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DOLLARAMA REPORTS FISCAL 2019 THIRD QUARTER RESULTS

MONTREAL, Quebec, December 6, 2018 – Dollarama Inc. (TSX: DOL) ("Dollarama" or the "Corporation") today reported increases in sales, net earnings and earnings per common share for the Fiscal 2019 third quarter ended October 28, 2018. Diluted net earnings per common share rose 7.9% to $0.41.

Financial and Operating Highlights

All comparative figures that follow are for the third quarter ended October 28, 2018 compared to the third quarter ended October 29, 2017. 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"). The information on numbers of common shares and net earnings per share for the 13-week and 39-week periods ended October 29, 2017 presented in this press release has been retrospectively restated to reflect the three-for-one share split of the Corporation's outstanding common shares implemented on June 20, 2018 (the "Share Split"). 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 2018" are to the Corporation's fiscal year ended January 28, 2018, and to "Fiscal 2019" are to the Corporation's fiscal year ending February 3, 2019. The Corporation's fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five or six years, a week is added to the fiscal year. Fiscal 2018 was comprised of 52 weeks whereas Fiscal 2019 will be comprised of 53 weeks.

Compared to the third quarter of Fiscal 2018:

- Sales increased by 6.6% to $864.3 million;
- Comparable store sales[(1)] grew 3.1%, over and above 4.6% growth the previous year;
- Gross margin[(1)] was 38.9% of sales, compared to 40.1% of sales;
- EBITDA[(1)] grew 3.5% to $214.6 million, or 24.8% of sales, compared to 25.6% of sales;
- Operating income grew 3.0% to $195.0 million, or 22.6% of sales, compared to 23.3% of sales; and
- Diluted net earnings per common share increased by 7.9% to $0.41 from $0.38.

During the third quarter of Fiscal 2019, the Corporation opened 14 net new stores, compared to 10 net new stores during the corresponding period of the previous fiscal year. As at December 5, 2018, the Corporation had opened 11 net new stores since the beginning of the fourth quarter of Fiscal 2019, bringing the total number of net new stores opened to date in Fiscal 2019 to 43. The Corporation continues to expect to open 60 to 70 net new stores in the current fiscal year.

"Same store sales grew 3.1% in the third quarter compared to 2.6% in the second quarter of Fiscal 2019 reflecting Dollarama's compelling value proposition, further reinforced by our strategic decision earlier this year to carefully manage price increases in the current competitive retail environment," said President and Chief Executive Officer Neil Rossy. "The strength of our operations and the efficiency of our simple, growth-oriented business model are further demonstrated by our solid performance across our key operating metrics, our robust earnings and our sustained ability to return substantial capital to our shareholders."

[(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.

Financial Results

Sales for the third quarter of Fiscal 2019 increased by 6.6% to $864.3 million, compared to $810.6 million in the corresponding period of the prior fiscal year. Continued organic sales growth was fuelled by balanced growth in both comparable store sales and in the total number of stores over the past twelve months, from 1,135 stores on October 29, 2017 to 1,192 stores on October 28, 2018.

Comparable store sales grew 3.1% in the third quarter of Fiscal 2019, over and above strong comparable store sales growth of 4.6% in the same quarter a year ago. Comparable store sales growth consisted of a 4.0% increase in average transaction size, over and above a 4.5% increase in the corresponding quarter of Fiscal 2018, partially offset by a 0.9% decrease in the number of transactions. The rate of comparable store sales growth in the third quarter of Fiscal 2019 reflects management’s decision to strategically limit price increases in recent quarters, in order to ensure an even more compelling and competitive value proposition to consumers in the current retail environment.

Gross margin was 38.9% of sales in the third quarter of Fiscal 2019, compared to 40.1% of sales in the third quarter of Fiscal 2018. Gross margin was lower due to lower product margins attributable to management’s decision to minimize price increases in Fiscal 2019 compared to Fiscal 2018. Gross margin includes sales made by the Corporation to Dollar City, as principal, which represent approximately 1% of the Corporation’s total sales, and a nominal markup margin. Consequently, these sales had minimal impact on overall gross margin in either the current or prior year quarter.

General, administrative and store operating expenses (“SG&A”) for the third quarter of Fiscal 2019 was $121.2 million, a 3.1% increase over $117.6 million for the third quarter of Fiscal 2018. This increase is primarily related to the continued growth in the total number of stores. SG&A for the third quarter of Fiscal 2019 represented 14.0% of sales, compared to 14.5% of sales for the third quarter of Fiscal 2018. The 0.5% improvement is mainly the result of continuing labour productivity initiatives, the timing of certain expenses incurred as well as scaling, which contributed to mitigate the impact of minimum wage increases in certain jurisdictions, primarily in Ontario.

Net financing costs increased by $1.2 million, from $10.2 million for the third quarter of Fiscal 2018 to $11.4 million for the third quarter of Fiscal 2019. The increase is mainly due to increased borrowings on long-term debt.

Net earnings increased to $133.5 million, or $0.41 per diluted common share, in the third quarter of Fiscal 2019, compared to $130.1 million, or $0.38 per diluted common share (retrospectively restated to reflect the Share Split), in the third quarter of Fiscal 2018. The increase in net earnings is mainly the result of a 6.6% increase in sales and lower SG&A as a percentage of sales, partially offset by a lower gross margin. Earnings per share were also positively impacted by the repurchase of shares through the Corporation’s normal course issuer bid.

Dividend

On December 6, 2018, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of its common shares of $0.04 per common share. The Corporation’s quarterly cash dividend will be paid on February 8, 2019 to shareholders of record at the close of business on January 11, 2019 and is designated as an “eligible dividend” for Canadian tax purposes.

Normal Course Issuer Bid

On December 5, 2018, the Corporation received approval from the Toronto Stock Exchange to amend the normal course issuer bid launched in June 2018 (the “2018-2019 NCIB”) in order to increase the number of shares that may be repurchased thereunder over the 12-month period between June 20, 2018 to June 19, 2019 from 16,386,351 to 30,095,056 common shares (now representing 10.0% of the Corporation’s public float as at June 6, 2018). The other terms of the 2018-2019 NCIB remain unchanged.

During the third quarter of Fiscal 2019, a total of 7,103,616 common shares were repurchased for cancellation under the 2018-2019 NCIB, at a weighted average price of $40.56 per common share, for a total cash consideration of $288.1 million.

Distribution Capacity Expansion Update

The expansion of Dollarama's Montreal-area distribution centre, announced in March 2018, is proceeding as planned. Phase 1, which is comprised of the construction of the building extension, is slated for completion by early 2019. This will be followed by construction work within the existing facility, ahead of the integration of the new building extension. The distribution centre continues to operate at normal levels during the capacity expansion. Project completion, including the installation of fixtures and equipment, is expected to occur before the end of calendar 2019, on schedule and on budget.

The range for capital expenditures for Fiscal 2019 has been revised downwards based on an updated schedule of progress payments for the expansion of the distribution centre. Costs in the amount of $10.0 million, initially expected to be incurred in Fiscal 2019, will now be incurred in Fiscal 2020, and as a result will be included in capital expenditures for Fiscal 2020. Management does not expect this to have any impact on the commissioning date of the expanded distribution facility.

Dollar City Store Network Growth Update

The Corporation continues to assess the progress of its partnership with Dollar City in Latin America. Dollar City is an independently-owned and operated value retailer with operations in El Salvador, Guatemala and Colombia founded in 2009. Under an arm's length agreement signed in 2013, Dollarama provides consulting and sourcing services to Dollar City at cost, with a nominal markup in some cases, allowing Dollar City to benefit from Dollarama's business expertise and purchasing scale. Dollarama will have the option to acquire a 50.1% interest in the business starting in 2020. At its latest quarter ended September 30, 2018, Dollar City owned and operated 150 stores with 61 locations in Colombia, 42 in El Salvador and 47 in Guatemala. This is up from a total of 107 stores as of December 31, 2017.

Outlook

(as a percentage of sales except net new store openings in units and capital expenditures in millions of dollars)	**Fiscal 2019**	
	Guidance as Provided on September 13, 2018	**Revised Guidance as at December 6, 2018**
Net new store openings	60 to 70	No change
Gross margin	38.5% to 39.5%(i)	No change
SG&A	14.5% to 15.0%(ii)	No change
EBITDA margin	23.5% to 25.0%	No change
Capital expenditures(iii)	$190.0 to $200.0	$180.0 to $190.0(iv)

(i) Based on the expectation that inflation on products imported from China will remain lower than originally anticipated for the remainder of Fiscal 2019, management expects that gross margin for Fiscal 2019 will be in the top half of the guidance range.

(ii) As a result of the positive impact of in-store productivity improvements and cost reduction initiatives, management expects that SG&A as a percentage of sales for Fiscal 2019 will be in the bottom half of the guidance range.

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

(iv) Includes the acquisition cost of the existing distribution centre, as well as actual and estimated remaining construction and related costs to be incurred in Fiscal 2019 in connection with the expansion of distribution capacity. The range for capital expenditures for Fiscal 2019 was revised downwards based on the updated schedule of progress payments for the expansion of the distribution centre.

The guidance ranges for Fiscal 2019 are based on a number of assumptions, including the following:

- comparable store sales growth in the range of 2.5% to 3.5%;
- the number of signed offers to lease and store pipeline for the next three months;
- lower than expected impact of inflation on product margins for goods imported from China;
- positive customer response to our product offering, value proposition and in-store merchandising;

- the active management of product margins, including by refreshing 25% to 30% of our offering on an annual basis;
- approximately three months of visibility on open orders and product margins;
- 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, including, without limitation, the efficient use of advanced scheduling and the realization of cost savings and benefits aimed at improving operating expenses;
- ongoing cost monitoring;
- the capital budget for Fiscal 2019 for new store openings, maintenance capital expenditures, and transformational capital expenditures (the latter being mainly related to information technology projects) as well as the acquisition of the existing distribution centre and estimated construction and related costs to be incurred in Fiscal 2019 associated with the expansion of distribution capacity;
- the successful execution of our business strategy;
- the absence of a significant shift in economic conditions or material changes in the retail competitive environment; and
- 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, including, but not limited to, risks related to: future increases in operating costs (including increases in statutory minimum wage), future increases in merchandise costs (including as a result of tariff disputes), inability to sustain assortment and replenishment of merchandise, increase in the cost or a disruption in the flow of imported goods, failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, inability to renew store, warehouse, and head office leases on favourable terms, seasonality, market acceptance of private brands, foreign exchange rate fluctuations, competition in the retail industry, current economic conditions, failure to attract and retain quality employees, disruption in information technology systems, unsuccessful execution of the growth strategy, adverse weather, product liability claims and product recalls, litigation and regulatory compliance.

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 us and on estimates and assumptions made by us regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada, in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but 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, but not limited to, the factors which are discussed in greater detail in the “Risks and Uncertainties” section of the Corporation’s most recent annual management’s discussion and analysis and annual information form for Fiscal 2018, both available on SEDAR at www.sedar.com.

These factors are not intended to represent a complete list of the factors that could affect us; 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 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 6, 2018 and we have no intention and undertake 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.

About Dollarama

Dollarama is a recognized Canadian value retailer offering a broad assortment of consumer products, general merchandise and seasonal items. Our 1,203 locations across Canada provide customers with compelling value in convenient locations, including metropolitan areas, mid-sized cities and small towns. Our quality merchandise is sold in individual or multiple units at select, fixed price points up to $4.00.

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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 28, 2018	October 29, 2017	October 28, 2018	October 29, 2017
	$	$	$	$
Earnings Data				
Sales	864,267	810,583	2,488,789	2,328,015
Cost of sales	528,411	485,703	1,523,869	1,415,816
Gross profit	335,856	324,880	964,920	912,199
SG&A	121,227	117,630	354,282	339,887
Depreciation and amortization	19,629	17,999	57,495	51,845
Operating income	195,000	189,251	553,143	520,467
Net financing costs	11,443	10,154	34,178	29,621
Earnings before income taxes	183,557	179,097	518,965	490,846
Income taxes	50,010	49,005	142,071	134,264
Net earnings	133,547	130,092	376,894	356,582
Basic net earnings per common share (4)	$0.41	$0.39	$1.15	$1.05
Diluted net earnings per common share (4)	$0.41	$0.38	$1.14	$1.04
Weighted average number of common shares outstanding (4):				
Basic	325,032	336,573	326,752	339,909
Diluted	328,905	340,803	330,992	344,001
Other Data				
Year-over-year sales growth	6.6%	9.7%	6.9%	10.4%
Comparable store sales growth (2)	3.1%	4.6%	2.7%	5.1%
Gross margin (3)	38.9%	40.1%	38.8%	39.2%
SG&A as a % of sales (3)	14.0%	14.5%	14.2%	14.6%
EBITDA (1)	214,629	207,250	610,638	572,312
Operating margin (3)	22.6%	23.3%	22.2%	22.4%
Capital expenditures	32,970	31,420	124,078	80,497
Number of stores (5)	1,192	1,135	1,192	1,135
Average store size (gross square feet) (5)	10,193	10,099	10,193	10,099
Declared dividends per common share	$0.04	$0.04	$0.12	$0.11

	As at	
	October 28, 2018	January 28, 2018
	$	$
Statement of Financial Position Data		
Cash	78,843	54,844
Inventories	570,955	490,927
Total current assets	708,140	569,969
Property, plant and equipment	557,590	490,988
Total assets	2,141,984	1,934,339
Total current liabilities	641,330	720,945
Total non-current liabilities	1,717,120	1,465,752
Total debt (1)	1,904,243	1,671,192
Net debt (1)	1,825,400	1,616,348
Shareholders' deficit	(216,466)	(252,358)

(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)	**October 28, 2018 $**	**October 29, 2017 $**	**October 28, 2018 $**	**October 29, 2017 $**
A reconciliation of operating income to EBITDA is included below:				
Operating income	195,000	189,251	553,143	520,467
Add: Depreciation and amortization	19,629	17,999	57,495	51,845
EBITDA	**214,629**	**207,250**	**610,638**	**572,312**
EBITDA margin (3)	*24.8%*	*25.6%*	*24.5 %*	*24.6%*

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

	As at	
(dollars in thousands)	**October 28, 2018 $**	**January 28, 2018 $**
Senior unsecured notes bearing interest at:		
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
Fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018	400,000	400,000
Variable rate equal to 3-month bankers’ acceptance rate plus 27 basis points payable quarterly, maturing February 1, 2021	300,000	-
Variable rate equal to 3-month bankers’ acceptance rate plus 59 basis points payable quarterly, maturing March 16, 2020	300,000	300,000
Unsecured revolving credit facility maturing September 29, 2023	115,000	191,000
Accrued interest on senior unsecured notes	14,243	5,192
Total debt	**1,904,243**	**1,671,192**

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

Total debt	1,904,243	1,671,192
Cash	(78,843)	(54,844)
Net debt	**1,825,400**	**1,616,348**

(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.

(3) Gross margin represents gross profit divided by sales. SG&A as a % of sales represents SG&A divided by sales. Operating margin represents operating income divided by sales. EBITDA margin represents EBITDA divided by sales.

(4) Per share amounts and numbers of outstanding common shares as at October 29, 2017 reflect the retrospective application of the Share Split.

(5) At the end of the period.