Down 3.35%: Is Dollarama Stock a Buy?

Description

The last year was incredibly volatile for the stock market. As of this writing, the **S&P/TSX Composite Index** is down by 5.3% from the same point 12 months ago.

Despite being a typical "boring" stock on the face of it, **Dollarama Inc.** (TSX:DOL) has outperformed the Canadian benchmark index by a massive margin. As of this writing, Dollarama stock trades for $83 per share, up by 31% over last year and down by just 3.35% from its all-time high.

The inflationary environment and rising interest rates became a problem for retailers across the board throughout the country. Dollarama stock, on the other hand, maintained a steady course toward growth and delivered market-beating returns to its shareholders.

The retail industry is typically a slow-growing one, yet Dollarama stock has consistently grown shareholder value by substantial margins. Today, I will help you determine whether the discount retailer can be a good addition to your portfolio right now.

How did Dollarama outperform the market?

While fears of a stock market crash keep looming over the heads of Canadian stock market investors, Dollarama stock is hovering close to its all-time highs. The stock outperformed the entire stock market in the last 12 months and returned over 735% in the last 10 years.

Over the same time, the S&P/TSX Composite Index registered almost 62% growth, highlighting the high margin of Dollarama stock's market-beating performance.

Unlike most retailers, Dollarama can thrive in all market environments. Whether the economy is doing well or in a state of disrepair, the discount retailer can continue generating substantial cash flows due to its competitive edge.

Between rising inflation and interest rate hikes last year, most businesses were weighed down by the pressure. Dollarama stock enjoyed stable financial growth due to its business model.

Dollarama’s edge and future plans

Dollarama gets more business during inflationary environments because it offers discounted products. When times are tough, people tend to cut down on costs wherever they can. By offering essentials at lower rates, Dollarama gets more business than its competitors in such conditions.

Besides offering discounted goods, Dollarama benefits from a bigger presence than its peers. Dollarama owns and operates over 1,400 stores nationwide. The company also sources products directly from manufacturers on an order-by-order basis. Since it deals directly with vendors, Dollarama is responsible for its own packaging designs, giving it more bargaining power.

Dollarama already enjoys a more significant presence in Canada than its peers. By 2031, it plans to add around 600 more locations to operate 2,000 stores throughout the country.

Apart from its strong presence in the domestic market, Dollarama owns a controlling stake in DollarCity, a Latin American retailer operating 350 stores across Peru, Columbia, El Salvador, and Guatemala. Its presence in these emerging economies can become a major growth driver for the company in the coming years.

Foolish takeaway

From its ability to benefit from inflationary environments to its leading presence in the domestic market and growing presence in largely unpenetrated markets, DOL stock can be a reliable, long-term bet for Canadian investors to consider. While it trades near its all-time highs, Dollarama stock may still be a steal at current levels due to its immense growth potential.

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