

# Investor Presentation

June 14, 2019





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DOLLARAMA \$1 plus

14-3005922

# Cautionary statement



## **Forward-Looking Information**

This presentation contains forward-looking information about Dollarama's results, levels of activity, performance, goals or achievements which is based on estimates and assumptions that management believes are 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 to differ materially from those expressed or implied by the forward-looking information, including the risk factors described in Dollarama's Annual Information Form dated April 11, 2019 filed with Canadian securities regulators and available on SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking information contained in this presentation represents management's expectations as at June 14, 2019, and, accordingly, is subject to change after such date. Except as may be required by law, management has no intention and undertakes no obligation to update or revise any forward-looking information.

## **Market and Industry Data**

This presentation contains market and industry data sourced from a combination of internal company surveys and third party websites. While management believes those sources are reliable, we have not verified them, nor have they been verified by any independent sources, and we have no assurance that the information contained in third party websites is current and up-to-date. Unless otherwise indicated, the data contained in this presentation is stated as at June 14, 2019.

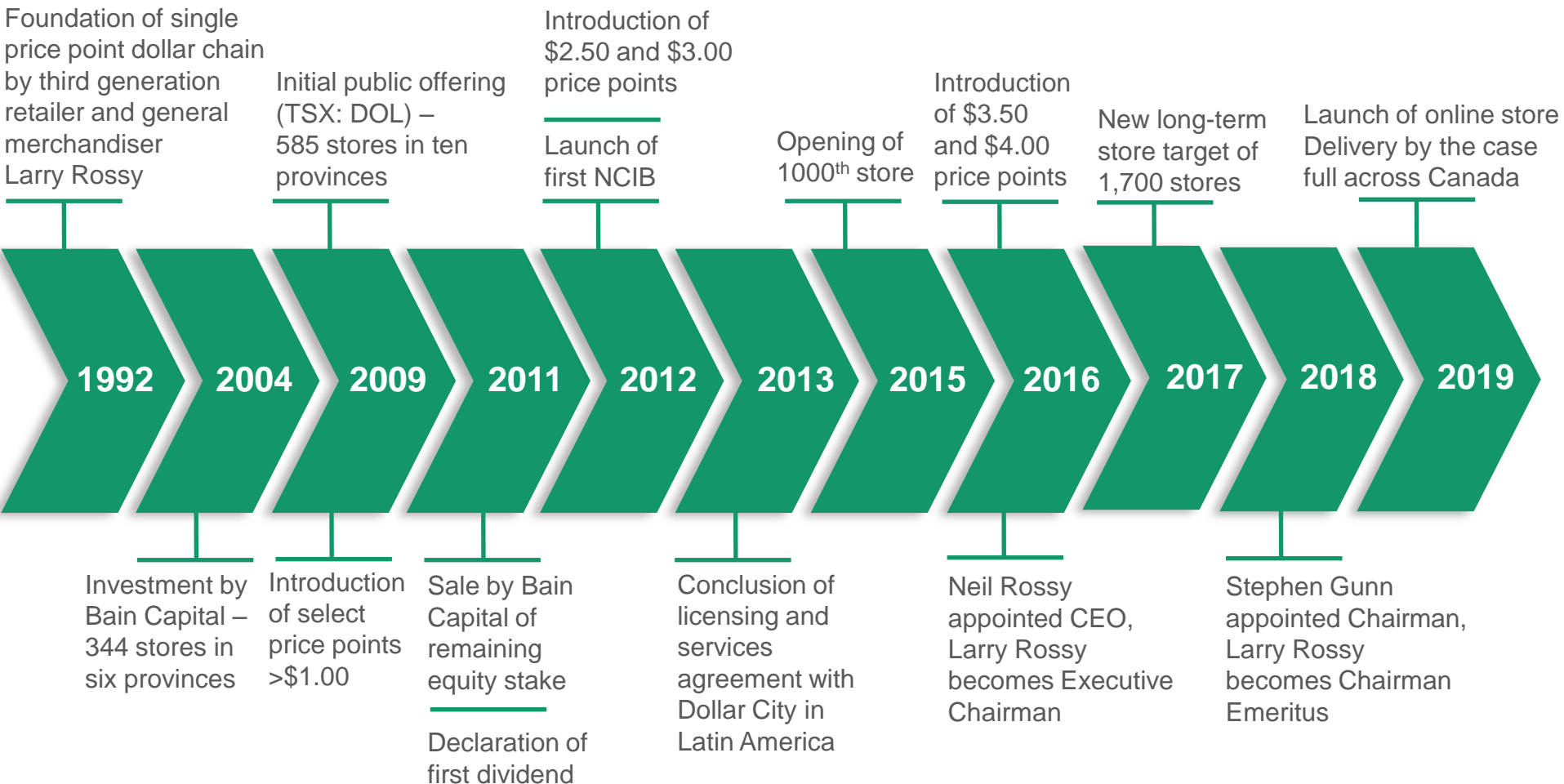
## **Non-GAAP Measures**

This presentation refers to certain non-GAAP measures. These measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Consequently, they should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with GAAP. Refer to the section entitled "Selected Consolidated Financial Information" of Dollarama's MD&A dated June 13, 2019 for a reconciliation of those non-GAAP measures to the most directly comparable GAAP measures.

# Overview



# Dollarama through the years



# Dollarama today



## Largest and only national dollar store chain in Canada

- 1,236 corporate-owned and operated stores
- Avg. of 10,247 sq. ft. per store
- Avg. store annual sales of \$3.0 million

## Strong value proposition at select fixed price points up to \$4

- Broad assortment of everyday goods
- ~50% of merchandise sourced directly
- ~70% of sales from products priced above \$1.25

## Robust financial performance

- LTM<sup>(1)</sup> sales: \$3.62B
- LTM<sup>(1,2)</sup> EBITDA: \$1,087M (30.0% of sales)

(1) For the last twelve months ended May 5<sup>th</sup>, 2019

(2) Reflects the adoption of IFRS 16 - Leases



# A simple, growth-oriented business model



## **We build**

on our growing store network and our low-cost direct sourcing platform

## **We focus**

on delivering compelling value to our customers

## **We solidify**

our brand reputation and deliver superior financial results

**Backed by seasoned team and disciplined execution**

# Competitive Advantages





# Direct sourcing expertise



Longstanding relationships with low-cost supplier network:

- Overseas direct sourcing program initiated in 1992
- Well-diversified base of established suppliers
- ~50% merchandise sourced directly from over 25 countries (primarily China)



Benefits of direct sourcing:

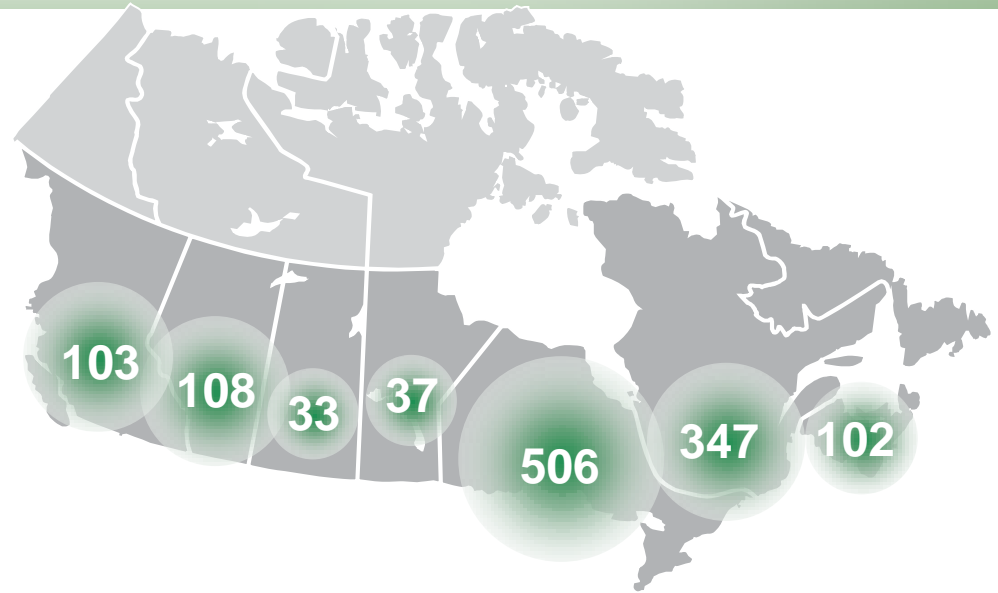
- Creates different, more compelling product selection
- Reduces costs associated with intermediaries
- Increases bargaining power with suppliers
- Provides cost flexibility to help control inflation and currency fluctuations



# Large network with over 1,200 stores

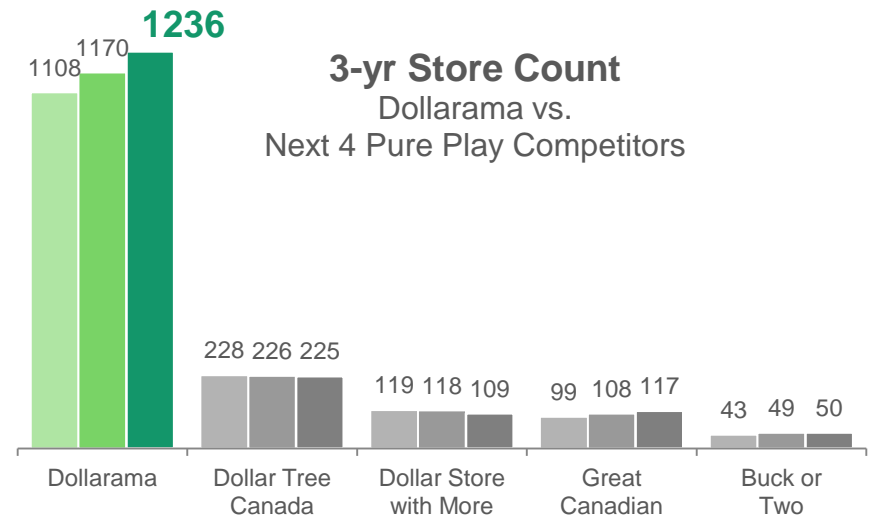


Only dollar store chain with a significant presence in **all ten provinces**



**2.5x more stores** than 4 largest pure play competitors combined


**5.5x larger** than next largest pure play competitor



Source: company reports and websites

# Compelling product offering



 Broad assortment of products across 20+ departments at compelling value

 Mix of store brands and name brands


 Multiple fixed price points





# Strong brand awareness and broad customer appeal



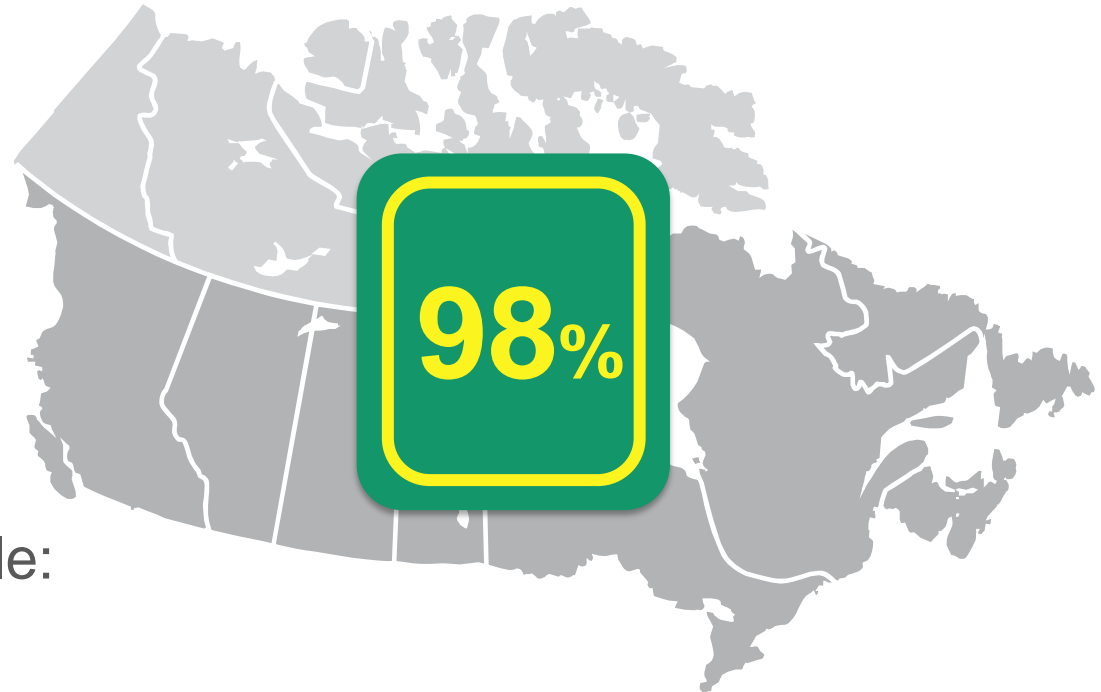
 Our value proposition is the key differentiator

 Brand awareness across Canada is at 98%

 We appeal to all demographics and income ranges



 Typical consumer profile:

- Female
- 25-54 years of age
- Annual income of \$20k-\$80k



# Offering convenience and value



-  Strong brand recognition and reputation for delivering value
-  Unrivalled presence across Canada in convenient locations
-  Destination store appealing to broad customer base
-  Consistent in-store shopping experience



# Operational Strategies



# Strategies for driving growth and creating value



Grow store network in Canada  
in a disciplined manner



Leverage strengths to stimulate sales



Maintain low-cost operating  
model



# Significant potential for additional growth



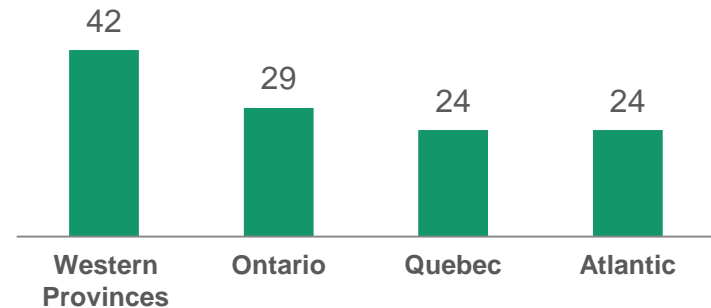
Average of **66 net new stores** per year over last 10 fiscal years

Eastern Canadian market **not saturated**

Dollarama **underpenetrated** in Ontario and Western Canada

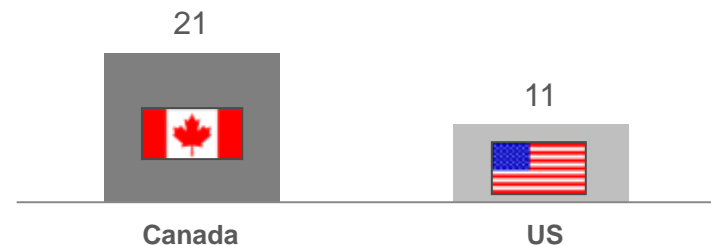
Canadian market **underpenetrated** relative to US dollar store segment  
(subject to notable differences in business models)

Thousands of People per Dollarama Store



Source: Statistics Canada; Q1-FY20 store count

Thousands of People per Dollar Store



Canada: Dollarama, Buck or Two, Dollar Store with More, Dollar Tree Canada, Great Canadian  
US: Dollar General, Dollar Tree, Family Dollar, Fred's, 99c only 16  
Source: Census data and company websites



# Disciplined approach to growth



## Efficient capital model

- \$650K in leasehold improvement, fixtures and inventory



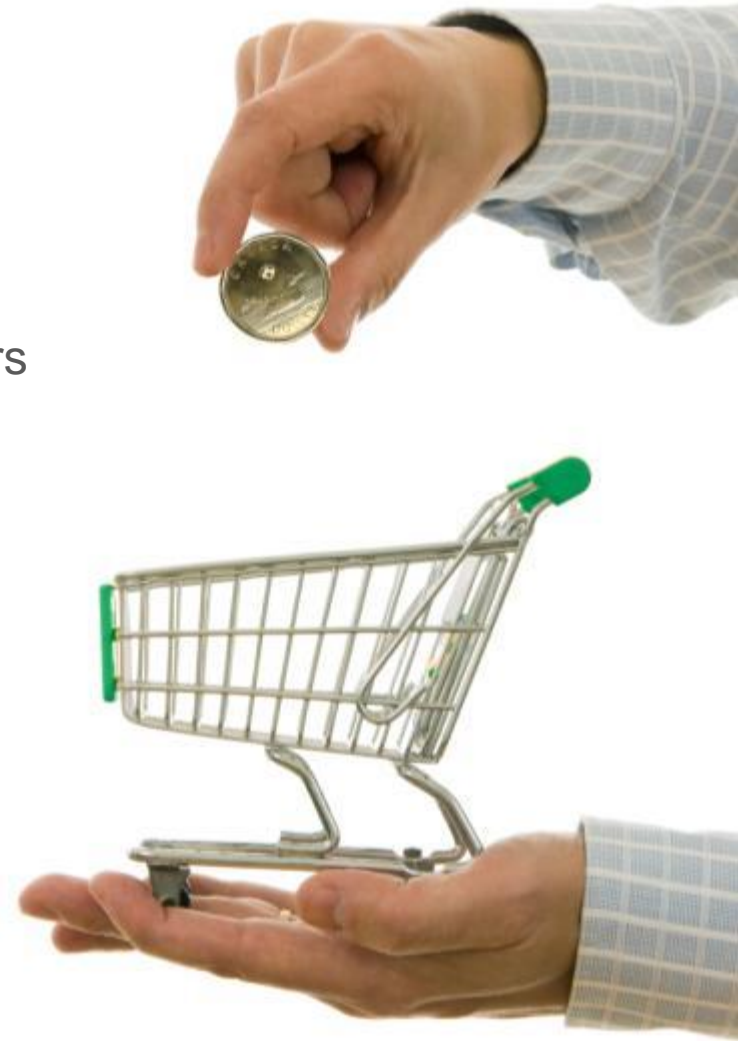
## Quick sales ramp-up

- Average sales ramp-up to \$2.3M within 2 years
- Rapid payback of about 2 years



## Low maintenance capex

Strong **profitability**,  
**low capital** intensity  
and **high ROI**



# Leverage strengths to stimulate sales



## Effective and flexible merchandising

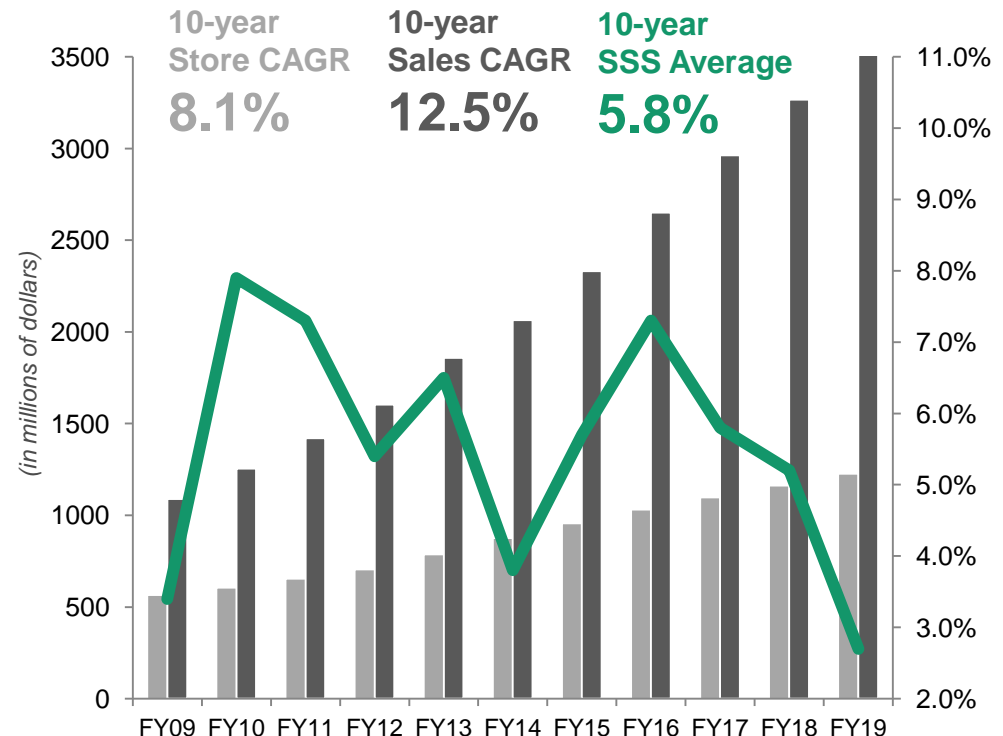
- Refresh 25-30% of merchandise every year
- Zonogram by department (vs. fixed planogram)
- No loss leaders



## Multiple fixed price points

- Introduction of new price points in 2009, 2012 & 2016
- \$3.50 & \$4.00 price points introduced on August 1<sup>st</sup>, 2016 (first day of Q3-FY17)

## Industry leading same-store sales



# Maintain low-cost operating model



## Continuous in-store productivity improvements

- POS systems
- Kronos advanced scheduling
- NCR point of sale terminals
- WIFI and mobile-driven projects

## Efficient supply chain

- DC, warehouse and transportation logistics

## Lean overhead operations



# Financial Metrics



# Robust financial performance



(in millions of dollars, except per share amounts)	<b>IFRS 16</b>				<b>Y-O-Y GROWTH</b>	<b>IAS 17</b>				<b>Y-O-Y GROWTH</b>
	<b>FIRST QUARTER ENDED<sup>(1)</sup></b>					<b>FISCAL YEAR ENDED<sup>(1)</sup></b>				
	<b>MAY 5, 2019</b>		<b>APR. 29, 2018</b>			<b>FEB. 3, 2019<sup>(2)</sup></b>		<b>JAN. 28, 2018</b>		
<b>Sales</b>	<b>\$828</b>	<b>% OF SALES</b>	<b>\$756</b>	<b>% OF SALES</b>	<b>9.5%</b>	<b>\$3,549</b>	<b>% OF SALES</b>	<b>\$3,266</b>	<b>% OF SALES</b>	<b>8.6%</b>
<b>Gross Margin</b>	<b>\$349</b>	<b>42.1%</b>	<b>\$331</b>	<b>43.8 %</b>	<b>5.4%</b>	<b>\$1,393</b>	<b>39.3%</b>	<b>\$1,301</b>	<b>39.8%</b>	<b>7.1%</b>
<b>SG&amp;A</b>	<b>\$122</b>	<b>14.7%</b>	<b>\$113</b>	<b>15.0%</b>	<b>8.0%</b>	<b>\$509</b>	<b>14.4%</b>	<b>\$475</b>	<b>14.5%</b>	<b>7.3%</b>
<b>EBITDA</b>	<b>\$227</b>	<b>27.4%</b>	<b>\$218</b>	<b>28.8%</b>	<b>4.1%</b>	<b>\$884</b>	<b>24.9%</b>	<b>\$826</b>	<b>25.3%</b>	<b>7.0%</b>
<b>Operating Income</b>	<b>\$169</b>	<b>20.4%</b>	<b>\$162</b>	<b>21.5%</b>	<b>3.8%</b>	<b>\$804</b>	<b>22.7%</b>	<b>\$756</b>	<b>23.1%</b>	<b>6.5%</b>
<b>Net Earnings</b>	<b>\$104</b>	<b>12.5%</b>	<b>\$102</b>	<b>13.4%</b>	<b>1.9%</b>	<b>\$549</b>	<b>15.5%</b>	<b>\$519</b>	<b>15.9%</b>	<b>5.7%</b>
<b>EPS</b>	<b>\$0.33</b>		<b>\$0.31</b>		<b>6.5%</b>	<b>\$1.67</b>		<b>\$1.52</b>		<b>9.9%</b>
<b>Adj. Debt / LTM EBITDAR<sup>(3)</sup></b>	<b>2.85x</b>		2.83x			<b>2.85x</b>		2.75x		

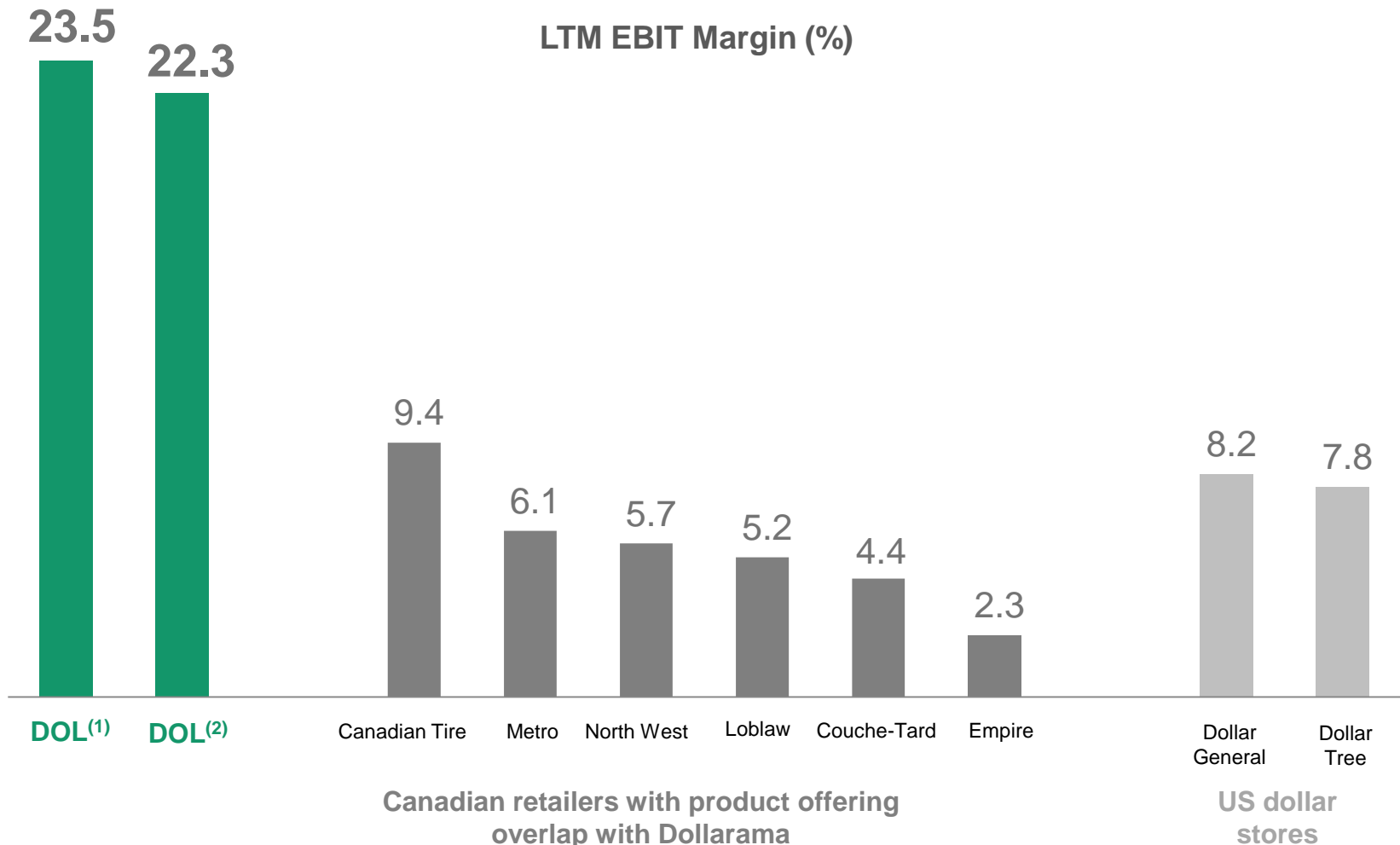
(1) Figures for the first quarters include the adoption of IFRS 16 – Leases; figures for the fiscal years do not include the adoption of IFRS 16 - Leases

(2) The fiscal year ended on Feb. 3, 2019 included 53 weeks (Jan. 28, 2018: 52 weeks)

(3) (Total debt + 6x LTM rent\* expenses) / (LTM EBITDA + 1x LTM rent expenses)

\*Rent includes basic rent and contingent rent, as reported in the notes to the financial statements

# Balanced approach to operating margin



Source: Bloomberg, Walmart Canada figures not available

(1) Reflects the adoption of IFRS 16 – Leases

(2) Does not reflect the adoption of IFRS 16 - Leases

# Strong organic growth with low capital requirements



Source: Bloomberg, Walmart Canada figures not available

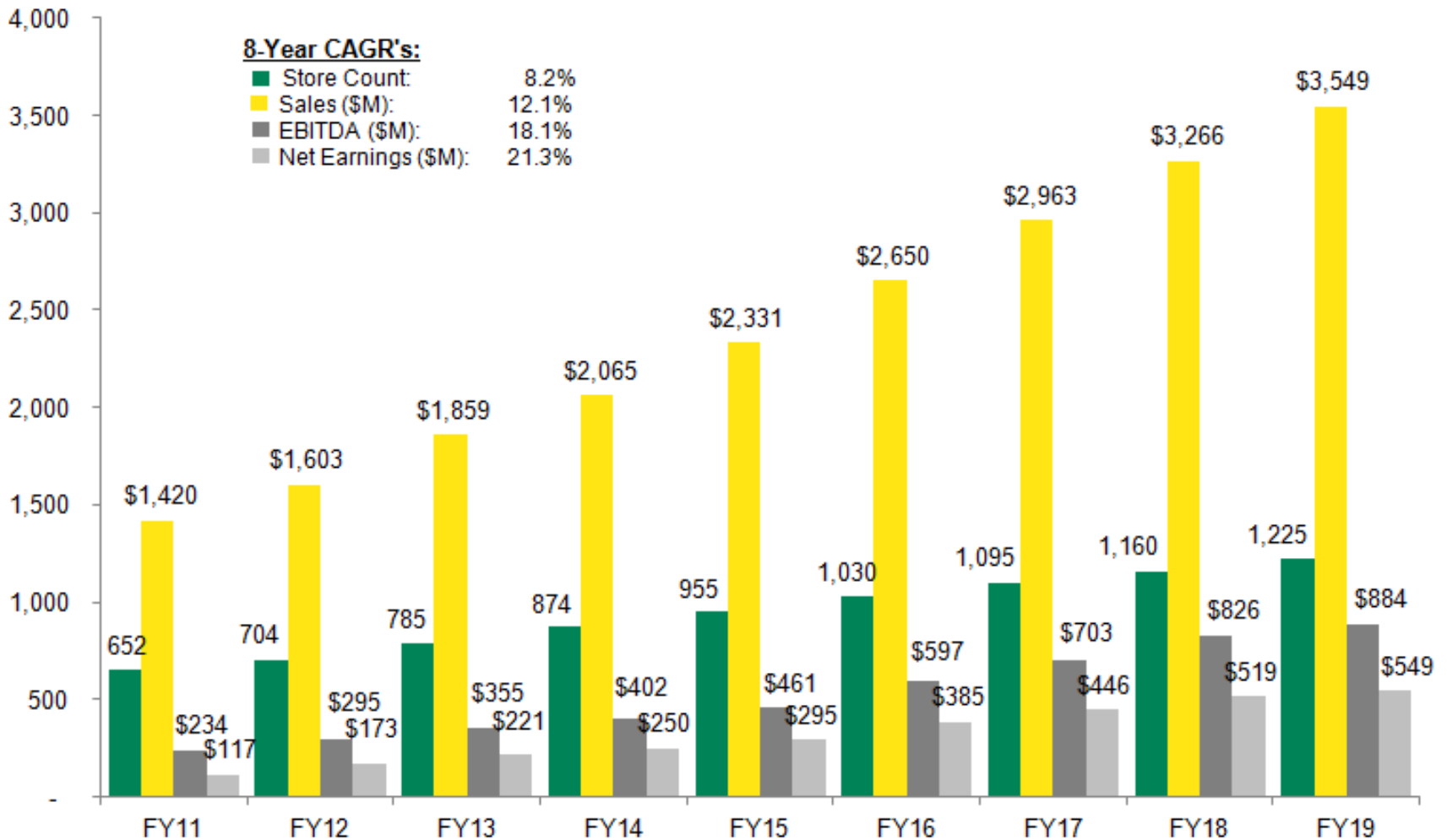
(1)  $(EBITDA - CAPEX) / EBITDA$

(2) Reflects the adoption of IFRS 16 - Leases

# Strong key metrics growth since IPO



IAS 17<sup>(1)</sup>



(1) These figures do not reflect the adoption of IFRS 16 - Leases

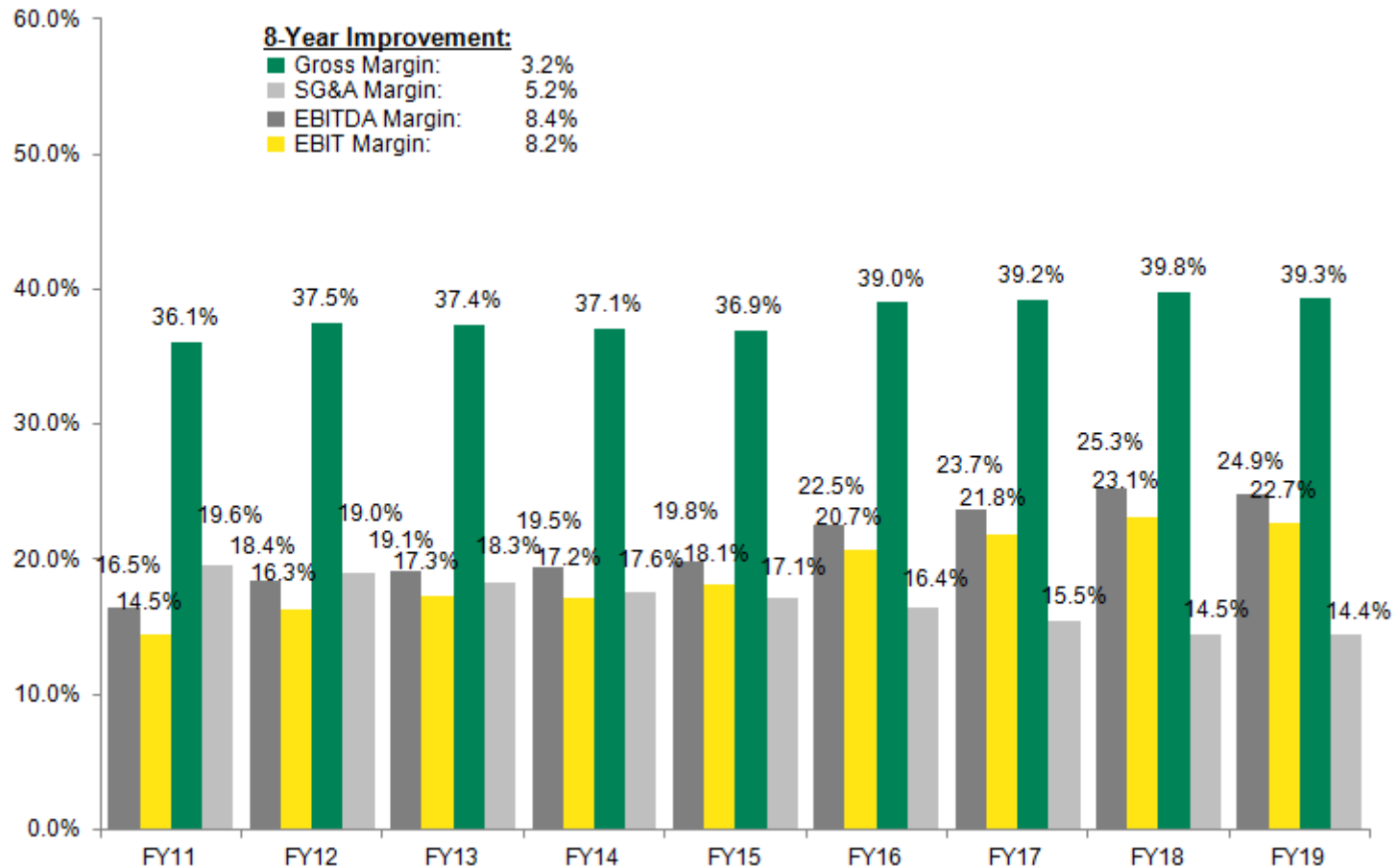


# Continuous margin improvement since IPO



Cost structure, with 80-85% of operating costs being variable, allows for scaling benefits arising from top line growth





IAS 17<sup>(1)</sup>

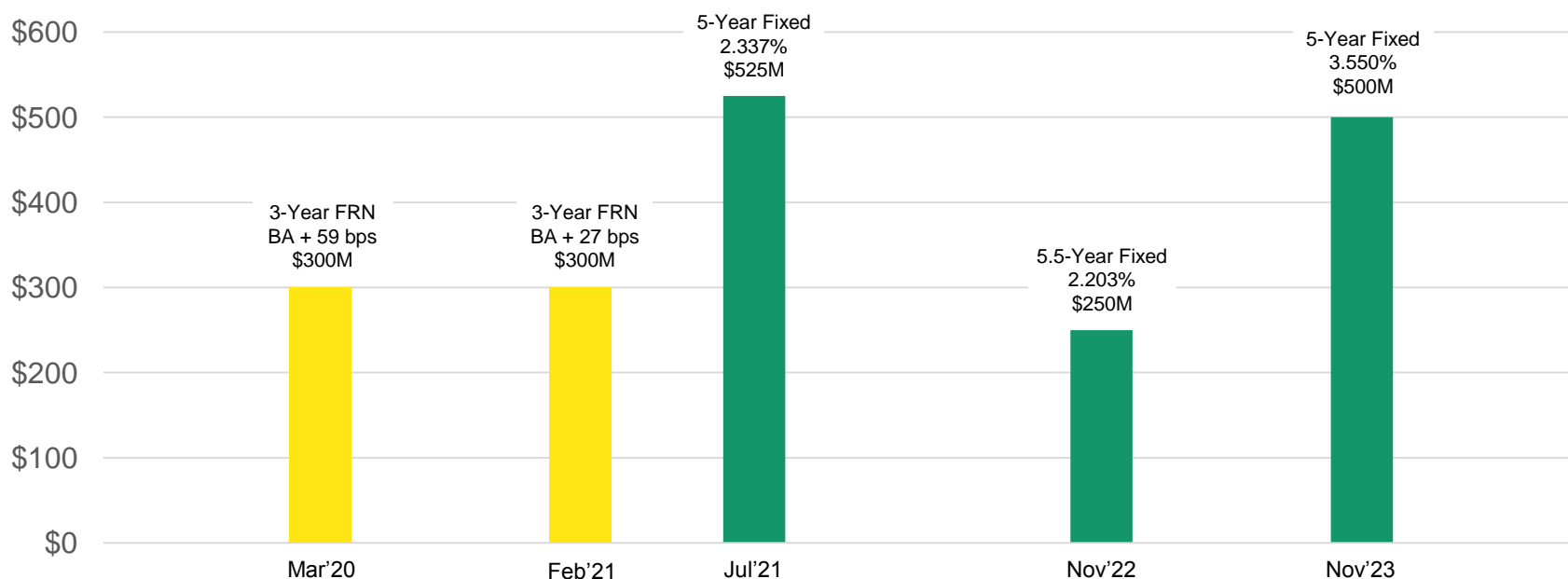


(1) These figures do not reflect the adoption of IFRS 16 - Leases

# Balanced debt structure



-  **68%** fixed rate debt, **32%** floating rate debt<sup>(1)</sup>
-  **\$550M** available liquidity (\$55M cash + \$495M undrawn credit facility) <sup>(1,2)</sup>
-  **2.68%** weighted average cost of debt<sup>(1)</sup>
-  **2.7** years weighted average time to maturity<sup>(1)</sup>



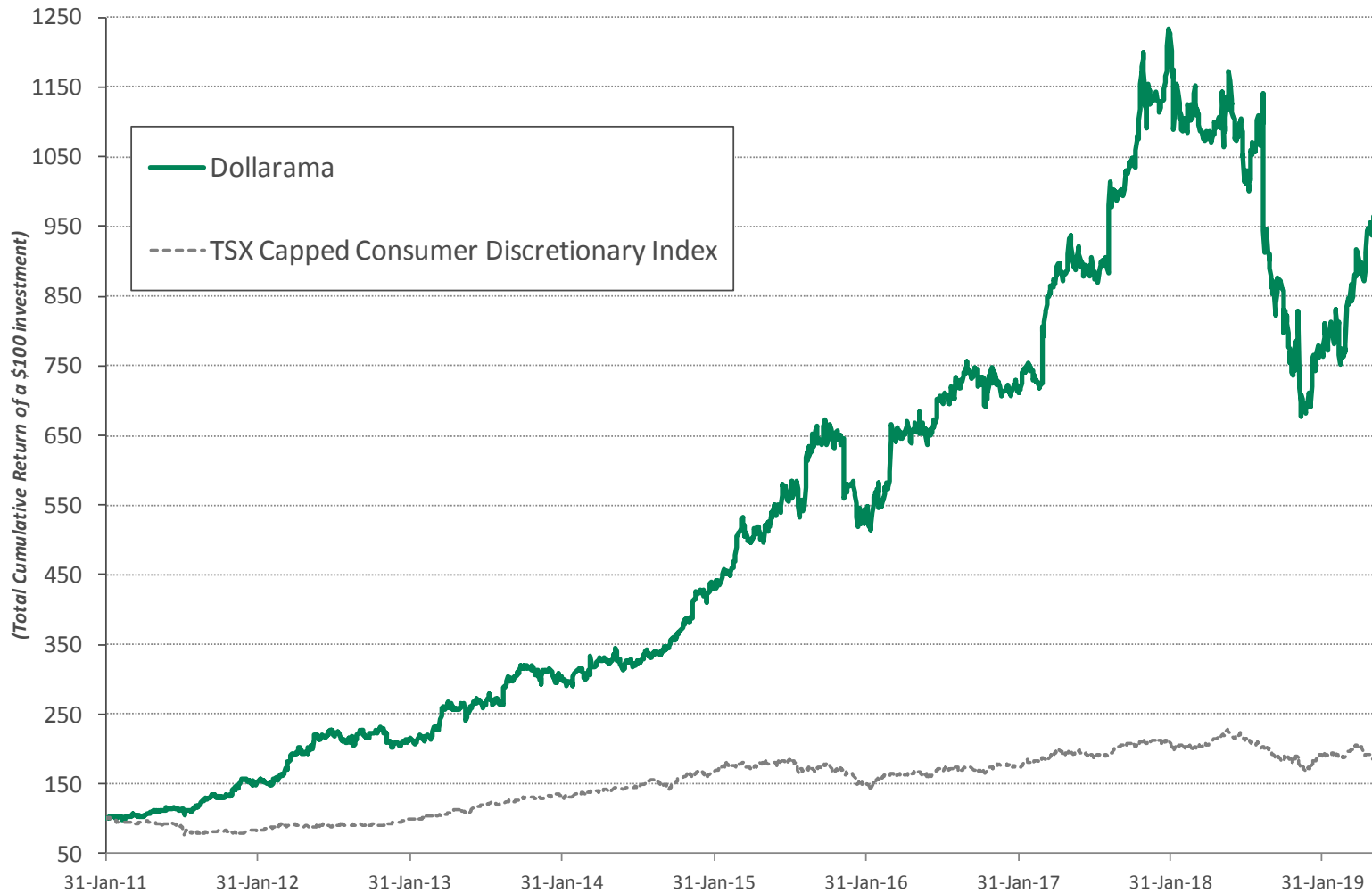
(1) As at the end of Q1-FY20

(2) Excludes letters of credit and letters of guarantee

# Total shareholder return





## Performance Graph Since January 31, 2011



# Priorities



-  Open 60-70 stores in FY20 and then reach 1,700 stores by 2027
-  Sustain attractive same-store sales growth
-  Maintain balanced operating margins
-  Maximize shareholder value

Maintain and enhance our simple, growth-oriented business model



Thank you



# A seasoned board and management team



## BOARD OF DIRECTORS

### **Stephen Gunn**

Chair of the Board  
Corporate Director

### **Joshua Bekenstein**

Managing Director  
Bain Capital Partners

### **Gregory David**

CEO  
GRI Capital

### **Elisa D. Garcia C.**

Chief Legal Officer  
Macy's Inc.

### **Kristin Mugford**

Senior Lecturer  
Harvard Business  
School

### **Nicholas Nomicos**

Managing Director  
Nonantum Capital Partners

### **Neil Rossy**

President & Chief Executive  
Officer  
Dollarama

### **Richard Roy, FCPA, FCA**

Corporate Director

### **Huw Thomas, FCPA, FCA**

Corporate Director

## OFFICERS

### **Neil Rossy**

President & Chief Executive  
Officer

### **Michael Ross, FCPA, FCA**

Chief Financial Officer

### **Johanne Choinière**

Chief Operating Officer

### **Geoffrey Robillard**

Senior Vice President  
Import Division

### **Nicolas Hien**

Senior Vice President  
Project Management & Systems

### **Josée Kouri**

Corporate Secretary