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DOLLARAMA REPORTS FISCAL 2021 THIRD QUARTER RESULTS; ANNOUNCES GRATITUDE BONUS FOR STORE EMPLOYEES CANADA-WIDE

- Sales growth of 12.3% and comparable store sales growth of 7.1%
- Net earnings of $161.9 million and diluted net earnings per share of $0.52
- 19 net new Dollarama stores opened in the quarter, bringing the total number of net new stores opened in Fiscal 2021 year-to-date to 42
- Quarterly cash dividend increased by 6.8% to $0.047 per common share

MONTREAL, Quebec, December 9, 2020 – Dollarama Inc. (TSX: DOL) ("Dollarama" or the "Corporation") today reported its financial results for the third quarter ended November 1, 2020.

Third Quarter Fiscal 2021 Highlights Compared to Third Quarter Fiscal 2020

- Sales increased by 12.3% to $1,064.2 million.
- Comparable store sales[(1)] grew 7.1%.
- Gross margin was 44.0% of sales, compared to 43.7% of sales.
- EBITDA[(1)] increased by 14.2% to $312.1 million, or 29.3% of sales, compared to 28.8% of sales.
- Operating income increased by 15.1% to $243.8 million, or 22.9% of sales, compared to 22.4% of sales.
- Diluted net earnings per common share increased by 18.2%, to $0.52 from $0.44.
- 19 net new stores were opened, compared to 21 net new stores.

"We are very pleased with our strong performance in the third quarter of Fiscal 2021, highlighted by a double-digit increase in sales, robust same-store sales growth and an industry-leading gross margin. Our strong financial and operating results reflect the relevance of our compelling and affordable everyday products, the convenience we offer Canadian consumers from coast to coast, and our disciplined execution in maintaining well-stocked stores," said President and CEO Neil Rossy.

"I wish to recognize our people for their efforts and dedication as the pandemic has become our new reality and with COVID-19 safety measures now part of our everyday operating procedures. As communities across Canada grapple with the pandemic's second wave, we will remain steadfast in following COVID-19 restrictions in place and as they evolve from region to region, in order to continue providing Canadian families with affordable everyday necessities in a safe and efficient in-store shopping environment," added Mr. Rossy.

Gratitude Bonus

Dollarama today announced a bonus payment for its over 26,000 store employees across Canada in recognition of their continued dedication to safely and efficiently providing affordable everyday products to Canadian communities throughout the pandemic. Full-time employees will receive $300 and part-time employees will receive $200. All active store employees as of December 9, 2020 will receive this one-time gratitude bonus payment.

[(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.

Fiscal 2021 Third Quarter Financial Results

All comparative figures that follow are for the third quarter ended November 1, 2020 compared to the third quarter ended November 3, 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 third quarter of Fiscal 2021 increased by 12.3% to $1,064.2 million, compared to $947.6 million in the corresponding period of the prior fiscal year. This increase is attributable to the growth in the total number of stores over the past twelve months, from 1,271 stores on November 3, 2019, to 1,333 stores on November 1, 2020, and to an increase in comparable store sales, primarily driven by higher sales of summer and other seasonal items as well as household essentials, health and beauty, and cleaning products. This was partially offset by lower in-store traffic and lower sales of certain product categories, such as party supplies and greeting cards.

Comparable store sales grew 7.1%, consisting of a 26.3% increase in average transaction size and a 15.2% decrease in the number of transactions. Customers reduced the frequency of store visits but purchased larger quantities of goods at one time compared to the same period last year. However, in-store traffic has improved compared to the previous quarter when a number of stores were temporarily closed and/or operating with reduced hours.

Gross margin was 44.0% of sales in the third quarter of Fiscal 2021, compared to 43.7% of sales in the third quarter of Fiscal 2020. This increase is primarily driven by higher sales of higher margin products, namely summer and Halloween seasonal items, and the positive impact of scaling.

General, administrative and store operating expenses ("SG&A") for the third quarter of Fiscal 2021 increased by 13.2% to $160.9 million, compared to $142.2 million for the third quarter of Fiscal 2020. SG&A for the third quarter of Fiscal 2021 represented 15.1% of sales, compared to 15.0% of sales for the third quarter of Fiscal 2020. The variance reflects the incremental direct costs of additional in-store hours to ensure the execution of COVID-19 cleaning and physical distancing measures, which amounted to approximately $10.9 million, or 100 bps. SG&A was positively impacted by higher labour productivity in stores due to the processing of a lower volume of transactions but higher baskets, less packaway of seasonal inventory as a result of strong sales, and lower travel costs, as well as scaling.

For the third quarter of Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from July 1, 2020 to September 30, 2020 (a 13-week period), was $4.3 million. For the corresponding period last year, an amount of $1.7 million was recorded as Dollarama's share of Dollarcity's net earnings for the period from August 14, 2019, the date of Dollarama's acquisition of its interest in Dollarcity, to September 30, 2019, the end date of Dollarcity's fiscal quarter (a 6.5-week period). The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing costs decreased by $2.2 million, from $25.2 million for the third quarter of Fiscal 2020 to $23.0 million for the third quarter of Fiscal 2021, mainly due to a lower average borrowing rate.

Net earnings were $161.9 million, or $0.52 per diluted common share, in the third quarter of Fiscal 2021, compared to $138.6 million, or $0.44 per diluted common share, in the third quarter of Fiscal 2020. Net earnings in the third quarter of Fiscal 2021 reflect higher sales and improved gross margin, partially offset by incremental COVID-19 direct costs.

Dollarcity Update

At its latest quarter ended September 30, 2020, Dollarcity had 240 stores with 127 locations in Colombia, 49 in El Salvador and 64 in Guatemala, including 8 net new stores opened in the quarter. This compares to a total of 210 stores as at September 30, 2019. Dollarcity was recognized as an essential business in all three countries of operations from the outset of the pandemic. As at September 30, 2020, all of Dollarcity's stores were open compared to 2 temporarily closed stores at June 30, 2020 due to the COVID-19 pandemic.

Payment of Balance of Purchase Price for 50.1% Interest in Dollarcity

On September 10, 2020, the balance of purchase price of US$52.7 million ($69.3 million) for Dollarama's 50.1% equity interest in Dollarcity was paid. This is following a cash payment of US$40.0 million ($52.8 million) made on August 14, 2019, when the Corporation closed the acquisition.

The final purchase price of US$92.7 million ($122.1 million) was calculated using 50.1% of a five times multiple of Dollarcity's EBITDA for the 12-month period ended June 30, 2020, minus net debt and subject to other adjustments, following completion of the audit of Dollarcity's financial statements for the reference period.

Dividend

On December 9, 2020, the Corporation announced that its Board of Directors had approved a 6.8% increase of the quarterly cash dividend for holders of common shares, from $0.044 to $0.047 per common share. This dividend is payable on February 5, 2021 to shareholders of record at the close of business on January 8, 2021. 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 in the third quarter of Fiscal 2021. As at November 1, 2020, the Corporation's adjusted net-debt-to-EBITDA ratio was 2.70x, a 10 basis-point improvement compared to the end of the previous quarter.

Fiscal 2021 Guidance

Due to the continued uncertainty related to COVID-19 and its second wave, including its duration, severity, the scope of government-mandated measures and the extent of its public health and economic impacts on the Corporation's operations and future financial performance, the Corporation has not provided 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 third quarter of Fiscal 2021, 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 9, 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 third quarter results today, December 9, 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 1,333 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. 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) in Salvador and Guatemala and up to the equivalent of US$4.00 in local currency in Colombia through its 240 conveniently-located stores.

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Selected Consolidated Financial Information

(dollars and shares in thousands, except per share amounts)	13-Week Periods Ended		39-Week Periods Ended	
	November 1, 2020 $	**November 3, 2019 $**	**November 1, 2020 $**	**November 3, 2019 $**
Earnings Data				
Sales	1,064,201	947,649	2,922,591	2,722,090
Cost of sales	595,455	533,887	1,660,044	1,546,194
Gross profit	468,746	413,762	1,262,547	1,175,896
SG&A	160,904	142,242	467,979	396,016
Depreciation and amortization	68,291	61,374	198,773	179,538
Share of net earnings of equity-accounted investment	(4,259)	(1,707)	(9,136)	(1,707)
Operating income	243,810	211,853	604,931	602,049
Financing costs	23,048	25,198	72,854	75,374
Other Income	-	(2,842)	-	(2,842)
Earnings before income taxes	220,762	189,497	532,077	529,517
Income taxes	58,891	50,870	141,631	144,195
Net earnings	161,871	138,627	390,446	385,322
Basic net earnings per common share	$0.52	$0.44	$1.26	$1.23
Diluted net earnings per common share	$0.52	$0.44	$1.25	$1.21
Weighted average number of common shares outstanding:				
Basic	311,146	314,125	310,725	314,528
Diluted	312,838	317,843	312,494	318,112
Other Data				
Year-over-year sales growth	12.3%	9.6%	7.4%	9.4%
Comparable store sales growth (2)	7.1%	5.3%	4.6%	5.2%
Gross margin (3)	44.0%	43.7%	43.2%	43.2%
SG&A as a % of sales (3)	15.1%	15.0%	16.0%	14.5%
EBITDA (1)	312,101	273,227	803,704	781,587
Operating margin (3)	22.9%	22.4%	20.7%	22.1%
Capital expenditures	33,602	39,767	116,102	100,809
Number of stores (4)	1,333	1,271	1,333	1,271
Average store size (gross square feet) (4)	10,313	10,275	10,313	10,275
Declared dividends per common share	$0.044	$0.044	$0.132	$0.132

	As at	
	November 1, 2020	February 2, 2020
	$	$
Statement of Financial Position Data		
Cash	444,721	90,464
Inventories	602,524	623,490
Total current assets	1,086,946	764,497
Property, plant and equipment	686,805	644,011
Right-of-use assets	1,319,216	1,283,778
Total assets	4,154,265	3,716,456
Total current liabilities	1,373,240	1,092,484
Total non-current liabilities	2,518,664	2,716,168
Total debt (1)	1,941,951	1,883,407
Net debt (1)	1,497,230	1,792,943
Shareholders' equity (deficit)	262,361	(92,196)

(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)	November 1, 2020	November 3, 2019	November 1, 2020	November 3, 2019
	$	$	$	$
A reconciliation of operating income to EBITDA is included below:				
Operating income	243,810	211,853	604,931	602,049
Add: Depreciation and amortization	68,291	61,374	198,773	179,538
EBITDA	**312,101**	**273,227**	**803,704**	**781,587**
EBITDA margin (3)	*29.3%*	*28.8%*	*27.5%*	*28.7%*

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

(dollars in thousands)	As at November 1, 2020 $	As at February 2, 2020 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027	300,000	-
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	15,767	8,407
Total long-term debt	1,890,767	1,883,407
Notes issued under US commercial paper program	51,184	-
Total debt	**1,941,951**	**1,883,407**

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

Total debt	1,941,951	1,883,407
Cash	(444,721)	(90,464)
Net debt	**1,497,230**	**1,792,943**

(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 stores that were then temporarily closed.

(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.