

# Investor Presentation

Q2-FY2021



# Cautionary statement



*This presentation does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any securities of Dollarama Inc. and does not constitute or form part of, and under no circumstances is to be construed as, an offering document, such as an offering memorandum, or an advertisement for an offer to buy or sell any securities of Dollarama Inc.*

## **Forward-Looking Information**

This presentation contains forward-looking information about results, levels of activity, performance, goals or achievements of Dollarama and Dollarcity or other future events or developments that may affect Dollarama and Dollarcity which are based on information currently available to management and estimates and assumptions that management believes are 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, levels of activity, performance, goals or achievements or other future events or developments to differ materially from those expressed or implied by the forward-looking information contained herein including, without limitation, the risk factors described in Dollarama's Annual Management Discussion and Analysis (MD&A) dated April 1, 2020 and September 2, 2020, both filed with Canadian securities regulators and available on SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking information contained in this presentation represents management's expectations as at September 8, 2020, and, accordingly, is subject to change after such date. Except as may be required by law, management has no intention and undertakes no obligation to update or revise any forward-looking information.

## **COVID-19**

On March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus disease (COVID-19) outbreak a pandemic. Subsequently, all of the jurisdictions in which Dollarama operates imposed strict measures in an attempt to slow the transmission of the virus. Similar measures have been taken in the countries of operation of Dollarcity. Dollarama has been recognized as an essential business in Canada, and Dollarcity received the same recognition in El Salvador, Guatemala and Colombia.

From the outset of the COVID-19 outbreak, the Corporation implemented mitigation strategies, contingency plans and several preventive measures across its operations to protect the health and safety of its employees and customers and to ensure business continuity. Measures adopted by the Corporation as well as measures implemented by different levels of governments continue to evolve to this date.

It remains impossible to reliably estimate the duration, severity and extent of public health and economic impacts of the COVID-19 pandemic on the operations and financial results of the Corporation, both in the short term and in the long term. A second wave of COVID-19 infections could force governments to reverse reopening plans and impose stricter restrictions.

# Cautionary statement



## **Presentation of Financial Information**

All amounts are expressed in Canadian dollars, unless otherwise indicated. Certain values used in this presentation are for illustration purposes only and are based on various factors that may or may not materialize, including past performance metrics that may not be indicative of future performance.

## **Credit Ratings**

A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

## **Market and Industry Data**

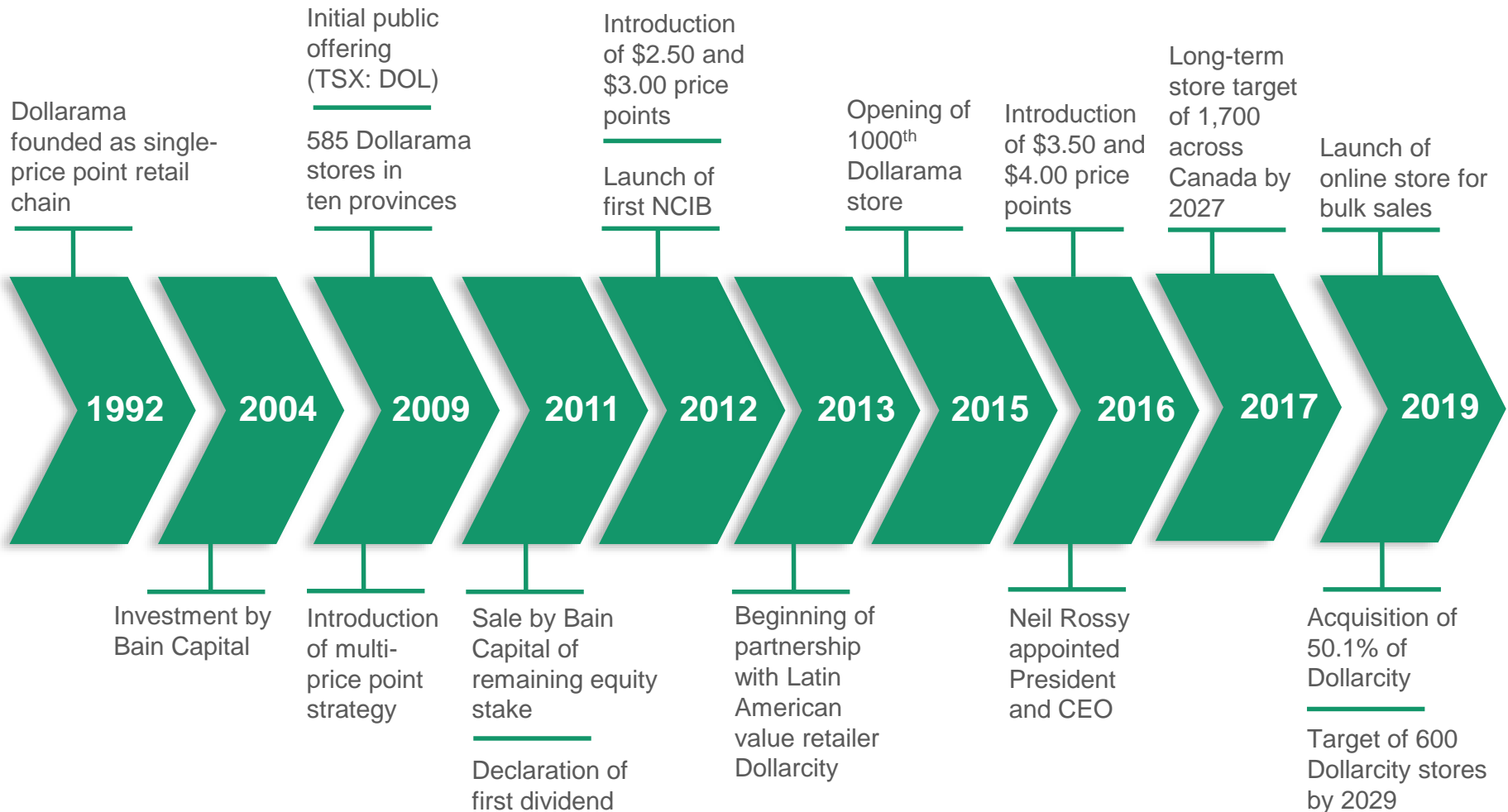
This presentation contains market and industry data sourced from a combination of internal company surveys, third party information, including third party websites, and estimates of management. While those sources are believed to be reliable, they have not been independently verified, and management has no assurance that the information contained in third party websites is current and up-to-date. While management is not aware of any misstatements regarding the market and industry data presented herein, such data involves risks and uncertainties and is subject to change based on various factors. Unless otherwise indicated, the data contained in this presentation is stated as at September 8, 2020.

## **Non-GAAP Measures**

This presentation refers to certain non-GAAP measures. These measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Consequently, they should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with GAAP. Refer to the section entitled "Selected Consolidated Financial Information" of Dollarama's MD&A dated September 2, 2020 for a reconciliation of those non-GAAP measures to the most directly comparable GAAP measures.



# Dollarama through the years



# Dollarama today



## Largest and only national dollar store chain in Canada

- 1,314 corporate-operated stores
- Avg. of 10,289 sq. ft. per store
- Avg. store annual sales of \$3.0 million

## Strong value proposition at select fixed price points up to \$4

- Broad assortment of everyday goods
- ~50% of merchandise sourced directly
- ~75% of sales from products priced above \$1.25

## Robust financial performance<sup>(1)</sup>

- LTM sales: \$3.87B
- LTM<sup>(2)</sup> EBITDA: \$1,094M (28.3% of sales)

(1) For the last twelve months ended August 2, 2020

(2) Direct costs related to COVID-19 measures implemented from the outset of the pandemic through to the end of the second quarter ended August 2, 2020 are approximately \$49.3 million



# A simple, growth-oriented business model



## **We build**

on our growing store network and our low-cost direct sourcing platform

## **We focus**

on delivering compelling value to our customers

## **We solidify**

our brand reputation and deliver superior financial results

**Backed by seasoned team and disciplined execution**

# Competitive Advantages





# Direct sourcing expertise



Longstanding relationships with low-cost supplier network:

- Overseas direct sourcing program initiated in 1992
- Well-diversified base of established suppliers
- ~50% merchandise sourced directly from over 25 countries (primarily China)



Benefits of direct sourcing:

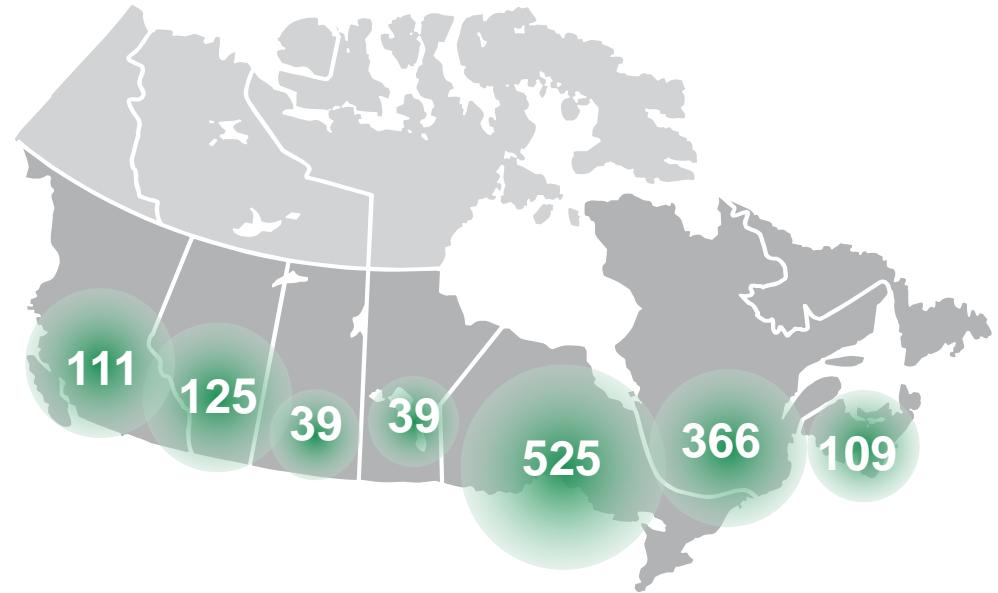
- Creates different, more compelling product selection
- Reduces costs associated with intermediaries
- Increases bargaining power with suppliers
- Provides cost flexibility to help control inflation and currency fluctuations



# Large network with over 1,300 stores across Canada

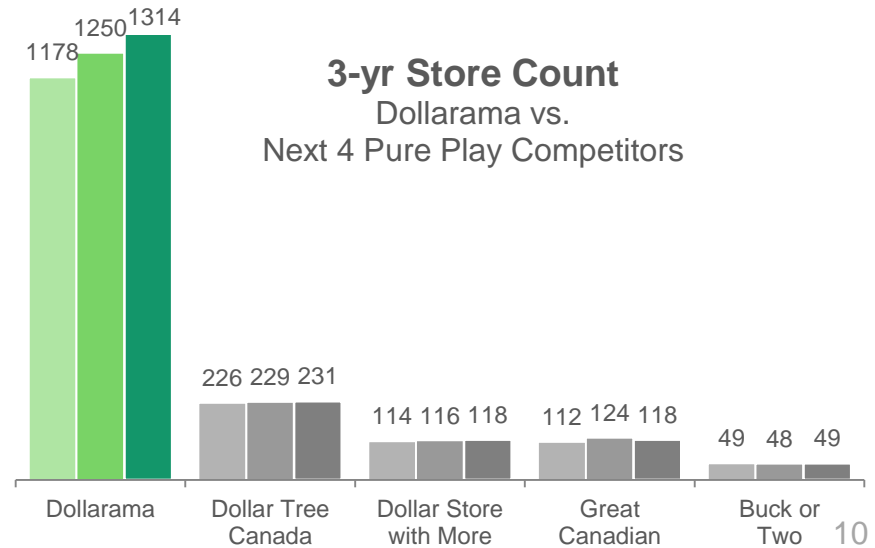


Only dollar store chain with a significant presence in **all ten provinces**



**~2.5x more stores** than 4 largest pure play competitors combined


**~5.7x larger** than next largest pure play competitor



Source: company reports and websites

# Compelling product offering



 Broad assortment of products across 20+ departments at compelling value

 Mix of store brands and name brands

 Multiple fixed price points



# Strong brand awareness and broad customer appeal



Our value proposition is the key differentiator



Brand awareness across Canada is at 98%

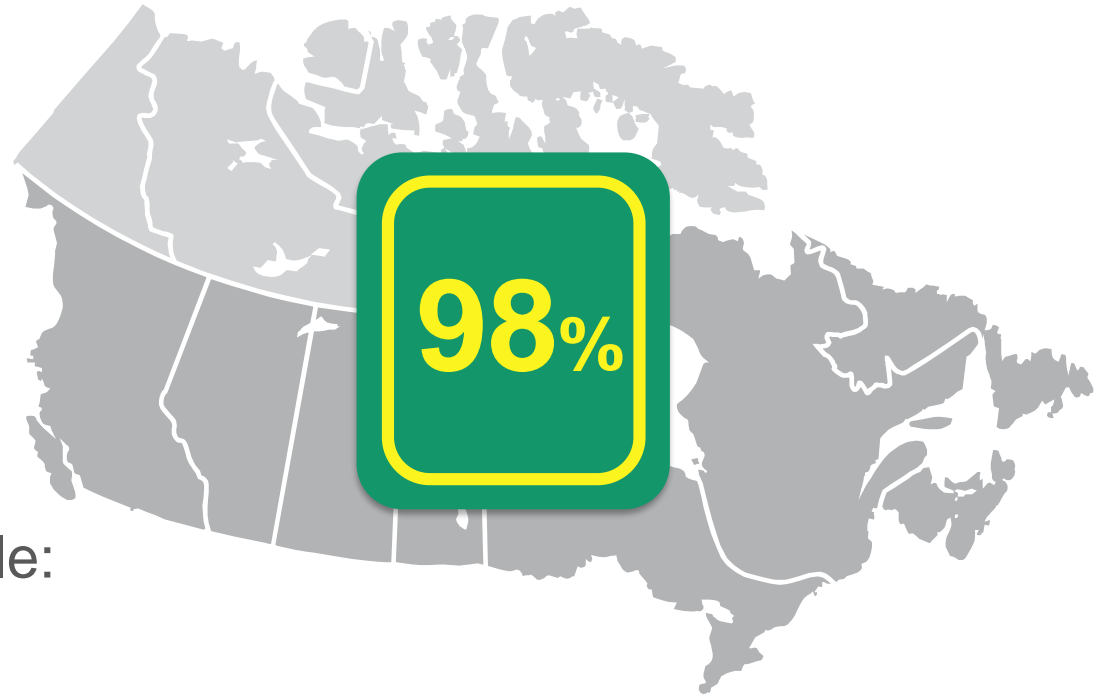


We appeal to all demographics and income ranges







Typical consumer profile:

- Female
- 25-54 years of age
- Annual income of \$20k-\$80k



# Offering convenience and value



-  Strong brand recognition and reputation for delivering value
-  Unrivaled presence across Canada in convenient locations
-  Destination store appealing to broad customer base
-  Consistent in-store shopping experience



# Growth Strategies



# Strategies for driving growth and creating value



## Grow store network in Canada in a disciplined manner

- Target of 1,700 Dollarama stores by 2027
- Leverage strengths to stimulate sales
- Maintain low-cost operating model



## Develop second growth platform in Latin America

- Acquisition of 50.1% interest in Dollarcity in Q3-FY2020
- Target of 600 Dollarcity stores by 2029



# Significant potential for additional growth in Canada



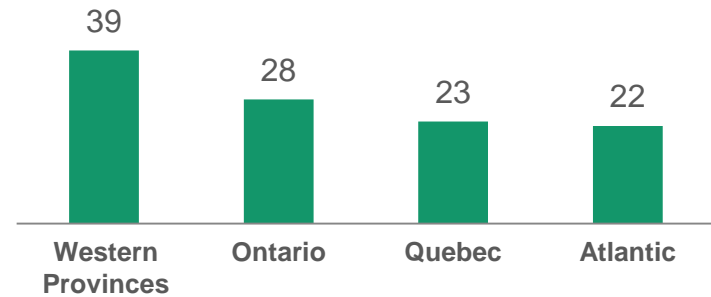
Average of **69 net new stores** per year over last 10 fiscal years

Eastern Canadian market **not saturated**

Dollarama **underpenetrated** in Ontario and Western Canada



Thousands of People per Dollarama Store

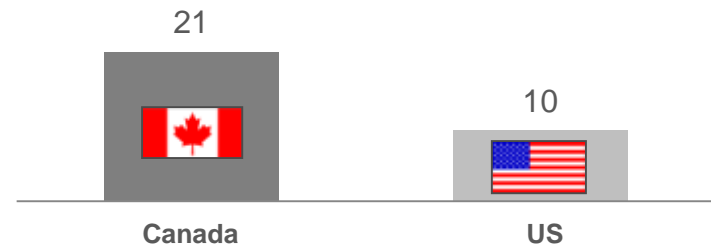


Source: Statistics Canada; Q2-FY21 store count

Canadian market **underpenetrated** relative to US dollar store segment  
(subject to notable differences in business models)



Thousands of People per Dollar Store



Canada: Dollarama, Buck or Two, Dollar Store with More, Dollar Tree Canada, Great Canadian  
US: Dollar General, Dollar Tree, Family Dollar, Fred's, 99c only 16  
Source: Census data and company websites



# Disciplined approach to growth



## Efficient capital model

- \$650K in leasehold improvements, fixtures and inventory for new Dollarama store



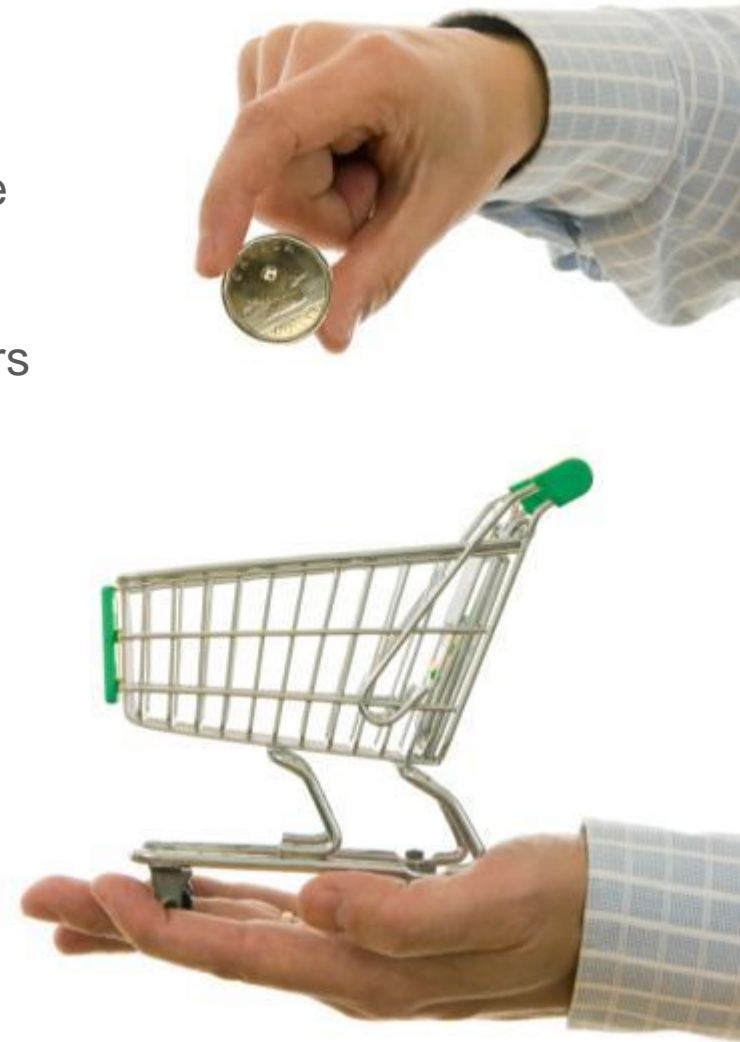
## Quick sales ramp-up

- Average sales ramp-up to \$2.3M within 2 years
- Rapid payback of about 2 years



## Low maintenance capex

Strong **profitability**,  
**low capital** intensity  
and **high ROI**



# Leverage strengths to stimulate Dollarama sales



## Effective and flexible merchandising

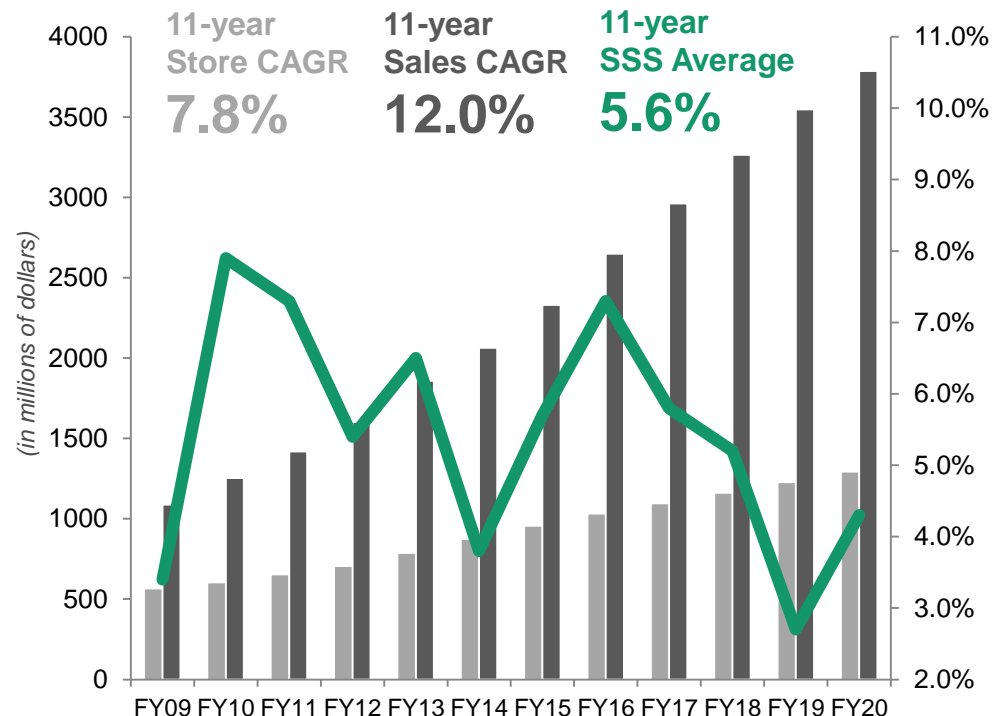
- Refresh 25-30% of merchandise every year
- Zonogram by department (vs. fixed planogram)
- No loss leaders



## Multiple fixed price points

- Introduction of new price points in 2009, 2012 & 2016
- \$3.50 & \$4.00 price points introduced on August 1<sup>st</sup>, 2016 (first day of Q3-FY2017)

## Industry leading same-store sales



# Maintain low-cost operating model



## Continuous in-store productivity improvements

- POS systems
- Kronos advanced scheduling
- NCR point of sale terminals
- WIFI and mobile-driven projects
- LED retrofits
- Security cameras
- Self-checkouts

## Efficient supply chain

- DC, warehouse and transportation logistics

## Lean overhead operations



# Dollarcity transaction overview



## Acquisition of 50.1% interest in Dollarcity

- 2018<sup>1</sup> sales of US\$236M, EBITDA<sup>2</sup> of US\$36.6M (16% EBITDA margin)
- Estimated purchase price of ~US\$92.7M<sup>3</sup>; upfront payment of US\$40M on August 14, 2019
- Estimated balance of purchase price of ~US\$52.7M due in Q3 FY2021, subject to completion of audit of financial statements for 12-month period ended June 30, 2020 and final adjustments (if any), and to be funded by available free cash flows
- Immediately accretive to DOL EPS (+CA\$0.03 per share in F2020<sup>4</sup>)
- Investment reported based on equity method



## A compelling growth platform

- Creates compelling second growth platform, in complement to Canadian growth strategy
- Proven business model with 7 years of success creating a 'localized' DOL
- Strong local partners committed as long-term operators

(1) Dollarcity full-year financial results are for the 12-month period ended December 31, 2018.

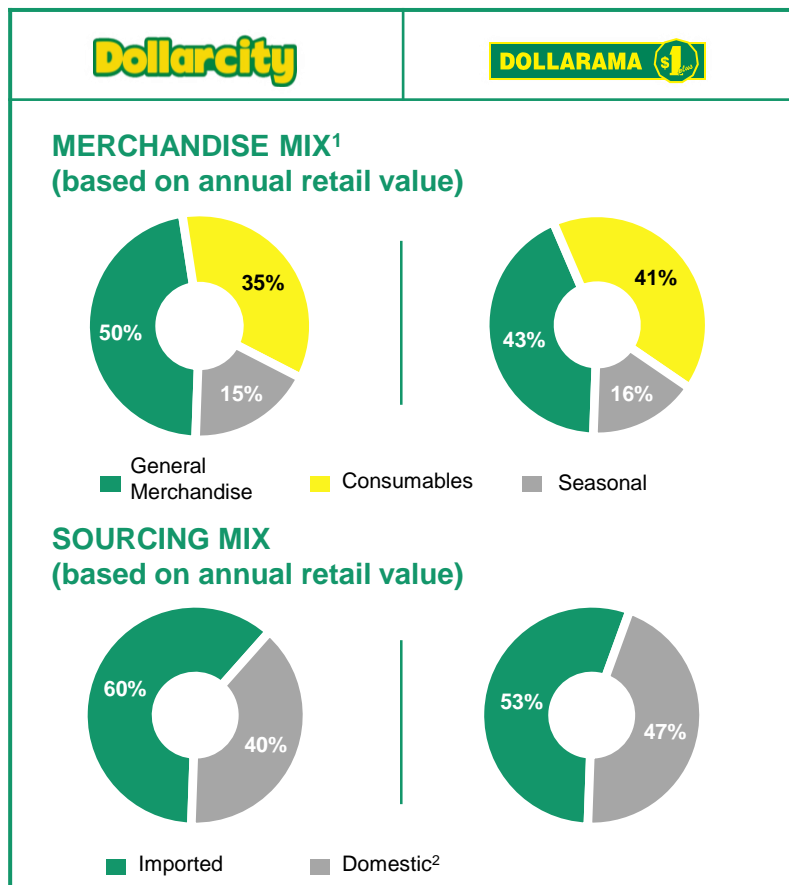
(2) EBITDA is a non-GAAP measure.

(3) As at August 2, 2020. Equity value calculated as 50.1% of 5x unaudited EBITDA for the 12 months ended June 30, 2020, minus net debt +/- other customary adjustments.

(4) FY2020 EPS includes 50.1% of approximately 4,5 months of Dollarcity's net earnings.



# Dollarcity, a 'localized' Dollarama



|                                      | Dollarcity   | DOLLARAMA         |
|--------------------------------------|--|-------------------|
| <i>(As at respective year ends)</i>  | Dec. 31, 2019 <sup>3</sup>                               | Feb. 2, 2020      |
| <b>NUMBER OF STORES</b>              | 228  | 1,291             |
| <b>SALES</b>                         | CA\$427 million<br>(US\$321 million)                     | CA\$3,787 million |
| <b>PRICE POINT RANGE<sup>4</sup></b> | US\$0.69-\$3.00<br>or equivalents in<br>local currencies | CA\$0.82-\$4.00   |
| <b>NEW STORE INVESTMENT</b>          | CA\$791,000<br>(US\$595,000)                             | CA\$700,000       |

- Strong execution in store network growth
- Sales performance comparable to DOL
- Successful in adapting DOL business model to LATAM markets and consumers
- Rapid new store payback period

(1) Merchandise mix categories may differ slightly between DOL and Dollarcity.  
 (2) For DOL, domestic refers to merchandise purchased in North America. For Dollarcity, domestic refers to merchandise purchased in the countries where the company operates stores.  
 (3) US\$ amounts converted to CA\$ using a USD/CAD average exchange rate of 1.33 for the year ended December 31, 2019.  
 (4) Dollarcity price points include value-added tax.

# Dollarcity's growth trajectory



'Localized' Dollarama concept initially tested and established in El Salvador and Guatemala



Since 2017, network expansion has been mainly focused on Colombia, a compelling retail market with significant growth opportunities



Dollarama acquired 50.1% interest in August 2019



Target of 600 Dollarcity stores in Colombia, Guatemala and El Salvador by 2029

- Majority of store network growth will be focused in Colombia
- 232 stores as at June 30, 2020<sup>(1)</sup>

(1) As at June 30, 2020, 2 stores were temporarily closed as a result of governmental measures imposed to prevent the spread of COVID-19. Refer to the Corporation's MD&A dated September 2, 2020 available on SEDAR for additional information on the impact of COVID-19 on Dollarcity's business and affairs.



(2) As at Dollarcity's latest quarter ended June 30, 2020.



# Robust financial performance



| <i>(in millions of dollars, except per share amounts)</i> | SECOND QUARTER ENDED        |            |              |            | Y-O-Y  | FISCAL YEAR ENDED <sup>(1)</sup> |            |                             |            | Y-O-Y                 |
|---|-----------------------------|------------|--------------|------------|--------|----------------------------------|------------|-----------------------------|------------|-----------------------|
|   | AUG. 2, 2020 <sup>(2)</sup> |            | AUG. 4, 2019 |            | GROWTH | FEB. 2, 2020                     |            | FEB. 3, 2019 <sup>(3)</sup> |            | GROWTH <sup>(3)</sup> |
| <b>Sales</b>  | \$1,014                     | % OF SALES | \$946        | % OF SALES | 7.1%   | \$3,787                          | % OF SALES | \$3,549                     | % OF SALES | 6.7%                  |
| <b>Gross Margin</b>                                       | \$445                       | 43.9%      | \$413        | 43.7%      | 7.6%   | \$1,652                          | 43.6%      | \$1,584                     | 44.6%      | 4.3%                  |
| <b>SG&amp;A</b>   | \$169                       | 16.7%      | \$132        | 13.9%      | 28.5%  | \$552                            | 14.6%      | \$505                       | 14.2%      | 9.2%                  |
| <b>EBITDA</b>   | \$278                       | 27.4%      | \$282        | 29.8%      | (1.3%) | \$1,111                          | 29.3%      | \$1,079                     | 30.4%      | 3.0%                  |
| <b>Operating Income</b>                                   | \$211                       | 20.9%      | \$222        | 23.4%      | (4.6%) | \$868                            | 22.9%      | \$845                       | 23.8%      | 2.7%                  |
| <b>Net Earnings</b>                                       | \$142                       | 14.1%      | \$143        | 15.1%      | (0.5%) | \$564                            | 14.9%      | \$545                       | 15.4%      | 3.5%                  |
| <b>EPS</b>  | \$0.46                      |            | \$0.45       |            | 2.2%   | \$1.78                           |            | \$1.66                      |            | 7.2%                  |
| <b>Adj. Net Debt / LTM EBITDA<sup>(4)</sup></b>           | 2.80x                       |            | 2.91x        |            |        | 2.97x                            |            | 2.99x                       |            |                       |

(1) Figures for the fiscal years reflect the adoption of IFRS 16 – Leases

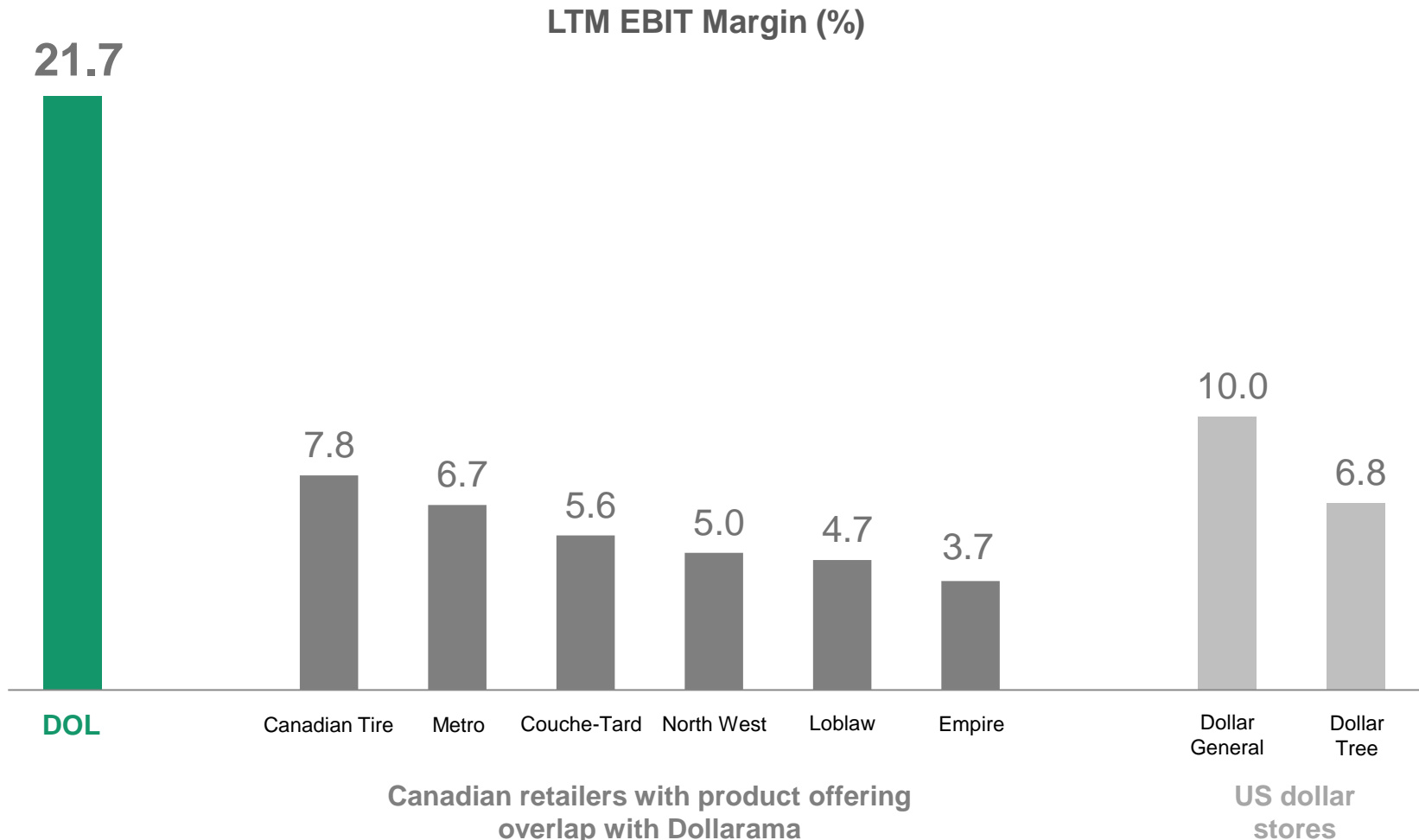
(2) ~ \$34M of direct costs were incurred in Q2-FY21 in connection with COVID-19 (of which ~\$32M are included in SG&A)

(3) The fiscal year ended on Feb. 3, 2019 included 53 weeks (Feb. 2, 2020: 52 weeks)

(4) (Total net debt + total lease liabilities) / LTM EBITDA

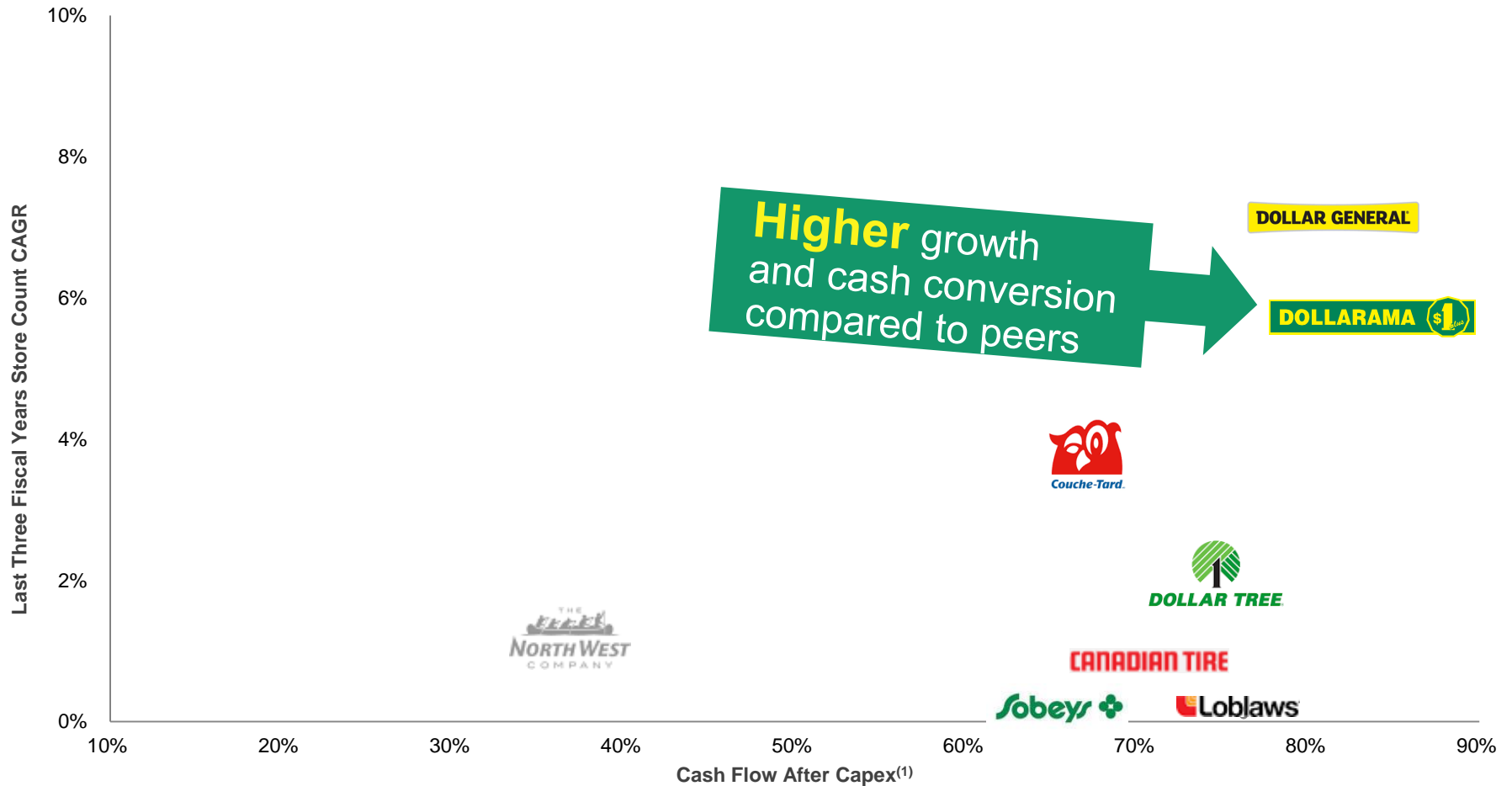


# Balanced approach to operating margin



Source: Company websites; Walmart Canada figures not available

# Strong organic growth with low capital requirements



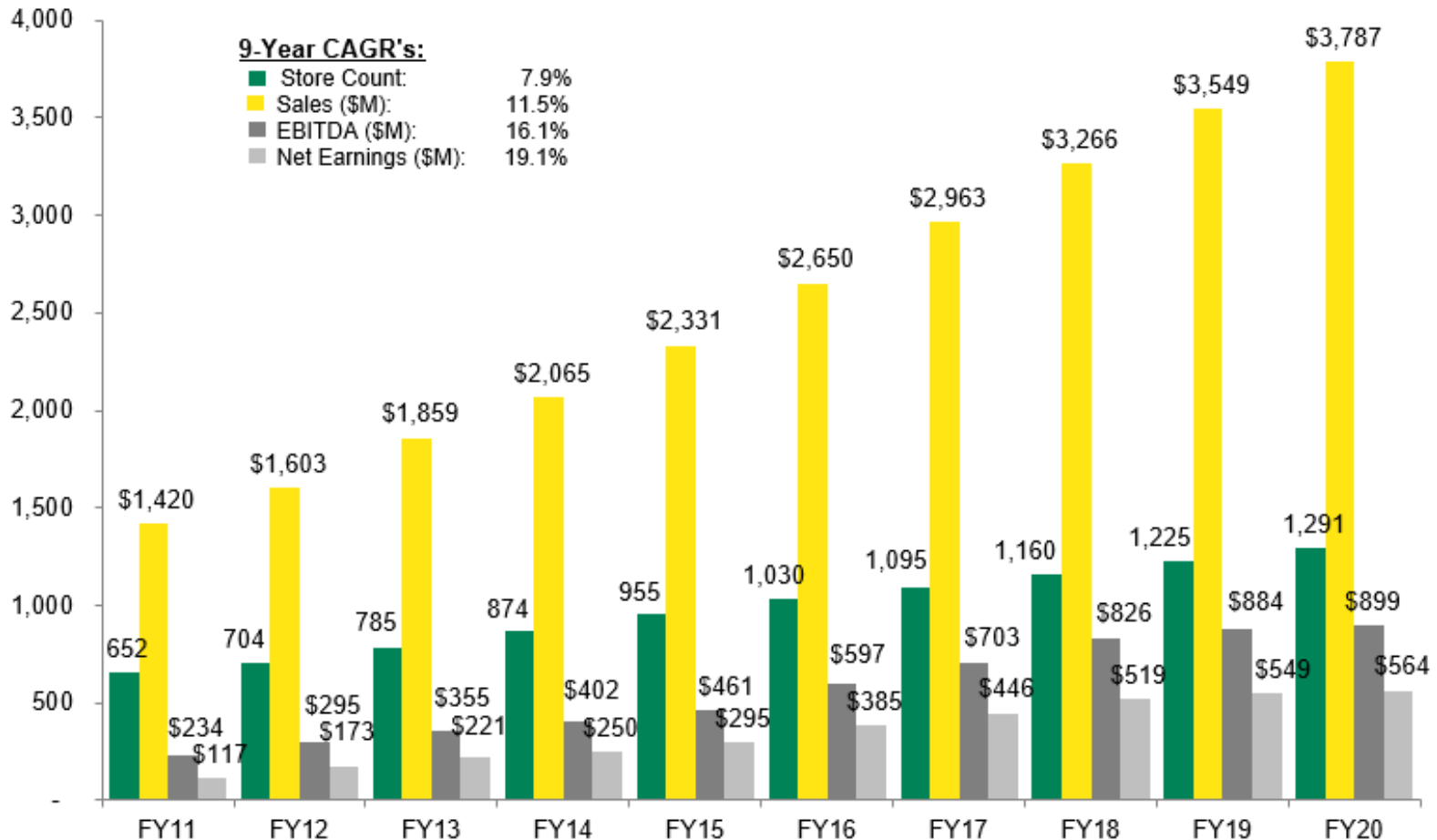
Source: Company websites; Walmart Canada figures not available

(1)  $(EBITDA - CAPEX) / EBITDA$

# Strong key metrics growth since IPO



IAS 17<sup>(1)</sup>



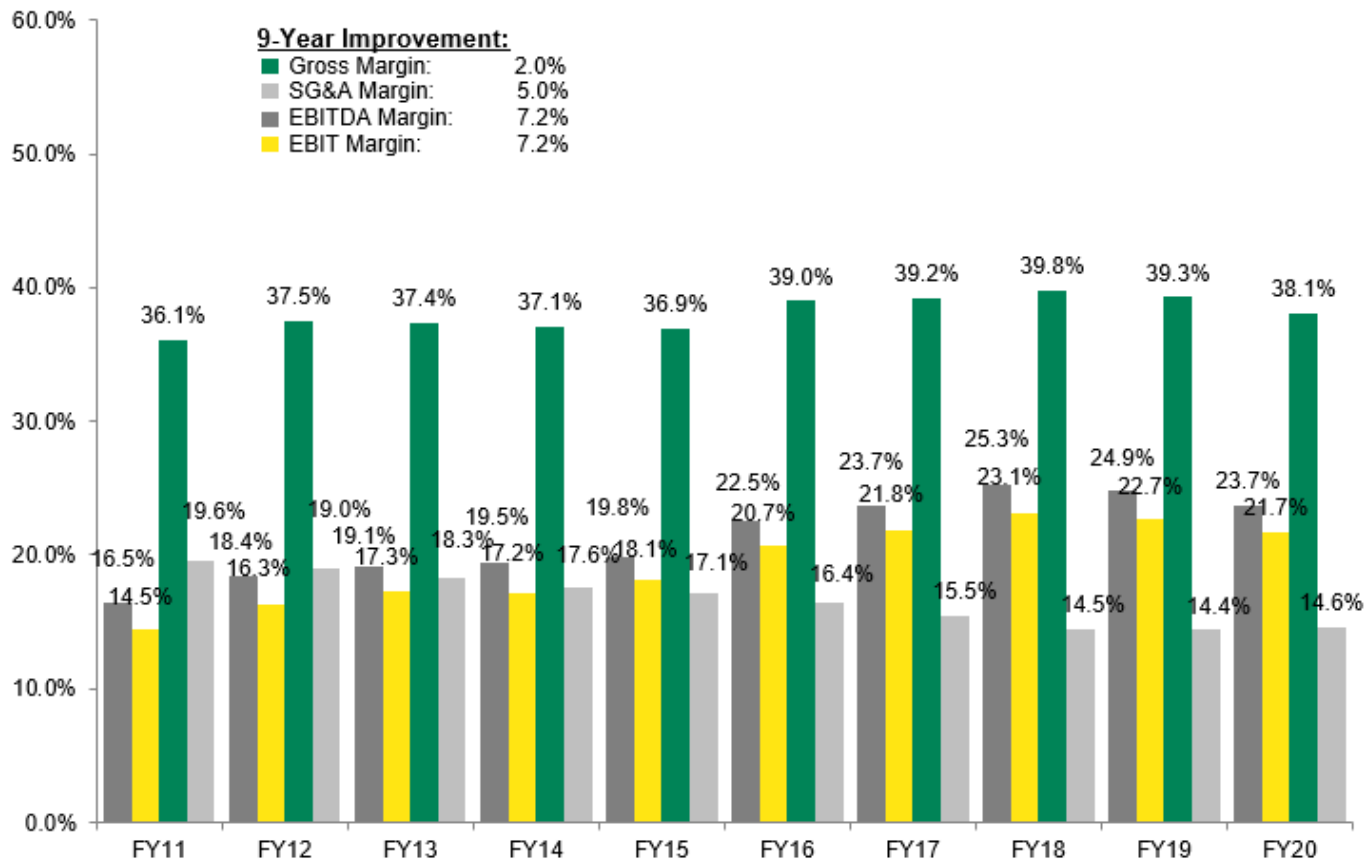
(1) These figures do not reflect the adoption of IFRS 16 - Leases

# Continuous margin improvement since IPO



Variable cost structure allows for scaling benefits with top line growth

**IAS 17<sup>(1)</sup>**

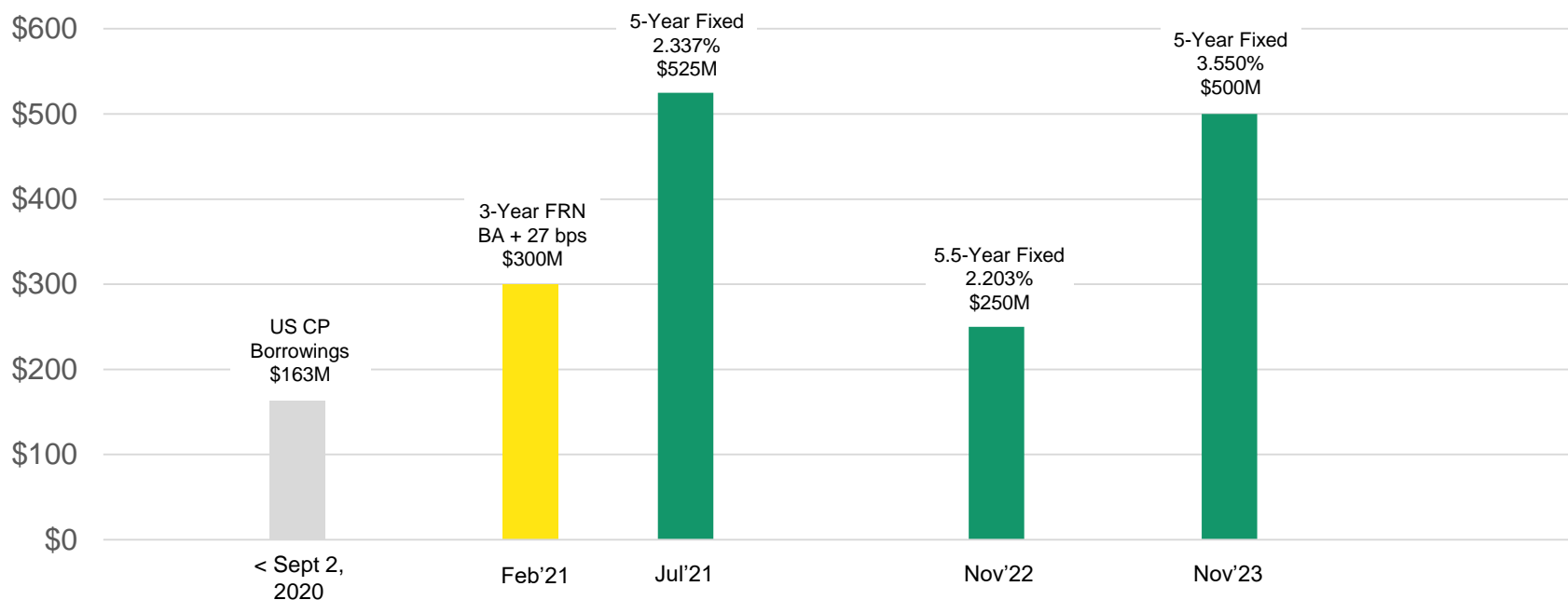


(1) These figures do not reflect the adoption of IFRS 16 - Leases

# Debt structure as at Q2-FY2021



- 73% fixed rate debt, 27% floating rate debt
- **\$855M** available liquidity (\$218M cash + \$637M undrawn and available credit facility) <sup>(1,2)</sup>
- ~2.25% weighted average cost of debt
- ~1.7 year weighted average time to maturity
- ~**\$150M** of excess debt / cash as the Corporation made the prudent decision to borrow excess funds under its US CP Program in order to improve liquidity



(1) Excludes letters of credit (approximately \$1.0M)

(2) The undrawn portion of the credit facility is partly used to backstop the US CP borrowings (\$163M)

# U.S. Commercial Paper Program



|                    |  |
|--------------------|--|
| Issuer:            | Dollarama Inc. - Bloomberg Ticker ("DOL")  |
| Guarantors:        | Dollarama L.P. and Dollarama GP Inc., both wholly-owned subsidiaries of the Issuer |
| Securities:        | Commercial Paper Notes   |
| Program Ratings:   | S&P: A-2 / Moody's: P-2  |
| Long-Term Ratings: | S&P: BBB / Moody's: Baa2 / DBRS: BBB   |
| Program Size:      | Up to US \$500 million   |
| Maturities:        | Overnight to 397 days (target 1 week to 90 days)                                   |



We intend to shift a portion of borrowings to commercial paper and utilize the revolving credit facility as a backstop to the commercial paper program



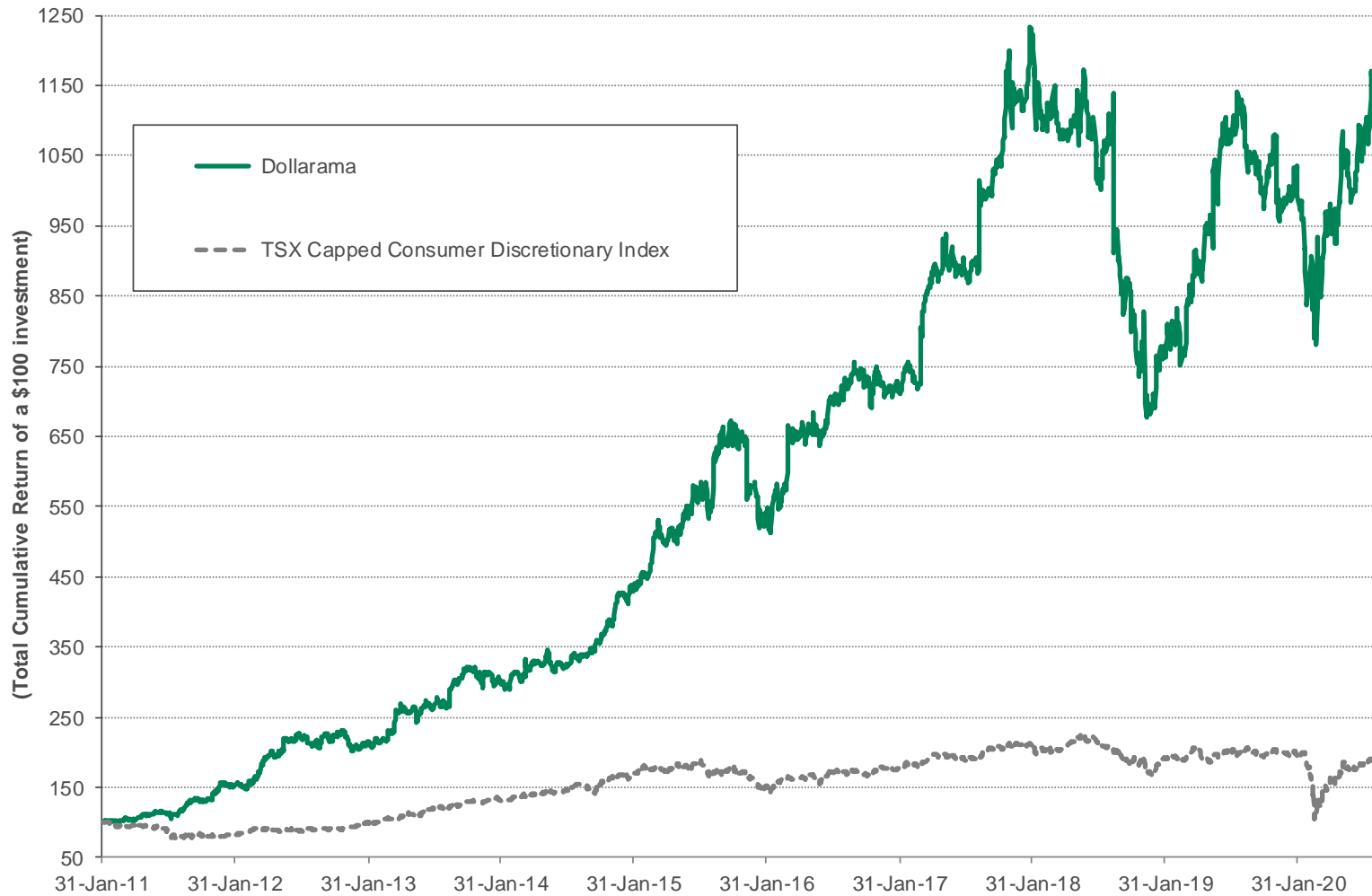
## Credit Facilities

- CDN \$800 million committed
- Syndicate of six Canadian and two international financial institutions
- Same day draw capabilities up to U.S. \$300 million
- Ability to draw in both Canadian and U.S. dollars
- Different maturity dates including a tranche maturing on September 29, 2024 (extended annually)

# Total shareholder return



## Performance Graph Since January 31, 2011



# Disciplined execution of our growth plan



## Disciplined execution of our Canadian growth plan

- Target of 1,700 stores in Canada by 2027
- Sustain attractive same-store sales growth
- Maintain balanced operating margins

## Development of our LATAM growth platform

- Target of 600 stores in three countries by 2029
- Continue implementation of various operational initiatives

## Create value for all stakeholders



ESG



# Dollarama's ESG framework



## PRIORITY AREAS

### OUR PEOPLE

- Fair labour practices
- Diversity and inclusion

### OUR PRODUCTS

- Product safety and quality

### OUR SUPPLY CHAIN

- Product sourcing
- Human rights
- Fair labour practices

### OUR OPERATIONS

- Energy management and climate change
- Waste management
- Data security and privacy

## MATERIALITY AND GOVERNANCE

Dollarama's ESG priority areas are based on comprehensive enterprise risk and ESG materiality assessments, and are managed within the company's enterprise risk management framework.

The 2019 ESG Report and other relevant documents are available at: [www.dollarama.com/en-CA/corp/corporate-governance-and-responsibility](http://www.dollarama.com/en-CA/corp/corporate-governance-and-responsibility)



# ESG priorities overview



## KEY 2019-2020 ESG PRIORITIES



### OUR PEOPLE

#### Promoting a dynamic and inclusive workforce

- Successfully recruit in support of expanding store network
- Increase internal promotions from store level to field management
- Aim for zero workplace accidents
- Maintain 25% representation of women among independent board members



### OUR PRODUCTS

#### Providing customers with compelling value and a consistent shopping experience

- Maintain a diverse supplier base and ensure products meet our safety and quality specifications
- Increase number and frequency of product testing on toys
- Proactively communicate product recalls via Dollarama's website

# ESG priorities overview



## KEY 2019-2020 ESG PRIORITIES



### OUR SUPPLY CHAIN

#### A three-pronged approach to vendor compliance and engagement

- Maintain vendor adherence and compliance with Vendor Code of Conduct
- Update Vendor Code of Conduct
- Roll-out Vendor Compliance Survey
- Roll-out third-party Social Audit Program



### OUR OPERATIONS

#### Minimizing the environmental footprint of our operations

- Continue to measure Scope 1 and 2 GHG emissions
- Increase use of LED lighting across operations
- Increase reuse and recycling through various initiatives (pallet recycling, baler installation)

Thank you



# A seasoned board and management team



## BOARD OF DIRECTORS

### **Stephen Gunn**

Chair of the Board  
Corporate Director

### **Joshua Bekenstein**

Managing Director  
Bain Capital Partners

### **Gregory David**

Chief Executive Officer  
GRI Capital

### **Elisa D. Garcia**

Chief Legal Officer  
Macy's

### **Kristin W. Mugford**

Senior Lecturer  
Harvard Business  
School

### **Nicholas Nomicos**

Managing Director  
Nonantum Capital Partners

### **Neil Rossy**

President & Chief Executive  
Officer  
Dollarama

### **Richard Roy, FCPA, FCA**

Corporate Director

### **Huw Thomas, FCPA, FCA**

Corporate Director

## OFFICERS

### **Neil Rossy**

President & Chief Executive  
Officer

### **Michael Ross, FCPA, FCA**

Chief Financial Officer

### **Johanne Choinière**

Chief Operating Officer

### **Geoffrey Robillard**

Senior Vice President  
Import Division

### **Nicolas Hien**

Senior Vice President  
Project Management & Systems

### **Josée Kouri**

Senior Vice-President, Legal  
Affairs & Corporate Secretary