Dollarama (TSX:DOL) Stock Is a Buy at This Price

Description

At one point this year, we had seen the Canadian market drop by a staggering 35%. Not only that, but the entire drop happened in just over one month. Since that low in March, we have seen the **S&P/TSX Composite Index** rebound by an impressive 27%.

The market is still down by more than 15% this year, but there seems to be much more optimism in the market than one month ago.

Whether we have reached the market bottom of this market crash is anybody's guess. We may have witnessed an impressive rally over the past four weeks, but the economy has been significantly disrupted by the spreading of COVID-19.

As the economy adjusts to the effects of the pandemic, investors are now left trying to decide what companies they should be buying. Defensive stocks such as **Dollarama** (TSX:DOL) can act as an excellent choice ahead of a potential recession.

An investment in Dollarama stock can provide investors with stability during a volatile market. The defensive stock can help balance out the higher-growth companies an investor may already own.

In addition to stability, an investment in Dollarama can provide shareholders with growth.

Let's take a deeper look at why investors should be buying Dollarama stock today.

About Dollarama stock

The $13 billion market cap company currently operates more than 1,000 stores across the country. Headquartered in Montreal, the company has a presence in every province in Canada.

During a time where many businesses have been forced to close temporarily, Dollarama, for the most part, has remained open. The company has been deemed essential by the Ontario and Quebec governments, as the store provides day-to-day essential products to consumers.

If the Canadian economy does enter an official recession, Dollarama will be in a stronger position than most companies. Not only does Dollarama provide essential day-to-day products, but they are also very inexpensive.

We may not even be headed for a recession, but there is a strong chance that the volatility in the market is not over yet. During this time, Dollarama can expect to see earnings remain stable, as consumers will still need to purchase essential products.

Growth potential

Dollarama stock can provide growth to investors as well.

Management recently reported the 2020 fiscal year fourth-quarter results. Highlights from the call included strong comparable store growth. Year-over-year store growth was 4.3%, while quarter-over-quarter store growth was reported at 2%.

Not only are stores increasing revenue, but the company is also opening new stores. There were 60 new Dollarama stores opened last year, roughly the same number opened two years ago.

Management also spoke about the growth from the Latin American store Dollarcity. Dollarama currently has a 50.1% stake in the value retailer. Of the 228 locations spread across Latin America, 190 Dollarcity stores are currently open and operational.

Foolish takeaway

In a time of uncertainty, Dollarama stock can provide investors not only with stability but growth as well. Even if we enter a recession, the company will remain in a strong position, as the value retailer sells essential products at a discount.

As investors are adjusting their portfolio to adapt to these uncertain market conditions, Dollarama stock is an excellent buy today. Stability, growth, and emerging market exposure are three characteristics you'll receive from this one Canadian company.

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