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DOLLARAMA REPORTS FOURTH QUARTER AND FISCAL YEAR 2021 RESULTS; INCREASES LONG-TERM STORE TARGET IN CANADA

- Strong Fiscal 2021 performance with sales growth of 6.3%, comparable store sales growth of 3.2%, gross margin of 43.8% of sales and the opening of 65 net new stores
- Long-term store target increased to 2,000 locations in Canada by 2031
- Quarterly dividend increase of 7.0% to $0.0503 per common share; active resumption of share buybacks in Fiscal 2022

MONTREAL, Quebec, March 31, 2021 – Dollarama Inc. (TSX: DOL) ("Dollarama" or the "Corporation") today reported its financial results for the fourth quarter and fiscal year ended January 31, 2021.

"In Fiscal 2021, we achieved solid results in a truly unprecedented year, which reconfirmed the resilience of our business model and the relevance of our offering to Canadians from all walks of life. Our store teams and business leaders came together quickly to implement new operating procedures to protect customers and staff in order to provide Canadians with convenient and affordable access to everyday essentials throughout the pandemic," stated Neil Rossy, President and CEO.

"In the fourth quarter, historically our highest sales period of the year, our strong sales momentum was interrupted by the introduction of more stringent public health measures in several provinces in the month of December. These stricter measures resulted in an abrupt and sustained decline in store traffic and sales through to fiscal year-end. With such restrictions gradually lifted starting in February, strong sales momentum returned in Fiscal 2022 and has remained quarter to date, as consumers continue to recognize the value and convenience of shopping at Dollarama."

"Based on our historical performance, our hard-earned position as a weekly shopping destination for Canadian families, and a careful evaluation of market potential and dynamics, we are increasing our long-term growth target in Canada to 2,000 stores by 2031," concluded Mr. Rossy.

Fiscal 2021 Fourth Quarter Results Highlights (Compared to Fiscal 2020 Fourth Quarter Results)

- Sales increased by 3.6% to $1,103.7 million;
- Comparable store sales[(1)] (excluding temporarily closed stores) decreased 0.2%;
- Gross margin[(1)] was 45.5% of sales, compared to 44.7% of sales;
- EBITDA[(1)] decreased by 0.7% to $326.9 million, or 29.6% of sales, compared to 30.9% of sales;
- Operating income decreased by 3.8% to $256.1 million, or 23.2% of sales, compared to 25.0% of sales;
- Incremental direct costs related to COVID-19 measures amounted to $23.8 million;
- Diluted net earnings per common share was $0.56, compared to $0.57; and
- The Corporation opened 23 net new stores compared to 20 net new stores.

Fiscal 2021 Results Highlights (Compared to Fiscal 2020 Results)

- Sales increased by 6.3% to $4,026.3 million;
- Comparable store sales[(1)] (excluding temporarily closed stores) grew 3.2%;
- Gross margin[(1)] was 43.8% of sales, compared to 43.6% of sales;
- EBITDA[(1)] increased by 1.8% to $1,130.6 million, or 28.1% of sales, compared to 29.3% of sales;
- Operating income decreased by 0.8% to $861.0 million, or 21.4% of sales, compared to 22.9% of sales;
- Incremental direct costs related to COVID-19 measures amounted to $84.0 million;
- Diluted net earnings per common share increased by 1.7%, to $1.81 from $1.78; and
- The Corporation opened 65 net new stores, compared to 66 net new stores.

(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.

All comparative figures in this press release are for the fourth quarter and fiscal year ended January 31, 2021 compared to the fourth quarter and fiscal year ended February 2, 2020. 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 ended January 31, 2021.

Fiscal 2021 Fourth Quarter Financial Results

Sales in the fourth quarter of Fiscal 2021 increased by 3.6% to $1,103.7 million, compared to $1,065.2 million in the fourth quarter of Fiscal 2020. Sales growth was driven by growth in the total number of Dollarama stores over the past 12 months (from 1,291 stores on February 2, 2020 to 1,356 stores on January 31, 2021).

The ongoing COVID-19 pandemic continued to impact Dollarama's sales and consumer shopping patterns in the fourth quarter of Fiscal 2021. Historically, the Corporation's highest sales results occur during the fourth quarter, with December representing the highest proportion of sales. The Corporation entered the quarter with a strong momentum with comparable store sales of 7.0% for the five-week period ended December 6, 2020 compared to the corresponding period of the previous fiscal year. However, the introduction of more stringent measures by provincial authorities in the month of December, including lockdowns, stricter in-store capacity limits in Ontario, Quebec and Alberta, and the temporary ban on the sale of non-essential items in Quebec, where approximately 30% of the Corporation's stores are located, negatively impacted in-store traffic and sales for the remainder of the quarter or, in the case of the ban in Quebec, until such measure was lifted on February 8, 2021. This is despite a strong increase in the sale of seasonal products compared to the corresponding period of the previous fiscal year, the majority of which were recorded earlier in the quarter than historically.

Excluding temporarily closed stores, comparable store sales for the full fourth quarter of Fiscal 2021 declined by 0.2%, compared to the fourth quarter of Fiscal 2020, reflecting a 27.0% increase in average transaction size and a 21.4% decrease in the number of transactions.

Gross margin was 45.5% of sales in the fourth quarter of Fiscal 2021, compared to 44.7% of sales in the fourth quarter of Fiscal 2020. Gross margin as a percentage of sales is higher primarily due to changes in the sales mix, including higher sales of higher margin items, such as seasonal products.

General, administrative and store operating expenses ("SG&A") for the fourth quarter of Fiscal 2021 totaled $186.1 million, compared to $155.7 million for the fourth quarter of Fiscal 2020. This increase reflects incremental costs of $23.8 million, representing 215 basis points, primarily for additional in-store hours to ensure the execution of COVID-19 protocols and the one-time gratitude bonus paid to store employees in December 2020. SG&A for the fourth quarter of Fiscal 2021 represented 16.9% of sales, compared to 14.6% of sales for the fourth quarter of Fiscal 2020.

For the fourth quarter of Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from October 1, 2020 to December 31, 2020, was $10.5 million, compared to $8.6 million for the same period last year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing costs decreased by $2.4 million, from $25.2 million for the fourth quarter of Fiscal 2020 to $22.8 million for the fourth quarter of Fiscal 2021, mainly due to a lower average borrowing rate on debt.

Net earnings totaled $173.9 million, or $0.56 per diluted common share, in the fourth quarter of Fiscal 2021, compared to $178.7 million, or $0.57 per diluted common share, in the fourth quarter of Fiscal 2020. Earnings were adversely impacted by lower comparable store sales as a result of restrictions imposed by provincial governments on retailers, and by direct costs related to COVID-19 measures. These were partially offset by higher margins, lower financing costs and a higher equity pickup from Dollarcity's net earnings.

Fiscal 2021 Financial Results

Sales in Fiscal 2021 increased by 6.3% to $4,026.3 million, compared to $3,787.3 million in Fiscal 2020. Sales growth was driven by growth in comparable store sales and in the total number of Dollarama stores over the past 12 months (from 1,291 stores on February 2, 2020 to 1,356 stores on January 31, 2021). This is despite government-imposed restrictions on retailers, including some mandatory store closures in the first and second quarters of Fiscal 2021 and other measures impacting store traffic and operating hours to curb the spread of COVID-19.

Excluding stores temporarily closed in the context of the COVID-19 pandemic, comparable store sales grew 3.2% in Fiscal 2021, over and above a 4.3% growth in Fiscal 2020. Comparable store sales growth for Fiscal 2021 consisted of a 29.1% increase in average transaction size and a 20.1% decrease in the number of transactions. Comparable store sales growth was driven by increased demand for certain product categories, including certain seasonal product categories, household and cleaning products, health and hygiene essentials and food products, but this positive effect was partially offset by government-imposed restrictions on retailers, including the ban on the sale of non-essential items in Quebec during the fourth quarter of Fiscal 2021 as well as reduced operating hours and in-store capacity limits.

Gross margin was 43.8% of sales in Fiscal 2021, compared to 43.6% of sales in Fiscal 2020. Gross margin is slightly higher due to a change in sales mix, with higher sales of higher margin items, including seasonal products. Gross margin for Fiscal 2021 includes $2.9 million incremental direct costs related to COVID-19 measures implemented throughout Dollarama's operations, including in its logistics chain. Gross margin includes sales made by the Corporation to Dollarcity, as principal, which represented approximately 1% of the Corporation's total sales in Fiscal 2021, and a nominal markup margin. Consequently, these sales had a minimal impact on gross margin in Fiscal 2021 and Fiscal 2020.

SG&A for Fiscal 2021 totaled $654.0 million, an 18.5% increase over $551.7 million for Fiscal 2020. SG&A for Fiscal 2021 represented 16.2% of sales, compared to 14.6% of sales for Fiscal 2020. This increase reflects incremental costs of $81.1 million, representing 200 basis points, for additional in-store hours to ensure the execution of COVID-19 protocols, temporary wage increases in place between March 23 and August 2, 2020 and the one-time gratitude bonus paid in December 2020. Incremental costs were partially offset by higher labour productivity in stores due to the processing of a lower number of larger transactions and less packaway of seasonal inventory as a result of stronger sales for summer, Halloween and Christmas products.

For Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2020 to December 31, 2020 (a 52-week period) was $19.7 million. For Fiscal 2020, an amount of $10.3 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 December 31, 2019, the end date of Dollarcity's fiscal year (a 19.5-week period). The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing costs decreased by $5.0 million, from $100.6 million for Fiscal 2020 to $95.6 million for Fiscal 2021, due to a lower average borrowing rate on debt.

Net earnings totaled $564.3 million, or $1.81 per diluted common share, for Fiscal 2021, compared to $564.0 million, or $1.78 per diluted common share, for Fiscal 2020. Net earnings for Fiscal 2021 reflect higher sales, improved gross margin, lower financing costs and a higher equity pickup from Dollarcity's net earnings, this time for a full 12-month period, partially offset by incremental COVID-19 direct costs. 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.

New Long-term Store Target

Following a careful evaluation of the market potential for Dollarama stores across Canada and the continued relevance of Dollarama's business model, management believes that the Corporation can profitably grow its Canadian store network to approximately 2,000 stores over the next 10 years, or by 2031, with an average new store capital payback period of approximately two years. This is an increase from Dollarama's previously disclosed long-term store target of 1,700 stores in Canada by 2027.

Factors taken into consideration in its evaluation, among others, included census and household income data, the current competitive retail landscape, the real estate landscape, rates of per capita store penetration, historical performance of comparable and new stores, and the current real estate pipeline.

Dollarcity Update

At its year ended December 31, 2020, Dollarcity had 264 stores with 145 locations in Colombia, 52 in El Salvador and 67 in Guatemala, including 24 net new stores opened in the fourth quarter. This compares to a total of 228 stores as at December 31, 2019. Dollarcity was recognized as an essential business in all three countries of operations at the outset of the pandemic and all stores remained open throughout Dollarcity's fourth quarter. Despite temporary disruptions to its new store opening plans in 2020 due to the pandemic, Dollarcity's long-term growth objective of 600 stores by 2029 in its three current countries of operation, and its plans to imminently enter the Peruvian market, remain unchanged.

Normal Course Issuer Bid

The Corporation's current normal course issuer bid allows for the repurchase for cancellation of 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 during the first three quarters of Fiscal 2021 as the Corporation chose to preserve liquidity due to the uncertainty related to the COVID-19 pandemic. In the fourth quarter of Fiscal 2021, the Corporation repurchased 1,621,708 common shares at a weighted average price of $53.67 per common share, for a total cash consideration of $87.0 million.

As at January 31, 2021, the Corporation's adjusted net-debt-to-EBITDA ratio was 2.68 times, a 29 basis point improvement compared to Fiscal 2020 year-end. Barring factors outside of its control due to COVID-19, the Corporation intends to actively resume share repurchases under its normal course issuer bid in Fiscal 2022 while maintaining the adjusted net-debt-to-EBITDA ratio within the 2.75 to 3.00 times range.

Dividend

On March 31, 2021, the Corporation announced that its Board of Directors had approved a 7.0% increase of the quarterly cash dividend for holders of common shares, from $0.047 to $0.0503 per common share. This dividend is payable on May 7, 2021 to shareholders of record at the close of business on April 16, 2021. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Outlook

Due to the continued uncertainty related to COVID-19, the Corporation is limiting guidance for Fiscal 2022 to the following key metrics:

	Fiscal 2021 Actual Results	**Fiscal 2022 Guidance**
Net new store openings	65	60 to 70
Capital expenditures(i)	$167.8 million	$160.0 million to $170.0 million

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

These guidance ranges for Fiscal 2022 are based on a number of assumptions, including the following:

- the number of signed offers to lease and store pipeline for the next 12 months;
- the absence of COVID-related restrictions on construction activities in the provinces where new store openings are planned; and
- the capital budget for Fiscal 2022 for new store openings, maintenance capital expenditures, and transformational capital expenditures (the latter being mainly related to information technology projects).

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, but not limited to, risks related to the ongoing COVID-19 pandemic, which may slow down store openings or which may prompt the Corporation to hold off on planned capital expenditures in order to preserve liquidity.

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 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 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 March 31, 2021 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 fourth quarter and annual results today, March 31, 2021 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 1,356 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 El Salvador and Guatemala and up to the equivalent of US$4.00 in local currency in Colombia through its 264 conveniently-located stores.

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Selected Consolidated Financial Information

(dollars and shares in thousands, except per share amounts)	Unaudited 13-week Periods Ended January 31, 2021 $	Unaudited 13-week Periods Ended February 2, 2020 $	Years Ended January 31, 2021 $	Years Ended February 2, 2020 $
Earnings Data				
Sales	1,103,668	1,065,201	4,026,259	3,787,291
Cost of sales	601,204	588,739	2,261,248	2,134,933
Gross profit	502,464	476,462	1,765,011	1,652,358
SG&A	186,053	155,683	654,032	551,699
Depreciation and amortization	70,860	63,247	269,633	242,785
Share of net earnings of equity-accounted investment	(10,518)	(8,556)	(19,654)	(10,263)
Operating income	256,069	266,088	861,000	868,137
Financing costs	22,792	25,238	95,646	100,605
Other income	-	-	-	(2,835)
Earnings before income taxes	233,277	240,850	765,354	770,367
Income taxes	59,375	62,133	201,006	206,328
Net earnings	173,902	178,717	564,348	564,039
Basic net earnings per common share [4]	$0.56	$0.57	$1.82	$1.80
Diluted net earnings per common share [4]	$0.56	$0.57	$1.81	$1.78
Weighted average number of common shares outstanding [4] :				
Basic	310,776	312,057	310,738	313,910
Diluted	312,289	314,750	312,455	317,185
Other Data				
Year-over-year sales growth	3.6%	0.5%	6.3%	6.7%
Comparable store sales growth [2]	(0.2%)	2.0%	3.2%	4.3%
Gross margin [3]	45.5%	44.7%	43.8%	43.6%
SG&A as a % of sales [3]	16.9%	14.6%	16.2%	14.6%
EBITDA [1]	326,929	329,335	1,130,633	1,110,922
Operating margin [3]	23.2%	25.0%	21.4%	22.9%
Capital expenditures	51,735	39,813	167,837	140,622
Number of stores [4]	1,356	1,291	1,356	1,291
Average store size (gross square feet) [4]	10,325	10,277	10,325	10,277
Declared dividends per common share	$0.047	$0.044	$0.179	$0.176

	As at	
	January 31, 2021 $	February 2, 2020 $
Statement of Financial Position Data		
Cash	439,144	90,464
Inventories	630,655	623,490
Total current assets	1,100,362	764,497
Property, plant and equipment	709,469	644,011
Right-of-use assets	1,344,639	1,283,778
Total assets	4,223,746	3,716,456
Total current liabilities	1,321,165	1,092,484
Total non-current liabilities	2,567,727	2,716,168
Total debt (1)	1,883,051	1,883,407
Net debt (1)	1,443,907	1,792,943
Shareholders' equity (deficit)	334,854	(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.

	unaudited			
	13-Week Periods Ended		**Years Ended**	
(dollars in thousands)	**January 31, 2021 $**	**February 2, 2020 $**	**January 31, 2021 $**	**February 2, 2020 $**
A reconciliation of operating income to EBITDA is included below:				
Operating income	256,069	266,088	861,000	868,137
Add: Depreciation and amortization	70,860	63,247	269,633	242,785
EBITDA	**326,929**	**329,335**	**1,130,633**	**1,110,922**
EBITDA margin (3)	*29.6%*	*30.9%*	*28.1%*	*29.3%*

(dollars in thousands)	As at	
A reconciliation of long-term debt to total debt is included below:	**January 31, 2021 $**	**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, repaid on 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	8,051	8,407
Total debt	**1,883,051**	**1,883,407**
A reconciliation of total debt to net debt is included below:		
Total debt	1,883,051	1,883,407
Cash	(439,144)	(90,464)
Net debt	**1,443,907**	**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, second and fourth 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.