

# Investor Presentation

Q2-FY2022



# 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 March 31, 2021 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 9, 2021, 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 down the transmission of the virus in its first wave in the spring of 2020, again starting in December 2020 as Canada experienced a resurgence in COVID-19 infections brought on by a second wave and once more between April 2021 and July 2021 in the context of the third wave. These measures included travel restrictions, self-isolation measures and stay-at-home orders, temporary closures of non-essential services and businesses, temporary bans on the sale of non-essential items, curfews, in-store capacity limits and other physical distancing requirements. Similar measures were taken in the countries of operation of Dollarcity. Since July 2021, most of these restrictions have been lifted.

Although Canada is among the countries with the highest rates of COVID-19 vaccination, it remains difficult to reliably estimate the duration, severity and extent of public health and economic impacts of the COVID-19 pandemic on Dollarama's operations and financial results, both in the short term and in the long term. Another resurgence of COVID-19 infections across Canada due to new and emerging variants could force governments to re-impose certain restrictions, and those could potentially have an impact on operations, operating costs, customer traffic, as well as labour productivity and availability. Dollarama is continuously monitoring the impact of the pandemic on its local and global supply chains and its operations in Canada and Latin America.

# 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 9, 2021.

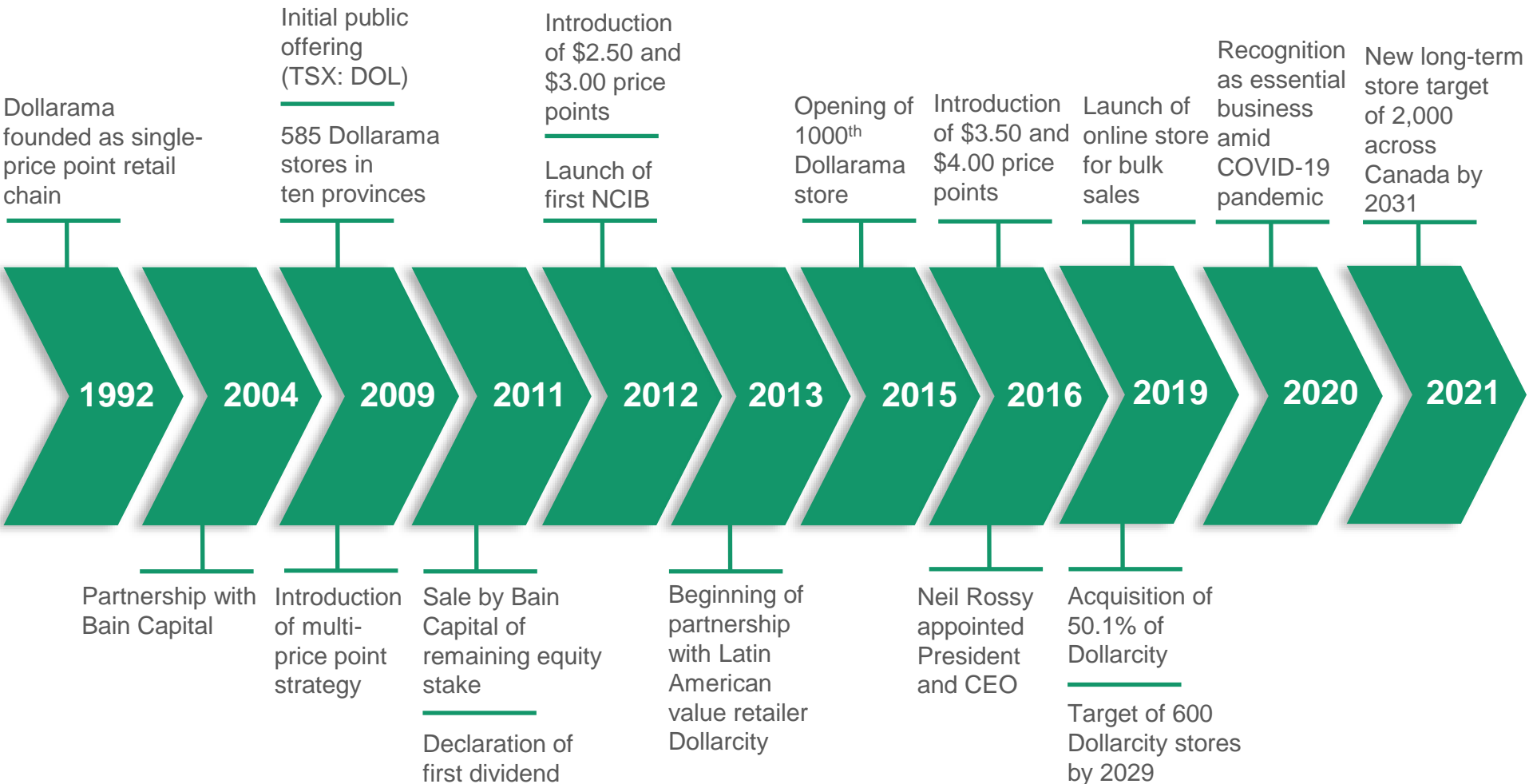
## **Non-GAAP Measures**

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 9, 2021 for a reconciliation of those non-GAAP measures to the most directly comparable GAAP measures.

# Dollarama Overview



# Dollarama through the years



# Dollarama today



## Largest and only national dollar store chain in Canada

- 1,381 corporate-operated stores
- Avg. of 10,330 sq. ft. per store
- Avg. store annual sales of \$3.1 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: \$4.15B
- LTM<sup>(2)</sup> EBITDA: \$1,181M (28.4% of sales)

(1) For the last twelve months ended August 1, 2021

(2) Inclusive of direct costs related to COVID-19 measures implemented for the last twelve months ended August 1, 2021 (approximately \$64.7 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:

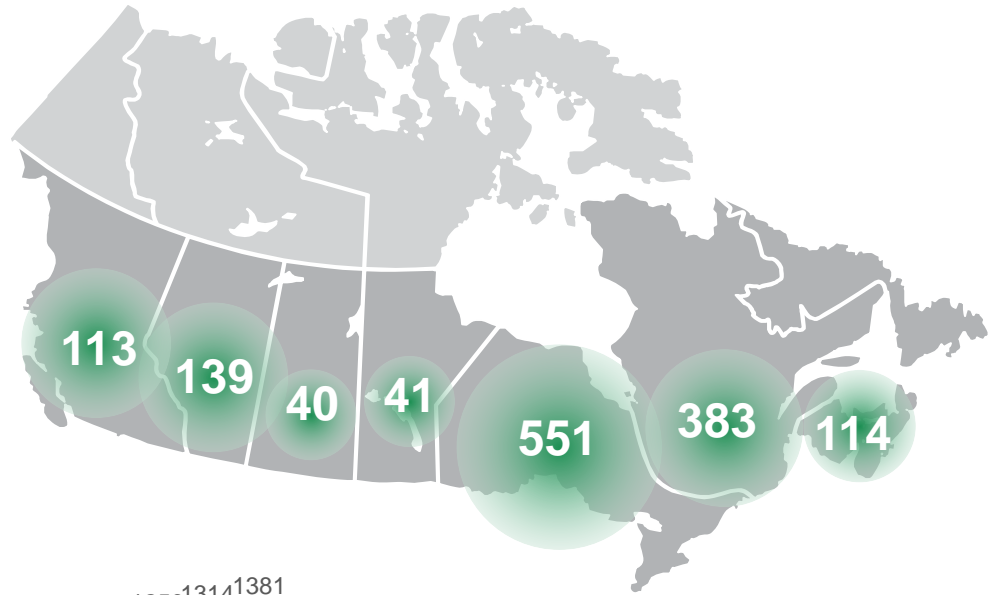
- Creates different, more compelling product selection
- Reduces costs associated with intermediaries
- Increases bargaining power with suppliers
- Provides cost flexibility to help control inflation and currency fluctuations



# Large network with over 1,380 stores across Canada

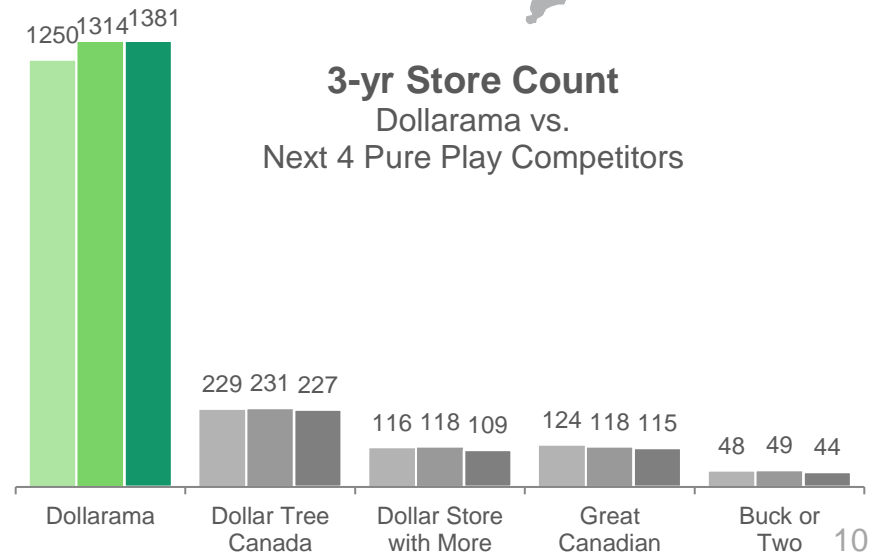


Only dollar store chain with a significant presence in **all ten provinces**



**~2.8x more stores** than 4 largest pure play competitors combined


**~6.1x 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



# 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
-  Recognition as essential business amid COVID-19 pandemic




# Growth Strategies



# Strategies for driving growth and creating value



-  Grow store network in Canada in a disciplined manner
  - New long-term target of 2,000 Dollarama stores by 2031
  - 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 in the initial 3 countries
  - Entered the Peruvian market in May 2021



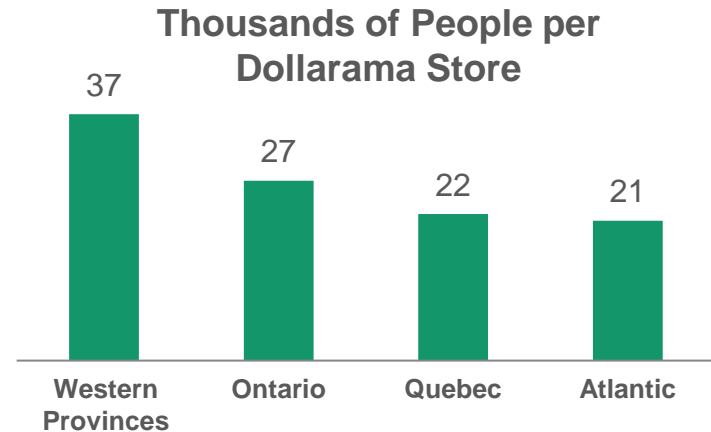
# Significant potential for additional growth in Canada



Average of **70 net new stores** per year over last 10 fiscal years

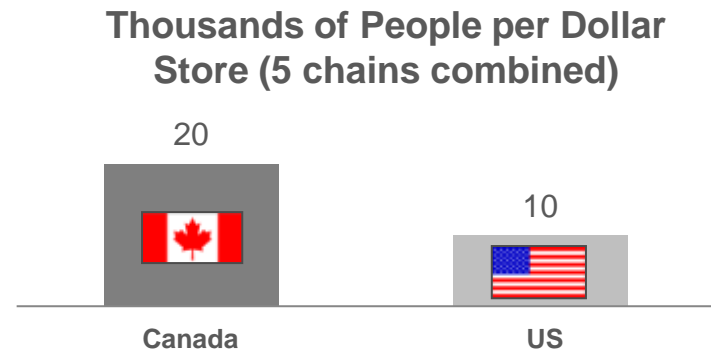
Eastern Canadian market **not saturated**

Dollarama **underpenetrated** in Ontario and Western Canada



Source: Statistics Canada; Q2-FY22 store count

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



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 15  
Source: Census data and company websites

# Disciplined approach to growth



## Efficient capital model

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



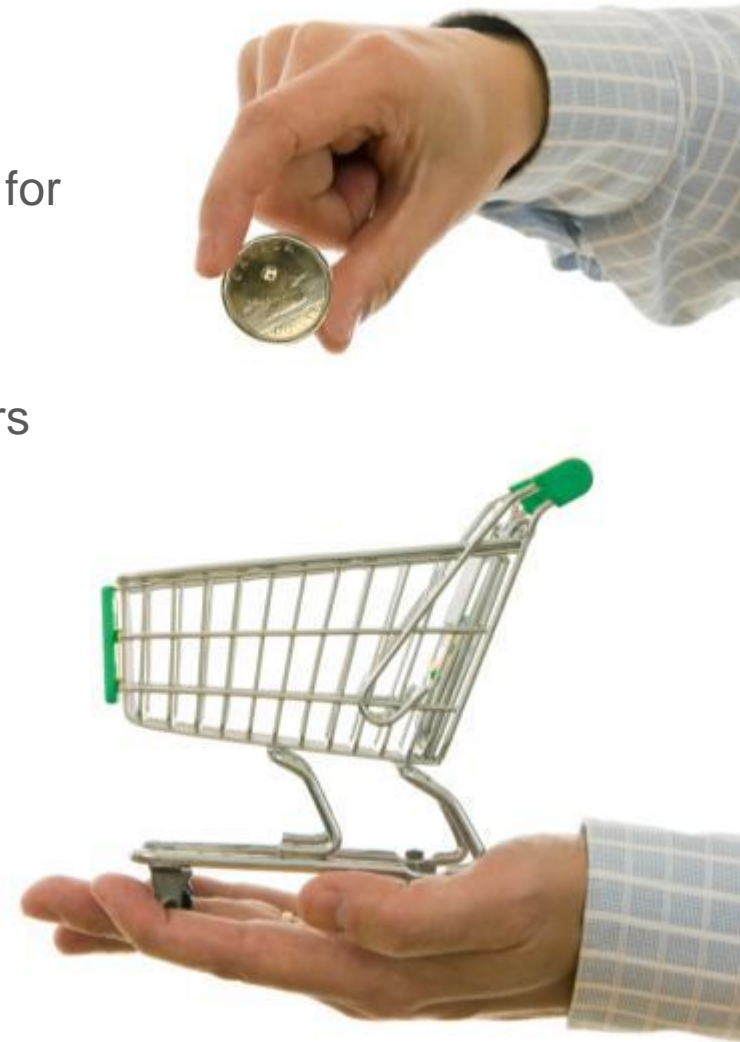
## Quick sales ramp-up

- Average sales ramp-up to \$2.4M within 2 years
- Rapid payback of approximately 2 years



## Low maintenance capex

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





# Leverage strengths to stimulate Dollarama sales



## Effective and flexible merchandising

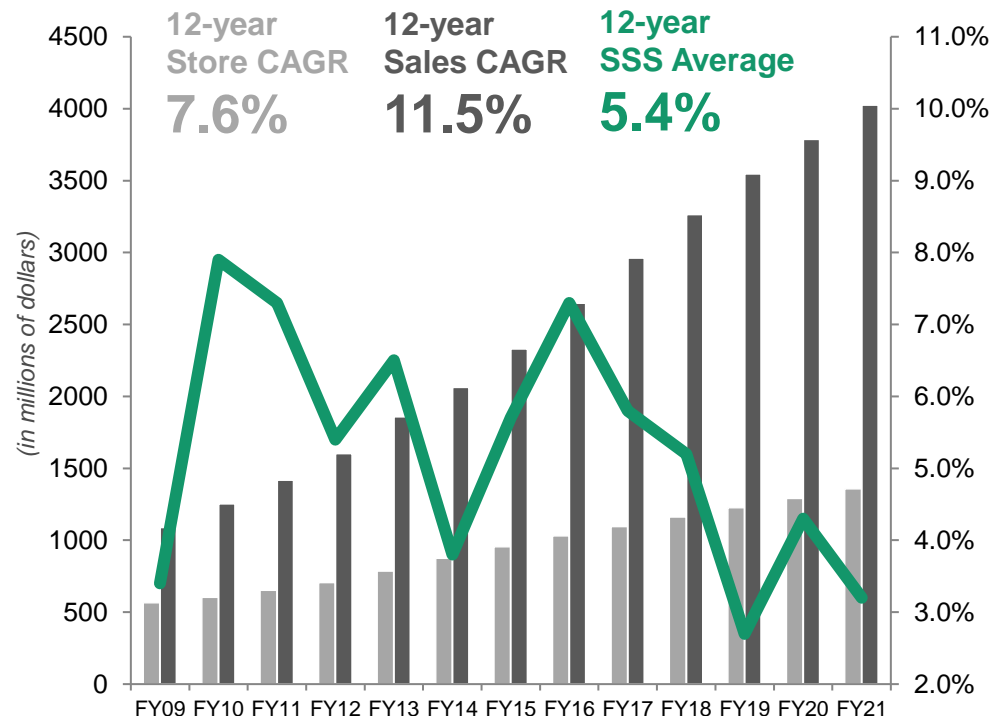
- Refresh 25-30% of merchandise every year
- Zonogram by department (vs. fixed planogram)
- No loss leaders



## 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

- Final purchase price of US\$92.7M<sup>1</sup>; upfront payment of US\$40M in Q3-FY20, balance of US\$52.7M paid in Q3-FY21
- Immediately accretive to DOL EPS (+CA\$0.03 per share in F2020<sup>2</sup>)
- Investment reported based on equity method



## A compelling growth platform

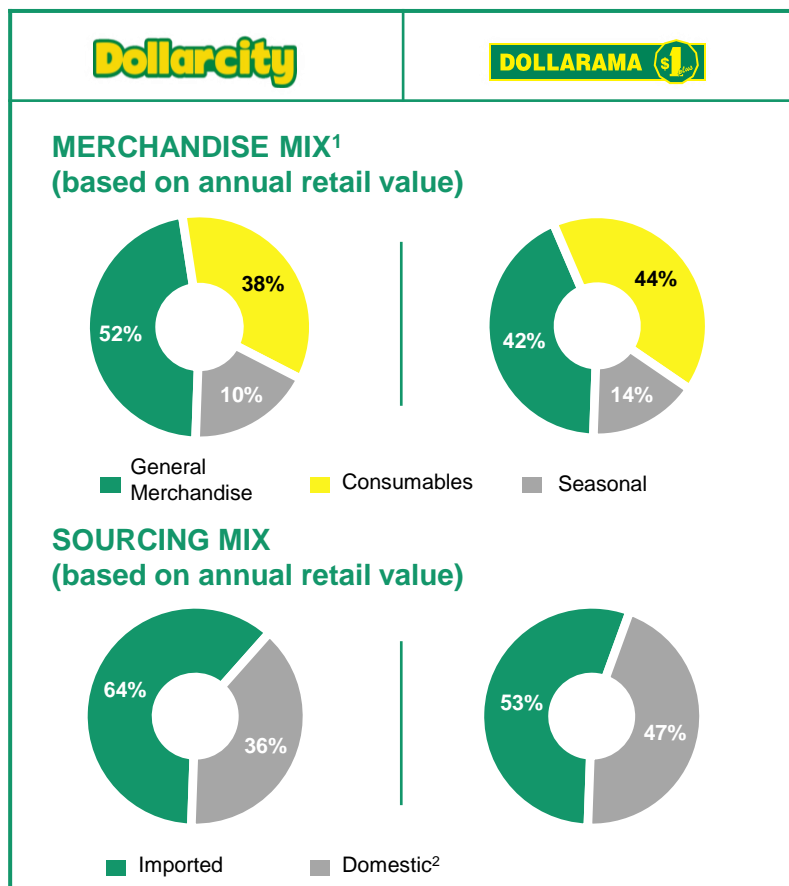
- Creates compelling second growth platform, in complement to Canadian growth strategy
- Proven business model with 8 years of success creating a 'localized' DOL
- Strong local partners committed as long-term operators

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

(2) 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, 2020 <sup>3</sup>	Jan. 31, 2021
<b>NUMBER OF STORES</b>	264	1,356
<b>SALES</b>	CA\$470 million (US\$351 million)	CA\$4,026 million
<b>PRICE POINT RANGE<sup>4</sup></b>	US\$0.69-\$3.00 or equivalents in local currencies	CA\$0.82-\$4.00
<b>NET NEW STORE INVESTMENT</b>	CA\$730,000 (US\$545,000)	CA\$650,000

- 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 1.34 for the year ended December 31, 2020.  
 (4) Dollarcity price points include value-added tax. New price points up to the equivalent of US\$4.00 in local currency were introduced in Colombia during the 4<sup>th</sup> quarter of 2020.

# 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



Entered Peru in May 2021



Recognition as essential business amid COVID-19 pandemic



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

- Majority of store network growth will be focused in Colombia
- Does not include Peru
- 294 stores as at June 30, 2021



(1) As at Dollarcity's latest quarter ended June 30, 2021

(2) In Colombia, Guatemala and El Salvador by 2029; does not include Peru.

# Dollarama Financial Metrics



# Robust financial performance



<i>(in millions of dollars, except per share amounts)</i>	SECOND QUARTER ENDED				Y-O-Y	FISCAL YEAR ENDED				Y-O-Y
	AUG. 1, 2021 <sup>(1)</sup>		AUG. 2, 2020 <sup>(1)</sup>		GROWTH	JAN. 31, 2021 <sup>(2)</sup>		FEB. 2, 2020 <sup>(3)</sup>		GROWTH
<b>Sales</b>	\$1,029	% OF SALES	\$1,014	% OF SALES	1.6%	\$4,026	% OF SALES	\$3,787	% OF SALES	6.3%
<b>Gross Margin</b>	\$447	43.4%	\$445	43.9%	0.4%	\$1,765	43.8%	\$1,652	43.6%	6.8%
<b>SG&amp;A</b>	\$157	15.3%	\$169	16.7%	(7.2%)	\$654	16.2%	\$552	14.6%	18.5%
<b>Equity Pick-Up (Dollarcity)</b>	\$4	0.4%	\$3	0.2%	63.8%	\$20	0.5%	\$10	0.3%	91.5%
<b>EBITDA</b>	\$294	28.5%	\$278	27.4%	5.7%	\$1,131	28.1%	\$1,111	29.3%	1.8%
<b>Operating Income</b>	\$220	21.4%	\$211	20.9%	4.3%	\$861	21.4%	\$868	22.9%	(0.8%)
<b>Net Earnings</b>	\$146	14.2%	\$142	14.1%	2.6%	\$564	14.0%	\$564	14.9%	0.1%
<b>EPS</b>	\$0.48		\$0.46		4.3%	\$1.81		\$1.78		1.7%
<b>Adj. Net Debt / LTM EBITDA<sup>(4)</sup></b>	2.80x		2.80x			2.68x		2.97x		

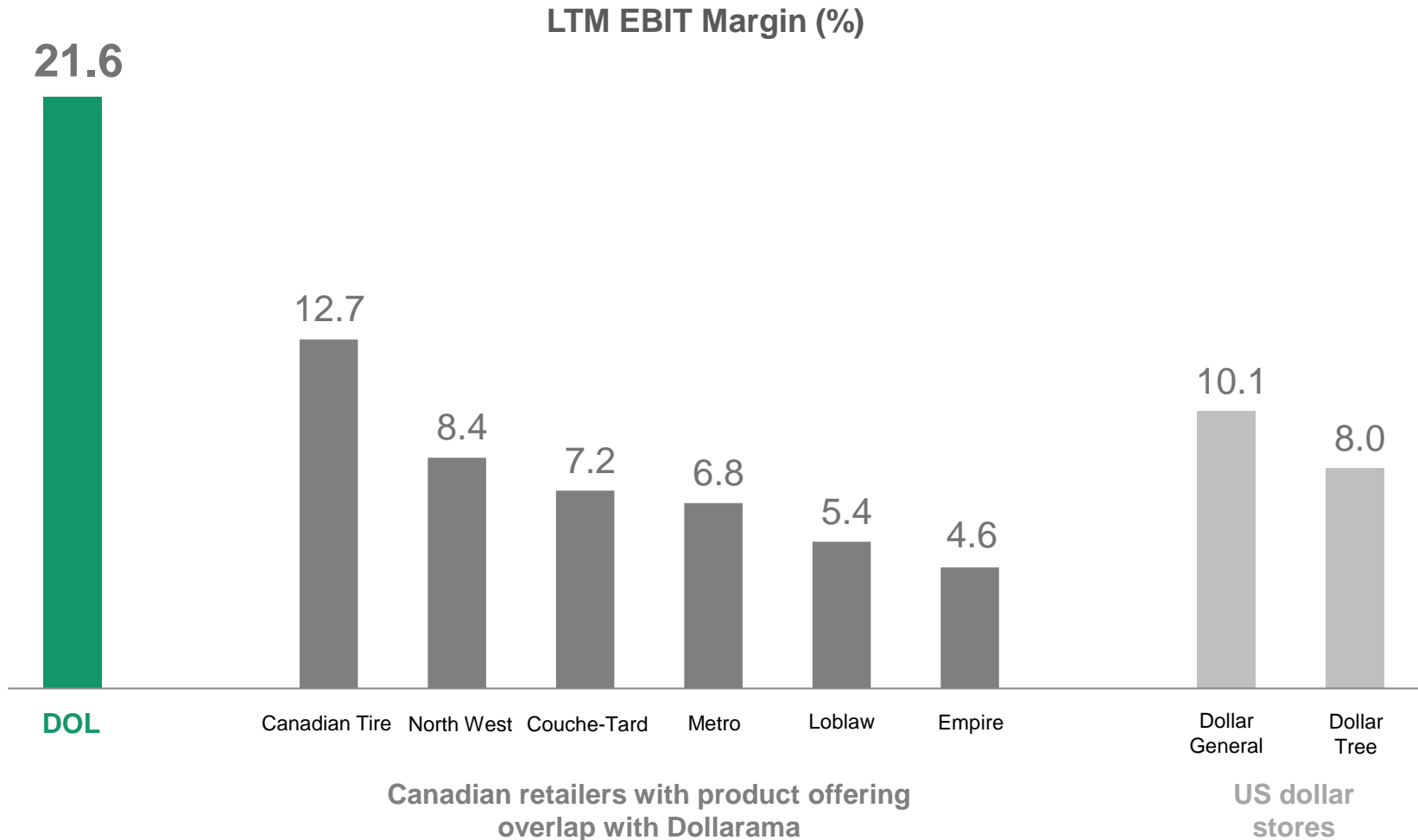
(1) ~ \$11.7M of direct costs were incurred in Q2-FY22 in connection with COVID-19 (Q2-FY21: ~ \$34.3M)

(2) ~ \$84.0M of direct costs were incurred in FY21 in connection with COVID-19 (~ \$81.1M included in SG&A)

(3) Only includes ~ 4.5 months of equity pick-up for Dollarcity as the acquisition was closed on August 15, 2019

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

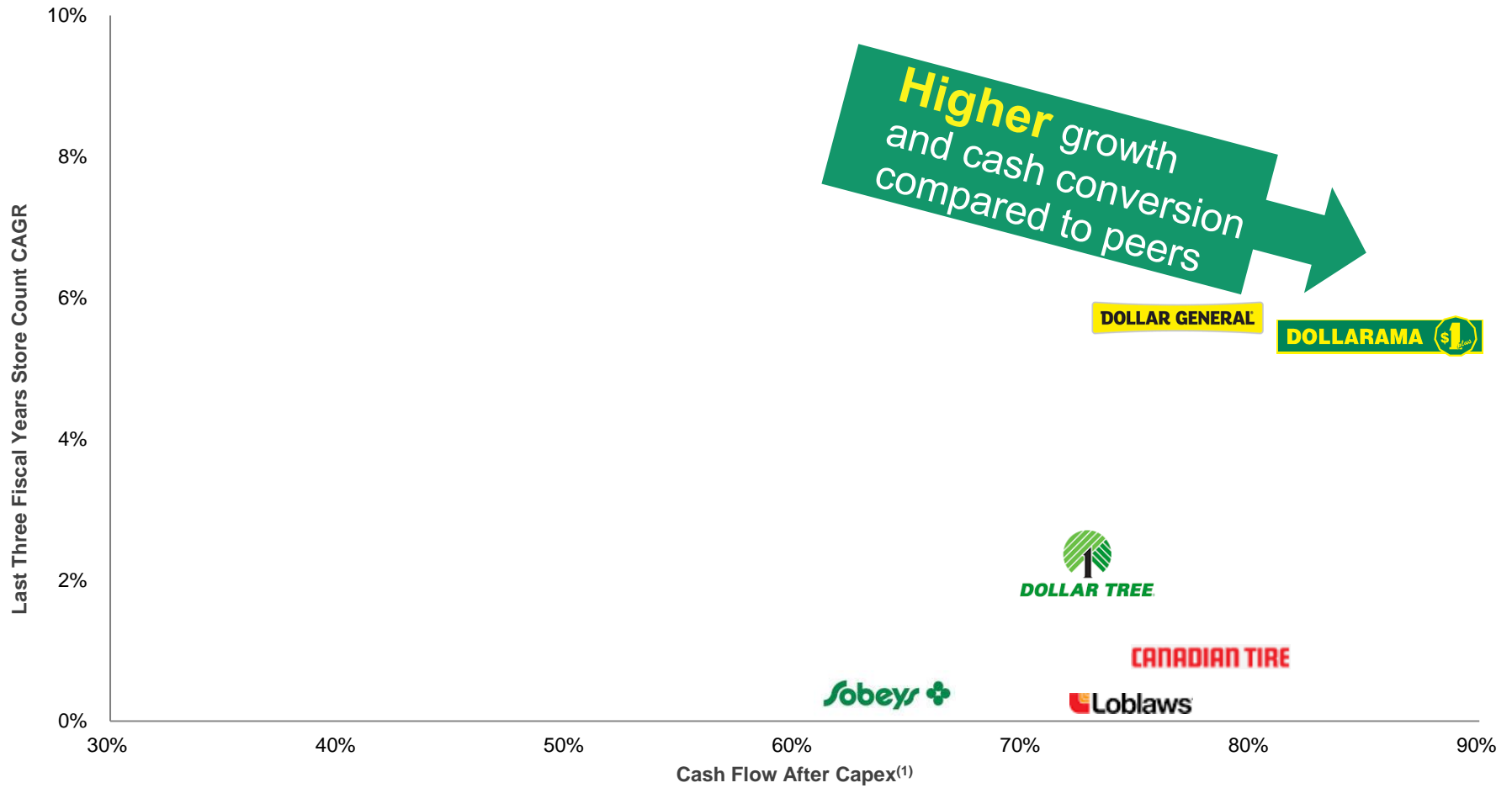
# Balanced approach to operating margin



Source: Company websites; Walmart Canada figures not available



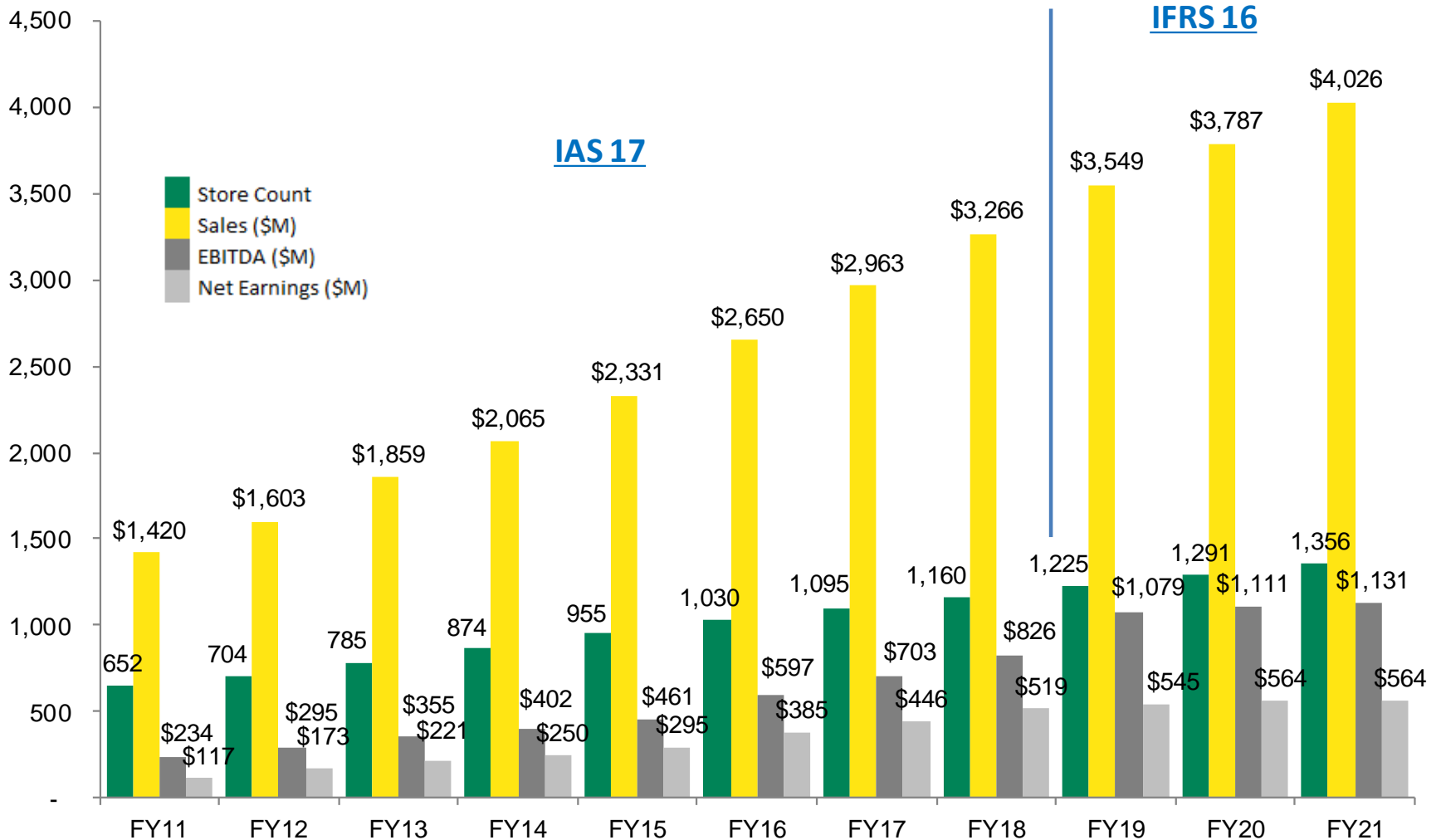
# Strong organic growth with low capital requirements



Source: Company websites; Walmart Canada figures not available

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

# Strong key metrics growth since IPO

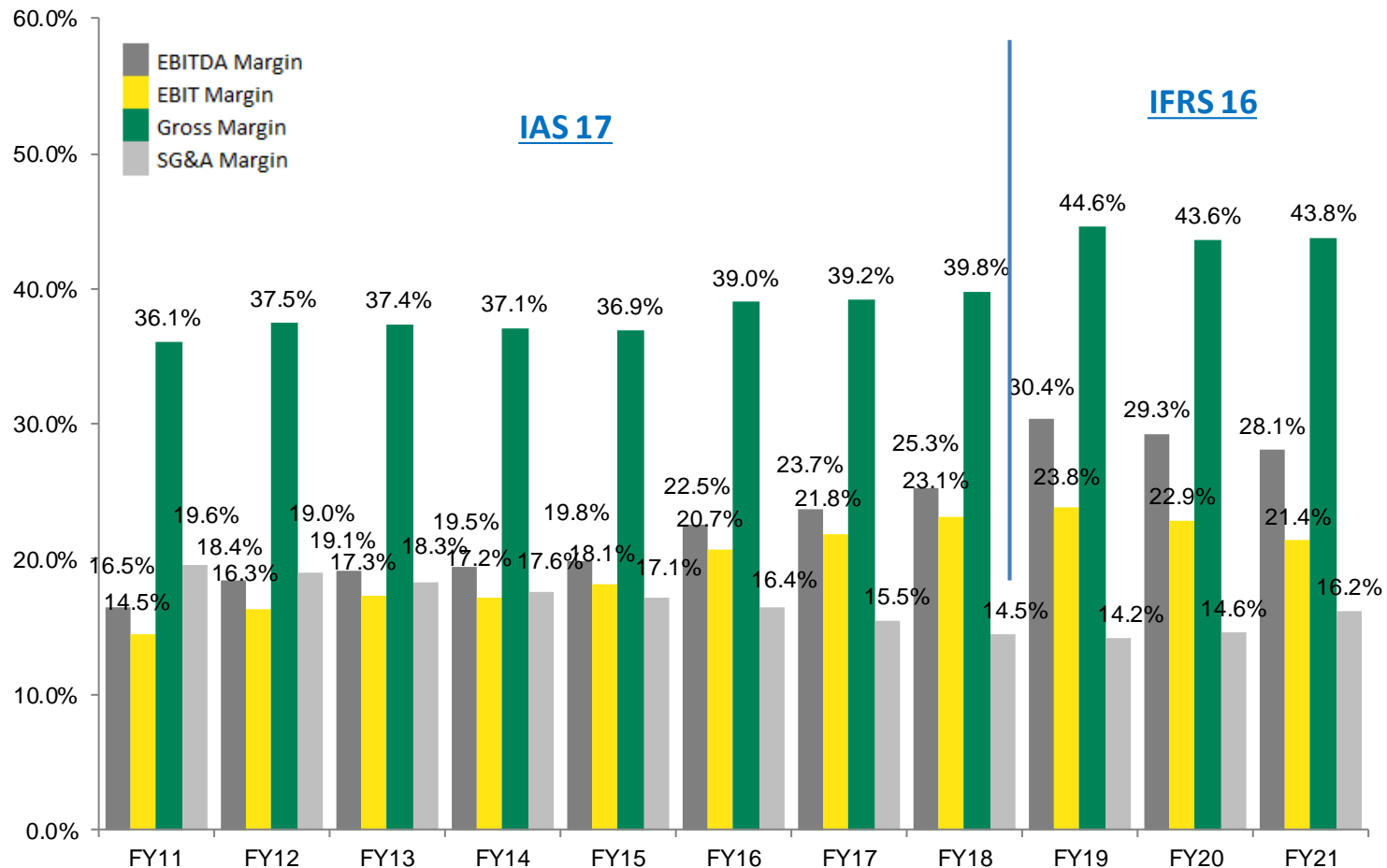


FY21 EBITDA & Net Earnings reflect incremental direct costs related to COVID-19 (~\$84.0M on a pre-tax basis)

# Continuous margin improvement since IPO



Variable cost structure allows for scaling benefits with top line growth

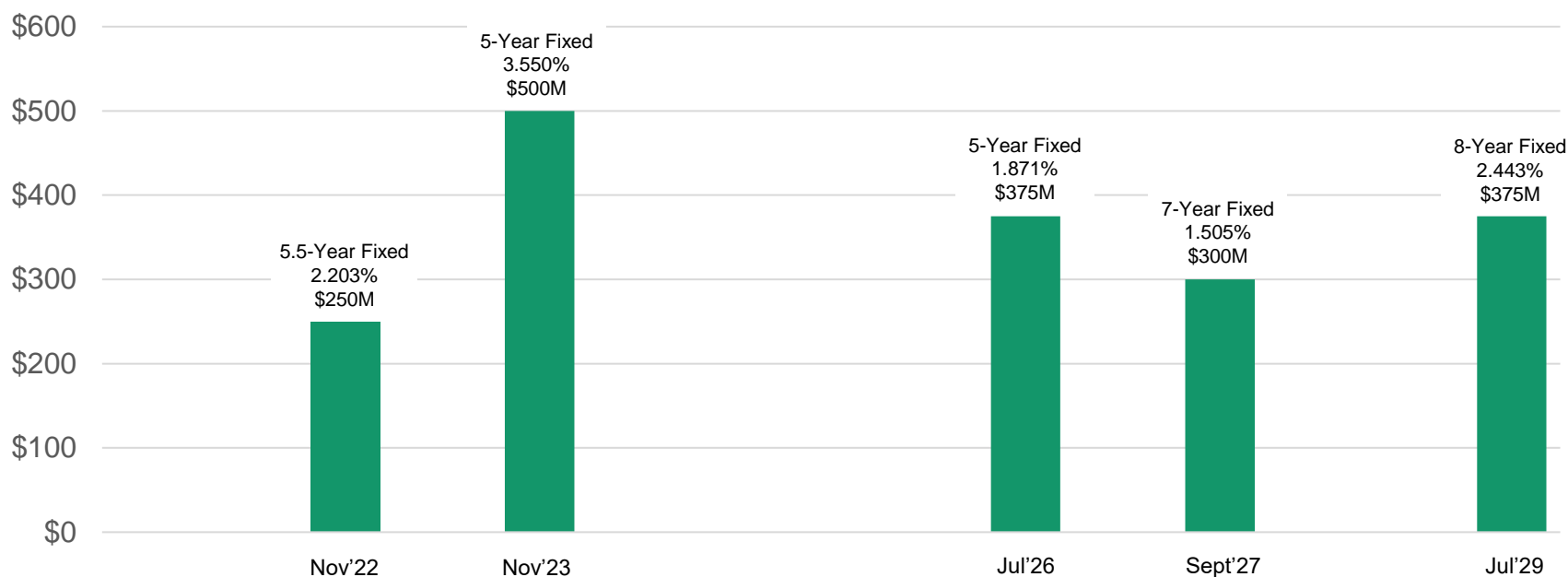


FY21 metrics reflect incremental direct costs related to COVID-19 (~\$2.9M in Gross Margin, ~\$81.1M in SG&A, ~\$84.0M in EBITDA and EBIT)

# Debt structure as at Q2-FY2022



- **89%** fixed rate debt, **11%** floating rate debt<sup>(1)</sup>
- **\$931M** available liquidity (\$131M cash + \$800M undrawn and available under credit facility) <sup>(2,3)</sup>
- **~2.4%** weighted average cost of debt
- **~4.5 years** weighted average time to maturity



(1) Includes the impact of the fixed-to-floating interest rate swap derivative (\$200M notional amount) entered into during Q2-FY2022

(2) Excludes letters of credit (approximately \$0.8M)

(3) The undrawn portion of the credit facility is partly used to backstop the US CP borrowings (Q2-FY2022: nil)

# U.S. Commercial Paper Program & Credit Facilities



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)



Shifted a portion of borrowings to commercial paper and now utilize the revolving credit facility as a backstop to the commercial paper program



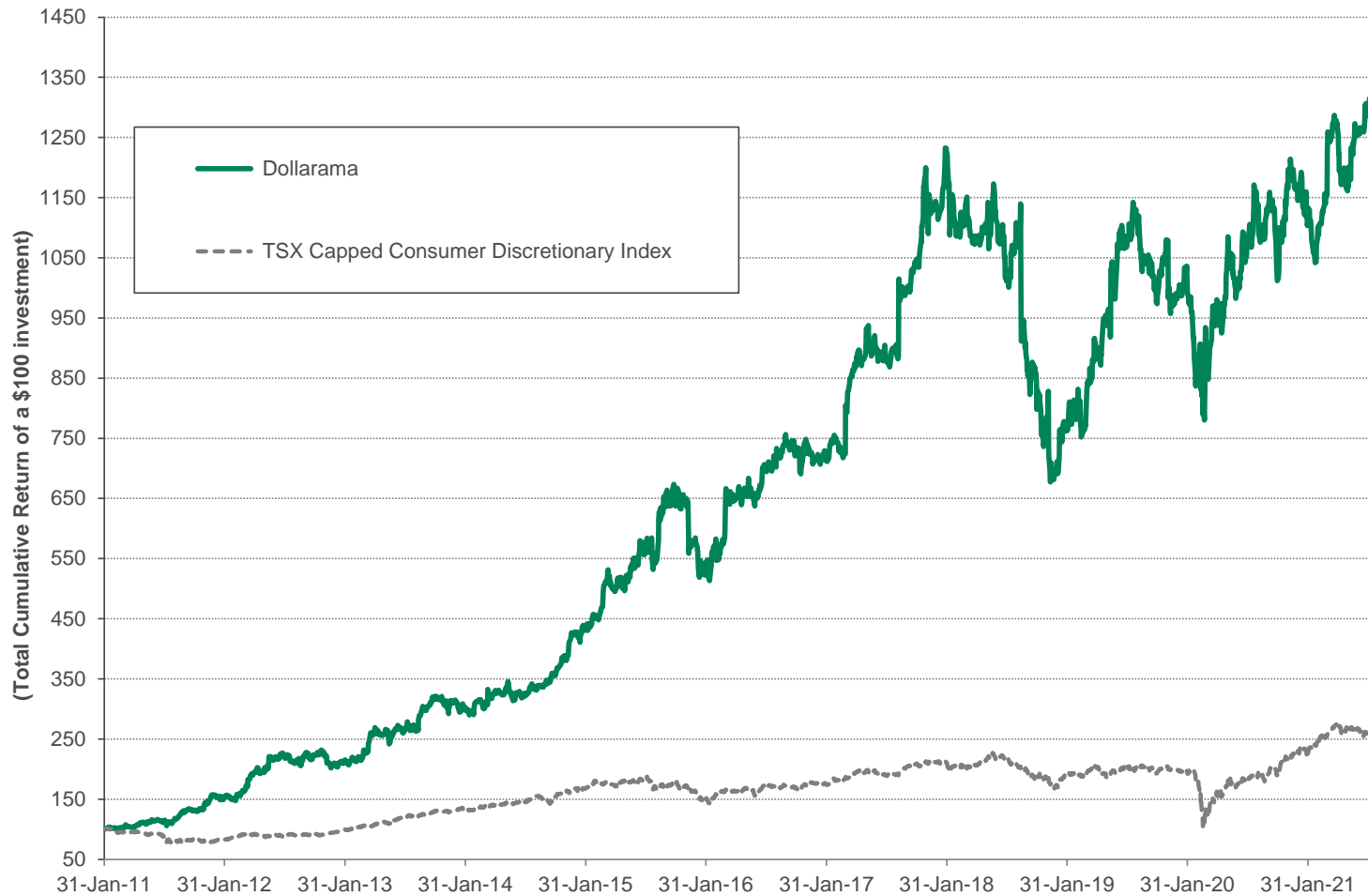
## Credit Facilities

- 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 July 6, 2026 (extended annually)

# Total shareholder return



## Performance Graph Since January 31, 2011



# Disciplined execution of our growth plan



## Disciplined execution of our Canadian growth plan

- New long-term target of 2,000 stores in Canada by 2031
- Maintain payback period of approximately 2 years
- Sustain attractive same-store sales growth
- Maintain balanced operating margins

## Development of our LATAM growth platform

- Target of 600 stores in initial three countries by 2029
- Entered Peru in May 2021
- Continue implementation of various operational initiatives

## Create value for all stakeholders

- Comfort zone between 2.75x – 3.00x adjusted net debt to EBITDA allows for significant return of capital to shareholders through share repurchases & dividends

ESG





# Dollarama's ESG framework



## PRIORITY AREAS

### OUR PEOPLE

- Talent attraction, development and retention
- Health and safety
- Fair labour practices
- Diversity and inclusion

### OUR PRODUCTS

- Product safety and quality
- Product packaging and lifecycle management
- Customer service

### OUR SUPPLY CHAIN

- Responsible sourcing
- Fair labour practices
- Human rights

### OUR OPERATIONS

- Climate change
- Energy management
- Recycling and waste management
- Data security and customer privacy

## ALIGNMENT WITH SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

In our 2021 ESG Report, we provide a comprehensive overview of our approach to ESG issues, which are both relevant to our business and our stakeholders, and we have aligned our reporting with the SASB Standards relevant to our industry sectors.

Since the publication of our 2019 ESG Report, we have continued to improve data collection, set actionable goals and enhance our ESG disclosure. Annual enterprise risk assessments and ongoing stakeholder engagement continue to inform this journey.

# ESG priorities overview



## NEW GOALS AND INITIATIVES



### OUR PEOPLE

- Complete roll-out of GPS training in stores in 2021
- Develop and launch training application program for store associates by 2022
- Reduce frequency and severity of lost-time injuries
- Maintain 30% female gender diversity on Board of Directors
- Launch revamped and more comprehensive Code of Conduct and Ethics applicable to directors, management and all employees in 2022



### OUR PRODUCTS

- Eliminate risk of short-chain chlorinated paraffins (SCCPs) presence in plastic products by requiring that manufacturers adopt alternative materials and techniques when possible
- Align Dollarama and Dollarcity compliance programs so that products systematically satisfy requirements in all distribution markets
- Implement additional targeted product testing programs in line with Health Canada's ongoing consumer product surveillance
- Ensure that all private-label product packaging made of recyclable materials is clearly labelled

# ESG priorities overview



## NEW GOALS AND INITIATIVES (CON'T)



### OUR SUPPLY CHAIN

- Roll out Vendor Code to Dollarcity direct suppliers by 2023 (in line with Dollarama's new Vendor Code of Conduct launched in April 2021)
- Continue roll-out of Social Audit Program developed in 2019, which was interrupted in 2020 due to COVID-19
- Ensure that required Tier 1 manufacturers are the subject of accredited social audits at minimum every three years
- Enhance disclosure on Tier 1 manufacturer social audit performance



### OUR OPERATIONS

- Enhance visibility and measurement capability of Scope 3 emissions
- Develop TCFD alignment roadmap
- Retrofit all store light fixtures and exterior neon signage to LED lighting
- Upgrade in-store energy management systems across the network to increase energy efficiency
- Upgrade energy management systems in landlord-controlled stores

# 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

### **Samira Sakhia**

President & Chief Executive  
Officer  
Knight Therapeutics

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

Corporate Director

## OFFICERS

### **Neil Rossy**

President & Chief Executive  
Officer

### **J.P. Towner**

Chief Financial Officer

### **Johanne Choinière**

Chief Operating Officer

### **Nicolas Hien**

Chief Information Officer

### **Geoffrey Robillard**

Senior Vice President  
Import Division

### **Josée Kouri**

Senior Vice-President, Legal  
Affairs & Corporate Secretary