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DOLLARAMA REPORTS FISCAL 2020 THIRD QUARTER RESULTS

- 21 net new store openings in the quarter, bringing total store count across Canada to 1,271 at quarter end
- 5.3% increase in comparable store sales, including 2.4% increase in number of transactions year-over-year
- Full-year Fiscal 2020 comparable store sales assumption narrowed to a range of 4.0% to 4.5%

MONTREAL, Quebec, December 4, 2019 – Dollarama Inc. (TSX: DOL) ("Dollarama" or the "Corporation") today reported increases in sales, net earnings and earnings per common share for the third quarter ended November 3, 2019. Diluted net earnings per common share rose 10.0% to $0.44.

Financial and Operating Highlights

All comparative figures that follow are for the third quarter ended November 3, 2019 compared to the third quarter ended October 28, 2018. 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").

These results and the Corporation's unaudited condensed interim consolidated financial statements reflect the adoption of IFRS 16, "Leases", on February 4, 2019, and all comparative figures for the corresponding period of the prior fiscal year have been restated (see table on page 4 for more 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 2019" are to the Corporation's fiscal year ended February 3, 2019, and to "Fiscal 2020" are to the Corporation's fiscal year ending February 2, 2020. 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 2019 was comprised of 53 weeks.

Compared to the third quarter of Fiscal 2019:

- Sales increased by 9.6% to $947.6 million;
- Comparable store sales(1) grew 5.3%, over and above a 3.1% growth the previous year;
- Gross margin(1) was 43.7% of sales, compared to 44.3%(2) of sales;
- EBITDA(1) grew 4.3% to $273.2 million, or 28.8% of sales, compared to 30.3%(2) of sales;
- Operating income grew 3.7% to $211.9 million, or 22.4% of sales, compared to 23.6%(2) of sales; and
- Diluted net earnings per common share increased by 10.0%, to $0.44 from $0.40(2).

During the third quarter of Fiscal 2020, the Corporation opened 21 net new stores, compared to 14 net new stores during the corresponding period of the previous fiscal year.

(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.

(2) Comparative financial information and ratios have been restated to reflect the full retrospective application of IFRS 16 for lease accounting.

“I am very pleased with our strong top line performance through the first nine months of Fiscal 2020, reflecting the strength of our business model and the continued appeal of our concept to consumers across Canada. Based on our performance to date, we are narrowing our underlying full-year comparable store sales assumption to 4.0% to 4.5%, the top end of the previously disclosed range,” said President and Chief Executive Officer, Neil Rossy.

“We are also meeting our growth objectives with 21 net new stores opened in the third quarter and the upcoming completion of our distribution centre expansion project. Looking towards the fourth quarter, we are on track to open 60 to 70 net new stores by fiscal year-end and to meet our Fiscal 2020 financial guidance on key metrics, which remains unchanged since the last update on September 12, 2019,” added Mr. Rossy.

“Finally, our quarterly results now include our share of Dollarcity’s net earnings. The Dollarcity team continues to pursue its growth objectives with discipline and success, and I am very excited by the long-term potential of our second growth platform,” concluded Mr. Rossy.

Financial Results

Sales for the third quarter of Fiscal 2020 increased by 9.6% to $947.6 million, compared to $864.3 million in the corresponding period of the prior fiscal year. Continued organic sales growth was fuelled by balanced growth in both comparable store sales and in the total number of stores over the past 12 months, from 1,192 stores on October 28, 2018 to 1,271 stores on November 3, 2019.

Comparable store sales grew 5.3% in the third quarter of Fiscal 2020, over and above comparable store sales growth of 3.1% in the same quarter a year ago. Comparable store sales growth for the third quarter of Fiscal 2020 consisted of a 2.8% increase in average transaction size, driven in part by an increase in the number of units per basket, and a 2.4% increase in the number of transactions. This increase is mainly driven by ongoing in-store merchandising initiatives, as well as the positive impact of the calendar shift caused by a 52-week fiscal year in Fiscal 2020 following a 53-week fiscal year in Fiscal 2019, with three additional Halloween shopping days falling in the third quarter of 2020 compared to the same period in Fiscal 2019.

Gross margin was 43.7% of sales in the third quarter of Fiscal 2020, compared to 44.3% of sales in the third quarter of Fiscal 2019. Gross margin is lower primarily due to a slight decrease in the product margin and higher sales of lower margin items, as well as higher logistics costs.

General, administrative and store operating expenses (“SG&A”) for the third quarter of Fiscal 2020 was $142.2 million, compared to $120.7 million for the third quarter of Fiscal 2019. This increase is primarily related to the continued growth in the total number of stores. SG&A for the third quarter of Fiscal 2020 represented 15.0% of sales, compared to 14.0% of sales for the third quarter of Fiscal 2019. The 1.0% increase is mainly the result of the timing of certain expenditures and of a slight increase in labour costs, due to wage increases and to the fiscal year calendar shift with Halloween packaway falling in the third quarter this year.

For the third quarter of Fiscal 2020, the Corporation’s 50.1% share of Dollarcity’s net earnings for the period from August 14, 2019, the closing date of the acquisition, to September 30, 2019, the end date of Dollarcity’s third quarter, was $1.7 million. The Corporation is accounting for its investment in Dollarcity as a joint arrangement using the equity method.

Net financing costs increased by $2.5 million, from $22.7 million for the third quarter of Fiscal 2019 to $25.2 million for the third quarter of Fiscal 2020. The increase is mainly due to an increase in average borrowings on long-term debt, and net financing costs also include costs related to lease liabilities as calculated under IFRS 16 for both periods.

Other income includes a one-time, non-recurring gain of $2.8 million, or $2.1 million after tax, representing the difference between the fair value of the call option to purchase 50.1% of Dollarcity’s issued and outstanding shares and the estimated purchase price of this investment as at August 14, 2019, the closing date of the acquisition.

Net earnings increased to $138.6 million, or $0.44 per diluted common share, in the third quarter of Fiscal 2020, compared to $132.1 million, or $0.40 per diluted common share, in the third quarter of Fiscal 2019. This increase in net earnings is mainly the result of a 9.6% increase in sales, the inclusion of the Corporation's share of Dollarcity's net earnings and the one-time, non-recurring gain on the call option, partially offset by lower margins and higher SG&A as a percentage of sales. Earnings per common share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid over the past 12 months.

Dollarcity – Estimated Purchase Price Accounting and Network Growth Update

On August 14, 2019, the Corporation made an upfront payment of US$40.0 million ($52.8 million) as a result of its acquisition of a 50.1% interest in Latin American value retailer Dollarcity. The total estimated purchase price of US$92.7 million ($122.1 million), as at November 3, 2019, represents 50.1% of a five-times multiple of Dollarcity's estimated EBITDA for the 12-month period ending June 30, 2020, minus net debt and subject to other adjustments. The purchase price estimate is based on financial projections, whereas the final purchase price will be based on audited financial statements. As at November 3, 2019, the estimated balance of the purchase price of US$52.7 million ($69.3 million) was recorded in accounts payable and accrued liabilities and will be due, subject to final adjustments, in the third quarter of the Corporation's next fiscal year ending January 31, 2021.

The results for the fourth quarter of Fiscal 2020 will include the Corporation's 50.1% share of Dollarcity's net earnings for a full quarter, from October 1 to December 31, 2019. Dollarcity is performing as expected and the Corporation continues to anticipate Dollarcity to contribute between $0.02 and $0.03 to its Fiscal 2020 diluted net earnings per share, excluding the one-time gain on the call option.

At its latest quarter ended September 30, 2019, Dollarcity operated 210 stores, with 104 locations in Colombia, 48 in El Salvador and 58 in Guatemala. This compares to a total of 169 stores as at December 31, 2018. Based on its performance to date, Dollarcity expects to meet and slightly surpass its annual target of 40 to 50 net new stores for calendar year 2019.

Normal Course Issuer Bid

On July 3, 2019, the Corporation announced the renewal of its normal course issuer bid and the approval from the Toronto Stock Exchange to repurchase for cancellation up to 15,737,468 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on July 2, 2019, during the 12-month period from July 5, 2019 to July 4, 2020 (the "2019-2020 NCIB").

During the quarter ended November 3, 2019, a total of 2,772,340 common shares were repurchased for cancellation under the 2019-2020 NCIB, for a total cash consideration of $129.8 million.

Dividend

On December 4, 2019, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of its common shares of $0.044 per common share. The Corporation's quarterly cash dividend will be paid on February 7, 2020 to shareholders of record at the close of business on January 10, 2020 and is designated as an "eligible dividend" for Canadian tax purposes.

Distribution Capacity Expansion Update

The expansion of the Corporation's Montreal-area distribution centre, underway since March 2018, is nearly complete and continues to proceed on time and on budget. The expanded distribution centre is now operational and remaining work will be completed, as planned, before the end of calendar 2019. The distribution centre will comfortably support Dollarama's long-term growth plans of 1,700 stores across Canada by 2027.

Adoption of IFRS 16 – Leases

In January of 2016, the IASB issued IFRS 16, “Leases”, which replaces IAS 17, “Leases”. The new standard is effective for fiscal years beginning on or after January 1, 2019. The Corporation has applied IFRS 16 to the Fiscal 2020 quarterly unaudited condensed interim consolidated financial statements using the full retrospective approach and has therefore restated comparative information for Fiscal 2019, as if IFRS 16 had always been in effect.

The Corporation’s financial reporting is impacted by the adoption of IFRS 16. Certain lease-related expenses previously recorded in occupancy costs are now recorded as a depreciation expense for right-of-use assets and as an interest expense for related lease liabilities. The depreciation expense is recognized on a straight-line basis over the term of the lease, while the interest expense declines over the life of the lease, as the liability is paid off.

The table below sets out the impact of the change in accounting policy in the quarter ended November 3, 2019 and the corresponding period of the prior fiscal year.

	IFRS 16 13-Week Periods Ended			IAS 17 13-Week Periods Ended		
(dollars in millions, except per share amounts)	November 3, 2019	October 28, 2018(i)	Change	November 3, 2019(ii)	October 28, 2018	Change
Gross margin	$413.8	$382.6	$31.2	$361.1	$335.9	$25.2
As a percentage of sales	43.7%	44.3%	(0.6%)	38.1%	38.9%	(0.8%)
SG&A	$142.2	$120.7	$21.5	$142.8	$121.2	$21.6
As a percentage of sales	15.0%	14.0%	1.0%	15.1%	14.0%	1.1%
EBITDA	$273.2	$261.9	$11.3	$220.0	$214.6	$5.4
As a percentage of sales	28.8%	30.3%	(1.5%)	23.2%	24.8%	(1.6%)
Diluted net earnings per common share	$0.44	$0.40	$0.04	$0.44	$0.41	$0.03

(i) Restated to reflect the adoption of IFRS 16.

(ii) Presented as if IFRS 16 had not been adopted, for illustration purposes only.

Outlook

The outlook below sets out guidance ranges for Fiscal 2020, restated to reflect the adoption of IFRS 16 effective February 4, 2019, and also presented under IAS 17, for illustration purposes only.

(as a percentage of sales except net new store openings in units and capital expenditures in millions of dollars)	Fiscal 2020 Guidance Unchanged from September 12, 2019 Under IFRS 16
Net new store openings	60 to 70
Gross margin	43.25% to 43.75%
SG&A	14.25% to 14.75%
EBITDA margin	28.50% to 29.50%
Capital expenditures(i)	$130.0 to $140.0

(as a percentage of sales except net new store openings in units and capital expenditures in millions of dollars)	**Fiscal 2020 Guidance Unchanged from September 12, 2019** **Under IAS 17** **For illustration purposes only**
Net new store openings	60 to 70
Gross margin	38.0% to 38.5%
SG&A	14.25% to 14.75%
EBITDA margin	23.25% to 24.25%
Capital expenditures[(i)]	$130.0 to $140.0

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

The guidance ranges for Fiscal 2020 are based on a number of assumptions, including the following:

- comparable store sales growth in the range of 4.0% to 4.5%, narrowed from the previous range of 3.5% to 4.5% disclosed on September 12, 2019 based on the comparable store sales trend for the year to date;
- the inclusion of the Corporation's share of net earnings of equity-accounted investments, assuming sales of approximately US$333.0 million and EBITDA of approximately US$50.0 million for Dollarcity for the calendar year 2019;
- the number of signed offers to lease and store pipeline for the next three months;
- positive customer response to our product offering, value proposition and in-store merchandising;
- the active management of product margins, including by refreshing 25% to 30% of the offering on an annual basis;
- approximately three months of visibility 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 2020 for new store openings, maintenance capital expenditures, and transformational capital expenditures (the latter being mainly related to information technology projects) as well as the remaining costs to be incurred for 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 risks related to: future increases in operating costs (including increases in statutory minimum wages), 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, inability to increase warehouse and distribution centre capacity in a timely manner, 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 including any related impact on sales, 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 include, without limitation, statements relating to the financial performance of Dollarcity, the estimated purchase price to be paid by the Corporation for a 50.1% interest in Dollarcity and the accretive impact of the Dollarcity transaction on the Corporation’s earnings.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, 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 the factors which are discussed in greater detail in the “Risks and Uncertainties” section of the Corporation’s annual management’s discussion and analysis and its annual information form for Fiscal 2019, both available on SEDAR at www.sedar.com.

These factors are not intended to represent a complete list of the factors that could affect the Corporation or Dollarcity; 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 and Dollarcity’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 December 4, 2019 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 financial outlook for Dollarcity for the calendar year 2019, used to estimate the accretive impact of the transaction on the Corporation’s earnings, and for the 12-month period ending June 30, 2020, used specifically to calculate the estimated purchase price for the Dollarcity transaction, constitute forward-looking statements. They are based on financial projections and are subject to risks and uncertainties similar to those identified above.

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 consumable products, general merchandise and seasonal items both in-store and online. Our 1,271 locations across Canada provide customers with compelling value in convenient locations, including metropolitan areas, mid-sized cities and small towns. Select consumable and general merchandise products are also available by the full case only through our online store at www.dollarama.com. Our quality merchandise is sold at select, fixed price points up to $4.00.

Dollarama also owns a 50.1% interest in Dollarcity, a growing Latin American value retailer. Dollarcity offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US$3.00 (or the equivalent in local currency) through its 210 conveniently-located stores in Colombia, El Salvador and Guatemala.

For further information:

Investors
Michael Ross, FCPA, FCA
Chief Financial Officer
(514) 737-1006 x1237
michael.ross@dollarama.com

Media
Lyla Radmanovich
PELICAN Public Relations
(514) 845-8763
media@rppelican.ca

www.dollarama.com

Selected Consolidated Financial Information

(dollars and shares in thousands, except per share amounts)	13-Week Periods Ended		39-Week Periods Ended	
	November 3, 2019	October 28, 2018	November 3, 2019	October 28, 2018
Earnings Data	$	$ Restated(i)	$	$ Restated(i)
Sales	947,649	864,267	2,722,090	2,488,789
Cost of sales	533,887	481,656	1,546,194	1,384,591
Gross profit	413,762	382,611	1,175,896	1,104,198
SG&A	142,242	120,669	396,016	352,086
Depreciation and amortization	61,374	57,665	179,538	169,441
Share of net earnings of equity-accounted investment	(1,707)	-	(1,707)	-
Operating income	211,853	204,277	602,049	582,671
Net financing costs	25,198	22,720	75,374	67,719
Other income	(2,842)	-	(2,842)	-
Earnings before income taxes	189,497	181,557	529,517	514,952
Income taxes	50,870	49,464	144,195	140,972
Net earnings	138,627	132,093	385,322	373,980
Basic net earnings per common share	$0.44	$0.41	$1.23	$1.14
Diluted net earnings per common share	$0.44	$0.40	$1.21	$1.13
Weighted average number of common shares outstanding:				
Basic	314,125	325,032	314,528	326,752
Diluted	317,843	328,905	318,112	330,992
Other Data				
Year-over-year sales growth	9.6%	6.6%	9.4%	6.9%
Comparable store sales growth (2)	5.3%	3.1%	5.2%	2.7%
Gross margin (3)	43.7%	44.3%	43.2%	44.4%
SG&A as a % of sales (3)	15.0%	14.0%	14.5%	14.1%
EBITDA (1)	273,227	261,942	781,587	752,112
Operating margin (3)	22.4%	23.6%	22.1%	23.4%
Capital expenditures	39,767	32,970	100,809	124,078
Number of stores (4)	1,271	1,192	1,271	1,192
Average store size (gross square feet)(4)	10,275	10,193	10,275	10,193
Declared dividends per common share	$0.044	$0.040	$0.132	$0.120

	As at	
	November 3, 2019	February 3, 2019
	$	$ Restated(i)
Statement of Financial Position Data		
Cash	63,996	50,371
Inventories	658,154	581,241
Total current assets	775,119	688,520
Property, plant and equipment	625,462	586,027
Right-of-use assets	1,283,119	1,208,461
Total assets	3,696,245	3,359,669
Total current liabilities	803,252	443,234
Total non-current liabilities	3,005,692	3,233,819
Total debt (1)	1,891,091	1,907,383
Net debt (1)	1,827,095	1,857,012
Shareholders' deficit	(112,699)	(317,384)

(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		39-Week Periods Ended	
(dollars in thousands)	**Nov. 3, 2019**	**Oct.28, 2018**	**Nov. 3, 2019**	**Oct. 28, 2018**
	$	**$ Restated[i]**	**$**	**$ Restated[i]**
A reconciliation of operating income to EBITDA is included below:				
Operating income	211,853	204,277	602,049	582,671
Add: Depreciation and amortization	61,374	57,665	179,538	169,441
EBITDA	**273,227**	**261,942**	**781,587**	**752,112**
EBITDA margin (1)(3)	*28.8%*	*30.3%*	*28.7%*	*30.2%*

A reconciliation of long-term debt to total debt is included below:	As at	
	Nov. 3, 2019	**Feb. 3, 2019**
	$	**$ Restated[i]**
Senior unsecured notes bearing interest at:		
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023	500,000	500,000
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
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021	300,000	300,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 59 basis points payable quarterly, maturing March 16, 2020	300,000	300,000
Unsecured revolving credit facility maturing September 27, 2024	-	25,000
Accrued interest on senior unsecured notes	16,091	7,383
Total debt	**1,891,091**	**1,907,383**

A reconciliation of total debt to net debt is included below:		
Total debt	1,891,091	1,907,383
Cash	(63,996)	(50,371)
Net debt	**1,827,095**	**1,857,012**

(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 percentage of sales represents SG&A divided by sales. Operating margin represents operating income divided by sales. EBITDA margin represents EBITDA divided by sales.
(4) At the end of the period.

(i) Restated to reflect the adoption of IFRS 16.