

Dollarama (TSE: DOL) Investment Thesis

Market Overview:

Dollarama operates in the discount retail sector. Overall, the Canadian retail sector has increased by 1.3% from 2023 to 2024. Although this growth was led by gains in supermarkets and other grocery retailers (Statistique Canada), Canadian discount stores have also seen a CAGR of 4.6% from 2019 to 2024 (IBIS World). However, growing uncertainty due to US tariffs have caused overall Canadian retail sales to shrink by 0.6% in January 2025, which has pushed more Canadians towards lower-priced, value items (Reuters). As a result, this rise in demand for affordable goods has positioned the discount retail industry for strong future growth.

Thesis:

Dollarama (TSE: DOL) is a moderate buy based on its resilient financial performance, expansion strategy, and strong unit-level profitability. These drivers will support future growth, even during times of macroeconomic uncertainty.

Rationale:

Financial Performance: This past year, Dollarama has seen 7% revenue growth, which outpaces the retail sector's average revenue growth of 6.4% (CSI Market).

Expansion Strategy: Dollarama currently has over 1,600 stores across Canada. It recently raised its store target to 2,200 by 2034 (from 2,000 stores by 2031), which reflects management's confidence in the company's continued demand and scalability. Dollarama also holds a 60% equity interest in Dollarcity, which has a strong presence in Latin America. 2025 Q1 YoY sales increased from \$1.3bn to \$1.4bn. Dollarcity's planned strategic expansion into Mexico in 2026 also provides an opportunity for the company to capture the biggest market between Latin America and Canada.

Attractive Unit Economics: Each new store requires a \$920,000 investment and generates \$3.2m in annual sales within 2 years, which provides a strong return profile. Dollarama has generated rapid growth in the past years without significant expenditures on marketing or promotions. Management believes this is because of their ability to select stores in high traffic locations.

Investment Strategy:

I target Dollarama as a moderate hold. Entry is justified at the current price based on the company's growth and expansion strategy. In addition, the current macroeconomic uncertainty favors discount retailers as opposed to traditional retailers. Dollarama's current implied price per share based on a discounted cash flow analysis is \$182.55, a 47% premium to the current market value of \$123.65 per share.

Risk Factors:

Cyclicality of Industry: Although Dollarama is a discount retailer, they have found sales to be resilient even during times of economic growth. Consumers continue to look for convenience and value in everyday goods, regardless of macroeconomic conditions.

Supply Chain Disruption: Geopolitical tensions such as a trade war with the United States may increase shipping and input costs. However, Dollarama's diversified sourcing and ongoing labor productivity initiatives can offset the impact of higher operating costs. For products that are imported from the US, Dollarama has also stated that they plan on finding alternatives from other countries.

Works Cited

Statistique Canada - [The Daily — Retail trade, December 2024](#)

Reuters - [Retailer Loblaw beats quarterly estimates, sees consumers opting for Canadian products | Reuters](#)

CSI Market - [Retail Sector revenue, income and capex growth, reported quarterly and annually, high, low and average trends from 1 Q 2025 to 1 Q 2024 - CSIMarket](#)

IBIS World - [Dollar & Variety Stores in Canada in Canada | IBISWorld](#)