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DOLLARAMA REPORTS FISCAL 2021 FIRST QUARTER RESULTS

- Sales growth of 2.0%, comparable store sales growth of 0.7% (excluding temporarily closed stores), net earnings of \$86.1 million and diluted net earnings per share of \$0.28
- \$15.0 million invested in the second half of the quarter to protect the health and safety of employees and customers, and to support employees
- Nearly 1,200 stores remained open during the quarter from coast to coast to provide Canadians with convenience, value and everyday necessities

MONTREAL, Quebec, June 10, 2020 – Dollarama Inc. (TSX: DOL) (“Dollarama” or the “Corporation”) today reported its financial results for the first quarter ended May 3, 2020.

“Our first quarter results reflect the direct and indirect effects of COVID-19 while demonstrating that Dollarama adapted quickly to an unprecedented situation in order to serve Canadians from coast to coast. This was made possible by the dedication of our employees who adopted new work processes and safety measures, and our resilient business model,” said President and Chief Executive Officer Neil Rossy.

“As provinces across Canada carefully and gradually resume economic activity, we will continue to maintain and enhance our COVID-19 operating procedures and preventive measures. We remain steadfast in our commitment to providing Canadians with affordable everyday products, and a safe and efficient in-store shopping experience – today and for the long term,” added Neil Rossy.

Fiscal 2021 First Quarter Financial and Operating Highlights

Comparable Store Sales

- Excluding temporarily closed stores, comparable store sales⁽¹⁾ grew 0.7% in the first quarter of Fiscal 2021.
- Including temporarily closed stores, comparable store sales⁽¹⁾ decreased by 2.4% in the first quarter of Fiscal 2021.

Status of Store Network

- As at May 3, 2020, 1,197 Dollarama stores were open and 104 were temporarily closed, for a total of 1,301 stores. The vast majority of store closures were in enclosed malls, primarily in the province of Quebec.
- As at May 3, 2020, 1,097 Dollarama stores were operating with at least a 10% reduction in opening hours to allow more time for re-stocking and due to mandatory Sunday closures in the province of Quebec.
- During the first quarter of Fiscal 2021, the Corporation opened 10 net new stores, compared to 11 net new stores during the corresponding period of the previous fiscal year.
- As at June 8, 2020, 32 Dollarama stores were temporarily closed and 246 were operating with at least a 10% reduction in opening hours.

⁽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 First Quarter Results Compared to Fiscal 2020 First Quarter Results

- Sales increased by 2.0% to \$844.8 million.
- Gross margin⁽¹⁾ was 41.3% of sales, compared to 42.1% of sales.
- EBITDA⁽¹⁾ decreased by 5.8% to \$213.7 million, or 25.3% of sales, compared to 27.4% of sales.
- Operating income decreased by 11.2% to \$149.7 million, or 17.7% of sales, compared to 20.4% of sales.
- Diluted net earnings per common share decreased by 15.2%, to \$0.28 from \$0.33.

New COVID-19 Operational Procedures and Cost Impact

Results for the first quarter ended May 3, 2020 reflect the effects of the COVID-19 pandemic. Dollarama was included on provincial lists of essential businesses across Canada, allowing for mostly uninterrupted operations albeit under challenging conditions. In response to the pandemic, the Corporation implemented wide-ranging measures to sustain operations, with a focus on supporting employees and promoting the health and safety of employees and customers.

Measures implemented include, but are not limited to:

- A temporary 10% wage increase for all store, distribution centre and warehouse employees and equivalent pay premiums for distribution centre and warehouse agency workers;
- In-store health and safety measures to prevent the spread of COVID-19 and minimize risk to employees and customers such as: implementation of recommended hygiene, respiratory and self-isolation practices; distribution of personal protective equipment such as gloves, masks and face shields to all employees; installation of plexiglass shields at all cash counters; installation of distancing markers in queue lines and directional arrows in aisles; limiting the number of customers and members of the same household in a store at one time; in-store signage and broadcasting of safety and physical distancing measures applicable to customers and employees; and a comprehensive and robust set of store cleaning and sanitization protocols to be completed throughout the day, among other measures;
- Strict protocols to minimize risk to employees and customers in any proven or probable case of COVID-19, including cleaning protocols, self-isolation directions and financial support for directly or indirectly impacted employees. Up to June 8, 2020, we have had a total of 20 COVID-19 store employee cases;
- The addition of approximately 450,000 employee hours in stores, including the equivalent of an additional shift in each store to staff a dedicated position responsible for crowd control and to ensure the implementation of additional cleaning and physical distancing measures outlined above;
- Reduced opening hours to allow for re-stocking shelves without customers in store;
- Equivalent health and safety measures implemented at the distribution centre and warehouses to prevent the spread of COVID-19 such as: temperature and health checks at the beginning of every shift; distribution of personal protective equipment such as face shields, masks and gloves to all workers; installation of disinfectant stations throughout the premises; reduced capacity and shift sizes to allow physical distancing; sanitization of equipment used by workers before the start of each shift; and staggered lunch breaks and shift start and end times, among other measures.

Direct costs related to COVID-19 measures implemented by Dollarama in the second half of the quarter are estimated at approximately \$15.0 million. These are comprised of approximately \$14.0 million in general, administrative and store operating expenses ("SG&A") and approximately \$1.0 million in cost of goods sold. These amounts do not reflect any indirect costs related to COVID-19 such as lost sales and changes in the sales mix.

Fiscal 2021 First Quarter Financial Results

All comparative figures that follow are for the first quarter ended May 3, 2020 compared to the first quarter ended May 5, 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.

After a solid start to the quarter, the Corporation experienced a surge in traffic in early March as customers purchased higher volumes of consumables than historically during the same period. This was followed by a sharp decline in in-store traffic as a result of increasingly strict measures imposed by public health authorities across Canada to curb the spread of COVID-19, with customers making fewer trips but spending more on each visit. Toward the end of the first quarter, the situation began to stabilize although in-store traffic continued to be adversely impacted by physical distancing measures in place.

Sales for the first quarter of Fiscal 2021 increased by 2.0% to \$844.8 million, compared to \$828.0 million in the corresponding period of the prior fiscal year. The increase in sales is attributable to the growth in the total number of stores over the past twelve months, from 1,236 stores on May 5, 2019 to 1,301 stores on May 3, 2020, and to a modest comparable store sales growth in open stores, driven by higher sales of consumables, including household and cleaning products, health and hygiene essentials and food products. This positive effect was partially offset by lower in-store traffic, a reduction in demand for certain product categories, such as seasonal, including Easter and spring-summer goods, party supplies and greeting cards, as well as reduced store hours and temporary store closures due to COVID-19.

Comparable store sales, excluding temporarily closed stores, grew 0.7% in the first quarter of Fiscal 2021. This growth consisted of a 22.6% increase in average transaction size and a 17.9% decrease in the number of transactions as customers reduced the frequency of store visits but purchased larger quantities of goods at one time. The low traffic in mall stores that remained open across the country negatively impacted comparable store sales growth for the quarter. Comparable store sales, including closed stores, decreased by 2.4% compared to the corresponding quarter of the previous fiscal year. This is compared to strong comparable store sales growth of 5.8% recorded in the same quarter a year ago.

Gross margin was 41.3% of sales in the first quarter of Fiscal 2021, compared to 42.1% of sales in the first quarter of Fiscal 2020. Gross margin was lower due to negative scaling on lower sales per store, higher sales of lower margin consumable products and incremental direct costs related to COVID-19 measures implemented in the second half of the quarter, which had a 10 basis-point impact.

SG&A for the first quarter of Fiscal 2021 increased by 12.8% to \$137.7 million, compared to \$122.1 million for the first quarter of Fiscal 2020. SG&A for the first quarter of Fiscal 2021 represented 16.3% of sales, compared to 14.7% of sales for the first quarter of Fiscal 2020. This 1.6% variance mainly reflects the costs of incremental cleaning and sanitization measures taken to protect the health and safety of customers and employees, and temporary wage increases, all amounting to approximately \$14.0 million.

For the first quarter of Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2020 to March 31, 2020, was \$2.4 million. Dollarcity results were impacted by strict COVID-19 government measures as of mid-March 2020 in all three countries of operation. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

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Financing costs increased by \$1.6 million, from \$25.6 million for the first quarter of Fiscal 2020 to \$27.2 million for the first quarter of Fiscal 2021. The increase is mainly due to increased borrowings as the Corporation made the prudent decision to draw down on its committed revolving credit facilities and issued notes under its recently implemented U.S. commercial paper program in order to improve its liquidity position during the COVID-19 pandemic.

Net earnings decreased to \$86.1 million, or \$0.28 per diluted common share, in the first quarter of Fiscal 2021, compared to \$103.5 million, or \$0.33 per diluted common share, in the first quarter of Fiscal 2020. This decrease in net earnings is mainly the result of the impact of the COVID-19 pandemic on in-store traffic, sales and gross margin as well as additional SG&A expenses incurred.

Capital expenditures increased by \$17.3 million, from \$30.7 million for the first quarter of Fiscal 2020 to \$48.0 million for the first quarter of Fiscal 2021. This increase reflects additional store-related transformational capital expenditures, including but not limited to, the purchase of additional self-checkout machines for certain high-traffic locations across the network, the continued roll-out of security cameras, and other store optimization projects.

Dollarcity Update

Status of Store Network

At its latest quarter ended March 31, 2020, Dollarcity had a total of 232 stores with 121 locations in Colombia, 48 in El Salvador and 63 in Guatemala. This compares to a total of 228 stores as at December 31, 2019. As at May 3, 2020, Dollarcity had 227 stores open and 5 stores temporarily closed, compared to 40 temporary closures in mid-March 2020. While all other Dollarcity stores were open, strict government COVID-19 measures remained in place in El Salvador, Guatemala and Colombia, including curfews and other measures impacting store hours of operation and customer traffic. As at June 8, 2020, 3 Dollarcity stores in El Salvador remained temporarily closed.

Additional Investment in Dollarcity

Subsequent to quarter-end, on May 8, 2020, the Corporation, through Dollarama International Inc. ("Dollarama International"), and Dollarcity's founding stockholders each made a capital contribution to Dollarcity to cover their pro rata share of the costs associated with a series of transactions aimed at bringing real estate assets into the Dollarcity group, eliminating related-party transactions and insourcing some logistics activities. The Corporation's capital contribution amounted to US\$20.04 million (\$28.0 million) and has been added to the equity-accounted investment of the Corporation in Dollarcity. Transactions include the purchase of a newly built warehouse in Guatemala and the purchase of a land parcel for the construction of a warehouse in Colombia. The purchase price for assets was determined based on appraisals conducted by a recognized independent firm. The balance of the capital contribution will be used to finance in part the construction of the warehouse in Colombia. No further capital contributions are expected to be required from stockholders in the foreseeable future.

Revised Estimated Purchase Price for 50.1% Interest in Dollarcity

On August 14, 2019, the Corporation acquired, through Dollarama International, a 50.1% interest in Latin American value retailer Dollarcity and made a cash payment of US\$40.0 million (\$52.8 million). The total estimated purchase price represents 50.1% of a five times multiple of Dollarcity's estimated EBITDA for the 12-month period ending June 30, 2020, minus net debt and subject to other adjustments. The purchase price estimate is based on financial projections, whereas the final purchase price will be based on audited financial statements.

Based on the latest financial projections, the estimated purchase price has been adjusted to US\$80.4 million (\$109.8 million) from the previously reported estimate of US\$92.7 million as at February 2, 2020. The adjustment is reflected in the cost of the equity-accounted investment on the statement of financial position. As such, the estimated balance of the purchase price is US\$40.4 million (\$57.0 million). It is recorded in accounts payable and accrued liabilities, and will be due, subject to final adjustments, in the third quarter of the Corporation's fiscal year ending January 31, 2021. The decrease in the estimated purchase price is attributed to the adverse impact of the COVID-19 pandemic on the sales and operating results of Dollarcity as a result of strict measures put in place by governments in El Salvador, Guatemala and Colombia, including curfews and other measures impacting store hours and customer traffic.

Dividend

On June 10, 2020, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of common shares of \$0.044 per common share. This dividend is payable on August 7, 2020, to shareholders of record at the close of business on July 10, 2020. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Normal Course Issuer Bid

During the first quarter of Fiscal 2021, no common shares were repurchased for cancellation under the 2019-2020 normal course issuer bid as the Corporation chose to preserve liquidity as a result of the uncertainty related to the COVID-19 pandemic.

Fiscal 2021 Guidance

Given that it remains impossible to forecast the duration, severity and extent of the public health and economic impacts of the COVID-19 pandemic on the Corporation's operations and future financial performance, no guidance will be provided for Fiscal 2021 until further notice.

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 and annual information form for Fiscal 2020, both available on SEDAR at www.sedar.com.

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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 June 10, 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 first quarter results today, June 10, 2020 at 11:30 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 1,301 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) through its 232 conveniently-located stores in Colombia, El Salvador and Guatemala.

For further information:

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Selected Consolidated Financial Information

(dollars and shares in thousands, except
per share amounts)

	13-Week Periods Ended	
	May 3, 2020 \$	May 5, 2019 \$
Earnings Data		
Sales	844,798	828,036
Cost of sales	495,747	479,145
Gross profit	349,051	348,891
SG&A	137,738	122,123
Depreciation and amortization	63,975	58,199
Share of net earnings of equity-based investment	(2,374)	-
Operating income	149,712	168,569
Financing costs	27,202	25,558
Earnings before income taxes	122,510	143,011
Income taxes	36,431	39,499
Net earnings	86,079	103,512
Basic net earnings per common share	\$0.28	\$0.33
Diluted net earnings per common share	\$0.28	\$0.33
Weighted average number of common shares outstanding:		
Basic	310,281	314,701
Diluted	312,074	317,863
Other Data		
Year-over-year sales growth	2.0%	9.5%
Comparable store sales growth ⁽²⁾	0.7%	5.8%
Gross margin ⁽³⁾	41.3%	42.1%
SG&A as a % of sales ⁽³⁾	16.3%	14.7%
EBITDA ⁽¹⁾	213,687	226,768
Operating margin ⁽³⁾	17.7%	20.4%
Capital expenditures	47,998	30,680
Number of stores ⁽⁴⁾	1,301	1,236
Average store size (gross square feet) ⁽⁴⁾	10,276	10,247
Declared dividends per common share	\$0.044	\$0.044

	As at	
	May 3, 2020 \$	February 2, 2020 \$
Statement of Financial Position Data		
Cash	522,644	90,464
Inventories	608,331	623,490
Total current assets	1,214,344	764,497
Property, plant and equipment	670,088	644,011
Right-of-use assets	1,278,504	1,283,778
Total assets	4,177,887	3,716,456
Total current liabilities	1,175,980	1,092,484
Total non-current liabilities	2,991,573	2,716,168
Total debt ⁽¹⁾	2,252,484	1,883,407
Net debt ⁽¹⁾	1,729,840	1,792,943
Shareholders' equity (deficit)	10,334	(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.

(dollars in thousands)

A reconciliation of operating income to EBITDA is included below:

	13-Week Periods Ended	
	May 3, 2020 \$	May 5, 2019 \$
Operating income	149,712	168,569
Add: Depreciation and amortization	63,975	58,199
EBITDA	213,687	226,768
<i>EBITDA margin ⁽³⁾</i>	<i>25.3%</i>	<i>27.4%</i>

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

	As at	
	May 3, 2020 \$	February 2, 2020 \$
Senior unsecured notes bearing interest at:		
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021	525,000	525,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021	300,000	300,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 59 basis points payable quarterly, repaid on March 16, 2020	-	300,000
Unsecured revolving credit facilities	277,500	-
Accrued interest on senior unsecured notes	14,513	8,407
Total long-term debt	<u>1,867,013</u>	<u>1,883,407</u>
Notes issued under US commercial paper program	385,471	-
Total debt	<u>2,252,484</u>	<u>1,883,407</u>

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

Total debt	2,252,484	1,883,407
Cash	<u>(522,544)</u>	<u>(90,464)</u>
Net debt	<u>1,729,840</u>	<u>1,792,943</u>

⁽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 quarter of Fiscal 2021, comparable store sales growth excludes temporarily closed stores.

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

⁽⁴⁾ At the end of the period.