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## **DOLLARAMA REPORTS FISCAL 2021 SECOND QUARTER RESULTS**

- Sales growth of 7.1%
- Comparable store sales growth of 5.4% (excluding temporarily closed stores)
- Net earnings of \$142.5 million and diluted net earnings per share of \$0.46
- 13 net new stores opened in the quarter, bringing total store count to 1,314 across Canada
- Continued execution of COVID-19 measures and related investments to protect the health and safety of employees and customers

MONTREAL, Quebec, September 2, 2020 – Dollarama Inc. (TSX: DOL) (“Dollarama” or the “Corporation”) today reported its financial results for the second quarter ended August 2, 2020.

“Our strong financial performance in the second quarter reflects Dollarama’s positioning as a shopping destination of choice for Canadians from coast to coast for convenience and a compelling assortment of affordable, everyday products. Our sales were strong, driven by the demand for summer seasonal items, and store traffic improved with each month as provincial reopening plans unfolded,” said President and CEO Neil Rossy.

“All of our stores were open to serve customers entering the third quarter and we continue to closely monitor consumer shopping patterns to ensure our store offering remains relevant to Canadian families in the evolving socio-economic environment shaped by the pandemic. The health and safety of our employees and customers remain paramount. We will diligently maintain our COVID-19 operating procedures and health and safety measures in accordance with public health directives and as the situation continues to evolve,” added Mr. Rossy.

### **Second Quarter Fiscal 2021 Highlights Compared to Second Quarter Fiscal 2020**

- Sales increased by 7.1% to \$1,013.6 million.
- Comparable store sales<sup>(1)</sup> excluding temporarily closed stores grew 5.4% and comparable store sales<sup>(1)</sup> including temporarily closed stores grew 2.5%.
- Gross margin<sup>(1)</sup> was 43.9% of sales, compared to 43.7% of sales.
- EBITDA<sup>(1)</sup> decreased by 1.3% to \$277.9 million, or 27.4% of sales, compared to 29.8% of sales.
- Operating income decreased by 4.6% to \$211.4 million, or 20.9% of sales, compared to 23.4% of sales.
- Diluted net earnings per common share increased by 2.2%, to \$0.46 from \$0.45.
- Direct costs related to COVID-19 amounted to \$34.3 million (which includes \$1.9 million in gross margin and \$32.4 million in SG&A).
- 13 net new stores were opened, compared to 14 net new stores.

### **Dollarama Store Network Update**

- As at the end of the first quarter on May 3, 2020, 104 stores remained temporarily closed due to government-mandated closures, primarily in Quebec malls.
- By June 19, 2020, all stores had reopened but 107 stores operated with a 10% or more reduction in opening hours.
- As at September 1, 2020, only 83 stores had reduced opening hours.

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<sup>(1)</sup> 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.

## Fiscal 2021 Second Quarter Financial Results

All comparative figures that follow are for the second quarter ended August 2, 2020 compared to the second quarter ended August 4, 2019. 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").

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 2020" are to the Corporation's fiscal year ended February 2, 2020, and to "Fiscal 2021" are to the Corporation's fiscal year ending January 31, 2021.

Sales for the second quarter of Fiscal 2021 increased by 7.1% to \$1,013.6 million, compared to \$946.4 million in the corresponding period of the prior fiscal year. The increase in sales is attributable to the growth in the total number of stores over the past twelve months, from 1,250 stores on August 4, 2019 to 1,314 stores on August 2, 2020, and to an increase in comparable store sales, driven by higher sales of summer seasonal items as well as household and cleaning products. This was partially offset by lower in-store traffic, a reduction in demand for certain product categories, such as party supplies and greeting cards, and reduced opening hours in some locations.

At the beginning of the second quarter, 104 stores remained temporarily closed due to government-mandated closures, primarily in Quebec malls. In addition, about 84% of stores were operating with reduced hours to allow more time for re-stocking outside of opening hours and due to mandated closures on Sundays in Quebec. Over the course of the quarter, provincial governments began to lift certain restrictions resulting in the re-opening of enclosed-mall stores, the resumption of operations on Sundays in Quebec, coupled with a gradual return to regular opening hours in all markets. By June 19, 2020, all Dollarama stores were open but 107 were still operating with a 10% or more reduction in opening hours. As a result, there was a gradual increase in store traffic throughout the quarter. However, customer habits continued to be impacted by the pandemic and the various public health measures in place, including physical distancing.

Comparable store sales excluding temporarily closed stores grew 5.4%, consisting of a 41.7% increase in average transaction size and a 25.7% decrease in the number of transactions. Customers reduced the frequency of store visits but purchased larger quantities of goods at one time. Comparable store sales were negatively impacted by low traffic in stores located in malls and which remained open across Canada for the convenience of customers. Comparable store sales including temporarily closed stores grew 2.5%.

Gross margin was 43.9% of sales in the second quarter of Fiscal 2021, compared to 43.7% of sales in the second quarter of Fiscal 2020. Gross margin was slightly higher quarter over quarter due to higher sales of higher margin products, namely summer seasonal items, and the positive impact of scaling. This increase was partially offset by incremental direct costs related to COVID-19 measures implemented throughout Dollarama's operations, including in its logistics chain, representing approximately \$1.9 million in cost of goods sold and a 20 basis-point impact.

General, administrative and store operating expenses ("SG&A") for the second quarter of Fiscal 2021 increased by 28.5% to \$169.3 million, compared to \$131.7 million for the second quarter of Fiscal 2020. SG&A for the second quarter of Fiscal 2021 represented 16.7% of sales, compared to 13.9% of sales for the second quarter of Fiscal 2020. This 2.8% variance mainly reflects the equivalent of an additional shift in each store to staff a dedicated position responsible for limiting the number of customers in-store at one time and for the execution of additional cleaning and physical distancing measures, as well as temporary wage increases for store employees (effective March 23, 2020, and extended to August 2, 2020), amounting to approximately \$32.4 million in total and representing a 320 basis-point impact. SG&A was positively impacted by higher labour productivity in stores due to the processing of fewer transactions but larger baskets.

## Dollarama Inc.

Incremental direct costs related to COVID-19 measures implemented by Dollarama to support employees and protect the health and safety of customers and employees are estimated at approximately \$34.3 million in the second quarter of Fiscal 2021. This amount does not reflect any indirect costs related to COVID-19 such as lost sales and changes in the sales mix.

For the second quarter of Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from April 1, 2020 to June 30, 2020, was \$2.5 million. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing costs decreased by \$2.0 million, from \$24.6 million for the second quarter of Fiscal 2020 to \$22.6 million for the second quarter of Fiscal 2021. The decrease is mainly due to a lower average borrowing rate following the implementation of the commercial paper program in the United States.

Net earnings were \$142.5 million, or \$0.46 per diluted common share, in the second quarter of Fiscal 2021, compared to \$143.2 million, or \$0.45 per diluted common share, in the second quarter of Fiscal 2020. Net earnings in the second quarter of Fiscal 2021 reflect higher sales and improved gross margin, offset by the incremental, direct costs incurred in connection with the COVID-19 pandemic.

Capital expenditures increased by \$4.1 million, from \$30.4 million for the second quarter of Fiscal 2020 to \$34.5 million for the second quarter of Fiscal 2021. This increase reflects additional store-related transformational capital expenditures, including but not limited to, the purchase of additional self-checkout machines for certain high-traffic locations across the network, the continued roll-out of security cameras, and other store optimization projects.

### **Dollarcity Update**

At its latest quarter ended June 30, 2020, Dollarcity had a total of 232 stores with 121 locations in Colombia, 48 in El Salvador and 63 in Guatemala. This compares to a total of 228 stores as at December 31, 2019. Due to strict COVID-19 confinement measures and other related restrictions, no new stores were opened in the quarter. Dollarcity was recognized as an essential business in all three countries of operations from the outset of the pandemic. As at June 30, 2020, Dollarcity had only 2 temporarily closed stores, compared to 40 in mid-March 2020. As at June 30, 2020, 42 stores were operating with reduced opening hours.

### *Estimated Purchase Price Revision*

Based on Dollarcity's preliminary unaudited financial statements for the 12-month period ended June 30, 2020, the estimated purchase price for the Corporation's 50.1% interest in Dollarcity has been adjusted to US\$92.7 million (\$123.5 million) from the previously reported estimate of US\$80.4 million as at May 3, 2020. A gradual lifting of strict government-mandated confinement measures in countries of operation and an increase in store opening hours during the course of Dollarcity's latest quarter ended June 30, 2020 resulted in higher sales, EBITDA and lower debt levels than previously forecasted and anticipated in the context of the COVID-19 pandemic. The adjustment to the estimated purchase price is reflected in the cost of the equity-accounted investment on the statement of financial position.

Dollarama made an upfront cash payment of US\$40.0 million (\$52.8 million) when it acquired its 50.1% interest on August 14, 2019. As such, based on the latest adjustment, the remaining balance of the purchase price is estimated at US\$52.7 million (\$70.7 million). It is recorded in accounts payable and accrued liabilities, and will be due, subject to final adjustments following completion of the audit of results for the 12-month period ended June 30, 2020, in the third quarter of Fiscal 2021.

## **Dividend**

On September 2, 2020, the Corporation announced that its Board of Directors approved a quarterly cash dividend for holders of common shares of \$0.044 per common share. This dividend is payable on November 6, 2020 to shareholders of record at the close of business on October 9, 2020. The dividend is designated as an “eligible dividend” for Canadian tax purposes.

## **Normal Course Issuer Bid**

On July 3, 2020, 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 15,548,326 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on June 30, 2020, during the 12-month period from July 7, 2020 to July 6, 2021.

No common shares were repurchased for cancellation under the normal course issuer bid since the beginning of the fiscal year as the Corporation chose to preserve liquidity due to the uncertainty related to the COVID-19 pandemic.

As at August 2, 2020, the Corporation’s adjusted net debt to EBITDA ratio stood at 2.80x, a 14 basis-point improvement over the ratio of 2.94x at the end of the first quarter of Fiscal 2021.

## **Fiscal 2021 Guidance**

Due to the uncertainty related to COVID-19, including its duration, severity, the scope of government-mandated measures in the event of a potential second wave and the extent of its public health and economic impacts on the Corporation’s operations and future financial performance, the Corporation does not provide guidance for Fiscal 2021.

## **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 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 for Fiscal 2020 and management’s discussion and analysis for the second quarter of Fiscal 2021, available on SEDAR at [www.sedar.com](http://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 September 2, 2020 and management has no intention and undertakes 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.

### **Conference Call**

Dollarama will hold a conference call to discuss its Fiscal 2021 second quarter results today, September 2, 2020 at 10:30 a.m. (ET). Financial analysts are invited to ask questions during the call. Other interested parties may participate in the call on a listen-only basis. The live audio webcast is accessible through Dollarama's website at <https://www.dollarama.com/en-CA/corp/events-presentations>.

### **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 1,314 locations across Canada provide customers with compelling value in convenient locations, including metropolitan areas, mid-sized cities and small towns. Select products are also available, by the full case only, through our online store at [www.dollarama.com](http://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 232 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](mailto:michael.ross@dollarama.com)

#### *Media*

Lyla Radmanovich  
PELICAN Public Relations  
(514) 845-8763  
[media@rppelican.ca](mailto:media@rppelican.ca)

[www.dollarama.com](http://www.dollarama.com)

**Selected Consolidated Financial Information**

	<b>13-Week Periods Ended</b>		<b>26-Week Periods Ended</b>	
	<b>August 2, 2020</b>	<b>August 4, 2019</b>	<b>August 2, 2020</b>	<b>August 4, 2019</b>
<i>(dollars and shares in thousands, except per share amounts)</i>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Earnings Data</b>				
Sales	1,013,592	946,405	1,858,390	1,774,441
Cost of sales	568,842	533,162	1,064,589	1,012,307
Gross profit	444,750	413,243	793,801	762,134
SG&A	169,337	131,651	307,075	253,774
Depreciation and amortization	66,507	59,965	130,482	118,164
Share of net earnings of equity- accounted investment	(2,503)	-	(4,877)	-
Operating income	211,409	221,627	361,121	390,196
Financing costs	22,604	24,618	49,806	50,176
Earnings before income taxes	188,805	197,009	311,315	340,020
Income taxes	46,309	53,826	82,740	93,325
Net earnings	142,496	143,183	228,575	246,695
Basic net earnings per common share	\$0.46	\$0.45	\$0.74	\$0.78
Diluted net earnings per common share	\$0.46	\$0.45	\$0.73	\$0.78
Weighted average number of common shares outstanding:				
Basic	310,748	314,757	310,515	314,729
Diluted	312,527	318,533	312,299	318,220
<b>Other Data</b>				
Year-over-year sales growth	7.1%	9.0%	4.7%	9.2%
Comparable store sales growth <sup>(2)</sup>	5.4%	4.7%	3.2%	5.2%
Gross margin <sup>(3)</sup>	43.9%	43.7%	42.7%	43.0%
SG&A as a % of sales <sup>(3)</sup>	16.7%	13.9%	16.5%	14.3%
EBITDA <sup>(1)</sup>	277,916	281,592	491,603	508,360
Operating margin <sup>(3)</sup>	20.9%	23.4%	19.4%	22.0%
Capital expenditures	34,502	30,362	82,500	61,042
Number of stores <sup>(4)</sup>	1,314	1,250	1,314	1,250
Average store size (gross square feet) <sup>(4)</sup>	10,289	10,262	10,289	10,262
Declared dividends per common share	\$0.044	\$0.044	\$0.088	\$0.088

	As at	
	August 2, 2020	February 2, 2020
	\$	\$
<b>Statement of Financial Position Data</b>		
Cash	218,357	90,464
Inventories	585,752	623,490
Total current assets	841,266	764,497
Property, plant and equipment	678,492	644,011
Right-of-use assets	1,305,161	1,283,778
Total assets	3,883,099	3,716,456
Total current liabilities	1,560,846	1,092,484
Total non-current liabilities	2,207,649	2,716,168
Total debt <sup>(1)</sup>	1,744,915	1,883,407
Net debt <sup>(1)</sup>	1,526,558	1,792,943
Shareholders' equity (deficit)	114,604	(92,196)

<sup>(1)</sup> 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	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
	\$	\$	\$	\$
<i>(dollars in thousands)</i>				
<b>A reconciliation of operating income to EBITDA is included below:</b>				
Operating income	211,409	221,627	361,121	390,196
Add: Depreciation and amortization	66,507	59,965	130,482	118,164
<b>EBITDA</b>	<b>277,916</b>	<b>281,592</b>	<b>491,603</b>	<b>508,360</b>
<i>EBITDA margin<sup>(3)</sup></i>	27.4%	29.8%	26.5%	28.6%

**A reconciliation of long-term debt to total debt is included below:***(dollars in thousands)*

	As at	
	August 2, 2020	February 2, 2020
	\$	\$
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, repaid on March 16, 2020	-	300,000
Unsecured revolving credit facilities	-	-
Accrued interest on senior unsecured notes	6,368	8,407
Total long-term debt	<u>1,581,368</u>	<u>1,883,407</u>
Notes issued under US commercial paper program	163,547	-
<b>Total debt</b>	<b><u>1,744,915</u></b>	<b><u>1,883,407</u></b>
<b>A reconciliation of total debt to net debt is included below:</b>		
Total debt	1,744,915	1,883,407
Cash	<u>(218,357)</u>	<u>(90,464)</u>
<b>Net debt</b>	<b><u>1,526,558</u></b>	<b><u>1,792,943</u></b>

- (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. For the first and second quarters of Fiscal 2021, comparable store sales growth excludes temporarily closed stores.
- (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.