1 Growth Stock to Buy and Hold in a Market Downturn

Description

Growth stock **Dollarama** (TSX:DOL) has had a banger year in 2022. While almost every other company out there has sunk lower and lower, Dollarama stock is the one growth stock that doesn't seem to be able to quit.

Yet even with shares up 30% year to date, I'd still buy Dollarama stock. Here's why.

Recession protection

Dollarama stock is a great growth stock to have if there is going to be a recession. This company has done well in the past because of its low prices. Furthermore, it's one of the last companies to boost prices with inflation.

Because of this, there is a customer loyalty that is pretty much unparalleled. The company will likely continue to see revenue come in and indeed climb no matter what the market brings.

In fact, the only significant downturn this growth stock had in recent years was the pandemic. And that was because *everything* closed. Yet shares jumped right back up, as Dollarama stock became an essential service. It saw its revenue climb right back, too.

Consistent growth

Dollarama stock has also been a growth stock that has seen consistent growth other than with its share price. During the company's second-quarter earnings report, Dollarama stock had quite a few reasons to celebrate.

Sales rose by 18.2% year over year during the quarter, with 25.8% growth in earnings before interest, taxes, depreciation, and amortization. Sales came in at $1.2 billion for the quarter, and operating income rose 30.3% to $287.4 million. It managed to open 13 new stores and bought back about 3.7 million shares for cancellation at $274.9 million.

> "Our strong performance in the first half of Fiscal 2023 reflects a sustained consumer response to our unique value proposition, especially for everyday essentials, as Canadians from all walks of life adapt to a high-inflation environment. As a result, we are increasing our assumption for annual comparable store sales growth to between 6.5% and 7.5%."
> *Neil Rossy, president and chief executive officer*

More growth to come

As inflation continues to remain high, and interest rates continue to rise, it's clear that Canadians will continue to use Dollarama stock in multiple ways. They'll flock to the locations across Canada to find brand names for a great deal. Meanwhile, they'll then buy up shares as one of the only well-performing growth stocks out there!

Granted, the stock is certainly not a deal right now. It trades at about 32 times earnings as of writing and is overvalued by price estimates. That being said, this could still be a great stock to buy for the recession if you want to make some cash back. Then when it reaches all-time highs, and it looks like the stock may rebound, you *could* sell it and use the cash to invest in other stronger, long-term holds.

Foolish takeaway

But also, let me be clear: economists have long stated that time in the market is far better than timing the market. Right now, Dollarama stock is high, and it could indeed come down after the market rebounds. Even still, in the long term, it should remain a strong hold.

In fact, over the last decade, shares are up 715% as of writing! And again, beyond the pandemic, that rise has been quite stable. So, even if there is a dip in the near future, in the long term, you'll want this growth stock in your pocket.

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alegatewolfe