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DOLLARAMA REPORTS FISCAL 2023 SECOND QUARTER RESULTS

- Sales growth of 18.2%, including a 13.2% increase in comparable store sales growth(1)
- 25.8% growth in EBITDA(1) and 37.5% growth in diluted net earnings per common share
- Fiscal 2023 comparable store sales growth assumption increased to a range of 6.5% to 7.5%

MONTREAL, Quebec, September 9, 2022 – Dollarama Inc. (TSX: DOL) (“Dollarama” or the “Corporation”) today reported its financial results for the second quarter ended July 31, 2022.

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

- Sales increased by 18.2% to $1,217.1 million
- Comparable store sales(1) increased by 13.2%
- EBITDA increased by 25.8% to $369.4 million, or 30.4% of sales, compared to 28.5% of sales
- Operating income increased by 30.3% to $287.4 million, or 23.6% of sales, compared to 21.4% of sales
- Diluted net earnings per common share increased by 37.5% to $0.66 from $0.48
- 13 net new stores opened, compared to 13 net new stores
- 3,690,894 common shares repurchased for cancellation for $274.9 million

"Our strong performance in the first half of Fiscal 2023 reflects a sustained consumer response to our unique value proposition, especially for everyday essentials, as Canadians from all walks of life adapt to a high-inflation environment. As a result, we are increasing our assumption for annual comparable store sales growth to between 6.5% and 7.5%," said Neil Rossy, President and CEO.

“As we strive to provide Canadians with a wide variety of merchandise, I am pleased with our progress rebuilding our inventory, thereby ensuring that our conveniently located stores are well-stocked for our customers ahead of key seasons in the second half of the fiscal year,” Mr. Rossy added.

Explanatory Notes

All comparative figures that follow are for the second quarter ended July 31, 2022, compared to the second quarter ended August 1, 2021. All financial information presented in this press release has been prepared in accordance with generally accepted accounting principles in Canada (“GAAP”) as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). For a full explanation of the Corporation’s use of non-GAAP and other financial measures, please refer to the section entitled “Selected Consolidated Financial Information” of this press release, under the heading “Non-GAAP and Other Financial Measures”. All references to “Fiscal 2022” are to the Corporation’s fiscal year ended January 30, 2022, and to “Fiscal 2023” are to the Corporation’s fiscal year ending January 29, 2023.

(1) We refer the reader to the notes in the section entitled “Selected Consolidated Financial Information” of this press release for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure.

Fiscal 2023 Second Quarter Financial Results

Sales for the second quarter of Fiscal 2023 increased by 18.2% to $1,217.1 million, compared to $1,029.3 million in the corresponding period of the prior fiscal year. This increase was driven by growth in the total number of stores over the past 12 months (from 1,381 stores on August 1, 2021, to 1,444 stores on July 31, 2022) and in comparable store sales.

Comparable store sales for the second quarter of Fiscal 2023 increased by 13.2% consisting of a 20.2% increase in the number of transactions and a 5.8% decrease in average transaction size. The increase in comparable store sales is primarily attributable to higher sales of consumables, as well as seasonal products. Comparable store sales in the corresponding period of the prior fiscal year declined 5.1%, primarily as a result of the ban on the sale of non-essential goods in Ontario in place for the first 5.5 weeks of the quarter, where approximately 40% of the Corporation's stores are located.

EBITDA totalled $369.4 million, or 30.4% of sales, for the second quarter of Fiscal 2023, compared to $293.7 million, or 28.5% of sales, in the second quarter of Fiscal 2022.

Gross margin[(1)] was 43.6% of sales in the second quarter of Fiscal 2023, compared to 43.4% of sales in the second quarter of Fiscal 2022. Gross margin was slightly higher due to lower logistics costs, partially offset by a change in the sales mix with stronger sales of consumables, and higher freight costs.

General, administrative and store operating expenses ("SG&A") for the second quarter of Fiscal 2023 increased by only 7.1% to $168.3 million, compared to $157.1 million for the second quarter of Fiscal 2022. SG&A represented 13.8% of sales for the second quarter of Fiscal 2023, compared to 15.3% of sales for the second quarter of Fiscal 2022. This improvement is primarily attributed to the fact that incremental direct costs related to COVID-19 measures for the second quarter of Fiscal 2023 were nil, compared to $11.7 million, representing a 115 basis-point impact, in the same period last year.

The Corporation's 50.1% share of Dollarcity's net earnings for the period from April 1, 2022 to June 30, 2022 was $7.7 million, compared to $4.1 million for the same period last year, reflecting a strong financial and operational performance by Dollarcity. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing costs increased by $3.8 million, from $22.9 million for the second quarter of Fiscal 2022 to $26.7 million for the second quarter of Fiscal 2023. The increase is mainly due to higher average debt levels and a slightly higher average borrowing rate.

Net earnings were $193.5 million, or $0.66 per diluted common share, in the second quarter of Fiscal 2023, compared to $146.2 million, or $0.48 per diluted common share, in the second quarter of Fiscal 2022.

Inventory increased to $823.4 million as at July 31, 2022 from $586.3 million on August 1, 2021. The year-over-year increase is primarily attributable to higher in-transit inventory as the Corporation rebuilds its inventory to pre-pandemic levels and reflecting the purchasing of fall and winter seasonal goods earlier than historically in the context of global supply chain disruptions.

Dollarcity Store Growth

During its second quarter ended June 30, 2022, Dollarcity opened 19 net new stores, compared to 15 net new stores in the same period last year. As at June 30, 2022, Dollarcity had 377 stores with 222 locations in Colombia, 80 in Guatemala, 61 in El Salvador and 14 in Peru. This compares to 350 stores as at December 31, 2021.

(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.

Normal Course Issuer Bid

On July 5, 2022, the Corporation announced the renewal of its normal course issuer bid and the approval from the Toronto Stock Exchange to repurchase for cancellation up to 18,713,765 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2022, during the 12-month period from July 7, 2022 to July 6, 2023 (the “2022-2023 NCIB”).

During the second quarter of Fiscal 2023, 3,690,894 common shares were repurchased for cancellation under the 2022-2023 NCIB and the normal course issuer bid previously in effect, for a total cash consideration of $274.9 million, at a weighted average price of $74.48 per share. As at July 31, 2022, the Corporation’s adjusted net debt to EBITDA[1] ratio was 2.79 times.

Dividend

On September 9, 2022, the Corporation announced that its Board of Directors approved a quarterly cash dividend for holders of common shares of $0.0553 per common share. This dividend is payable on November 4, 2022 to shareholders of record at the close of business on October 7, 2022. The dividend is designated as an “eligible dividend” for Canadian tax purposes.

Outlook

In the second half of Fiscal 2023, the Corporation expects to continue to benefit from strong demand for its affordable, everyday items at compelling value in the context of inflation, including stronger demand than historically for lower-margin consumable products. In this context, the Corporation has increased its comparable store sales growth assumption for Fiscal 2023 from a range of 4.0% to 5.0% to the range of 6.5% to 7.5%. The Corporation’s financial annual guidance ranges for Fiscal 2023 issued on March 30, 2022, as well as all other previously disclosed assumptions on which these ranges are based, remain unchanged.

As previously disclosed, the Corporation expects the following for Fiscal 2023:

- To open 60 to 70 net new stores
- Gross margin as a percentage of sales to be in the range of 42.9% to 43.9%
- SG&A as a percentage of sales to be in the range of 13.8% to 14.3%
- To deploy $160 million to $170 million in capital expenditures
- To actively repurchase shares under its normal course issuer bid

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

- The absence of COVID-related restrictions impacting retailers and consumer shopping patterns
- Comparable store sales growth for Fiscal 2023 increased from a range of 4.0% to 5.0% to the range of 6.5% to 7.5%
- The gradual introduction of additional price points up to $5.00 throughout Fiscal 2023
- Minimal to nil incremental direct costs related to COVID-19 health and safety measures in stores in Fiscal 2023
- The absence of a significant shift in economic and geopolitical conditions or material changes in the retail competitive environment
- Approximately three months of visibility on open orders and product margins
- The active management of product margins, including through pricing strategies and refreshing some of the product offering

[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.

- The number of signed offers to lease and store pipeline for the next 6 months and the absence of COVID-related impacts on construction activities in the provinces where new store openings are planned
- The inclusion of the Corporation's share of net earnings of its equity-accounted investment
- Positive customer response to our product offering, value proposition and in-store merchandising
- The entering into of foreign exchange forward contracts to hedge the majority of forecasted purchases of merchandise in U.S. dollars against fluctuations of the Canadian dollar against the U.S. dollar
- The continued execution of in-store productivity initiatives and the realization of cost savings and benefits aimed at improving operating expense
- Ongoing cost monitoring
- The capital budget for Fiscal 2023 for new store openings, maintenance capital expenditures, and transformational capital expenditures (the latter being mainly related to information technology projects)
- The successful execution of our business strategy
- The absence of unusually adverse weather, especially in peak seasons around major holidays and celebrations

Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements. This guidance, including the various underlying assumptions, is forward-looking and should be read in conjunction with the cautionary statement on forward-looking statements.

Forward-Looking Statements

Certain statements in this press release about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the factors which are outlined in the management's discussion and analysis for the second quarter of Fiscal 2023 and discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's annual management's discussion and analysis for Fiscal 2022, both available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

These factors are not intended to represent a complete list of the factors that could affect the Corporation or Dollarcity; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Corporation's and Dollarcity's financial performance and may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this press release are made as at September 9, 2022 and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Conference Call

Dollarama will hold a conference call to discuss its Fiscal 2023 second quarter results today, September 9, 2022 at 10:30 a.m. (ET). Financial analysts are invited to ask questions during the call. Other interested parties may participate in the call on a listen-only basis. The live audio webcast is accessible through Dollarama's website at https://www.dollarama.com/en-CA/corp/events-presentations.

About Dollarama

Dollarama is a recognized Canadian value retailer offering a broad assortment of consumable products, general merchandise and seasonal items both in-store and online. Our 1,444 locations across Canada provide customers with compelling value in convenient locations, including metropolitan areas, mid-sized cities and small towns. Select products are also available, by the full case only, through our online store at www.dollarama.com. Our quality merchandise is sold at select fixed price points up to $5.00.

Dollarama also owns a 50.1% interest in Dollarcity, a growing Latin American value retailer. Dollarcity offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US$4.00 (or the equivalent in local currency) in 377 conveniently located stores in El Salvador, Guatemala, Colombia and Peru.

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Selected Consolidated Financial Information

(dollars and shares in thousands, except per share amounts)	13-Week Periods Ended		26-Week Periods Ended	
	July 31, 2022 $	**August 1, 2021 $**	**July 31, 2022 $**	**August 1, 2021 $**
Earnings Data				
Sales	1,217,060	1,029,348	2,289,944	1,983,594
Cost of sales	687,028	582,688	1,308,020	1,133,494
Gross profit	530,032	446,660	981,924	850,100
SG&A	168,324	157,093	328,949	315,765
Depreciation and amortization	81,979	73,185	161,951	144,587
Share of net earnings of equity-accounted investment	(7,680)	(4,100)	(16,417)	(7,503)
Operating income	287,409	220,482	507,441	397,251
Financing costs	26,668	22,856	51,023	45,002
Earnings before income taxes	260,741	197,626	456,418	352,249
Income taxes	67,262	51,398	117,437	92,447
Net earnings	193,479	146,228	338,981	259,802
Basic net earnings per common share	$0.67	$0.48	$1.16	$0.85
Diluted net earnings per common share	$0.66	$0.48	$1.16	$0.84
Weighted average number of common shares outstanding:				
Basic	290,482	304,779	291,602	307,090
Diluted	292,173	306,242	293,329	308,533
Other Data				
Year-over-year sales growth	18.2%	1.6%	15.4%	6.7%
Comparable store sales growth (1)	13.2%	(5.1%)	10.3%	(0.1%)
Gross margin (1)	43.6%	43.4%	42.9%	42.9%
SG&A as a % of sales (1)	13.8%	15.3%	14.4%	15.9%
Incremental direct costs related to COVID-19 (1)	-	11,708	1,591	30,002
EBITDA (1)	369,388	293,667	669,392	541,838
Operating margin (1)	23.6%	21.4%	22.2%	20.0%
Capital expenditures	37,079	44,681	68,422	75,051
Number of stores (2)	1,444	1,381	1,444	1,381
Average store size (gross square feet) (2)	10,414	10,330	10,414	10,330
Declared dividends per common share	$0.0553	$0.0503	$0.1106	$0.1006

	As at	
	July 31, 2022	**January 30, 2022**
	$	**$**
Statement of Financial Position Data		
Cash	70,865	71,058
Inventories	823,432	590,927
Total current assets	951,366	717,367
Property, plant and equipment	774,731	761,876
Right-of-use assets	1,549,724	1,480,255
Total assets	4,400,800	4,063,562
Total current liabilities	1,249,592	911,891
Total non-current liabilities	3,274,087	3,217,705
Total debt (1)	2,190,744	1,886,300
Net debt (1)	2,119,879	1,815,242
Shareholders' deficit	(122,879)	(66,034)

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

(2) At the end of the period.

Non-GAAP and Other Financial Measures

The Corporation prepares its financial information in accordance with GAAP. We have included non-GAAP and other financial measures to provide investors with supplemental measures of our operating and financial performance. We believe that those measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP and other financial measures in the evaluation of issuers. Our management also uses non-GAAP and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

The below-described non-GAAP and other financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers and should be considered as a supplement to, not a substitute for, or superior to, the comparable measures calculated in accordance with GAAP.

(A) Non-GAAP Financial Measures

EBITDA

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

(dollars in thousands)	13-Week Periods Ended		26-Week Periods Ended	
	July 31, 2022 $	**August 1, 2021 $**	**July 31, 2022 $**	**August 1, 2021 $**
A reconciliation of operating income to EBITDA is included below:				
Operating income	287,409	220,482	507,441	397,251
Add: Depreciation and amortization	81,979	73,185	161,951	144,587
EBITDA	**369,388**	**293,667**	**669,392**	**541,838**

Total debt

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

(dollars in thousands)	As at	
A reconciliation of long-term debt to total debt is included below:	**July 31, 2022**	**January 30, 2022**
Senior unsecured notes bearing interest at:	**$**	**$**
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029	375,000	375,000
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027	300,000	300,000
Fixed annual rate of 1.871% payable in equal semi-annual instalments, maturing July 8, 2026	375,000	375,000
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022	250,000	250,000
Unamortized debt issue costs, including $2,133 (January 30, 2022 – $1,632) for the credit facility	(7,564)	(8,009)
Accrued interest on senior unsecured notes	8,456	7,850
Fair value hedge – basis adjustment on interest rate swap	(6,706)	(2,927)
Total long-term debt	1,794,186	1,796,914
USCP Notes issued under US commercial paper program	396,558	89,386
Total debt	**2,190,744**	**1,886,300**

Net debt

Net debt represents total debt minus cash.

(dollars in thousands)	As at	
	July 31, 2022 $	**January 30, 2022 $**
A reconciliation of total debt to net debt is included below:		
Total debt	2,190,744	1,886,300
Cash	(70,865)	(71,058)
Net debt	**2,119,879**	**1,815,242**

(B) Non-GAAP Ratios

Adjusted net debt to EBITDA ratio

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

(dollars in thousands)	As at	
	July 31, 2022	**January 30, 2022**
	$	**$**
A calculation of adjusted net debt to EBITDA ratio is included below:		
Net debt	2,119,879	1,815,242
Lease liabilities	1,801,671	1,727,428
Unamortized debt issue costs	7,564	8,009
Fair value hedge - basis adjustment on interest rate swap	6,706	2,927
Adjusted net debt	**3,935,820**	**3,553,606**
EBITDA for the last twelve-month period	1,410,131	1,282,577
Adjusted net debt to EBITDA ratio	**2.79x**	**2.77x**

EBITDA margin

EBITDA margin represents EBITDA divided by sales.

	13-Week Periods Ended		26-Week Periods Ended	
(dollars in thousands)	**July 31, 2022**	**August 1, 2021**	**July 31, 2022**	**August 1, 2021**
	$	**$**	**$**	**$**
A reconciliation of EBITDA to EBITDA margin is included below:				
EBITDA	369,388	293,667	669,392	541,838
Sales	1,217,060	1,029,348	2,289,944	1,983,594
EBITDA margin	**30.4%**	**28.5%**	**29.2%**	**27.3%**

(C) Supplementary Financial Measures

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