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DOLLARAMA REPORTS FISCAL 2023 THIRD QUARTER RESULTS

- 10.8% increase in comparable store sales[(1)] and 14.8% increase in diluted net earnings per share
- Fiscal 2023 comparable store sales growth assumption increased to between 9.5% and 10.5% and gross margin guidance narrowed to between 43.1% and 43.6% of sales
- New long-term store target for Dollarcity increased from 600 to 850 stores by 2029

MONTREAL, Quebec, December 7, 2022 – Dollarama Inc. (TSX: DOL) (“Dollarama” or the “Corporation”) today reported its financial results for the third quarter ended October 30, 2022.

Fiscal 2023 Third Quarter Highlights Compared to Fiscal 2022 Third Quarter Results

- Sales increased by 14.9% to $1,289.6 million
- Comparable store sales increased by 10.8%
- EBITDA[(1)] increased by 11.3% to $386.2 million, or 29.9% of sales, compared to 30.9%
- Operating income increased by 11.5% to $302.7 million, or 23.5% of sales, compared to 24.2%
- Diluted net earnings per common share increased by 14.8% to $0.70 from $0.61
- 18 net new stores opened, compared to 16 net new stores
- 972,847 common shares repurchased for cancellation for $76.3 million

“Our strong performance across our key metrics year to date speaks to our commitment to providing the best year-round value on the everyday products we offer, combined with a convenient and consistent shopping experience. As inflationary pressure on the consumer persists, we expect strong demand for consumable products to continue stimulating topline growth through to the end of the fiscal year. We aim to stay true to our compelling value proposition and to meet and exceed the expectations of our customers from coast to coast,” said Neil Rossy, President and CEO.

“Subsequent to quarter end, we were pleased to enter into an agreement for the purchase of industrial properties adjacent to our existing centralized logistics operations. This will provide us with additional flexibility to support our long-term logistics needs as we pursue our target of 2,000 Dollarama stores in Canada by 2031,” added Mr. Rossy.

“Growing Latin American value retailer Dollarcity, in which we have a 50.1% equity interest, also continues to deliver a strong financial and operational performance. With 395 stores to date, Dollarcity has increased its long-term store target from 600 to 850 by 2029 in its four markets of operation,” concluded Mr. Neil Rossy.

Explanatory Notes

All comparative figures that follow are for the third quarter ended October 30, 2022, compared to the third quarter ended October 31, 2021. 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”). For a full explanation of the Corporation’s use of non-GAAP and other financial measures, please refer to the section entitled “Selected Consolidated Financial Information” of this press release, under the heading “Non-GAAP and Other Financial Measures”. All references to “Fiscal 2022” are to the Corporation’s fiscal year ended January 30, 2022, to “Fiscal 2023” are to the Corporation’s fiscal year ending January 29, 2023 and to “Fiscal 2024” are to the Corporation’s fiscal year ending January 28, 2024.

[(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 2023 Third Quarter Financial Results

Sales for the third quarter of Fiscal 2023 increased by 14.9% to $1,289.6 million, compared to $1,122.3 million in the corresponding period of the prior fiscal year. This increase was driven by growth in the total number of stores over the past 12 months (from 1,397 stores on October 31, 2021, to 1,462 stores on October 30, 2022) and in comparable store sales.

Comparable store sales for the third quarter of Fiscal 2023 increased by 10.8%, consisting of a 10.3% increase in the number of transactions and a 0.4% increase in average transaction size, compared to comparable store sales growth of 0.8% in the corresponding period of the previous fiscal year. The year-over-year increase in comparable store sales is primarily attributable to higher sales of consumable products.

EBITDA totalled $386.2 million, or 29.9% of sales, for the third quarter of Fiscal 2023, compared to $347.0 million, or 30.9% of sales, in the third quarter of Fiscal 2022.

Gross margin[1] was 43.3% of sales in the third quarter of Fiscal 2023, compared to 44.4% of sales in the third quarter of Fiscal 2022. Gross margin was lower due to a change in the sales mix with stronger sales of lower margin consumable products and higher logistics and freight costs.

General, administrative and store operating expenses ("SG&A") for the third quarter of Fiscal 2023 increased by 14.3% to $181.8 million, compared to $159.1 million for the third quarter of Fiscal 2022. SG&A represented 14.1% of sales for the third quarter of Fiscal 2023, compared to 14.2% of sales for the third quarter of Fiscal 2022. This improvement is primarily attributable to the fact that incremental direct costs related to COVID-19 measures for the third quarter of Fiscal 2023 were nil, compared to $1.1 million, representing a 10 basis-point impact, in the same period last year.

The Corporation's 50.1% share of Dollarcity's net earnings for the period from July 1, 2022 to September 30, 2022 was $9.2 million, compared to $7.3 million for the same period last year, reflecting a strong financial and operational performance by Dollarcity. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing costs increased by $7.3 million, from $23.1 million for the third quarter of Fiscal 2022 to $30.4 million for the third quarter of Fiscal 2023. The increase is mainly due to a higher average borrowing rate, as well as higher average debt levels from higher US commercial paper activities and the issuance of additional Senior Unsecured Notes.

Net earnings were $201.6 million, or $0.70 per diluted common share, in the third quarter of Fiscal 2023, compared to $183.4 million, or $0.61 per diluted common share, in the third quarter of Fiscal 2022.

Inventory increased to $1,007.1 million as at October 30, 2022 from $599.2 million on October 31, 2021. The year-over-year increase is primarily attributable to higher in-transit inventory as the Corporation rebuilds its inventory, the purchasing of seasonal goods earlier than historically in the context of global supply chain disruptions, as well as store network growth and higher comparable store sales.

Dollarcity Store Growth and New Long-term Store Target

During its third quarter ended September 30, 2022, Dollarcity opened 18 net new stores, in line with the same period last year. As at September 30, 2022, Dollarcity had 395 stores, including 234 locations in Colombia, 83 in Guatemala, 61 in El Salvador and 17 in Peru. This compares to 350 stores as at December 31, 2021.

Following a careful evaluation of the market potential for Dollarcity stores in its current markets of operation, comprised of El Salvador, Guatemala, Colombia and Peru, Dollarcity's management believes that it can profitably grow its store network in these four markets to approximately 850 stores by 2029, up from its previous long-term store target of 600 stores by 2029. This increase in the number of stores primarily reflects the inclusion of anticipated store growth in Peru, as well as additional store growth in Colombia.

[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

Dollarama to Acquire Properties Strategically Located Near Logistics Operations

The Corporation has entered into an agreement to acquire three contiguous industrial properties in the Town of Mount Royal, Quebec, for a total cash consideration of $87.3 million, subject to customary closing adjustments. The properties are strategically situated near the Corporation's centralized logistics operations and adjacent to its distribution centre. Dollarama intends to redevelop the site to support future logistics needs as it pursues its previously disclosed network growth objective of 2,000 stores in Canada by 2031. Subject to the satisfaction of certain due diligence and other customary closing conditions, the transaction is expected to close in the first half of Fiscal 2024.

Normal Course Issuer Bid

On July 5, 2022, 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 18,713,765 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2022, during the 12-month period from July 7, 2022 to July 6, 2023 (the "2022-2023 NCIB").

During the third quarter of Fiscal 2023, 972,847 common shares were repurchased for cancellation under the 2022-2023 NCIB, for a total cash consideration of $76.3 million, at a weighted average price of $78.43 per share. As at October 30, 2022, the Corporation's adjusted net-debt-to-EBITDA(1) ratio was 2.79x.

Dividend

On December 7, 2022, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of $0.0553 per common share. This dividend is payable on February 3, 2023 to shareholders of record at the close of business on January 6, 2023. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Guidance Update

In the fourth quarter of Fiscal 2023, the Corporation expects to continue to benefit from strong demand for its affordable, everyday items in the context of inflation, including stronger than historical demand for lower-margin consumable products. As a result, the Corporation has increased its comparable store sales growth assumption for Fiscal 2023 from a range of 6.5% to 7.5% to the range of 9.5% and 10.5%. Based on gross margin performance to date and management's visibility on open orders and product margins through the remainder of the fiscal year, the Corporation has narrowed its previously disclosed annual gross margin as a percentage of sales from a range of 42.9% to 43.9% to a range of 43.1% to 43.6%. The remainder of the Corporation's annual guidance and previously disclosed assumptions on which guidance is based for Fiscal 2023 and issued on March 30, 2022, remain unchanged.

As of this date, the Corporation expects the following for Fiscal 2023:

- To open 60 to 70 net new stores
- Gross margin as a percentage of sales of between 43.1% and 43.6%
- SG&A as a percentage of sales of between 13.8% and 14.3%
- To deploy $160 million to $170 million in capital expenditures
- To actively repurchase shares under its normal course issuer bid

(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.

These guidance ranges are based on several assumptions, including the following:

- The absence of COVID-related restrictions impacting retailers and consumer shopping patterns
- Comparable store sales growth for Fiscal 2023 increased from a range of 6.5% and 7.5% to a range of 9.5% and 10.5%
- The continued introduction of additional price points up to $5.00 throughout the remainder of Fiscal 2023
- Minimal to nil incremental direct costs related to COVID-19 health and safety measures in stores in Fiscal 2023
- The absence of a significant shift in economic and geopolitical conditions or material changes in the retail competitive environment
- Approximately three months of visibility on open orders and product margins
- The active management of product margins through pricing strategies and refreshing some of the product offering
- The number of signed offers to lease and store pipeline for the next three months and the absence of COVID-related impacts on construction activities in the provinces where new store openings are planned
- The inclusion of the Corporation's share of net earnings of its equity-accounted investment
- Positive customer response to our product offering, value proposition and in-store merchandising
- The entering into of foreign exchange forward contracts to hedge the majority of forecasted purchases of merchandise in U.S. dollars against fluctuations of the Canadian dollar against the U.S. dollar
- The continued execution of in-store productivity initiatives and the realization of cost savings and benefits aimed at improving operating expense
- Ongoing cost monitoring
- The capital budget for Fiscal 2023 for new store openings, maintenance capital expenditures and transformational capital expenditures (the latter being mainly related to information technology projects)
- The successful execution of our business strategy
- The absence of unusually adverse weather, especially in peak seasons around major holidays and celebrations

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. 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 and geopolitical 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 outlined in the management's discussion and analysis for the third quarter of Fiscal 2023 and discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's annual management's discussion and analysis for Fiscal 2022, both available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.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 7, 2022 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 2023 third quarter results today, December 7, 2022 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 1,462 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 $5.00.

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$4.00 (or the equivalent in local currency) in 395 conveniently located stores in El Salvador, Guatemala, Colombia and Peru.

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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	
	October 30, 2022 $	**October 31, 2021** $	**October 30, 2022** $	**October 31, 2021** $
Earnings Data				
Sales	1,289,574	1,122,267	3,579,518	3,105,861
Cost of sales	730,812	623,480	2,038,832	1,756,974
Gross profit	558,762	498,787	1,540,686	1,348,887
SG&A	181,754	159,076	510,703	474,841
Depreciation and amortization	83,563	75,375	245,514	219,962
Share of net earnings of equity-accounted investment	(9,210)	(7,311)	(25,627)	(14,814)
Operating income	302,655	271,647	810,096	668,898
Financing costs	30,357	23,054	81,380	68,056
Earnings before income taxes	272,298	248,593	728,716	600,842
Income taxes	70,704	65,192	188,141	157,639
Net earnings	201,594	183,401	540,575	443,203
Basic net earnings per common share	$0.70	$0.61	$1.86	$1.45
Diluted net earnings per common share	$0.70	$0.61	$1.85	$1.45
Weighted average number of common shares outstanding:				
Basic	287,837	301,135	290,347	305,105
Diluted	289,636	302,573	292,105	306,544
Other Data				
Year-over-year sales growth	14.9%	5.5%	15.3%	6.3%
Comparable store sales growth [(1)]	10.8%	0.8%	10.5%	0.2%
Gross margin [(1)]	43.3%	44.4%	43.0%	43.4%
SG&A as a % of sales [(1)]	14.1%	14.2%	14.3%	15.3%
Incremental direct costs related to COVID-19 [(1)]	-	1,080	1,591	31,082
EBITDA [(1)]	386,218	347,022	1,055,610	888,860
Operating margin [(1)]	23.5%	24.2%	22.6%	21.5%
Capital expenditures	35,847	35,228	104,269	110,279
Number of stores [(2)]	1,462	1,397	1,462	1,397
Average store size (gross square feet) [(2)]	10,443	10,346	10,443	10,346
Declared dividends per common share	$0.0553	$0.0503	$0.1659	$0.1509

	As at	
	October 30, 2022	**January 30, 2022**
	$	**$**
Statement of Financial Position Data		
Cash	559,159	71,058
Inventories	1,007,108	590,927
Total current assets	1,657,392	717,367
Property, plant and equipment	782,540	761,876
Right-of-use assets	1,588,828	1,480,255
Total assets	5,179,200	4,063,562
Total current liabilities	1,119,213	911,891
Total non-current liabilities	4,019,168	3,217,705
Total debt (1)	2,745,711	1,886,300
Net debt (1)	2,186,552	1,815,242
Shareholders’ equity (deficit)	40,819	(66,034)

(1) Refer to the section below entitled “Non-GAAP and Other Financial Measures” for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure.

(2) At the end of the period.

Non-GAAP and Other Financial Measures

The Corporation prepares its financial information in accordance with GAAP. We have included non-GAAP and other financial measures to provide investors with supplemental measures of our operating and financial performance. We believe that those 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 and other financial measures in the evaluation of issuers. Our management also uses non-GAAP and other financial 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.

The below-described non-GAAP and other financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by 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.

(A) Non-GAAP Financial Measures

EBITDA

EBITDA represents operating income plus depreciation and amortization and includes the Corporation's share of net earnings of its equity-accounted investment.

(dollars in thousands)	13-Week Periods Ended		39-Week Periods Ended	
	October 30, 2022 $	**October 31, 2021 $**	**October 30, 2022 $**	**October 31, 2021 $**
A reconciliation of operating income to EBITDA is included below:				
Operating income	302,655	271,647	810,096	668,898
Add: Depreciation and amortization	83,563	75,375	245,514	219,962
EBITDA	**386,218**	**347,022**	**1,055,610**	**888,860**

Total debt

Total debt represents the sum of long-term debt (including unamortized debt issue costs, accrued interest and fair value hedge – basis adjustment), short-term borrowings under the US commercial paper program and other bank indebtedness (if any).

(dollars in thousands)	As at	
A reconciliation of long-term debt to total debt is included below:	**October 30, 2022**	**January 30, 2022**
Senior unsecured notes bearing interest at:	**$**	**$**
Fixed annual rate of 5.165% payable in equal semi-annual instalments, maturing April 26, 2030	450,000	-
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029	375,000	375,000
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027	300,000	300,000
Fixed annual rate of 1.871% payable in equal semi-annual instalments, maturing July 8, 2026	375,000	375,000
Fixed annual rate of 5.084% payable in equal semi-annual instalments, maturing October 27, 2025	250,000	-
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
Unamortized debt issue costs, including $1,872 (January 30, 2022 – $1,632) for the credit facility	(9,940)	(8,009)
Accrued interest on senior unsecured notes	18,815	7,850
Fair value hedge – basis adjustment on interest rate swap	(7,444)	(2,927)
Total long-term debt	2,501,431	1,796,914
USCP Notes issued under US commercial paper program	244,280	89,386
Total debt	**2,745,711**	**1,886,300**

Net debt

Net debt represents total debt minus cash.

(dollars in thousands)	As at	
	October 30, 2022 $	January 30, 2022 $
A reconciliation of total debt to net debt is included below:		
Total debt	2,745,711	1,886,300
Cash	(559,159)	(71,058)
Net debt	**2,186,552**	**1,815,242**

(B) Non-GAAP Ratios

Adjusted net debt to EBITDA ratio

Adjusted net debt to EBITDA ratio is a ratio calculated using adjusted net debt over consolidated EBITDA for the last twelve months.

(dollars in thousands)	As at	
	October 30, 2022 $	January 30, 2022 $
A calculation of adjusted net debt to EBITDA ratio is included below:		
Net debt	2,186,552	1,815,242
Lease liabilities	1,843,142	1,727,428
Unamortized debt issue costs, including $1,872 (January 30, 2022 – $1,632) for the credit facility	9,940	8,009
Fair value hedge - basis adjustment on interest rate swap	7,444	2,927
Adjusted net debt	**4,047,078**	**3,553,606**
EBITDA for the last twelve-month period	1,449,327	1,282,577
Adjusted net debt to EBITDA ratio	**2.79x**	**2.77x**

EBITDA margin

EBITDA margin represents EBITDA divided by sales.

	13-Week Periods Ended		39-Week Periods Ended	
(dollars in thousands)	October 30, 2022 $	October 31, 2021 $	October 30, 2022 $	October 31, 2021 $
A reconciliation of EBITDA to EBITDA margin is included below:				
EBITDA	386,218	347,022	1,055,610	888,860
Sales	1,289,574	1,122,267	3,579,518	3,105,861
EBITDA margin	**29.9%**	**30.9%**	**29.5%**	**28.6%**

(C) Supplementary Financial Measures

Gross margin	Represents gross profit divided by sales.
Operating margin	Represents operating income divided by sales.
SG&A as a % of sales	Represents SG&A divided by sales.
Comparable store sales	Represent sales of Dollarama stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year.
Comparable store sales growth	Represents the percentage increase or decrease, as applicable, of comparable store sales relative to the same period in the prior fiscal year. For the first and second quarter of Fiscal 2022, the calculation of comparable store sales growth excludes stores that were temporarily closed, either in Fiscal 2022 or in the same period in the prior fiscal year, in the context of the COVID-19 pandemic.
Incremental direct costs related to COVID-19	Represents costs incurred for the implementation and execution of health and safety measures in stores and in logistic operations in response to the pandemic, including costs associated with additional labor hours for the execution of sanitization and crowd control protocols and with the procurement of personal protection equipment for employees and cleaning supplies and equipment.