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## DOLLARAMA REPORTS STRONG THIRD QUARTER RESULTS

MONTREAL, Quebec, December 7, 2011 – Dollarama Inc. (TSX: DOL) (“Dollarama” or the “Corporation”) reported significant increases in sales and net earnings today for the third quarter ended October 30, 2011.

### Financial and Operating Highlights

(All comparative figures below and in the "Financial Results" section that follows, are for the third quarter and the nine-month period ended October 30, 2011 compared to the third quarter and nine-month period ended October 31, 2010. All financial information presented in this news release has been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada which were revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and became effective for years beginning on or after January 1, 2011. Accordingly, the Corporation commenced reporting on this basis in its unaudited condensed interim consolidated financial statements for the first quarter ended May 1, 2011, and all figures relating to the third quarter and nine-month period ended October 31, 2010 have been restated to reflect the Corporation's adoption of IFRS. As a result of the adoption of IFRS, there were no material changes required to the Corporation's statement of comprehensive income. At the transition date, a one-time adjustment was required to recognize an additional deferred tax liability of \$7.0 million through retained earnings in the statement of financial position. Throughout this news release, EBITDA and Normalized net earnings, collectively referred to as the "Non-GAAP Measures", are used to provide a better understanding of the Corporation's financial results. For a full explanation of the Corporation's use of the Non-GAAP Measures, please refer to footnote 1 of the "Selected Consolidated Financial Information" section of this news release.)

### **Compared to the third quarter ended October 31, 2010:**

- Third quarter sales increased by 12.5%;
- Comparable store sales grew 5.1%;
- Gross margin improved to 37.0% of sales from 36.2% of sales;
- EBITDA<sup>(1)</sup> grew 21.3% to \$72.1 million, or 18.0% of sales;
- Operating income grew 21.8% to \$63.4 million, or 15.8% of sales; and
- Diluted net earnings per share increased by 31.0%, from \$0.42 to \$0.55.

### **In addition, during the third quarter ended October 30, 2011:**

- 10 new stores were opened, for a total of 38 net new stores opened since January 31, 2011; and
- The syndicated senior secured credit facility (the “Credit Facility”) was amended on more favourable terms as a result of Dollarama’s improving leverage profile.

*“We once again delivered strong results in the third quarter,”* said Larry Rossy, Chief Executive Officer of Dollarama. *“We are pleased with our continued double-digit growth performance in sales, operating income and net earnings and are particularly happy to see a 5.1% growth in comparable store sales over the third quarter of 2010. As I look back on the third quarter, we maintained our focus on providing great value to our customers, while positioning ourselves to deliver on our growth strategy.”*

## Financial Results

Sales in the third quarter ended October 30, 2011 increased by 12.5%, from \$355.7 million in the third quarter ended October 31, 2010 to \$400.3 million. The increase was mainly driven by the opening of 51 net new stores since the end of the third quarter ended October 31, 2010 and by comparable store sales growth of 5.1% over the third quarter ended October 31, 2010. Comparable store sales growth consisted of a 5.2% increase in transaction size, marginally offset by a 0.1% decrease in the number of transactions. Sales in the nine-month period ended October 30, 2011 increased by 12.2% compared to sales in the nine-month period ended October 31, 2010.

Gross margin increased to 37.0% of sales in the third quarter ended October 30, 2011, compared to 36.2% of sales in the third quarter ended October 31, 2010, driven mainly by improved product margins and a lower shrink provision, partially offset by higher transportation costs as a percentage of sales. For the same reasons, gross margin increased to 36.5% of sales in the nine-month period ended October 30, 2011, compared to 35.3% of sales in the nine-month period ended October 31, 2010.

General, administrative and store operating expenses ("SG&A") in the third quarter ended October 30, 2011 decreased to 19.0% of sales, compared to 19.4% of sales in the corresponding period of the previous fiscal year, due primarily to store labour productivity improvements and to the scaling effects of certain fixed costs over the higher sales volume this year. SG&A expenses in the third quarter ended October 30, 2011 stood at \$76.0 million, a 9.9% increase over \$69.2 million in the corresponding period of the previous fiscal year. The increase is due primarily to the opening of 51 net new stores since the end of the third quarter ended October 31, 2010. SG&A expenses in the nine-month period ended October 30, 2011 stood at \$218.8 million, or 19.3% of sales, a 10.5% increase over \$198.1 million, or 19.6% of sales, in the nine-month period ended October 31, 2010.

Net financial costs decreased by \$3.9 million, from \$7.3 million for the third quarter ended October 31, 2010 to \$3.4 million for the third quarter ended October 30, 2011. This decrease is attributable to a lower debt level and a lower interest rate on the long-term debt as well as to lower amortization of debt issue costs and discounts compared to the corresponding period of the previous fiscal year. For the nine-month period ended October 30, 2011, net financial costs decreased by \$15.1 million, from \$28.6 million for the nine-month period ended October 31, 2010 to \$13.5 million. This decrease is not only attributable to a lower debt level and lower interest rates, but also to the fact that net financial costs for the nine-month period ended October 31, 2010 included a write-off of debt issue costs of \$5.7 million and debt repayment premium and expenses of \$2.2 million, resulting from the repayment of the previous senior secured credit facility and the redemption of the senior floating rate deferred interest notes in the second quarter ended August 1, 2010.

For the third quarter ended October 30, 2011, net earnings increased to \$41.8 million, or \$0.55 per diluted share, compared to \$31.3 million, or \$0.42 per diluted share, for the third quarter of the previous fiscal year. For the nine-month period ended October 30, 2011, net earnings per diluted share increased to \$1.45 compared to \$0.99 (or \$1.08 on a normalized basis<sup>(1)</sup>) in the corresponding period of the previous fiscal year.

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## **Amendment to the Credit Facility**

On October 5, 2011, the Corporation and its lenders entered into the first amending agreement to the Credit Facility, resulting in a new pricing grid with improved applicable rates, a revised amortization schedule for the repayment of the term loan and a new maturity date of June 10, 2015 for the revolving credit facility.

## **Quarterly Dividend**

Dollarama's Board of Directors approved a quarterly dividend for holders of its common shares of \$0.09 per common share. Dollarama's quarterly dividend will be paid on February 1, 2012 to shareholders of record at the close of business on January 5, 2012. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

## **About Dollarama**

Dollarama is Canada's leading dollar store operator with 690 locations across the country. Our stores provide customers with compelling value in convenient locations, including metropolitan areas, mid-sized cities and small towns. Dollarama aims to provide customers with a consistent shopping experience, offering a broad assortment of everyday consumer products, general merchandise and seasonal items. Products are sold in individual or multiple units at select fixed price points up to \$2.00.

## **Forward-Looking Statements**

Certain statements in this news release about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. Forward-looking statements are based on information currently available to us and on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's management's discussion and analysis (MD&A) for the fiscal year ended January 30, 2011 and in its continuous disclosure filings (available on SEDAR at [www.sedar.com](http://www.sedar.com)): future increases in operating and merchandise costs, inability to sustain assortment and replenishment of our merchandise, increase in the cost or a disruption in the flow of imported goods, disruption of distribution infrastructure, inventory shrinkage, inability to renew store, warehouse, distribution center and head office leases on favourable terms, inability to increase our warehouse and distribution center capacity in a timely manner, seasonality, market acceptance of our private brands, failure to protect trademarks and other proprietary rights, fluctuation in the value of the Canadian dollar in relation to the U.S. dollar, potential losses associated with using derivative financial instruments, level of indebtedness and inability to generate sufficient cash to service our debt, interest rate risk associated with variable

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rate indebtedness, competition in the retail industry, current economic conditions, failure to attract and retain qualified employees, departure of senior executives, disruption in information technology systems, unsuccessful execution of our growth strategy, holding company structure, adverse weather, natural disasters and geo-political events, unexpected costs associated with our current insurance program, litigation, product liability claims and product recalls, and environmental and regulatory compliance.

These factors are not intended to represent a complete list of the factors that could affect us; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Corporation's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this news release are made as of December 7, 2011, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

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**Selected Consolidated Financial Information**

<i>(dollars in thousands, except per share amounts and number of shares)</i>	<b>13-Week Period Ended</b>		<b>39-Week Period Ended</b>	
	<b>Oct. 30, 2011</b>	<b>Oct. 31, 2010</b>	<b>Oct. 30, 2011</b>	<b>Oct. 31, 2010</b>
<b>Earnings Data</b>				
Sales.....	\$ 400,347	\$ 355,742	\$ 1,134,121	\$ 1,011,202
Cost of sales.....	<u>252,270</u>	<u>227,130</u>	<u>720,180</u>	<u>654,404</u>
Gross profit.....	148,077	128,612	413,941	356,798
Expenses:				
General, administrative and store operating expenses.....	75,990	69,172	218,826	198,055
Amortization and depreciation.....	<u>8,667</u>	<u>7,351</u>	<u>24,615</u>	<u>21,045</u>
Total expenses.....	<u>84,657</u>	<u>76,523</u>	<u>243,441</u>	<u>219,100</u>
Operating income.....	63,420	52,089	170,500	137,698
Net financial costs	<u>3,444</u>	<u>7,336</u>	<u>13,503</u>	<u>28,636</u>
Earnings before income taxes.....	59,976	44,753	156,997	109,062
Provision for income taxes.....	<u>18,184</u>	<u>13,409</u>	<u>47,130</u>	<u>34,269</u>
Net earnings.....	<u>\$ 41,792</u>	<u>\$ 31,344</u>	<u>\$ 109,867</u>	<u>\$ 74,793</u>
Basic net earnings per common share.....	\$ 0.57	\$ 0.43	\$ 1.49	\$ 1.02
Diluted net earnings per common share.....	\$ 0.55	\$ 0.42	\$ 1.45	\$ 0.99
Weighted average number of common shares outstanding during the period:				
Basic (in thousands).....	73,713	73,169	73,665	73,073
Diluted (in thousands).....	75,533	75,429	75,537	75,349
<b>Other Data</b>				
Year-over-year sales growth.....	12.5%	13.7%	12.2%	13.7%
Comparable store sales growth <sup>(2)</sup> .....	5.1%	8.0%	4.4%	8.1%
Gross margin <sup>(3)</sup> .....	37.0%	36.2%	36.5%	35.3%
SG&A as a % of sales <sup>(3)</sup> .....	19.0%	19.4%	19.3%	19.6%
EBITDA <sup>(1)</sup> .....	\$ 72,087	\$ 59,440	\$ 195,115	\$ 158,743
Operating margin <sup>(3)</sup> .....	15.8%	14.6%	15.0%	13.6%
Normalized net earnings <sup>(1)</sup> .....	\$ 41,792	\$ 31,344	\$ 109,867	\$ 81,460
Capital expenditures.....	\$ 12,201	\$ 12,410	\$ 35,634	\$ 29,850
Number of stores <sup>(4)</sup> .....	690	639	690	639
Average store size (gross square feet) <sup>(4)</sup> .....	9,910	9,843	9,910	9,843

<i>(dollars in thousands)</i>	<b>As of</b>	
	<b>Oct. 30, 2011</b>	<b>Jan. 30, 2011</b>
<b>Balance Sheet Data</b>		
Cash and cash equivalents.....	\$ 19,534	\$ 53,129
Merchandise inventories.....	305,181	258,905
Property and equipment.....	164,635	152,081
Total assets.....	1,335,341	1,311,131
Total debt <sup>(5)</sup> .....	278,522	366,875
Net debt <sup>(6)</sup> .....	258,988	313,746

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(1) In this news release, we make reference to EBITDA (which represents operating income plus amortization and depreciation) and Normalized net earnings, collectively referred to as the "Non-GAAP Measures". The Non-GAAP Measures are not generally accepted earnings measures under GAAP and do not have a standardized meaning under GAAP. The Non-GAAP Measures, as calculated by the Corporation, may not be comparable to that of other companies and should be considered as a supplement to, not a substitute for, or superior to, the comparable measures calculated in accordance with GAAP.

We have included the Non-GAAP Measures to provide investors with supplemental measures of our operating and financial performance. We believe the Non-GAAP Measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers, many of which present non-GAAP measures when reporting their results. Our management also uses the Non-GAAP Measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

<i>(dollars in thousands)</i>	<u>13-Week Period Ended</u>		<u>39-Week Period Ended</u>	
	<u>Oct. 30, 2011</u>	<u>Oct. 31, 2010</u>	<u>Oct. 30, 2011</u>	<u>Oct. 31, 2010</u>
<b>A reconciliation of operating income to EBITDA is included below:</b>				
Operating income.....	\$ 63,420	\$ 52,089	\$ 170,500	\$ 137,698
Add: Amortization and depreciation.....	<u>8,667</u>	<u>7,351</u>	<u>24,615</u>	<u>21,045</u>
<b>EBITDA.....</b>	<b><u>\$ 72,087</u></b>	<b><u>\$ 59,440</u></b>	<b><u>\$ 195,115</u></b>	<b><u>\$ 158,743</u></b>
<i>EBITDA margin.....</i>	<i>18.0%</i>	<i>16.7%</i>	<i>17.2%</i>	<i>15.7%</i>
<b>A reconciliation of net earnings to Normalized net earnings is included below:</b>				
Net earnings.....	\$ 41,792	\$ 31,344	\$ 109,867	\$ 74,793
Diluted net earnings per common share.....	\$ 0.55	\$ 0.42	\$ 1.45	\$ 0.99
Add/(deduct) pre-tax:				
Write-off of debt issue costs <sup>(a)</sup> .....	—	—	—	5,681
Debt repayment premium and expenses <sup>(b)</sup> .....	—	—	—	2,193
Tax impact.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,207)</u>
<b>Normalized net earnings.....</b>	<b><u>\$ 41,792</u></b>	<b><u>\$ 31,344</u></b>	<b><u>\$ 109,867</u></b>	<b><u>\$ 81,460</u></b>
<b>Diluted Normalized net earnings per common share.....</b>	<b>\$ 0.55</b>	<b>\$ 0.42</b>	<b>\$ 1.45</b>	<b>\$ 1.08</b>

(a) Write-off of debt issue costs associated with the repayment of the previous senior secured credit facility and the redemption of the senior subordinated deferred interest notes during the second quarter ended August 1, 2010.

(b) Call premium, prepayment expenses and other fees associated with the redemption of our senior subordinated deferred interest notes in the second quarter ended August 1, 2010.

(2) Comparable store sales means sales of stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior year.

(3) Gross margin represents gross profit divided by sales. SG&A as a % of sales represents general, administrative and store operating expenses divided by sales. Operating margin represents operating income divided by sales.

(4) At the end of the period.

(5) Total debt is comprised of current portion of long-term debt, and long-term debt before debt issue costs and discounts.

(6) Net debt is defined as total debt (see note 5) minus cash and cash equivalents.