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DOLLARAMA REPORTS SECOND QUARTER RESULTS

MONTREAL, Quebec, September 13, 2018 – Dollarama Inc. (TSX: DOL) ("Dollarama" or the "Corporation") today reported increases in sales, net earnings and earnings per common share for the second quarter ended July 29, 2018. Diluted net earnings per common share rose 13.2% to $0.43.

Financial and Operating Highlights

All comparative figures that follow are for the second quarter ended July 29, 2018 compared to the second quarter ended July 30, 2017. All financial information presented in this press release has been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The information on numbers of common shares and net earnings per share for the 13-week and 26-week periods ended July 30, 2017 presented in this press release has been retrospectively restated to reflect the Share Split (defined hereinafter). Refer to Note 9 of the Corporation's unaudited condensed interim consolidated financial statements for the period ended July 29, 2018 for additional information. Throughout this press release, EBITDA, EBITDA margin, total debt and net debt, which are referred to as "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 non-GAAP measures, please refer to footnote 1 of the "Selected Consolidated Financial Information" section of this press release.

Throughout this press release, all references to "Fiscal 2018" are to the Corporation's fiscal year ended January 28, 2018, and to "Fiscal 2019" are to the Corporation's fiscal year ending February 3, 2019. The Corporation's fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five or six years, a week is added to the fiscal year. Fiscal 2018 was comprised of 52 weeks whereas Fiscal 2019 will be comprised of 53 weeks.

Compared to the second quarter of Fiscal 2018:

- Sales increased by 6.9% to $868.5 million;
- Comparable store sales(1) grew 2.6%, over and above a 6.1% growth the previous year;
- Gross margin(1) was 39.7% of sales, compared to 39.6% of sales;
- EBITDA(1) grew 7.9% to $225.8 million, or 26.0% of sales, compared to 25.7% of sales;
- Operating income grew 7.7% to $206.7 million, or 23.8% of sales, compared to 23.6% of sales; and
- Diluted net earnings per common share increased by 13.2%, from $0.38 to $0.43.

During the second quarter of Fiscal 2019, the Corporation opened 8 net new stores, compared to 17 net new stores during the corresponding period of the previous fiscal year.

Management has revised its outlook for Fiscal 2019, including the underlying assumption on comparable store sales.

"With continued sales growth, strong margins, tight cost management and diluted earnings per share increasing over 13% from the same period last year, we delivered a strong bottom line performance in the second quarter despite lower than historical comparable sales growth on the top line," said President and Chief Executive Officer Neil Rossy. "Over six months into the fiscal year, we are on track for solid earnings growth in Fiscal 2019 and sustained long-term performance for the benefit of shareholders while maintaining our compelling value proposition to consumers."

(1) We refer the reader to the notes in the section entitled "Selected Consolidated Financial Information" of this press release for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure.

Financial Results

Sales for the second quarter of Fiscal 2019 increased by 6.9% to $868.5 million, compared to $812.5 million in the corresponding period of the prior fiscal year. The increase in sales was driven by continued organic sales growth fuelled by comparable store sales growth and an increase in the total number of stores over the past twelve months, from 1,125 stores on July 30, 2017 to 1,178 stores on July 29, 2018.

Comparable store sales grew 2.6% in the second quarter of Fiscal 2019, over and above strong comparable store sales growth of 6.1% in the second quarter of Fiscal 2018. Comparable store sales consisted of a 3.1% increase in average transaction size, over and above a 5.9% increase in the corresponding quarter of Fiscal 2018, and a 0.5% decrease in the number of transactions. The rate of comparable store sales growth in the second quarter of Fiscal 2019 primarily reflects management's decision to minimize price increases in order to deliver an even more compelling value proposition to consumers. Overall sales results were also impacted by lower sales of Canada Day seasonal and related souvenir products, sales of which were exceptionally strong in the second quarter of Fiscal 2018, driven by Canada 150 celebrations. Sales for the second quarter of Fiscal 2019 recaptured the weather-related shortfall in summer seasonal product sales experienced in the first quarter of Fiscal 2019.

Gross margin was 39.7% of sales in the second quarter of Fiscal 2019, compared to 39.6% of sales in the second quarter of Fiscal 2018. Gross margin was sustained through changes in the product mix and lower occupancy costs as a percentage of sales. Gross margin includes sales made by the Corporation to Dollar City, as principal, which represent approximately 1% of the Corporation's total sales, and a nominal markup margin.

General, administrative and store operating expenses ("SG&A") for the second quarter of Fiscal 2019 was $118.6 million, a 5.1% increase over $112.8 million for the second quarter of Fiscal 2018. The increase is primarily related to the continued growth in the total number of stores. SG&A for the second quarter of Fiscal 2019 represented 13.7% of sales, compared to 13.9% of sales for the second quarter of Fiscal 2018. The 0.2% improvement is mainly the result of cost-control initiatives implemented last year, for which savings continued to be realized in the second quarter of Fiscal 2019. Labour productivity improvements and scaling also contributed to this improvement, thereby mitigating the impact of minimum wage increases in certain jurisdictions, primarily in Ontario.

Net financing costs increased by $1.2 million, from $10.2 million for the second quarter of Fiscal 2018 to $11.4 million for the second quarter of Fiscal 2019. The increase is mainly due to increased borrowings on long-term debt.

Net earnings increased to $141.8 million, or $0.43 per diluted common share, in the second quarter of Fiscal 2019, compared to $131.8 million, or $0.38 per diluted common share (retrospectively restated to reflect the Share Split), in the second quarter of Fiscal 2018. The increase in net earnings is mainly the result of a 6.9% increase in sales, a sustained gross margin and lower SG&A as a percentage of sales. Earnings per share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid.

Distribution Capacity Expansion

With respect to the Corporation's Montreal-area distribution centre expansion announced in March 2018, construction work is well underway and proceeding on schedule and in line with the planned budget. The operations of the existing distribution centre continue to run normally in parallel to the ongoing construction work. Capital expenditures guidance for Fiscal 2019 remains unchanged.

Dividend

On September 13, 2018, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of its common shares of $0.04 per common share. The Corporation's quarterly cash dividend will be paid on October 31, 2018 to shareholders of record at the close of business on October 5, 2018 and is designated as an "eligible dividend" for Canadian tax purposes.

Three-for-One Share Split

On June 19, 2018, shareholders of record as at the close of business on June 14, 2018 received two additional common shares for each common share held (the "Share Split"). Ex-distribution trading in the common shares on a split-adjusted basis commenced on June 20, 2018.

Normal Course Issuer Bid

On June 7, 2018, the Corporation announced the renewal of its normal course issuer bid and the approval from the Toronto Stock Exchange to purchase for cancellation up to 16,386,351 common shares (retrospectively restated to reflect the Share Split), representing 5.0% of the common shares issued and outstanding as at the close of markets on June 6, 2018, during the 12-month period from June 20, 2018 to June 19, 2019 (the "2018-2019 NCIB").

Taking into account the Share Split, during the 26-week period ended July 29, 2018, a total of 1,347,341 common shares were repurchased for cancellation under the 2018-2019 NCIB and the normal course issuer bid previously in effect, at a weighted average price of $51.93 per common share, for a total cash consideration of $70.0 million.

Outlook

(as a percentage of sales except net new store openings in units and capital expenditures in millions of dollars)	**Fiscal 2019**	
	Guidance as Provided on June 7, 2018	**Enhanced Guidance**
Net new stores	60 to 70	No change
Gross margin	38.0% to 39.0%	38.5% to 39.5%(i)
SG&A	15.0% to 15.5%	14.5% to 15.0%(ii)
EBITDA margin	22.5% to 24.0%	23.5% to 25.0%(iii)
Capital expenditures(iv)	$190.0 to $200.0(v)	No change

(i) Based on the first six months of Fiscal 2019, gross margin is trending above the initial outlook range, and this range has been enhanced based on the expectation that inflation on products imported from China will remain lower in the second half of Fiscal 2019 than originally anticipated.

(ii) Based on the first six months of Fiscal 2019, SG&A as a percentage of sales is trending below the initial outlook range, and this range has been enhanced as the Corporation continues to leverage productivity improvements and drive cost reduction initiatives at store level.

(iii) EBITDA margin has been revised upwards for Fiscal 2019 as a result of the enhanced guidance on gross margin and SG&A as a percentage of sales.

(iv) Includes additions to property, plant and equipment, computer hardware and software.

(v) Includes the acquisition cost of the existing distribution centre, and estimated construction and related costs to be incurred in Fiscal 2019 in connection with the expansion of distribution capacity.

The guidance ranges for Fiscal 2019 are based on a number of assumptions, including the following:

- comparable store sales in the 2.5% to 3.5% range, which range was revised downwards from the initial range of 4.0% to 5.0%, based on the Corporation's sales results in the first six months of Fiscal 2019 and the decision made by management to minimize price increases for the remainder of the fiscal year in order to deliver an even more compelling value proposition to consumers;
- the number of signed offers to lease and store pipeline for the next six months;
- lower than expected impact of inflation on product margins for goods imported from China;

- positive customer response to our product offering, value proposition and in-store merchandising;
- the active management of product margins, including by refreshing between 25% to 30% of the offering on an annual basis;
- the visibility of approximately three months on open orders and product margins;
- the entering into of foreign exchange forward contracts to hedge the majority of forecasted purchases of merchandise in U.S. dollars against fluctuations of the Canadian dollar against the U.S. dollar;
- the continued execution of in-store productivity initiatives, including, without limitation, the efficient use of advanced scheduling and the realization of cost savings and benefits aimed at improving operating expenses;
- ongoing cost monitoring;
- the capital budget for Fiscal 2019 for new store openings, maintenance capital expenditures, and transformational capital expenditures (the latter being mainly related to information technology projects) as well as the acquisition of the existing distribution centre and estimated construction and related costs to be incurred in Fiscal 2019 associated with the expansion of distribution capacity;
- the successful execution of our business strategy;
- the absence of a significant shift in economic conditions or material changes in the retail competitive environment; and
- the absence of unusually adverse weather, especially in peak seasons around major holidays and celebrations.

Many factors could cause 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, but not limited to, risks related to: future increases in operating costs (including increases in statutory minimum wage), future increases in merchandise costs (including as a result of tariff disputes), inability to sustain assortment and replenishment of merchandise, increase in the cost or a disruption in the flow of imported goods, failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, inability to renew store, warehouse, and head office leases on favourable terms, seasonality, market acceptance of private brands, foreign exchange rate fluctuations, competition in the retail industry, current economic conditions, failure to attract and retain quality employees, disruption in information technology systems, unsuccessful execution of the growth strategy, adverse weather, product liability claims and product recalls, litigation and regulatory compliance.

This guidance, including the various underlying assumptions, is forward-looking and should be read in conjunction with the cautionary statement on forward-looking statements.

Forward-Looking Statements

Certain statements in this press 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 regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada, 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 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, but not limited to, the factors which are discussed in greater detail in the “Risks and Uncertainties” section of the Corporation’s most recent annual management's discussion and analysis and annual information form for Fiscal 2018, both available on SEDAR at www.sedar.com.

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 press release are made as at September 13, 2018 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 press release are expressly qualified by this cautionary statement.

About Dollarama

Dollarama is a recognized Canadian value retailer offering a broad assortment of consumer products, general merchandise and seasonal items. Our 1,178 locations across Canada provide customers with compelling value in convenient locations, including metropolitan areas, mid-sized cities and small towns. Our quality merchandise is sold in individual or multiple units at select, fixed price points up to $4.00.

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Selected Consolidated Financial Information

(dollars and shares in thousands, except per share amounts)	13-Week Periods Ended		26-Week Periods Ended	
	July 29, 2018	July 30, 2017	July 29, 2018	July 30, 2017
	$	$	$	$
Earnings Data				
Sales	868,453	812,487	1,624,522	1,517,432
Cost of sales	524,041	490,490	995,458	930,113
Gross profit	344,412	321,997	629,064	587,319
SG&A	118,577	112,783	233,055	222,257
Depreciation and amortization	19,130	17,301	37,866	33,846
Operating income	206,705	191,913	358,143	331,216
Net financing costs	11,409	10,225	22,735	19,467
Earnings before income taxes	195,296	181,688	335,408	311,749
Income taxes	53,524	49,888	92,061	85,259
Net earnings	141,772	131,800	243,347	226,490
Basic net earnings per common share (4)	$0.43	$0.39	$0.74	$0.66
Diluted net earnings per common share (4)	$0.43	$0.38	$0.73	$0.66
Weighted average number of common shares outstanding (4):				
Basic	327,314	340,041	327,612	341,577
Diluted	331,645	344,115	332,024	345,588
Other Data				
Year-over-year sales growth	6.9%	11.5%	7.1%	10.8%
Comparable store sales growth (2)	2.6%	6.1%	2.6%	5.4%
Gross margin (3)	39.7%	39.6%	38.7%	38.7%
SG&A as a % of sales (3)	13.7%	13.9%	14.3%	14.6%
EBITDA (1)	225,835	209,214	396,009	365,062
Operating margin (3)	23.8%	23.6%	22.0%	21.8%
Capital expenditures	26,834	29,367	91,108	49,077
Number of stores (5)	1,178	1,125	1,178	1,125
Average store size (gross square feet) (5)	10,164	10,076	10,164	10,076
Declared dividends per common share	$0.04	$0.04	$0.08	$0.07

	As at	
	July 29, 2018	January 28, 2018
	$	$
Statement of Financial Position Data		
Cash	181,703	54,844
Inventories	522,838	490,927
Total current assets	750,992	569,969
Property, plant and equipment	544,821	490,988
Total assets	2,172,380	1,934,339
Total current liabilities	635,952	720,945
Total non-current liabilities	1,595,928	1,465,752
Total debt (1)	1,781,617	1,671,192
Net debt (1)	1,599,914	1,616,348
Shareholders' deficit	(57,209)	(252,358)

(1) In this press release, EBITDA, EBITDA margin, total debt and net debt are referred to as “non-GAAP measures”. Non-GAAP measures are not generally accepted measures under GAAP and do not have a standardized meaning under GAAP. EBITDA, EBITDA margin, total debt and net debt are reconciled below. The non-GAAP measures, as calculated by the Corporation, may not be comparable to those of other issuers 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 non-GAAP measures to provide investors with supplemental measures of our operating and financial performance. We believe that 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 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.

	13-Week Periods Ended		26-Week Periods Ended	
(dollars in thousands)	**July 29, 2018 $**	**July 30, 2017 $**	**July 29, 2018 $**	**July 30, 2017 $**
A reconciliation of operating income to EBITDA is included below:				
Operating income	206,705	191,913	358,143	331,216
Add: Depreciation and amortization	19,130	17,301	37,866	33,846
EBITDA	**225,835**	**209,214**	**396,009**	**365,062**
EBITDA margin (3)	*26.0%*	*25.7%*	*24.4%*	*24.1%*

A reconciliation of long-term debt to total debt is included below:

	As at	
(dollars in thousands)	**July 29, 2018 $**	**January 28, 2018 $**
Senior unsecured notes bearing interest at:		
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021	525,000	525,000
Fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018	400,000	400,000
Variable rate equal to 3-month bankers’ acceptance rate plus 27 basis points payable quarterly, maturing February 1, 2021	300,000	-
Variable rate equal to 3-month bankers’ acceptance rate plus 59 basis points payable quarterly, maturing March 16, 2020	300,000	300,000
Unsecured revolving credit facility maturing September 29, 2023	-	191,000
Accrued interest on senior unsecured notes	6,617	5,192
Total debt	**1,781,617**	**1,671,192**

A reconciliation of total debt to net debt is included below:

Total debt	1,781,617	1,671,192
Cash	(181,703)	(54,844)
Net debt	**1,599,914**	**1,616,348**

(2) Comparable store sales growth is a measure of the percentage increase or decrease, as applicable, of the sales of stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year.

(3) Gross margin represents gross profit divided by sales. SG&A as a % of sales represents SG&A divided by sales. Operating margin represents operating income divided by sales. EBITDA margin represents EBITDA divided by sales.

(4) Per share amounts and numbers of outstanding common shares reflect the retrospective application of the Share Split. Refer to Note 9 of the Corporation’s unaudited condensed interim consolidated financial statements for the period ended July 29, 2018 for additional information.

(5) At the end of the period.