

DOLLARAMA REPORTS FISCAL 2025 SECOND QUARTER RESULTS

2024-09-11

- 4.7% comparable store sales(1) growth
- 14.7% growth in EBITDA(1) to \$524.3 million, or 33.5% of sales
- 18.6% increase in diluted net earnings per share to \$1.02

MONTREAL, Sept. 11, 2024 /CNW/ - Dollarama Inc. (TSX: DOL) ("Dollarama" or the "Corporation") today reported its financial results for the second quarter ended July 28, 2024.

Fiscal 2025 Second Quarter Highlights Compared to Fiscal 2024 Second Quarter Results

- Sales increased by 7.4% to \$1,563.4 million, compared to \$1,455.9 million
- Comparable store sales increased by 4.7%, over and above 15.5% growth in the corresponding period of the previous year
- EBITDA increased by 14.7% to \$524.3 million, representing an EBITDA margin(1) of 33.5%, compared to 31.4%
- Operating income increased by 15.3% to \$422.9 million, representing an operating margin(1) of 27.0%, compared to 25.2%
- Diluted net earnings per common share increased by 18.6% to \$1.02, compared to \$0.86
- 14 net new stores opened, compared to 18 net new stores
- 2,104,691 common shares repurchased for cancellation for \$263.1 million

"For the second quarter of fiscal 2025, we generated strong results across the board as comparable store sales continue to normalize. Canadian consumers continue to recognize and rely on our compelling value as they deploy their discretionary spending prudently in a challenging economic environment. Our strong traffic trends quarter after quarter also confirm that the breadth of our product offering is allowing us to meet the needs of our

consumers," said Neil Rossy, President and CEO.

Fiscal 2025 Second Quarter Financial Results

Sales for the second quarter of fiscal 2025 increased by 7.4% to \$1,563.4 million, compared to \$1,455.9 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 1,525 stores on July 30, 2023, to 1,583 stores on July 28, 2024) and increased comparable store sales.

Comparable store sales for the second quarter of fiscal 2025 increased by 4.7%, consisting of a 7.0% increase in the number of transactions and a 2.2% decrease in average transaction size, over and above comparable store sales growth of 15.5% in the corresponding period of the prior fiscal year. The increase in comparable store sales reflects sustained customer demand for consumables offset by softer demand for spring-summer assortment, compared to the same period last year.

Gross margin⁽¹⁾ reached 45.2% of sales in the second quarter of fiscal 2025, compared to 43.9% of sales in the second quarter of fiscal 2024. The increase is mainly due to the positive impact of lower contractual rates with carriers and lower logistics costs.

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

General, administrative and store operating expenses ("SG&A") for the second quarter of fiscal 2025 increased by 7.3% to \$212.9 million, compared to \$198.4 million for the second quarter of fiscal 2024. Despite an increase in store labour and operating costs, SG&A as a percentage of sales remained flat at 13.6% for the second quarter of fiscal 2025, compared to the second quarter of fiscal 2024.

EBITDA totalled \$524.3 million, representing an EBITDA margin of 33.5%, for the second quarter of fiscal 2025, compared to \$457.2 million, or an EBITDA margin of 31.4% of sales, in the second quarter of fiscal 2024.

The Corporation's 50.1% share of Dollarcity's net earnings for the period from April 1, 2024 to June 10, 2024 and its 60.1% share for the period from June 11, 2024 to June 30, 2024 amounted to \$22.7 million. This compares to \$11.4 million for the Corporation's 50.1% share during the same periods last year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Net financing costs increased by \$4.8 million, from \$36.1 million for the second quarter of fiscal 2024 to \$40.9 million for the second quarter of fiscal 2025. The increase is mainly due to a higher average borrowing rate on Fixed Rate Notes (as defined herein) and higher interest expense on lease obligations, partially offset by an increase in interest income resulting from higher invested capital.

Net earnings increased by 16.3% to \$285.9 million, compared to \$245.8 million in the second quarter of fiscal 2024. Diluted net earnings per common share increased by 18.6% from \$0.86 per diluted common share to \$1.02 per diluted common share, in the second quarter of fiscal 2025.

Dollarcity Store Count

During its second quarter ended June 30, 2024, Dollarcity opened 23 net new stores, compared to 10 net new stores in the same period last year. As at June 30, 2024, Dollarcity had 570 stores with 338 locations in Colombia, 101 in Guatemala, 74 in El Salvador and 57 in Peru. This compares to 532 stores as at December 31, 2023.

Normal Course Issuer Bid

On July 4, 2024, the Corporation announced the renewal of its normal course issuer bid and the approval from the Toronto Stock Exchange to repurchase up to 16,549,476 of its common shares, representing approximately 6.0% of the public float of 275,824,605 common shares as at June 28, 2024, during the 12-month period starting on July 7, 2024 and ending no later than July 6, 2025 (the "2024-2025 NCIB").

During the second quarter of fiscal 2025, 2,104,691 common shares were repurchased for cancellation under the 2024-2025 NCIB and the normal course issuer bid previously in effect, for a total cash consideration of \$263.1 million, representing a weighted average price of \$125.04 per share, excluding the tax on share repurchases enacted during the second quarter of fiscal 2025.

Dividend

On September 11, 2024, the Corporation announced that its Board of Directors approved a quarterly cash dividend for holders of common shares of \$0.0920 per common share. This dividend is payable on November 1, 2024 to shareholders of record at the close of business on October 4, 2024. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Outlook⁽²⁾

The Corporation's financial annual guidance ranges for fiscal 2025 issued on April 4, 2024, as well as the

assumptions on which these ranges are based, remain unchanged:

(as a percentage of sales except net new store openings in units and capital expenditures in millions of dollars)	Fiscal 2025 Guidance
Net new store openings	60 to 70
Comparable store sales	3.5% to 4.5%
Gross margin	44.0% to 45.0%
SG&A	14.5% to 15.0%
Capital expenditures	\$175.0 to \$200.0

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

- The number of signed offers to lease and store pipeline for the remainder of fiscal 2025, the absence of delays outside of our control on construction activities and no material increases in occupancy costs in the short- to medium-term
- Approximately three months visibility on open orders and product margins
- Continued positive customer response to our product offering, value proposition and in-store merchandising
- The active management of product margins, including through pricing strategies and product refresh, and of inventory shrinkage
- The Corporation continuing to account for its investment in Dollarcity as a joint arrangement using the equity method
- The entering into of foreign exchange forward contracts to hedge the majority of forecasted merchandise purchases in USD against fluctuations of CAD against USD
- The continued execution of in-store productivity initiatives and realization of cost savings and benefits aimed at improving operating expense
- The absence of a significant shift in labour, economic and geopolitical conditions, or material changes in the retail environment
- No significant changes in the capital budget for fiscal 2025 for new store openings, maintenance and transformational capital expenditures, the latter mainly related to IT projects
- The absence of unusually adverse weather, especially in peak seasons around major holidays and celebrations

The guidance ranges included in this section are forward-looking statements within the meaning of applicable securities laws, are subject to a number of risks and uncertainties and should be read in conjunction with the "Forward-Looking Statements" section of this press release.

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 the fiscal year ending February 2, 2025 and discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's annual management's discussion and analysis for the fiscal year ended January 28, 2024, both available on SEDAR+ at www.sedarplus.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 11, 2024 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. All of the forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

(2) To be read in conjunction with the "Forward-Looking Statements" section of this press release.

Dollarama will hold a conference call to discuss its fiscal 2025 second quarter results today, September 11, 2024 at 10:30 a.m. (ET) followed by a question-and-answer period for financial analysts only. Other interested parties may participate in the call on a listen-only basis via live audio webcast accessible through Dollarama's website at 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 1,583 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 60.1% 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 570 conveniently located stores in El Salvador, Guatemala, Colombia and Peru.

www.dollarama.com

Selected Consolidated Financial Information

	13-week periods ended		26-week periods ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
(dollars and shares in thousands, except per share amounts)	\$	\$	\$	\$
Earnings Data				
Sales	1,563,384	1,455,936	2,969,156	2,750,485
Cost of sales	856,189	817,081	1,654,685	1,565,888
Gross profit	707,195	638,855	1,314,471	1,184,597
SG&A	212,946	198,360	430,112	393,958
Depreciation and amortization	94,091	85,110	184,253	170,748
Share of net earnings of equity-accounted investment	(22,698)	(11,371)	(44,788)	(24,496)
Operating income	422,856	366,756	744,894	644,387
Net financing costs	40,939	36,068	77,462	72,753
Earnings before income taxes	381,917	330,688	667,432	571,634
Income taxes	95,975	84,926	165,647	145,999
Net earnings	285,942	245,762	501,785	425,635
Basic net earnings per common share	\$1.02	\$0.86	\$1.80	\$1.50
Diluted net earnings per common share	\$1.02	\$0.86	\$1.79	\$1.49
Weighted average number of common shares outstanding:				
Basic	280,174	284,366	279,440	284,588
Diluted	281,149	285,243	280,427	285,789
Other Data				
Year-over-year sales growth	7.4 %	19.6 %	8.0 %	20.1 %

Comparable store sales growth (1)	4.7 %	15.5 %	5.1 %	16.3 %
Gross margin (1)	45.2 %	43.9 %	44.3 %	43.1 %
SG&A as a % of sales (1)	13.6 %	13.6 %	14.5 %	14.3 %
EBITDA (1)	524,305	457,193	942,048	823,462
Operating margin (1)	27.0 %	25.2 %	25.1 %	23.4 %
Capital expenditures	53,952	41,813	100,219	88,896
Number of stores (2)	1,583	1,525	1,583	1,525
Average store size (gross square feet) (2) (3)	10,439	10,420	10,439	10,420
Declared dividends per common share	\$0.0920	\$0.0708	\$0.1840	\$0.1416

	As at	
	July 28, 2024	January 28, 2024
(dollars in thousands)	\$	\$
Statement of Financial Position Data		
Cash and cash equivalents	271,460	313,915
Inventories	884,307	916,812
Total current assets	1,230,587	1,309,093
Property, plant and equipment	975,873	950,994
Right-of-use assets	2,066,650	1,788,550
Total assets	6,313,986	5,263,607
Total current liabilities	618,729	677,846
Total non-current liabilities	4,509,818	4,204,913
Total debt (1)	2,276,982	2,264,394
Net debt (1)	2,005,522	1,950,479
Shareholders' equity	1,185,439	380,848

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

(2) At the end of the period.

(3) The Corporation revised its prior years square footage information to align with its current and updated methodology.

Non-GAAP and Other Financial Measures

The Corporation prepares its financial information in accordance with GAAP. Management has included non-GAAP and other financial measures to provide investors with supplemental measures of the Corporation's operating and financial performance. Management believes that those measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on the Corporation's operating and financial performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP measures. Management also believes that securities analysts, investors and other interested parties frequently use non-GAAP and other financial measures in the evaluation of issuers. Management also uses non-GAAP and other financial measures to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets and to assess their ability to meet the Corporation's

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. Management believes EBITDA represents a supplementary metric to assess profitability and measure the Corporation's underlying ability to generate liquidity through operating cash flows.

(dollars in thousands)	13-week periods ended		26-week periods ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
	\$	\$	\$	\$
A reconciliation of operating income to EBITDA is included below:				
Operating income	422,856	366,756	744,894	644,387
Add: Depreciation and amortization	101,449	90,437	197,154	179,075
EBITDA	524,305	457,193	942,048	823,462

Total debt

Total debt represents the sum of long-term debt (including accrued interest and fair value hedge – basis adjustment), short-term borrowings under the US commercial paper program, long-term financing arrangements and other bank indebtedness (if any). Management believes Total debt represents a measure to facilitate the understanding of the Corporation's corporate financial position in relation to its financing obligations.

(dollars in thousands)	As at	
	July 28, 2024	January 28, 2024
	\$	\$
A reconciliation of long-term debt to total debt is included below:		
Senior unsecured notes (the "Fixed Rate Notes") bearing interest at:		
Fixed annual rate of 5.165% payable in equal semi-annual instalments,		

maturing April 26, 2030	450,000	450,000
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029	375,000	375,000
Fixed annual rate of 5.533% payable in equal semi-annual instalments, maturing September 26, 2028	500,000	500,000
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 5.084% payable in equal semi-annual instalments, maturing October 27, 2025	250,000	250,000
Unamortized debt issue costs, including \$1,513 (January 28, 2024 – \$1,320) for the credit facility	(8,341)	(9,049)
Accrued interest on the Fixed Rate Notes	21,625	21,460
Long-term financing arrangement	7,045	-
Fair value hedge – basis adjustment on interest rate swap	6,653	1,983
Total debt	<u>2,276,982</u>	<u>2,264,394</u>

Net debt

Net debt represents total debt minus cash and cash equivalents. Management believes Net debt represents a measure to assess the financial position of the Corporation including all financing obligations, net of cash and cash equivalents.

(dollars in thousands)	As at	
	July 28, 2024	January 28, 2024
	\$	\$
A reconciliation of total debt to net debt is included below:		
Total debt	2,276,982	2,264,394
Cash and cash equivalents	(271,460)	(313,915)
Net debt	<u>2,005,522</u>	<u>1,950,479</u>

(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. Management uses this ratio to partially assess the financial condition of the Corporation. An increasing ratio would indicate that the Corporation is utilizing more debt per dollar of EBITDA generated.

(dollars in thousands)	As at	
	July 28, 2024	January 28, 2024
	\$	\$

A calculation of adjusted net debt to EBITDA ratio is included below:

Net debt	2,005,522	1,950,479
Lease liabilities	2,360,970	2,069,229
Unamortized debt issue costs, including \$1,513 (January 28, 2024 - \$1,320) for the credit facility	8,341	9,049
Fair value hedge - basis adjustment on interest rate swap	(6,653)	(1,983)
Adjusted net debt	<u>4,368,180</u>	<u>4,026,774</u>
EBITDA for the last twelve-month period	<u>1,979,752</u>	<u>1,861,166</u>
Adjusted net debt to EBITDA ratio	<u>2.21x</u>	<u>2.16x</u>

EBITDA margin

EBITDA margin represents EBITDA divided by sales. Management believes that EBITDA margin is useful in assessing the performance of ongoing operations and efficiency of operations relative to its sales.

(dollars in thousands)	13-week periods ended		26-week periods ended	
	July 28, 2024 \$	July 30, 2023 \$	July 28, 2024 \$	July 30, 2023 \$
A reconciliation of EBITDA to EBITDA margin is included below:				
EBITDA	524,305	457,193	942,048	823,462
Sales	<u>1,563,384</u>	<u>1,455,936</u>	<u>2,969,156</u>	<u>2,750,485</u>
EBITDA margin	33.5 %	31.4 %	31.7 %	29.9 %

(C) Supplementary Financial Measures

Gross margin	Represents gross profit divided by sales, expressed as a percentage of sales.
Operating margin	Represents operating income divided by sales, expressed as a percentage of sales.
SG&A as a % of sales	Represents SG&A divided by sales.
Comparable store sales	Represents 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.

View original content: <https://www.prnewswire.com/news-releases/dollarama-reports-fiscal-2025-second-quarter-results-302244562.html>

SOURCE Dollarama Inc.