DSR PREMIUM NEWSLETTER

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This is your site and your exclusive newsletter. Please, feel free to share any ideas, opinions, comments, or suggestions with us via email at dividendustries@gmail.com.

MAY 24TH, 2024

Dear DSR member,

It is with great pleasure that we present our weekly premium newsletter which is an important component of your subscription to Dividend Stocks Rock.

You may benefit from viewing our video explaining the differences between the Buy List, our ratings, and our portfolio models. You can retrieve this information in the Videos section of the website.

Referral

Feel free to share our ideas with your friends or associates who may benefit from this information. We would personally consider any referrals you make on our behalf to be the ultimate compliment for our efforts.

HOW TO COMPARE STOCKS?

“I don’t know which one to choose, I love them all!”

~ Don Juan (okay, maybe it’s not a real quote!)

When we study a promising industry, we often tend to see all the companies through rose-colored glasses. Remember, everybody looks great on their Prom night. Today’s newsletter is all about making the right decisions without getting stuck in the classic paralysis by analysis syndrome.

The canvas I’ll describe can be used to compare two or more companies in the same industry. This methodology can be used during your buying process and during your selling process as well.

I’ll be using a DSR PRO feature called the stock comparison tool as it helps members doing such analyses do it quicker and with a more comprehensive approach. You can follow the canvas and “do it by hand” if you are not a PRO member.

In an ideal world, we should build our portfolio like a championship-winning team. Each player has their role to play as it is a team effort. If you have too much offense, there will be a price to pay when it comes to defense. While we say that defense wins championships, we often forget that we can’t win if we can’t score.

You are often better positioned to select your 1 or 2 favorite stocks for each industry and then spread your money across various sub-sectors to maximize diversification. The problem is that most stocks in a thriving industry will look good while pretty much all companies will look like they are struggling if you are looking at an industry dealing with severe challenges.

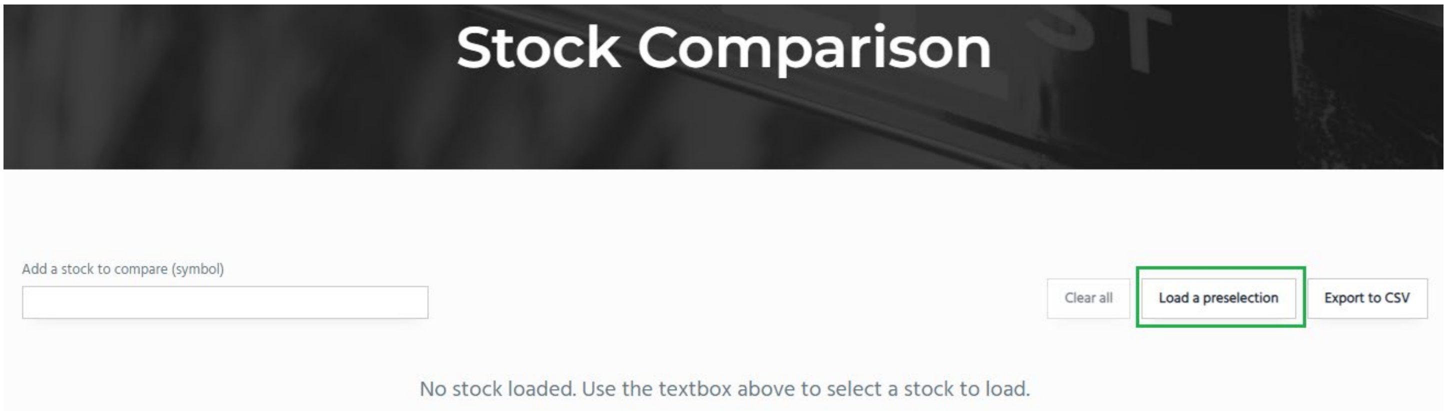
This is why not all technology stocks are great buys for the next 10 years and not all energy stocks are garbage either. How can you reinforce your decision-making process when it’s time to pick a winner or let go of a loser? **You can do it with a robust and clear canvas.** The following six-step methodology should help you cut through the noise and aid you in making the right decisions for your portfolio:

#1 Business model explained so that a 12yr old can understand it.
#2 The dividend triangle analysis
#3 Identify growth factors
#4 Understand potential risks
#5 Compare dividend safety and expected dividend growth
#6 Conclude with a valuation analysis of both DDM and PE ratio.

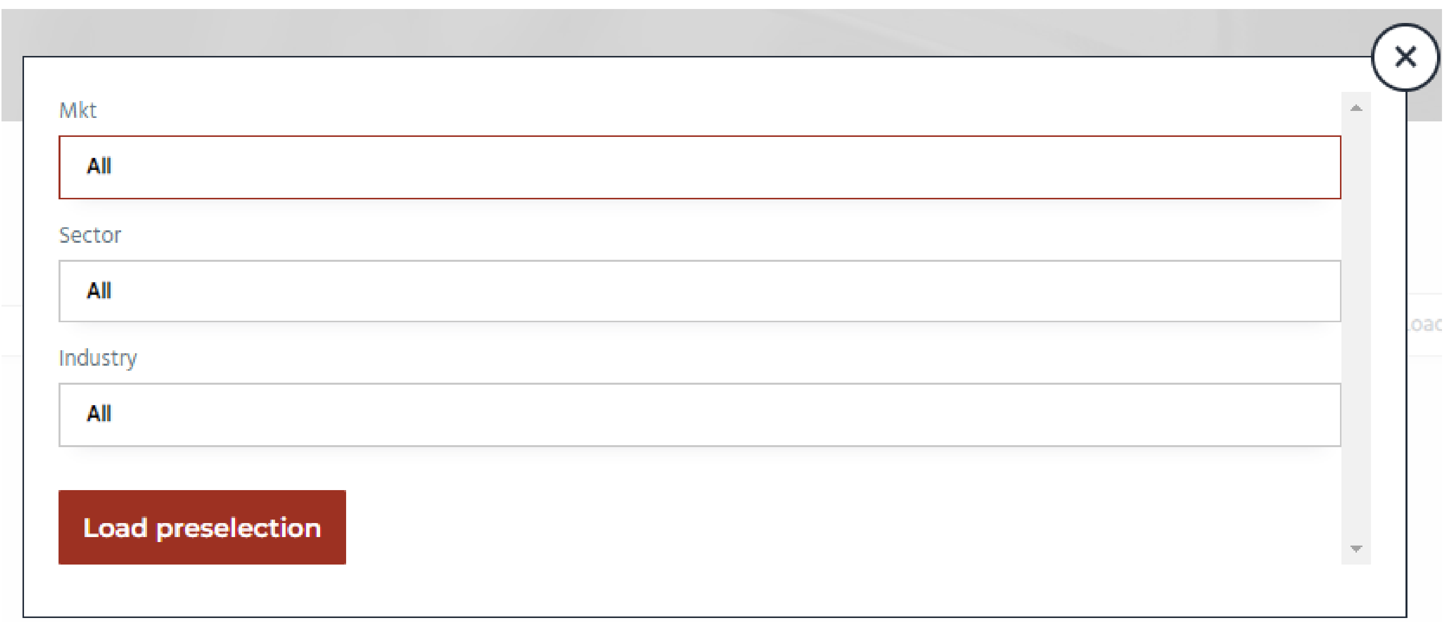
As any model explanation works better with a real-life example, I’ll be using the comparison tool to find an interesting play in the “discount store” industry. You can also watch a complement of information with this YouTube video recorded in December 2023. The numbers always change but the thought process doesn’t.

SUPERCHARGED STOCK COMPARISON TOOL

When you click on the stock comparison tool tab in DSR, you could be left with a feeling of emptiness:



It's clean, but there isn't much to see right? The magic begins when you click on "load a preselection".



As I mentioned in the introduction, when you wish to "make a play" on a specific industry that you believe will surge, the search for the right stock could quickly become overwhelming. Thousands of companies to be narrowed down in which sector? Which industry? Looking for which metrics?

The stock comparison tool enables you to narrow down your choices rapidly between two markets (CA and US), 11 sectors and hundreds of industries.

Therefore, if you are looking for the best company amongst discount stores, you can quickly narrow down your search to 5 companies!

Mkt

All

Sector

All

Industry

Discount Stores

Load preselection

5 stocks

	DG Dollar General Corp	DOL.TO Dollarama Inc	TGT Target Corp	COST Costco Wholesale Corp
Overview	Overview	Overview	Overview	Overview
Company Name	Dollar General Corp	Dollarama Inc	Target Corp	Costco Wholesale Corp
Symbol	DG	DOL.TO	TGT	COST
Sector	Consumer Staples	Consumer Discretionary	Consumer Staples	Consumer Staples
Industry	Discount Stores	Discount Stores	Discount Stores	Discount Stores
Beta	0.47	0.54	1.20	0.78
PRO Rating	4	4	3	4
Dividend Safety Score	4	4	4	4
More info	View stock card	View stock card	View stock card	View stock card

The stock comparison displays 4 companies at a time, but you can drag your screen from left to right to see other companies' metrics from your search. For the sake of this newsletter, we will keep 4 stocks as screenshots will be easier to follow:

1. Dollarama (DOL.TO)
2. Target (TGT)
3. Costco (COST)
4. Walmart (WMT)

Are you ready? Let's get started!

#1 BUSINESS MODEL EXPLAINED TO A 12YR OLD

"Know what you own and know why you own it"

~ Peter Lynch

The concept of explaining a company's business model to a 12yr old was originally explained in our DSR Recession-proof portfolio workbook. If you can't explain the business model in comparatively simple words, then you may not really understand what the company is doing to make money.

Before you dive into metrics, it is imperative that you understand each company's business model. At this point, you should already fully understand how this company makes money. We will then skip the overall business model to focus on what makes each company unique.

It's time to focus on the differences and the similarities between each company. It will teach you how each company may evolve and it will ultimately be the foundation of your analysis. You can read the company's stock card to help you understand the business model. The two sections that will help you do that are titled "Business Model" and "Investment Thesis".

PSST! Another great place to learn more about a company's business model is to search for the company's investor website (and look for investors' presentation or the company's overview).

Since the goal is to compare companies in the same industry, you should try to identify the key differentiating elements in each company's business model. Those elements could be many things:

- ✓ Size and geographic exposure
- ✓ Type of products/services offered
- ✓ Type of targeted customers
- ✓ Business segments
- ✓ Or, other elements you consider to be relevant for the industry

You can use a simple piece of paper split as follows to do your homework:

	Business model
DOL.TO	• DOL is a discount retailer focused on low-priced items (under $5) • DOL offers a wide variety of products with a focus on their home brands. • DOL is based in Canada but also has operations in Latin America through Dollarcity.
TGT	• TGT is a general merchandise retailer selling products to its customers through its stores and digital channels. • TGT offers a wide variety of products across its ~2,000 stores in the U.S. • TGT doesn't focus only on very low-cost items.
COST	• COST operates membership warehouses and e-commerce websites. • COST operates 861 warehouses with 85% exposure to North America. • COST focuses on customers who can afford deals by buying in bulk. • COST offers a wide variety of products with no focus on price.
WMT	• WMT is a technology-powered omnichannel retailer. • WMT's operation is more diversified: retail and wholesale stores and clubs, as well as e-commerce websites and mobile applications. • WMT is present across the world.

As you can see, while we look at 5 companies offering discounts, we can already classify them in three categories:

Dollar stores: DOL focuses on offering low-cost items. DOL is based in Canada with an opportunity in Latin America.

General retailer: TGT and WMT offer a wider variety of products and prices. They both have an e-commerce platform and use their physical stores as "distributor warehouses". TGT is focused on the U.S. while WMT has a world-wide presence. WMT is also more diversified as it has a business segment in the third category…

Membership warehouse retailer: COST asks customers to pay a yearly membership fee to access its warehouse-style stores. The focus is a limited number of different products that you buy in bulk to get a deal. It has a limited presence online and internationally (both underdeveloped compared to WMT). WMT operates "Sam's Club" with a similar concept.

At this stage, you could already eliminate stocks based on their business model. Are you looking for dollar stores or warehouses? Home-based or international exposure? Quality or quantity?

#2 DIVIDEND TRIANGLE

You probably saw it coming but using the dividend triangle to compare two stocks must come early in your comparison analysis. The dividend triangle will not only offer you a great overview on each company's metrics, but the trend for each metric (revenue, EPS, and dividends) will also direct your focus. Since companies operate in a similar environment, their growth metrics could also be similar. If that is not the case, you will then inevitably have to dig a little further. You can have a quick glimpse using the stock comparison tool:

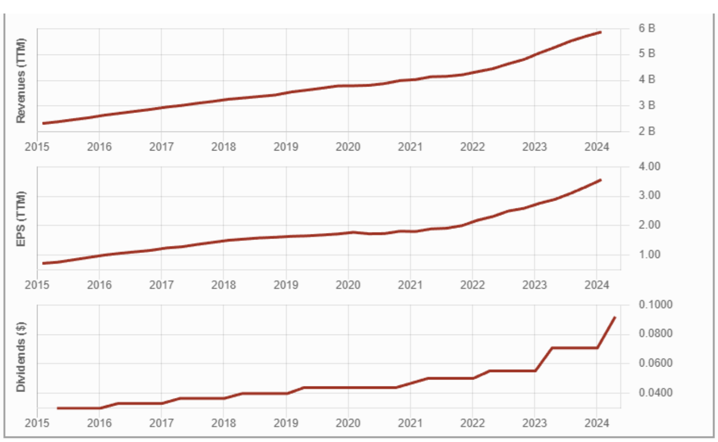
5 stocks

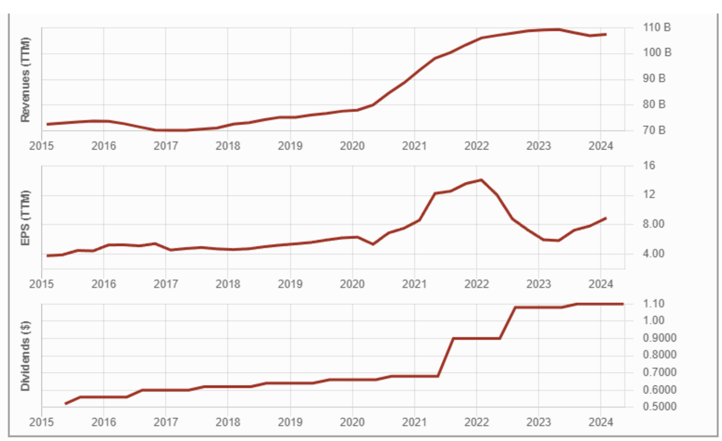
	DOLTO Dollarama Inc	TGT Target Corp	COST Costco Wholesale Corp	WMT Walmart Inc
Overview	Overview	Overview	Overview	Overview
Dividend Triangle	Dividend Triangle	Dividend Triangle	Dividend Triangle	Dividend Triangle
5-Yr Rev. Growth	10.58 %	7.35 %	11.34 %	4.73 %
5-Yr EPS Growth	16.48 %	10.16 %	14.84 %	20.45 %
5-Yr Div Growth	12.10 %	11.59 %	12.40 %	1.85 %

From the metrics only, we can see that TGT and WMT fail to show double-digit growth across all metrics as opposed to DOL and COST. While TGT's metrics look okay, WMT's dividend growth rate (1.85% 5yr CAGR) looks incredibly weak compared to the others. At this stage, I would already be tempted to discard WMT since I focus on strong dividend growers, but this analysis depends on what **YOUR** focus is.

Remember that the dividend triangle is only the first look at financial metrics. It would be overly simplistic to think that a package of three metrics would cover an entire business analysis. The next step is obviously to look at each dividend triangle to determine their trends.

In the next pages, I'll copy/paste the dividend triangles from the stock card. We'll look at DOL and TGT and then we will look at COST and WMT.

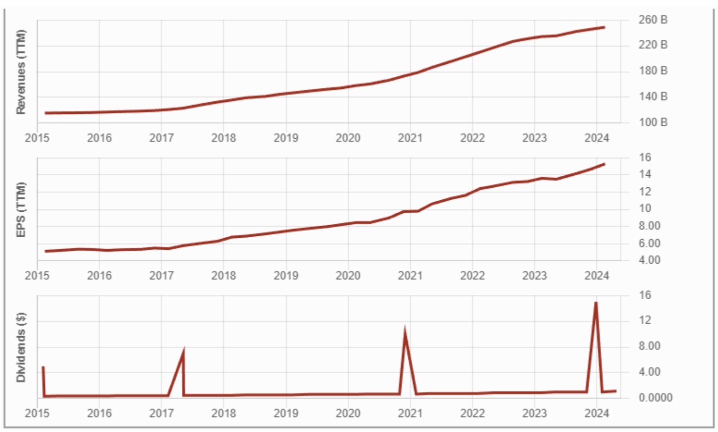


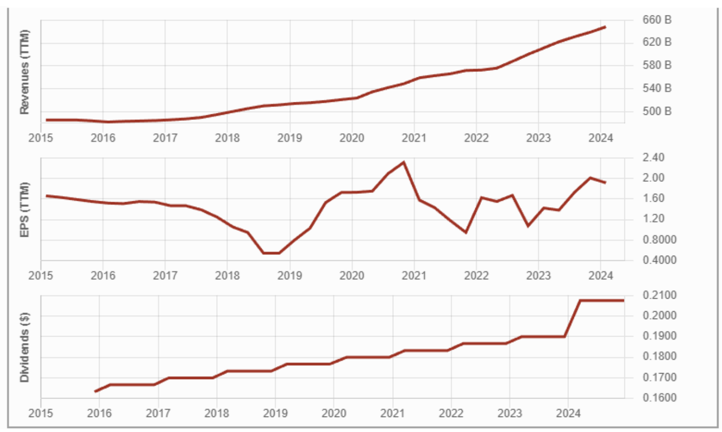


On the left, DOL shows a nearly perfect dividend triangle where all metrics follow the same trend. It tells us that the company is operating the same playbook year over year and generates consistent results. As revenue and EPS grow in a similar manner, it also tells us that the company is able to maintain its margins over time.

When we look at the right graph, TGT's dividend triangle isn't that strong. Revenue and EPS surged following the pandemic but we see that revenue is reaching a plateau while TGT has a hard time maintaining the same margin (that could be explained by selling inventory at a cheaper price for example). The second point illustrates why I prefer looking at trends rather than actual numbers. Note how the dividend jumped following the "COVID Hype" and resumed at a lower rate afterward. In other words, TGT shows a 5yr CAGR of 11.59%, but really you can expect a low single-digit increase going forward (more on that later).

Now, let's take a look at COST (left) and WMT (right):





The COST dividend triangle is "perfect" as all metrics go up in sync. The dividend trend is less obvious due to the generous special dividends. Once again, we see a company able to maintain its margins and grow its sales consistently. As for WMT, it shows a dividend triangle that is quite similar to TGT as revenue increases constantly, but it's more difficult for EPS to keep up with the revenue trends. On the other side, the latest dividend increase is way more generous than its previous trend.

From a pure metric perspective, DOL and COST are currently seen as big winners. They show a nearly perfect dividend triangle while TGT and WMT are struggling to maintain the same constant growth in earnings and dividends.

You can already tell which two stocks are getting ahead of the others, but we are not done with our analysis.

#3 DIVIDEND SAFETY & DIVIDEND GROWTH POTENTIAL

Now that we know the differences between each stock and we have looked at the dividend triangle, we are in a better position to look at their dividend safety and dividend growth potential. The good news is that we at DSR have done most of the hard work for this part. You can easily compare each company's stock card and get the information required from our analysis.

The dividend safety score will give you an overall idea of where we think the dividend is headed:

- 5: High-single-digit to double-digit dividend growth
- 4: Mid-single digit to high single digit dividend growth (or a long dividend growth history)
- 3: Low-single-digit to mid-singe-digit dividend growth (beats inflation projections)
- 2: 0% to 2% dividend growth (anticipate dividend cuts)
- 1: About to cut its dividend or has already cut it.

The dividend growth potential is found in the DDM calculations in the Valuation section of the stock card:

Valuation

Recent Annual Dividend Payment	$ 2.04
Expected Dividend Growth Rate Years 1-10	6.00%
Expected Terminal Dividend Growth Rate	6.00%
Discount Rate	10.00%

Finally, the DSR stock comparison tool will provide you with the past 1yr, 3yr and 5yr dividend growth rate:

	DOLTO Dollarama Inc	TGT Target Corp	COST Costco Wholesale Corp	WMT Walmart Inc
Overview	Overview	Overview	Overview	Overview
Dividend Triangle	Dividend Triangle	Dividend Triangle	Dividend Triangle	Dividend Triangle
Dividend	Dividend	Dividend	Dividend	Dividend
Dividend Yield Fwd	0.25 %	2.79 %	0.59 %	1.39 %
Dividend Frequency	quarterly	quarterly	quarterly	quarterly
Payout Ratio (%)	7.93 %	49.54 %	26.99 %	39.58 %
Cash Payout Ratio (%)	6.08 %	52.71 %	142.93 %	40.61 %
DGR 1yr	28.03 %	1.85 %	13.33 %	1.79 %
DGR 3yr	16.52 %	17.61 %	12.46 %	1.82 %
DGR 5yr	12.10 %	11.59 %	12.40 %	1.85 %
DGR Streak	12	56	19	50
Chowder Score	12.35	14.38	12.99	3.24

Here's what you get as a "first glance" at the dividend portrait:

	DIV SAFETY	DDM	1yr	3yr	5yr
DOL.TO	4	12%-7%	28.03%	16.52%	12.10%
TGT	4	5%	1.85%	17.61%	11.59%
COST	4	9%-7.5%	13.33%	12.46%	12.40%
WMT	3	3%-6%	1.79%	1.82%	1.85%

The dividend safety score and dividend growth potential can be summarized by these numbers, but an additional step is required if you want to have a good idea of what is likely to happen to each company.

Dividend growth trend

The trend is your friend!

Numbers will tell you a good part of the story, but the trend will tell you where the dividend is heading.

The dividend triangle may be handy. You can look at how fast revenue, earnings, and dividends have grown over the past 5 years. We have highlighted the difference between TGT and WMT EPS and dividend in the previous sector.

Keep in mind that the dividend growth rate used in the DDM will not be changed immediately after a weak dividend increase. Since the model is highly sensitive, we tend to take our time before modifying our dividend growth rate projections. Following the 3-year and 1-year dividend increases will tell you more about the current situation.

Also, keep in mind that the 1yr, 3yr and 5yr metrics are calculated annually. Therefore, the latest dividend increase (or cut) that happened a few months ago will not be reflected in these yearly numbers.

Once again, a good combination of numbers and graphs will tell you the entire story.

Dividend Safety

There is no point in investing in a company that is about to cut its dividend. As dividend growers, you want to ensure that dividends are sustainable.

Our dividend safety score is based on a holistic analysis of the dividend triangle (business growth, profit growth and dividend growth) along with the analysis of the company's payout ratios and potential risks.

If you look deeper into each company's stock card, you will notice all payout ratios are under control but one: COST cash payout ratio:

	DOL.TO Dollarama Inc	TGT Target Corp	COST Costco Wholesale Corp	WMT Walmart Inc
Dividend Yield Fwd				
Dividend Frequency				
Payout Ratio (%)	7.93 %	49.54 %	26.99 %	39.58 %
Cash Payout Ratio (%)	6.08 %	52.71 %	142.93 %	40.61 %

After digging a little bit, you will realize it was related to its recent special dividend payment. A quick visit on the stock card will show how COST payout ratio goes up like crazy each time it issues a special dividend.

As for other companies, DOL shows a very low payout ratio suggesting that its dividend growth policy is not at the center of its capital allocation. There is no surprise to see such a yield from COST.

TGT and WMT show prudent capital allocation with ratios between 40% and 50%. It's not only sustainable, it's likely going to continue increasing in the future. There is no surprise here as both companies show 50+ consecutive years with a dividend increase!

#4 GROWTH VECTORS

Growth vectors are usually similar for companies in the same industry:

- Semiconductors will surf the Internet of Things, 5G and AI.
- Trucking and Railroads will surf on robust demand coming from an economic boom.
- Banks will do well when consumers' appetite for debt increases.

You can dig into the details of each company by reading our **investment thesis**. This is in the section where we will identify how the company should grow in the coming years. At this point, you should already have a good idea of what it will be since you have highlighted the company's business model difference in our first step, and you have looked at the dividend triangle and studied revenue and earnings trends.

It is possible that two companies in the same industry will show similar growth vectors.

DOL.TO

"You will not pay your utility bills with an investment in Dollarama's yield as management doesn't share the wealth with its shareholders yet, mainly because it sees so many growth opportunities. Through the acquisition of 51% of Dollarcity, DOL has demonstrated international growth potential in Latin America. At the same time, DOL continues to enjoy a stable Canadian economy. DOL has built a strong brand, and its business model (aimed at low-value items) is an excellent defensive play against the e-commerce threat over the retail business. As consumers' budgets are tight, DOL appears to be an amazing alternative for many goods. Dollarama has been able to increase same store sales along with opening new stores consistently. The introduction of many products under its "home brand" increases the company's margin. DOL introduced a new price point of $5 for many items, which lends additional flexibility and pricing power."

TGT

"Brick-and-mortar retail businesses have not been very popular at DSR over the past few years, but discount players such as WMT and TGT are doing well. The pandemic only supercharged their performance! The Target company's store renovation initiatives along with its ecommerce platform have been successful. We believe TGT has an advantage over its competitors by creating efficient "stores-as-a-hub" where they fulfill digital and in-store sales. While we expected TGT to lag behind AMZN and WMT in the digital world, it appears that we were wrong. 2023 will be a challenging year, but we believe TGT has proven its resiliency and we believe that it can weather any storm moving forward. TGT won't become a DSR favorite, but it remains a solid defensive consumer pick."

COST

"COST has a unique business model where members are convinced that they have obtained the best prices on their basket of goods. It is a convenient one-stop-shop and is also one of the few retailers to claim that all is going well without the statement stretching the truth. COST has proven to be a resilient retailer as its intense value perception and treasure-hunt approach spur customer traffic, spending, and membership renewal rates, and has positioned the company for strong long-term growth. COST reported 90%+ membership renewals in the US and 90% worldwide. With such a loyal customer base an investor can expect COST to overcome economic difficulties without too much strife. We can see that the dividend triangle is reaching a plateau for revenue growth and EPS. There is no concern as it's only a reflection of the economy slowing down.

WMT

"The company is well-established in many countries and enjoys economies of scale coupled with a strong distribution network. WMT has invested significantly in e-commerce to both develop its platform and acquire other platforms. Today, they are using their retail infrastructure to push online sales by offering dedicated pick-up points in each store. While this is no small feat, WMT is proving that it can become a strong second-place contender in e-commerce behind Amazon. WMT's physical footprint (active presence within approximately 90% of the US population) gives the company an edge in grocery delivery when compared to AMZN. While WMT's sales growth could slow down during recessions, it remains a recession-resistant company. We mentioned in our latest stock card update that WMT was probably showing a good entry point. The stock price is up about 19% between December of 2023 and March 2024."

You can list growth vectors in a table:

	Growth Vectors
DOL.TO	• Growth opportunities in Latin America through Dollarcity. • Strong brand, well-established in Canada. • Great alternative for customers looking to save money. • Growth by opening new stores.
TGT	• Store renovation attracts more customers. • Use store networks to boost e-commerce distribution (store-as-a-hub). • Strong brand in the U.S.
COST	• Unique business model (membership, richer customers buying in bulk). • International growth potential. • Treasure hunt model attracts customers. • Incredibly loyal customers (90% membership renewal rate)
WMT	• Worldwide presence, can capture growth in any country. • Strong US coverage (90% of population) giving an edge to their grocery business. • Economies of scale, and pricing power, attracting more customers. • Robust online presence

#5 POTENTIAL RISKS

Once you get all excited about the growth possibilities in each investment, you must get back down to earth and imagine what could go wrong. Here's a trick: **take a pause before you start this section.** Whenever I'm getting excited about a company, I take a pause. I don't want to be blinded by impressive financial metrics and robust growth vectors. Each company has its flaws. They are described in the "Potential Risks" section of the stock card. Then again, it is possible to find similar risk potentials for two companies operating in the same industry.

DOL.TO

"Although Dollarama is dominant in Canada, similar U.S. chains (e.g., Dollar Tree) are eyeing the Canadian market. While Latin America exhibits strong potential, it also comes with additional volatility. Political and economic stability is a concern from time to time. Another rising problem is the constant pressure on DOL's margins. Selling small and inexpensive items makes volume king, but margins remain low. Price increases would impact DOL's business model and store traffic. DOL must factor in raw material and transportation costs since the bulk of the items sold aren't coming from North America. They may also have to deal with higher labor costs related to improving conditions during the pandemic and the inflation of wages. So far, DOL continues to exhibit a highly resilient business model."

TGT

"The online challenge was not a significant problem in 2008. Target failed miserably in their attempt to enter the Canadian market. The company grew revenues by 35% over the past two years, but that might be short-lived with inflation creeping into consumers' pockets. Despite a 4% dividend growth rate, TGT seems overvalued according to our dividend discount model. TGT trades at a PE ratio of approximately 17, which isn't that high, but the company doesn't offer many growth perspectives. TGT struggled with high inventory levels and margin compression for a good part of 2023, but the latest quarter shows an improvement I that metric. The effect of inflation weighs on both the company's margins and its customers' budgets. Although TGT's traffic trends and same-store sales comps have thus far been strong, we see the risk of sales losing momentum if overall consumer spending softens. This is what happened in the most recent quarterly update."

COST

"COST isn't cheap. In fact, an investment in Costco is an investment in a company that will continue to grow. An investor must be ready to pay a premium for it. With the hype surrounding essential businesses over the pandemic, Costco rallied to all-time highs. COST's main market is the US. It's obvious that many countries don't have large enough populations to support Costco's required volume of consumption. At some point, growth perspectives could slow in a global recession. Management recently issued warnings about price increases due to inflation. While COST can fare well in competing with AMZN, this competition may eventually affect their margins. With high inflation, competition will become a margin game."

WMT

"While the company's digital sales growth has been impressive, WMT's total sales have not grown significantly over the past few years if we exclude the pandemic. The company has experienced sales cannibalization as the more WMT sells online, the less its brick & mortar stores sell, and it will have to reduce its operating costs as more business moves online. The difference between AMZN and WMT is that the former engages in cost-cutting to gain market share and the latter does so to protect market share. Expanding the new store footprint and launching the Walmart+ program are some of the steps taken by WMT to stave off competition from AMZN. Even though we believe the market is overreacting with the latest selloff, the stock still seems to be expensive when looking at the DDM."

Again, doing a quick summary makes things more obvious:

	Potential Risks
DOL.TO	• Stuck in Canada, volatile potential in Latin America. • Inflation put pressure on margin for smaller items. • How many stores can they open in Canada to keep the growth going?
TGT	• Stuck in the U.S. (failed Canada expansion). • Inventory management could lead to smaller margins. • More exposed to recessions as it doesn't have the "cheapest price".
COST	• COST valuation is expensive. • Difficult growth outside of the U.S. although it still is a "potential". • Weaker presence and platform online vs TGT and WMT.
WMT	• The company experiences sales cannibalization as more WMT sales are online. • Higher costs of operations than Amazon. • With this size, it's harder to show large growth.

After listing the growth vectors and potential risks, you have a better idea of which kind of growth appeals to you and which kind of risk you are ready to assume. As you can see, there are no "perfect" investments, but this process helps you line-up stocks in an order of conviction level.

#6 VALUATION (DDM AND PE RATIO)

One of the most debated topics among investors is how to assess the value of a stock.

At DSR, we like to use valuation models to compare stocks, not to determine if the company is actually undervalued or not. Because, to be honest, your guess is as good as mine. If you take 10 CFA's and you put them in a room to determine the valuation of a company, you will very likely have 10 materially different answers. They are all smart folks, but they all have a different perspective.

However, if you use valuation tools with the same perspective and you apply them to two, three, or four companies in the same sector, it will be easy to identify which one of those companies' best fits with your valuation methods. At DSR, we use the classic P/E ratio trend (provided over 5 years on the stock card) along with the Dividend Discount Model (DDM).

Valuation	DOLTO Dollarama Inc	TGT Target Corp	COST Costco Wholesale Corp	WMT Walmart Inc
Market Cap	34 B	74 B	349 B	516 B
PE Ratio	34.09	17.97	51.49	33.46
Fwd PE	29.47	16.50	46.16	26.40
Price to Book Ratio	88.86	5.52	16.82	6.15
DDM	30.12 vs $122.28	92.40 vs $160.66	333.20 vs $793.05	62.65 Vs $64.00
Avg 5yr Yield	0.31 %	2.27 %	0.68 %	1.51 %
Avg 5yr PE	29.73	19.51	38.75	31.27
Value Score	18	57	15	40

By looking at the PE vs the average over the past 5 years, we can see that DOL and WMT seem to trade in line with their average valuations while TGT is trading at a small discount, and COST looks like it is trading at a premium. It's not perfect, but it could lead you to wait a little before buying COST (or going for DOL) if you are looking for a low-yield, high-growth candidate.

When you look at the DDM, it's normal that low-yield stocks like DOL and COST don't show any interesting value. After all, the DDM gives a value based on the dividends only. Since they pay a small one, they can't get a good valuation using this methodology. What is surprising though is how TGT is "overvalued" as the stock price should be around $90 according to the DDM. The valuation is on the spot for WMT.

You can also consider the "Value score" by Refinitiv. This is an aggregate of multiple factors. In this case, only TGT seems to show an interesting entry point (57 on 100). If your company shows a score of 57, it means it scores better than 57% of all companies traded in North America.

Once again, I can't stress enough the importance of adding context to valuation metrics and to give more weight to the rest of the qualitative and quantitative analysis vs. the valuation in your process.

OTHER CONSIDERATIONS FROM THE COMPARISON TOOL

The stock comparison tool will offer you more metrics than you need to select the right candidate. The rest of the metrics offered in the tool should be used with parsimony. After all, paralysis by analysis comes with too much information.

Select only metrics that mean something to you and that you consider to be important. For example, the beta (a good volatility indicator) may not be interesting if you have a long-term mindset and you don't look at stock price vs. how the market goes.

Avg 5yr PE Value Score	DOLTO Dollarama Inc	TGT Target Corp	COST Costco Wholesale Corp	WMT Walmart Inc
Debt	**Debt**	**Debt**	**Debt**	**Debt**
Debt/Equity	11.38	1.19	0.31	0.56
Financial Debt to EBITDA (TTM)	2.43	1.86	0.65	1.21
Current Ratio (Quarterly)	1.93	0.91	1.07	0.83
Credit Score	89	42	96	93
Performance	**Performance**	**Performance**	**Performance**	**Performance**
ROE	493.80 %	33.55 %	27.54 %	19.32 %
ROIC	27.15 %	14.21 %	29.13 %	15.84 %
Shareholder yield	0.10 %	0.14 %	-0.03 %	0.05 %
5yr total return	199.50 %	149.38 %	246.61 %	91.80 %
1yr total return	46.21 %	3.73 %	63.34 %	21.54 %

The comparison tool also offers a wide range of metrics about debt and overall performance. Picking the best-performing stock from the past 12 months or past 5 years may increase the recency bias. It's not because a company outperformed others in the past 5 years that it will continue to do so… and vice-versa.

FINAL VERDICT: IT'S NOT ALWAYS BLACK & WHITE

When I selected those four companies to demonstrate how to navigate through the 6 steps, I knew we would likely come down to an analysis showing that all four companies could fit very well in a portfolio. However, this method helped identify which company should be picked for growth and which should be picked for income / stability.

After this process, I've come to a few conclusions:

1. You could go for a large and stable (TGT & WMT) company or a low-yield, high-growth model (DOL & COST)
2. TGT is a domestic play in the U.S., while DOL and COST have a core in their country with the potential to grow internationally (but not fully proven yet) while WMT is definitely doing business everywhere.
3. DOL is e-commerce proof, TGT, and WMT are doing well online and COST could make some improvements.
4. We reviewed four great companies, but COST and DOL show unmatched dividend triangles.

While there will hardly ever be black & white answers, using a canvas to compare stocks in the same industry will help identify the reasons why one should deserve to be in your portfolio. As an investor, you're like a movie director who gets to choose which actor you want to include in your best cast. It's up to the actors to prove to you that they belong in your movie. Don't settle for a half-baked performance as you deserve only the best!

Take good care,

Mike.