

# Investor Presentation

Q3-FY2020



# Cautionary statement



## Forward-Looking Information

This presentation contains forward-looking information about results, levels of activity, performance, goals or achievements of Dollarama and Dollarcity or other future events or developments that may affect Dollarama and Dollarcity which are based on information currently available to management and 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, levels of activity, performance, goals or achievements or other future events or developments to differ materially from those expressed or implied by the forward-looking information contained herein including, without limitation, 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 December 4, 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.

The financial outlook for Dollarcity for the calendar years 2019 and 2020, 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.

## Market and Industry Data

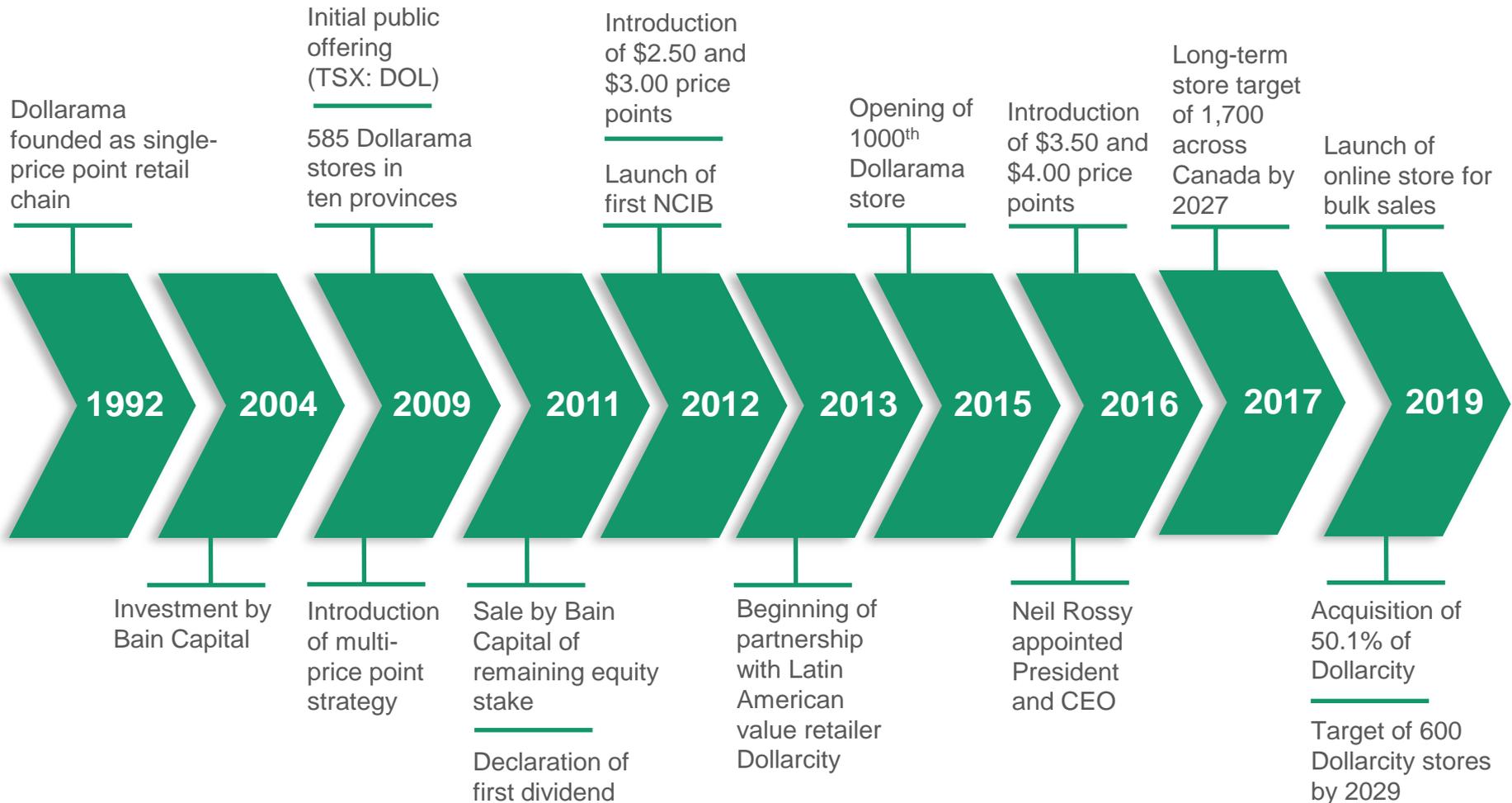
This presentation contains market and industry data sourced from a combination of internal company surveys, third party information, including third party websites, and estimates of management. While those sources are believed to be reliable, they have not been independently verified, and management has no assurance that the information contained in third party websites is current and up-to-date. While management is not aware of any misstatements regarding the market and industry data presented herein, such data involves risks and uncertainties and is subject to change based on various factors. Unless otherwise indicated, the data contained in this presentation is stated as at December 5, 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 December 4, 2019 for a reconciliation of those non-GAAP measures to the most directly comparable GAAP measures.



# Dollarama through the years



# Dollarama today



## Largest and only national dollar store chain in Canada

- 1,271 corporate-owned and operated stores
- Avg. of 10,275 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: \$3.78B
- LTM<sup>(1,2)</sup> EBITDA: \$1,108M (29.3% of sales)

(1) For the last twelve months ended November 3<sup>rd</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**



# 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:

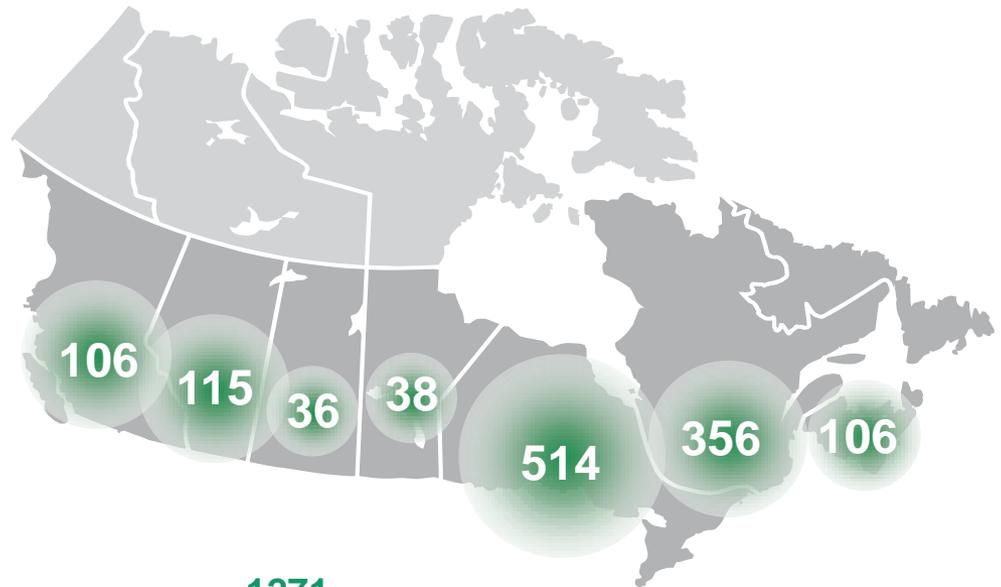
- Creates different, more compelling product selection
- Reduces costs associated with intermediaries
- Increases bargaining power with suppliers
- Provides cost flexibility to help control inflation and currency fluctuations



# Large network with over 1,200 stores across Canada

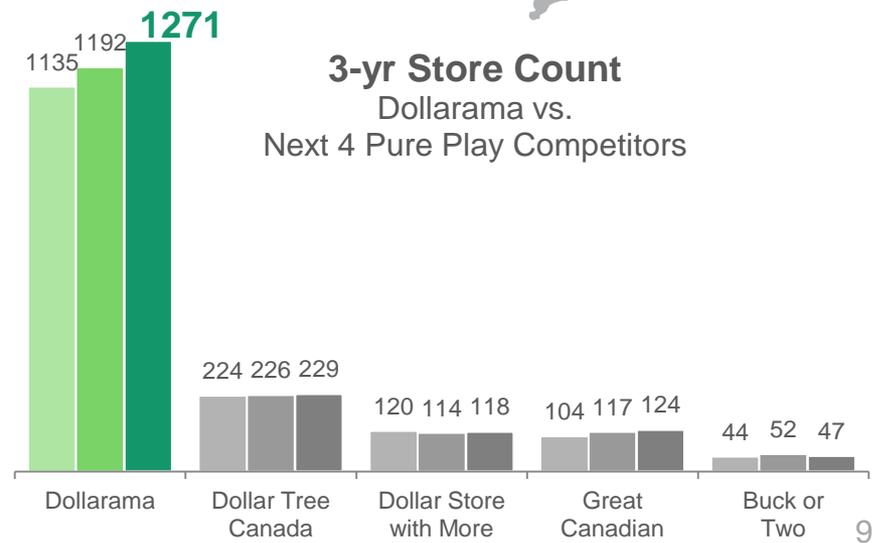


Only dollar store chain with a significant presence in **all ten provinces**



**~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



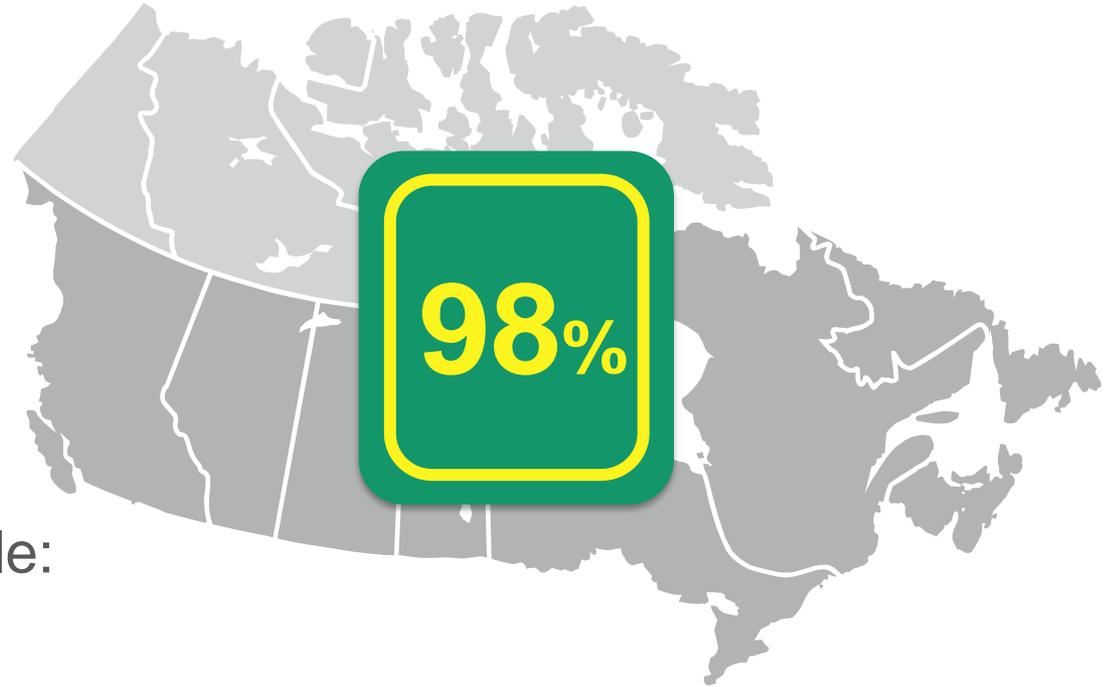
 Our value proposition is the key differentiator

 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



# Growth Strategies



# Strategies for driving growth and creating value



## Grow store network in Canada in a disciplined manner

- Target of 1,700 Dollarama stores by 2027
- Leverage strengths to stimulate sales
- Maintain low-cost operating model



## Develop second growth platform in Latin America

- Acquisition of 50.1% interest in Dollarcity in Q3-F2020
- Target of 600 Dollarcity stores by 2029



# Significant potential for additional growth in Canada



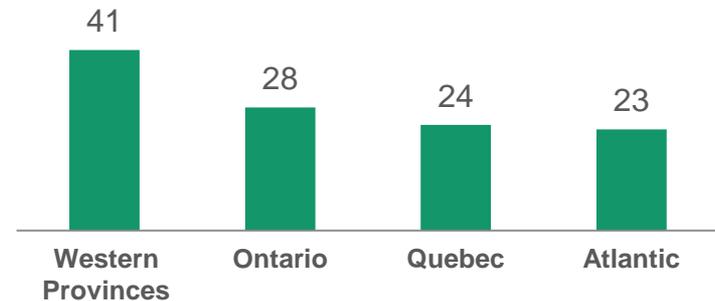
Average of **66 net new stores** per year over last 10 fiscal years

Eastern Canadian market **not saturated**

Dollarama **underpenetrated** in Ontario and Western Canada



Thousands of People per Dollarama Store

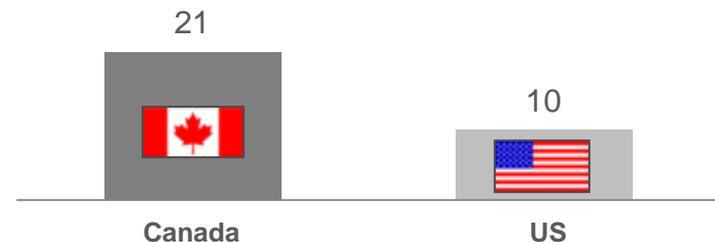


Source: Statistics Canada; Q3-FY20 store count

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



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 15  
Source: Census data and company websites

# Disciplined approach to growth



## Efficient capital model

- \$650K in leasehold improvements, fixtures and inventory for new Dollarama store



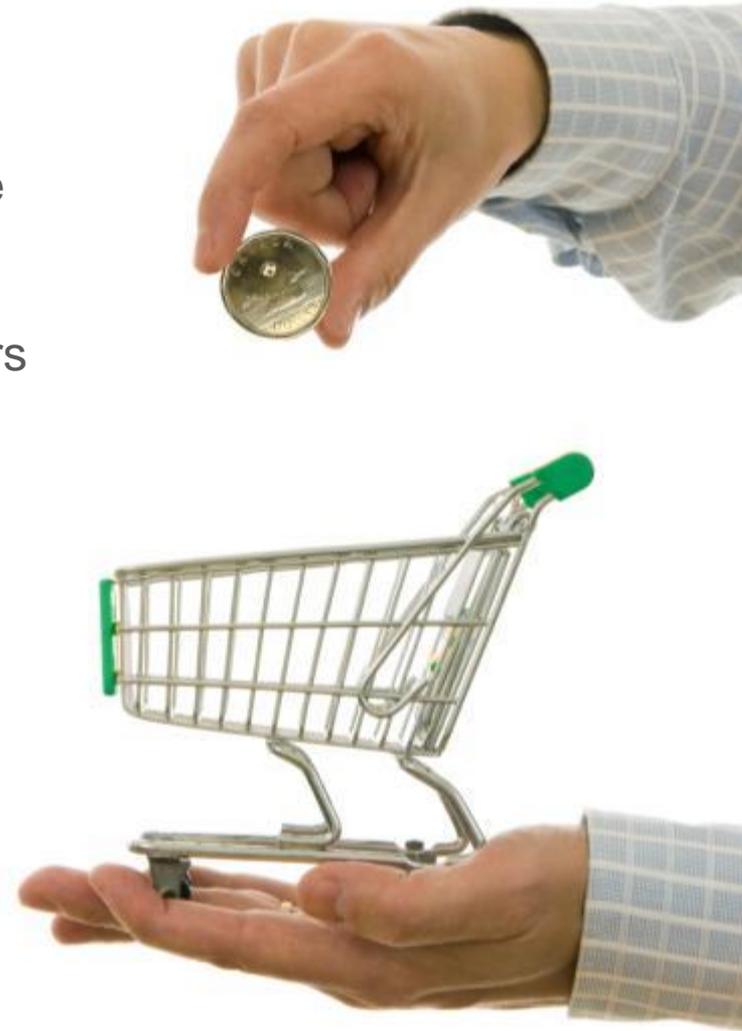
## Quick sales ramp-up

- 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 Dollarama sales



## Effective and flexible merchandising

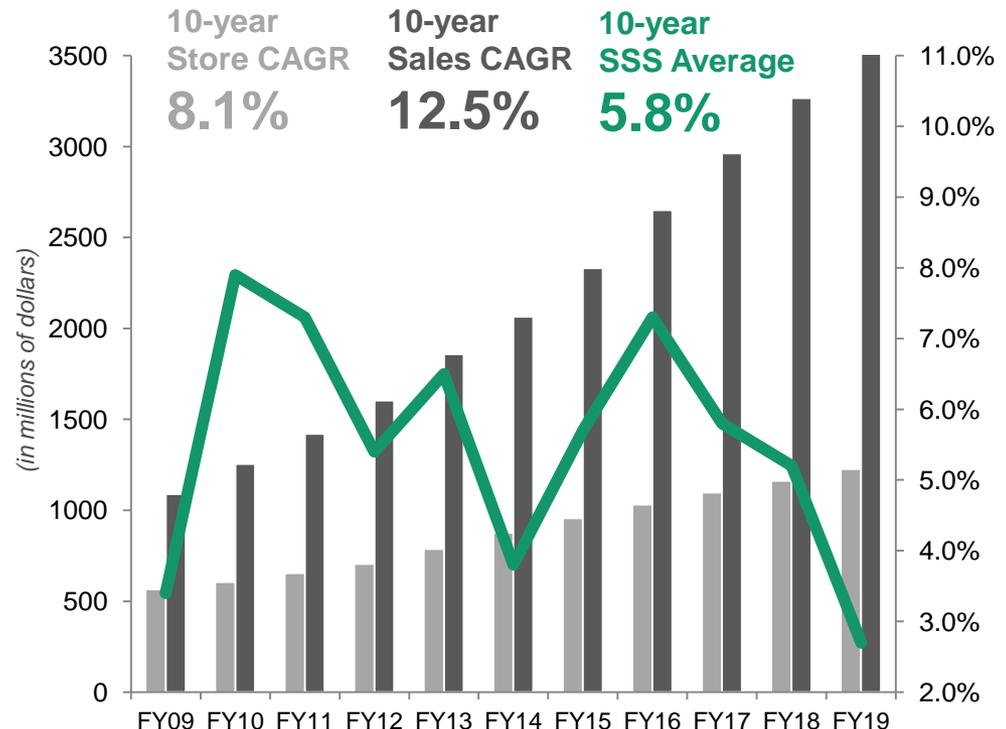
- Refresh 25-30% of merchandise every year
- Zonogram by department (vs. fixed planogram)
- No loss leaders



## 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



# Dollarcity transaction overview



## Acquisition of 50.1% interest in Dollarcity

- 2018<sup>1</sup> sales of US\$236M, EBITDA<sup>2</sup> of US\$36.6M (16% EBITDA margin)
- Estimated purchase price of ~US\$93M<sup>3</sup>; payment of US\$40M made upon closing on August 14, 2019
- Immediately accretive to DOL EPS (+CA\$0.02-0.03 per share in F2020<sup>4</sup>, +CA\$0.05-0.07 per share in F2021)
- Investment reported based on equity method



## A compelling growth platform

- Creates compelling second growth platform, in complement to Canadian growth strategy
- Proven business model with 7 years of success creating a 'localized' DOL
- Strong local partners committed as long-term operators

(1) Dollarcity full-year financial results are for the 12-month period ended December 31, 2018.

(2) EBITDA is a non-GAAP measure. A reconciliation of EBITDA to the most directly comparable GAAP measure, operating income, is included on the right.

(3) As at November 3, 2019. Equity value calculated as 50.1% of 5x estimated EBITDA for the 12 months ending June 30, 2020, minus net debt +/- other customary adjustments. Purchase price formula reflects financial terms agreed upon in 2013. Estimated balance of purchase price of ~US\$53M due in Q3 F2021 and expected to be funded by available free cash flows.

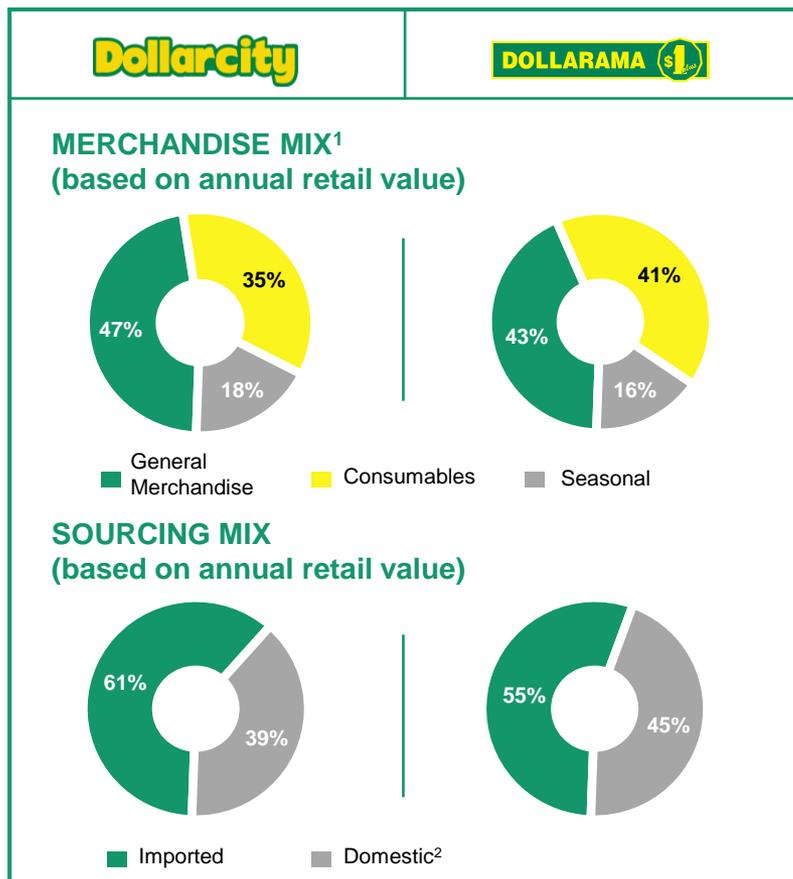
(4) F2020 EPS will include 50.1% of approximately 4.5 months of Dollarcity's net earnings.

(dollars in millions)

	Dec. 31, 2018	Dec. 31, 2019
	\$	\$
Operating income	30.7	41.1
Add: Depreciation and amortization	5.9	8.9
<b>EBITDA</b>	<b>36.6</b>	<b>50.0</b>



# Dollarcity, a 'localized' Dollarama



	Dollarcity	DOLLARAMA
<i>(As at respective year ends)</i>	<b>Dec. 31, 2018<sup>3</sup></b>	<b>Feb. 3, 2019</b>
<b>NUMBER OF STORES</b>	169	1,225
<b>SALES</b>	CA\$309 million (US\$236 million)	CA\$3,549 million
<b>PRICE POINT RANGE<sup>4</sup></b>	US\$0.69-\$3.00 or equivalents in local currencies	CA\$0.82-\$4.00
<b>NEW STORE INVESTMENT</b>	CA\$786,000 (US\$600,000)	CA\$700,000

- Strong execution in store network growth
- Sales performance comparable to DOL
- Successful in adapting DOL business model to LATAM markets and consumers
- Rapid new store payback period

(1) Merchandise mix categories may differ slightly between DOL and Dollarcity.  
 (2) For DOL, domestic refers to merchandise purchased in North America. For Dollarcity, domestic refers to merchandise purchased in the countries where the company operates stores.  
 (3) US\$ amounts converted to CA\$ using a USD/CAD average exchange rate of 1.31 for the year ended December 31, 2018.  
 (4) Dollarcity price points include value-added tax.

# Dollarcity's growth trajectory



'Localized' Dollarama concept initially tested and established in El Salvador and Guatemala



Since 2017, network expansion has been mainly focused on Colombia, a compelling retail market with significant growth opportunities



Dollarama acquired 50.1% interest in August 2019



Target of 600 Dollarcity stores in Colombia, Guatemala and El Salvador by 2029

- Majority of store network growth will be focused in Colombia
- 210 stores as at Sept 30, 2019



(1) As at Dollarcity's latest quarter ended Sept 30, 2019.



# 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>THIRD QUARTER ENDED<sup>(1)</sup></b>					<b>FISCAL YEAR ENDED<sup>(1)</sup></b>				
	<b>NOV. 3, 2019</b>		<b>OCT. 28, 2018</b>			<b>FEB. 3, 2019<sup>(2)</sup></b>		<b>JAN. 28, 2018</b>		
<b>Sales</b>	<b>\$948</b>	<b>% OF SALES</b>	<b>\$864</b>	<b>% OF SALES</b>	<b>9.6%</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>\$414</b>	<b>43.7%</b>	<b>\$383</b>	<b>44.3 %</b>	<b>8.1%</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>\$142</b>	<b>15.0%</b>	<b>\$121</b>	<b>14.0%</b>	<b>17.9%</b>	<b>\$509</b>	<b>14.4%</b>	<b>\$475</b>	<b>14.5%</b>	<b>7.3%</b>
<b>EBITDA</b>	<b>\$273<sup>(3)</sup></b>	<b>28.8%</b>	<b>\$262</b>	<b>30.3%</b>	<b>4.3%</b>	<b>\$884</b>	<b>24.9%</b>	<b>\$826</b>	<b>25.3%</b>	<b>7.0%</b>
<b>Operating Income</b>	<b>\$212</b>	<b>22.4%</b>	<b>\$204</b>	<b>23.6%</b>	<b>3.7%</b>	<b>\$804</b>	<b>22.7%</b>	<b>\$756</b>	<b>23.1%</b>	<b>6.5%</b>
<b>Net Earnings</b>	<b>\$139</b>	<b>14.6%</b>	<b>\$132</b>	<b>15.3%</b>	<b>4.9%</b>	<b>\$549</b>	<b>15.5%</b>	<b>\$519</b>	<b>15.9%</b>	<b>5.7%</b>
<b>EPS</b>	<b>\$0.44</b>		<b>\$0.40</b>		<b>10.0%</b>	<b>\$1.67</b>		<b>\$1.52</b>		<b>9.9%</b>
<b>Adj. Debt / LTM EBITDAR<sup>(3)</sup></b>	<b>2.84x</b>		2.89x			<b>2.85x</b>		2.75x		

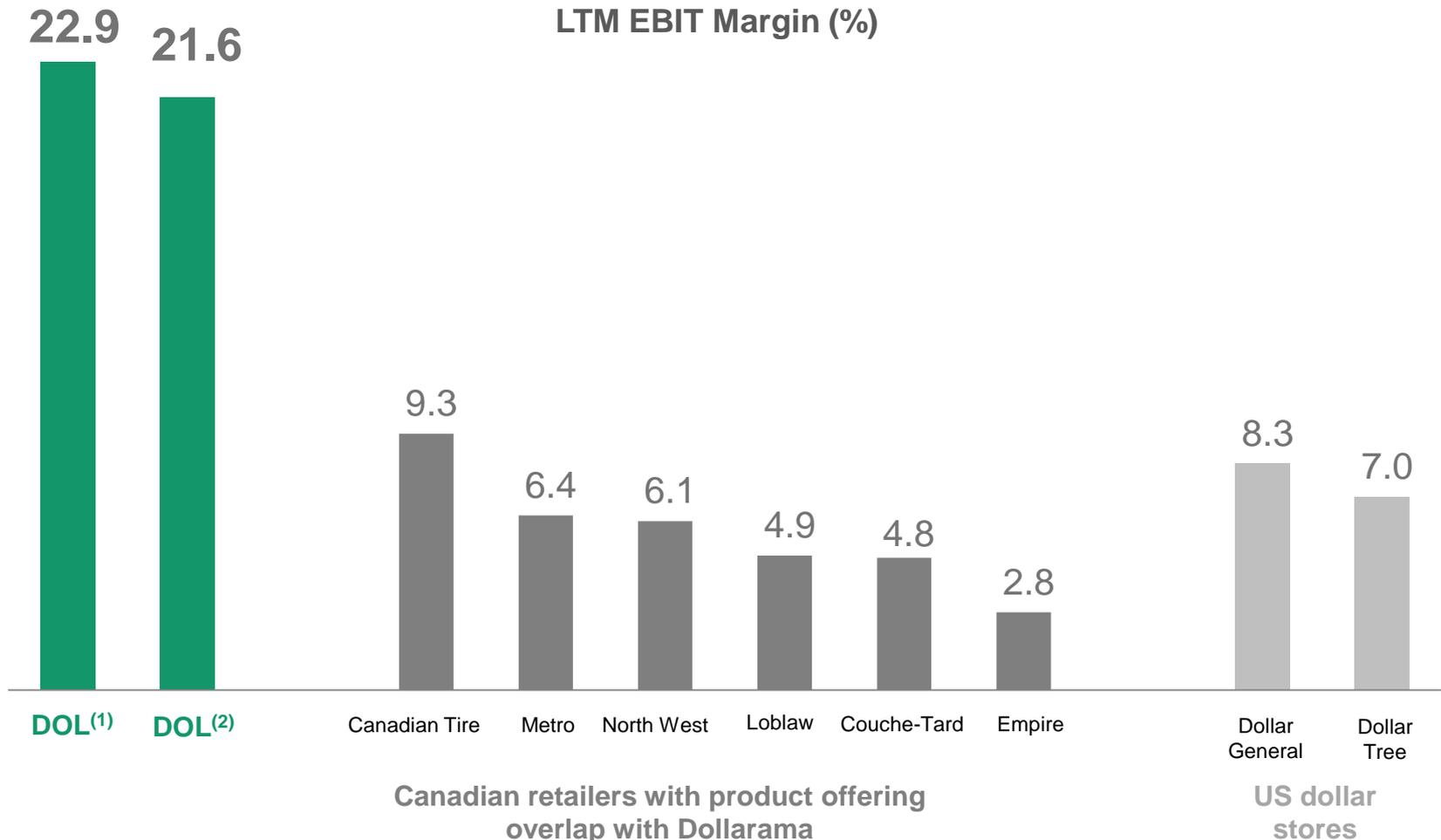
(1) Figures for the third quarter include the adoption of IFRS 16 – Leases; figures for the fiscal years do not include the adoption of IFRS 16 - Leases

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

(3) Includes \$1.7M representing the Corporation's 50.1% share of Dollarcity's net earnings for the period from August 14, 2019 to September 30, 2019

(4) (Total debt + 6x LTM rent\* expenses) / (LTM EBITDA + 1x LTM rent expenses). \*Rent includes basic rent and contingent rent

# Balanced approach to operating margin

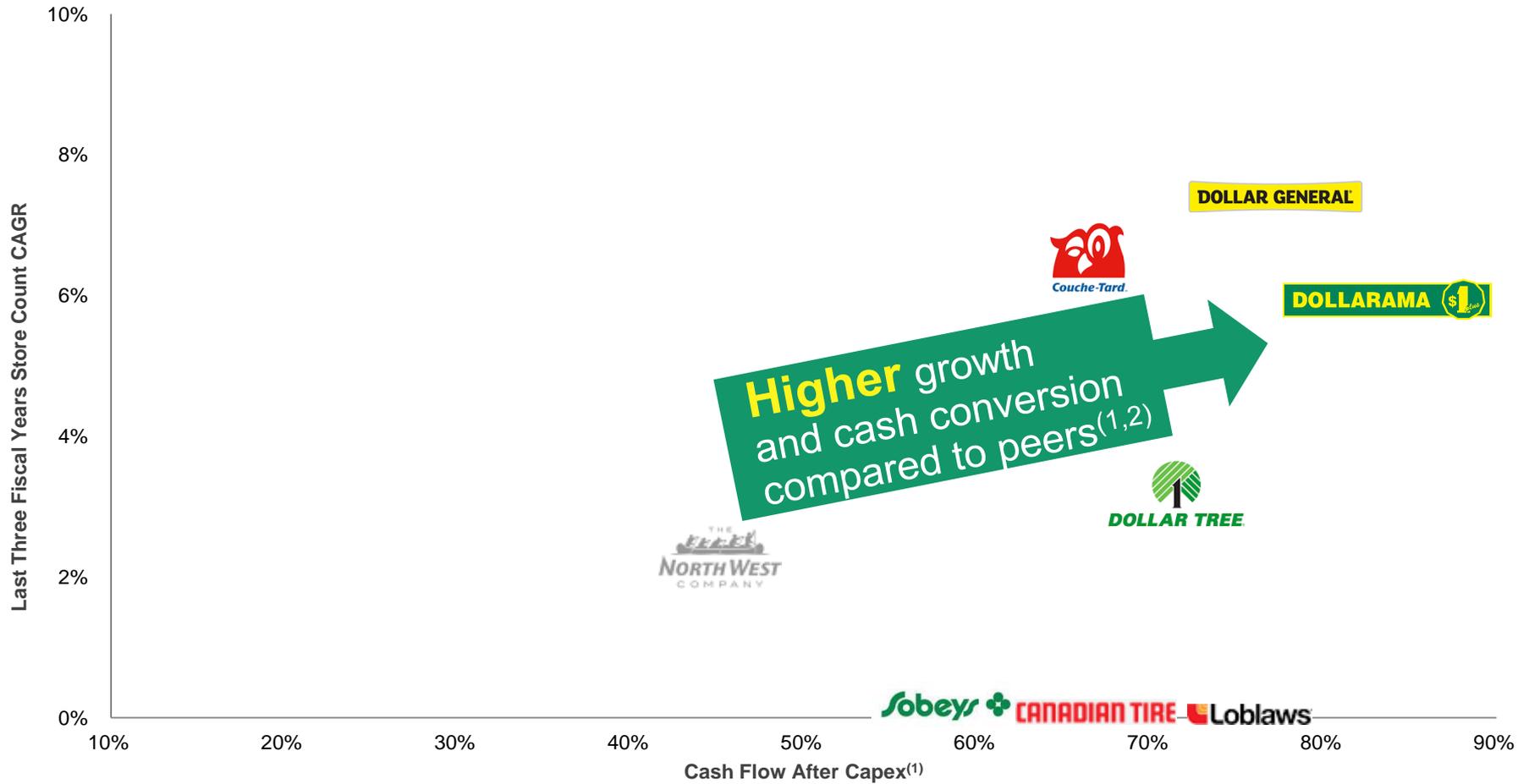


Source: Company websites; Walmart Canada figures not available

(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: Company websites; Walmart Canada figures not available

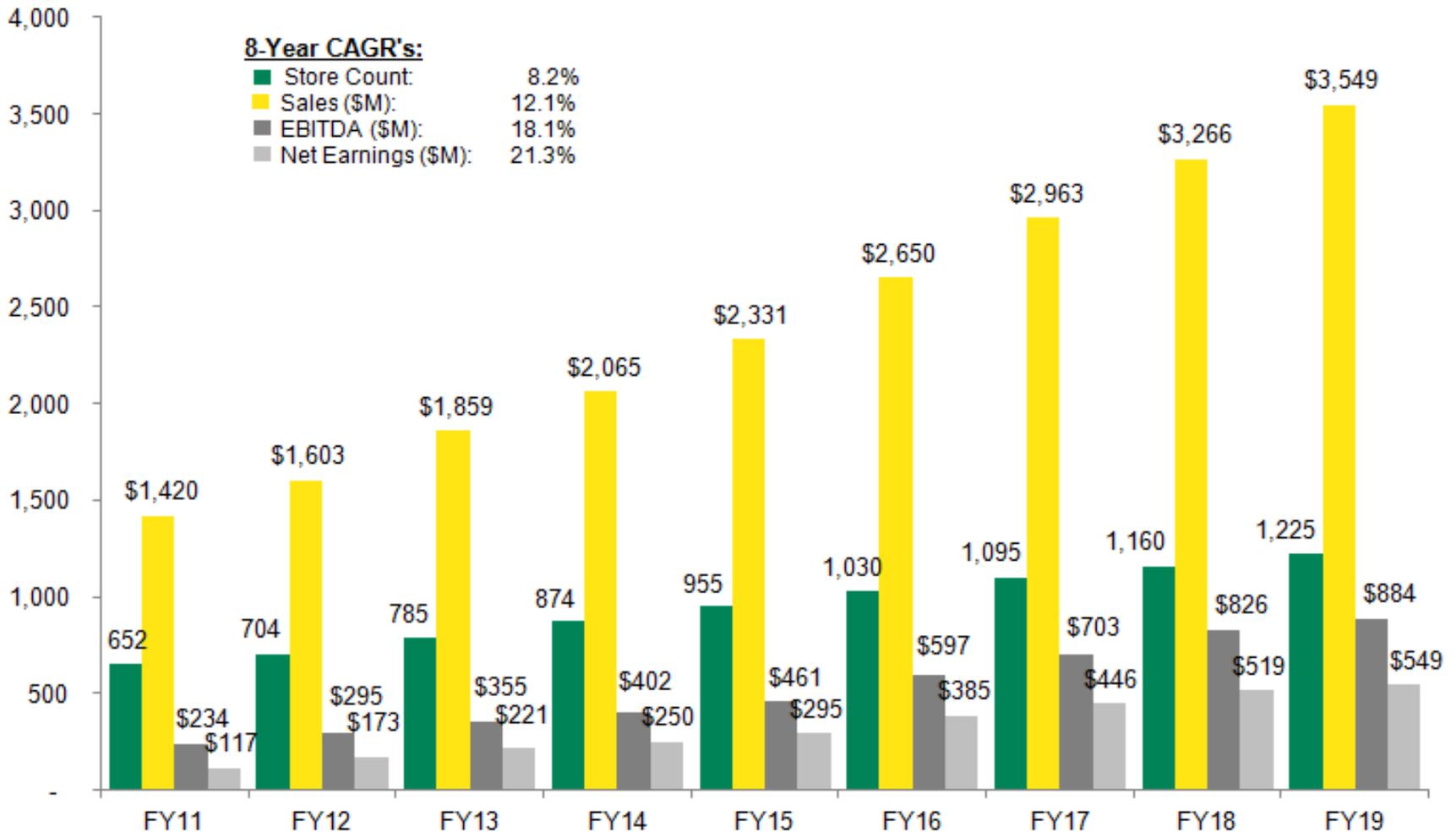
(1)  $(EBITDA - CAPEX) / EBITDA$

(2) Reflects the adoption of IFRS 16 - Leases

# Strong key metrics growth since IPO



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



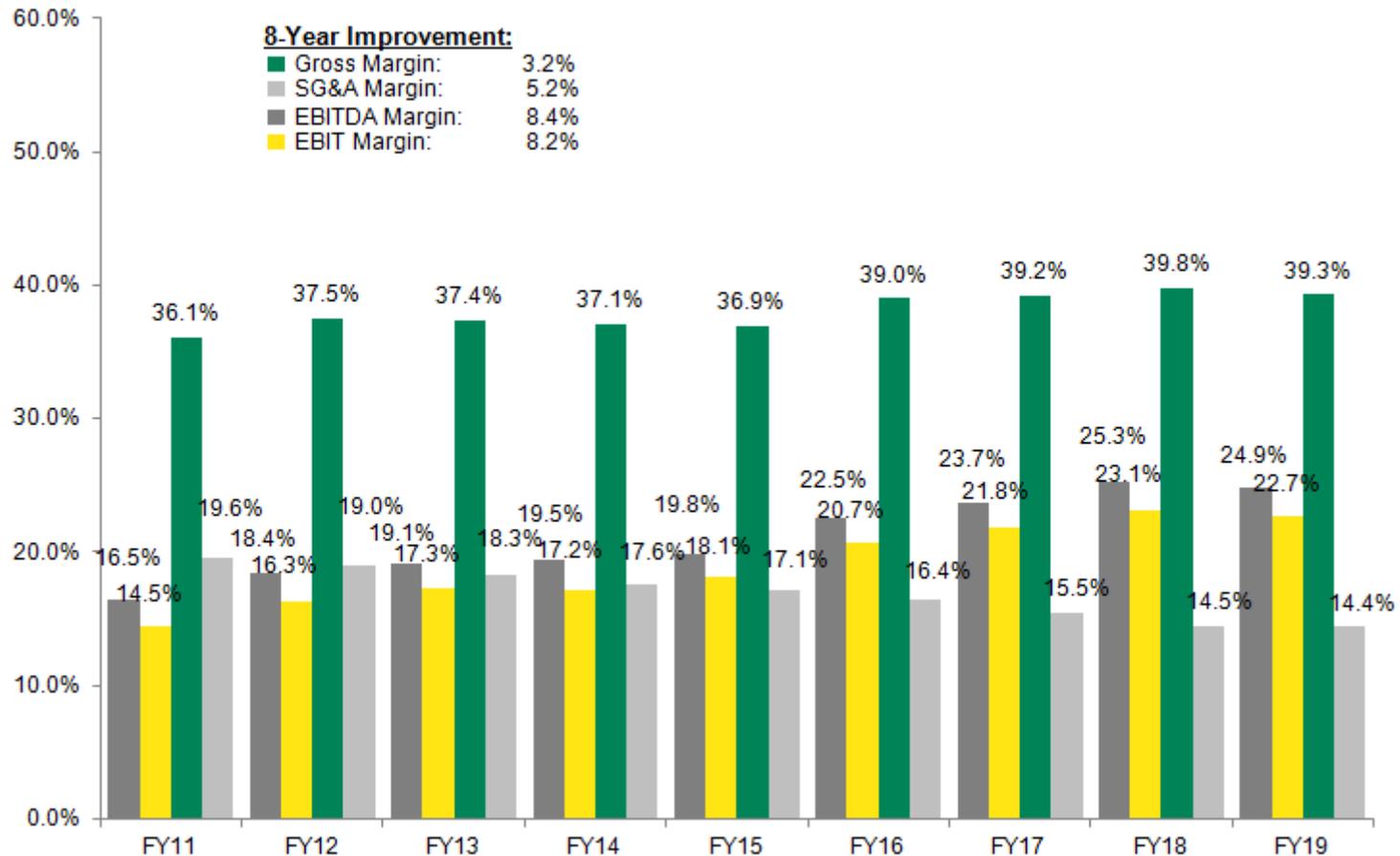
(1) These figures do not reflect the adoption of IFRS 16 - Leases

# 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>

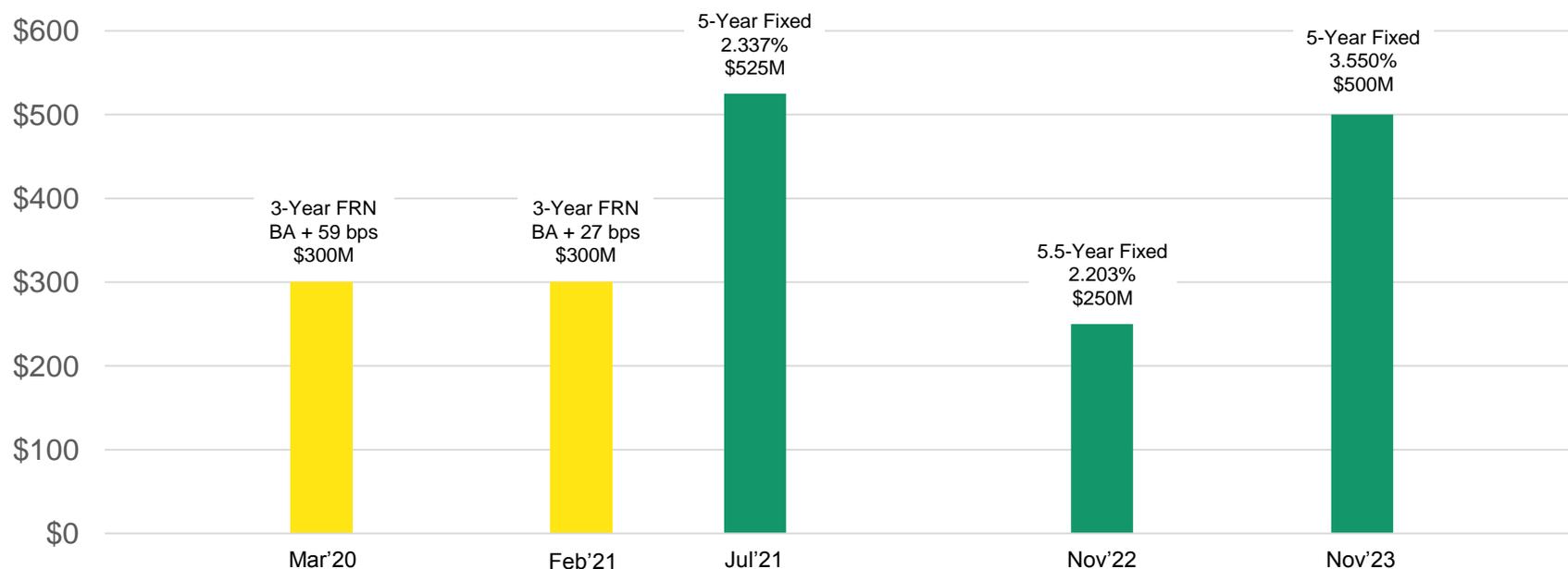


(1) These figures do not reflect the adoption of IFRS 16 - Leases

# Balanced debt structure



-  **68%** fixed rate debt, **32%** floating rate debt<sup>(1)</sup>
-  **\$564M** available liquidity (\$64M cash + \$500M undrawn credit facility) <sup>(1,2)</sup>
-  **2.66%** weighted average cost of debt<sup>(1)</sup>
-  **2.2** years weighted average time to maturity<sup>(1)</sup>



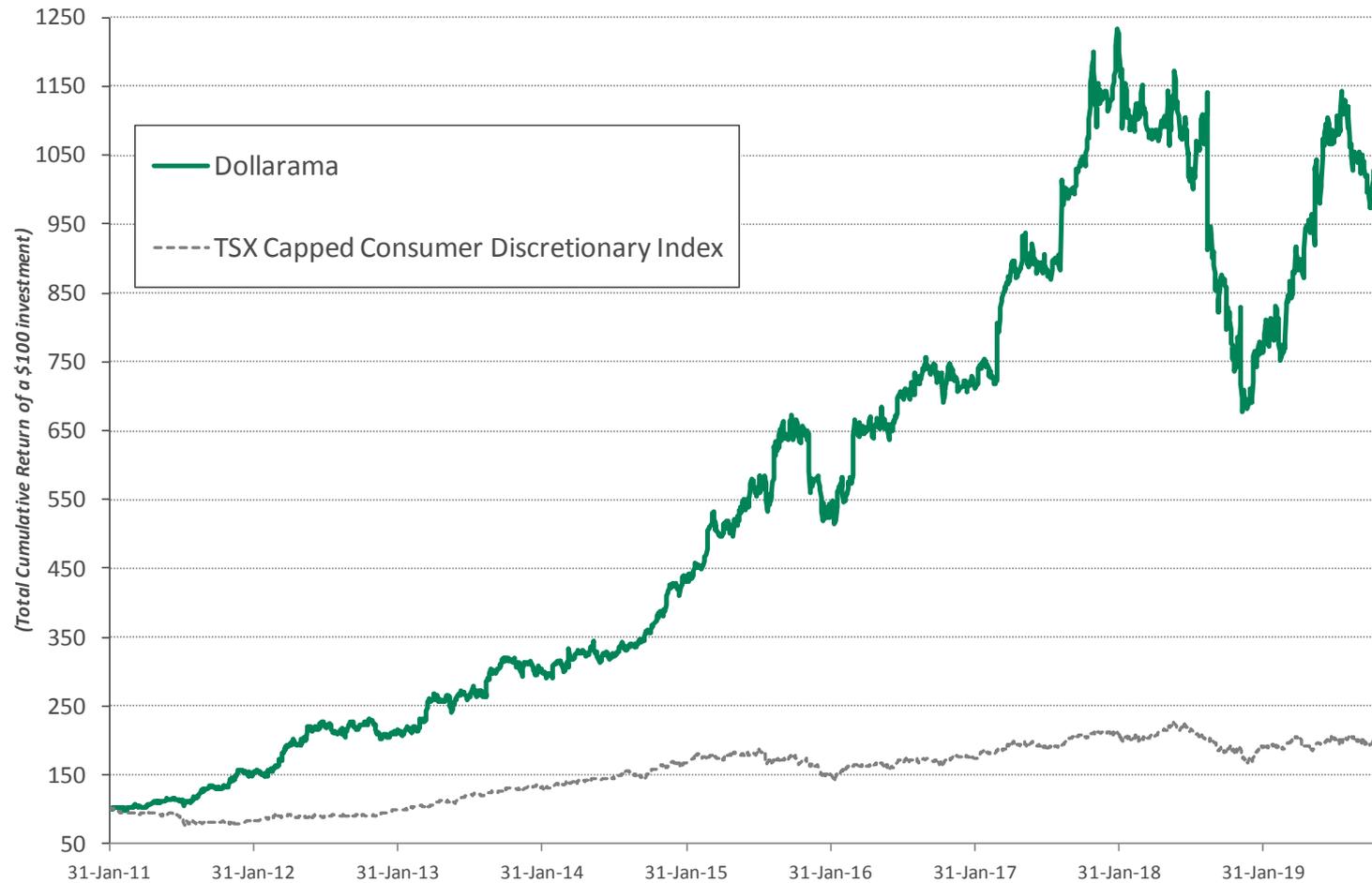
(1) As at the end of Q3-FY20

(2) Excludes letters of credit and letters of guarantee

# Total shareholder return



## Performance Graph Since January 31, 2011



# Disciplined execution of our growth plan



## Disciplined execution of our Canadian growth plan

- Open 60-70 net new Dollarama stores in FY2020
- Target of 1,700 stores in Canada by 2027
- Sustain attractive same-store sales growth
- Maintain balanced operating margins

## Development of our LATAM growth platform

- Open 40-50 net new Dollarcity stores in 2019, primarily in Colombia
- Target of 600 stores in three countries by 2029
- Continue implementation of various operational initiatives

## Create value for all stakeholders

ESG



# Dollarama's ESG framework



## PRIORITY AREAS

### OUR PEOPLE

- Fair labour practices
- Diversity and inclusion

### OUR PRODUCTS

- Product safety and quality

### OUR SUPPLY CHAIN

- Product sourcing
- Human rights
- Fair labour practices

### OUR OPERATIONS

- Energy management and climate change
- Waste management
- Data security and privacy

## MATERIALITY AND GOVERNANCE

Dollarama's ESG priority areas are based on comprehensive enterprise risk and ESG materiality assessments, and are managed within the company's enterprise risk management framework.

The 2019 ESG Report and other relevant documents are available at: [www.dollarama.com/en-CA/corp/corporate-governance-and-responsibility](http://www.dollarama.com/en-CA/corp/corporate-governance-and-responsibility)



# ESG priorities overview



## KEY 2019-2020 ESG PRIORITIES



### OUR PEOPLE

#### Promoting a dynamic and inclusive workforce

- Successfully recruit in support of expanding store network
- Increase internal promotions from store level to field management
- Aim for zero workplace accidents
- Maintain 25% representation of women among independent board members



### OUR PRODUCTS

#### Providing customers with compelling value and a consistent shopping experience

- Maintain a diverse supplier base and ensure products meet our safety and quality specifications
- Increase number and frequency of product testing on toys
- Proactively communicate product recalls via Dollarama's website

# ESG priorities overview



## KEY 2019-2020 ESG PRIORITIES



### OUR SUPPLY CHAIN

#### A three-pronged approach to vendor compliance and engagement

- Maintain vendor adherence and compliance with Vendor Code of Conduct
- Update Vendor Code of Conduct
- Roll-out Vendor Compliance Survey
- Roll-out third-party Social Audit Program



### OUR OPERATIONS

#### Minimizing the environmental footprint of our operations

- Continue to measure Scope 1 and 2 GHG emissions
- Increase use of LED lighting across operations
- Increase reuse and recycling through various initiatives (pallet recycling, baler installation)

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**

Chief Executive Officer  
GRI Capital

### **Elisa D. Garcia**

Chief Legal Officer  
Macy's

### **Kristin W. 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