama is one of the best stocks you can buy, especially if you plan to hold it for the long haul. If you're thinking of adding Dollarama to your portfolio, here are five things to know about the stock.

Dollarama stock has been growing its business for years

Dollarama has a long track record of growing its business through impressive execution — a major reason why it's one of the best long-term growth stocks you can buy.

Through the expansion of its store count and strong merchandising, it's consistently grown and scaled its business to increase its margins and ultimately drive growth in the value of the stock for investors.

Back in 2007, the company had already expanded to 500 stores nationwide. However, it's continued its strong expansion and now has more than 1,400 stores across the country with a goal of reaching 1,700 by 2027.

The stock is one of the few businesses in Canada that can benefit from inflation

One of the reasons that Dollarama has been so popular is that consumers can find essential goods that they need to buy at prices cheaper than Dollarama's big-box competitors. And when you can minimize your expenses on these essential items, it naturally allows your discretionary income to grow.

Therefore, it’s no surprise that Dollarama’s products are always popular. However, they become even more popular in periods of economic turmoil, where consumers are seeing an impact on their income, whether that be high inflation or a recession.

This is crucial, because while Dollarama is still a high-quality growth stock, it can be a defensive investment as well.

Because it’s such a high-quality stock, Dollarama is often priced at a premium

Dollarama is one of the best-performing stocks over the last decade and continues to have excellent potential over the long haul. If you’re waiting to buy Dollarama undervalued and at a discount, you may never get the chance to pull the trigger.

The highest-quality stocks almost never go on sale and consistently trade at major premiums. For example, over the last decade, Dollarama has traded at an average forward price-to-earnings ratio of 24.7 times. However, that doesn’t mean you can’t earn significant returns owning the stock.

Dollarama has increased in value in nine out of the last 10 years

While Dollarama trades with a premium most of the time, due to its incredible execution, it’s constantly gaining value. Therefore, it’s a stock that’s still worth an investment, especially if you plan to hold it for the long haul.

In fact, over the last decade, the stock has finished the year with a positive performance every single year except for 2018. In addition, it’s also outperformed the TSX in nine of the last 10 years and most years by a significant factor.

Dollarama stock has earned investors a total return of upwards of 725% over the last decade

Dollarama doesn’t just grow in value most years. Over the long haul, it can contribute some truly impressive growth to your portfolio.

Over the last decade, the stock has managed to earn investors a total return of 727%, compared to just 56% from the TSX. That 727% is a massive gain, especially in such a short period of time. In fact, it amounts to a compound annual growth rate (CAGR) of 23.5% compared to a CAGR from the TSX of just 4.6%.

Therefore, buying high-quality growth stocks like Dollarama, which have years of potential, can be some of the best investments you make, even if they do trade with a significant growth premium much of the time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

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

PP NOTIFY USER

1. danieldacosta
2. kduncombe

Category

1. Investing

Date
2025/07/19
Date Created
2022/10/25
Author
danieldacosta