Equity Research Report
Presented by the Haskayne Finance Club
November 24th, 2022

AGENDA

1. Company Overview
2. Business Model
3. Management Team
4. Industry Overview
5. Key Trends
6. S.W.O.T.
7. Performance
8. Relative Company Analysis
9. Investment Decision

Company Overview

Company Highlights

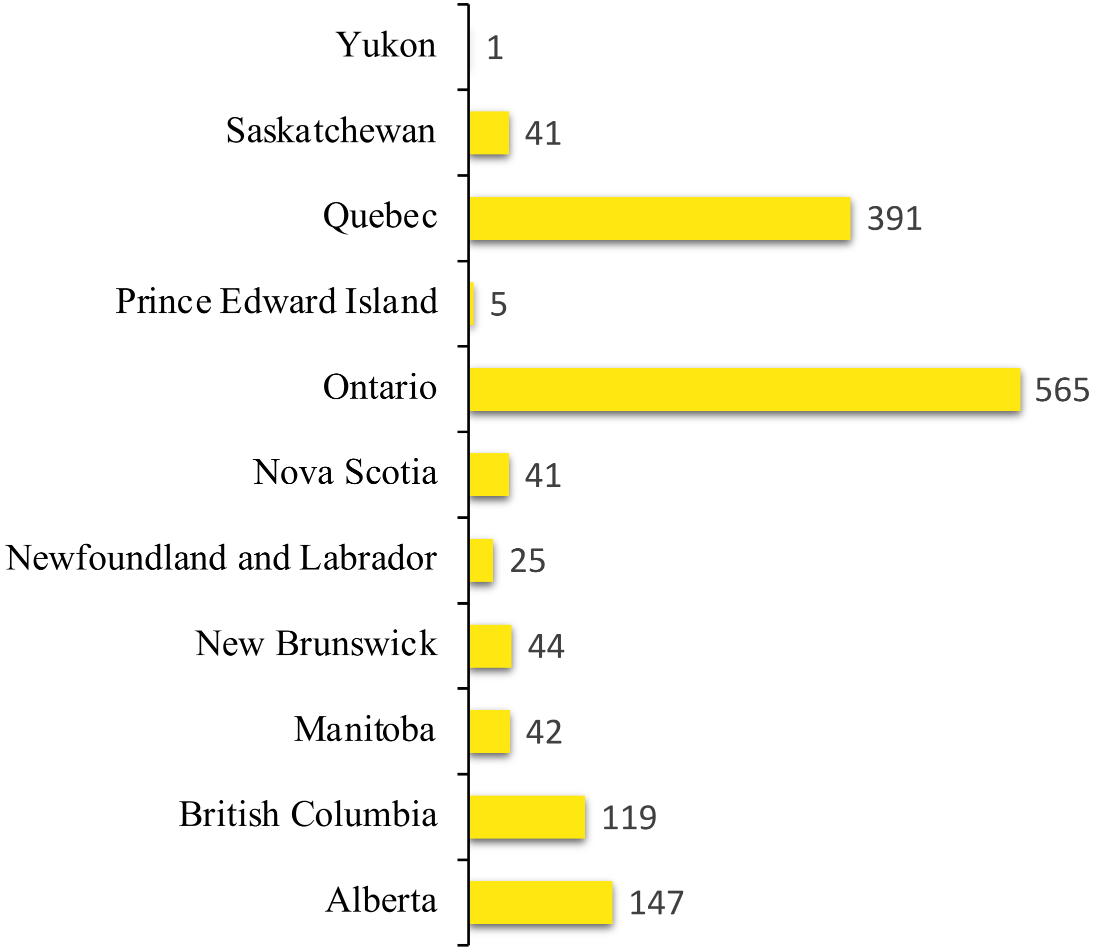
Operations Overview: Dollarama ("DOL.TO") is a Canadian company headquartered in Montreal that operates discount retail stores. The company provides a large range of everyday consumer products including food and household goods at lower price points. Dollarama has presence in every province and operates 1, 421 stores across Canada. The company's core markets are in Ontario and Quebec.

Stock Performance: With a YTD return of 27.7%, Dollarama has overperformed relative to its industry peers. The company has outperformed the TSX by 37.72% over the same period.

Strategy: DOL.TO's broader price range enables it to carry more diverse products compared to its competitors in the dollar and variety store industry. To generate profits, the company strategically sources merchandise directly, rather than through wholesalers and middlemen which allows them to keep costs low. This combination has allowed DOL.TO to become the industry's largest operator with a market share of 68.8%. Key drivers that push this industry include consumer spending, and population growth.

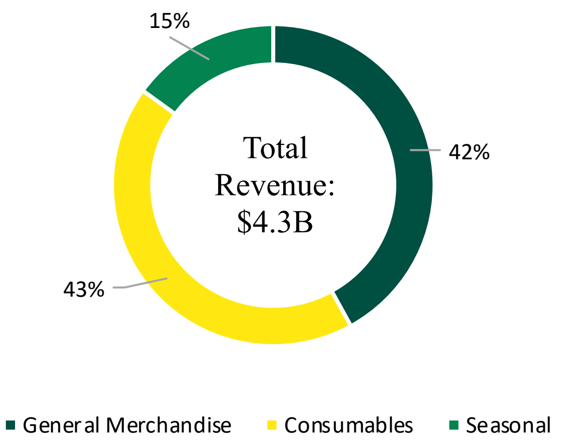
Corporate Finance Transactions: In July 2019, Dollarama signed a deal to purchase a 50.1% stake in a Latin American retailer named Dollarcity. The company operates stores in Guatemala, El Salvador and Colombia. The estimated purchase price ranged between US $85mm to US $95mm. This included a US $40mm upfront payment at closing. This deal will allow the Dollarama to capture additional long term growth in a different geographical market.

Dollarama Stores Per Province/Territory

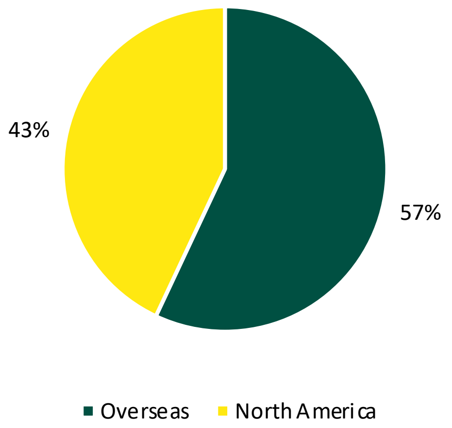


Business Model

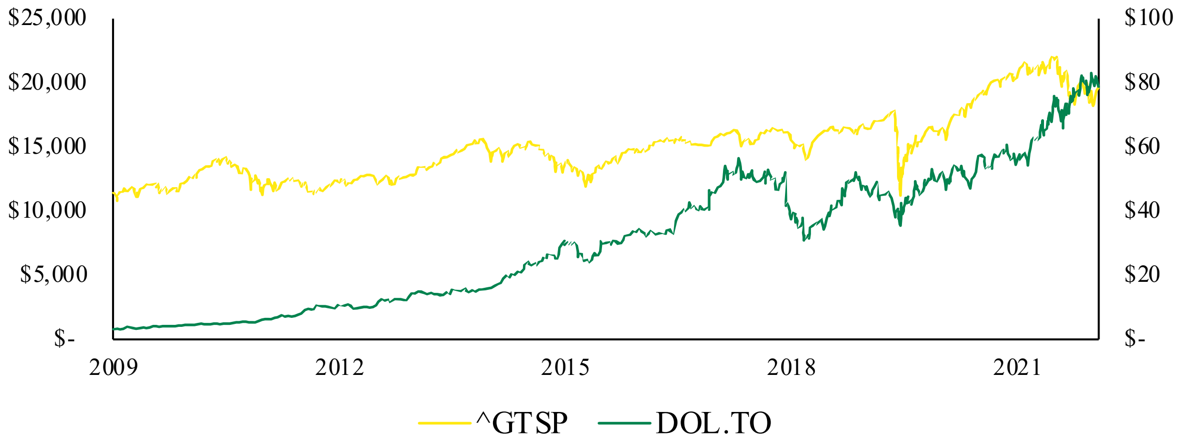
Merchandise Mix



Source of Merchandise



Indexed Trading Chart - (LHS) Index Price (RHS) DOL. Price



Commentary

Fixed Price Point Retail Concept:

- Broad Product Assortment and Compelling Value
- New Price Points Ceiling
- Provides Cost Flexibility

Store Network Expansion Strategy:

- New long term target of 2000 stores by 2031
- Develop second growth platform in Latin America
- 2.7 times more stores in Canada than competitors
- Average of 70 net new store per year

Directly Source Merchandise from Overseas Vendors:

- Reduces Merchandise Costs
- Diversifies & Enhances Product Offering
- Provides Cost Flexibility to Control Currency and Inflation Fluctuations

Source(s): IBIS World; Yahoo Finance

Management Team

Neil Rossy
Director, President and Chief Executive Officer
Executive Officer Since: 2016

Jean-Philippe Towner
Chief Financial Officer
Executive Officer Since: 2021

Laurence L'Abbé
Senior Vice-President, Legal Affairs & Corporate Secretary

Nicolas Hien
Chief Information Officer
Executive Officer Since: 2021

Johanne Choinière
Chief Operating Officer
Executive Officer Since: 2014

Geoffrey Robillard
Senior Vice-President, Import Division
Executive Officer Since: 2004

Key Advantages

- Fair Executive Compensation
- Pay-Per-Performance Ideology
- Diversity In The Workplace
- Equity For All Workers
- New CFO
- ESG Delegation Increases accountability for ESG responsibilities
- Dedicated Team
- Training Provided

Recent Objectives

- Manage & Mitigate Supply Chain Disruptions
- Continue to Operate Efficiently
- Strong Focus on ESG
- Perpetual Performance Checks of Board Roles

"a strong independent and effective board"
– Stephen Gunn

Source(s): Dollarama's Financial Reports

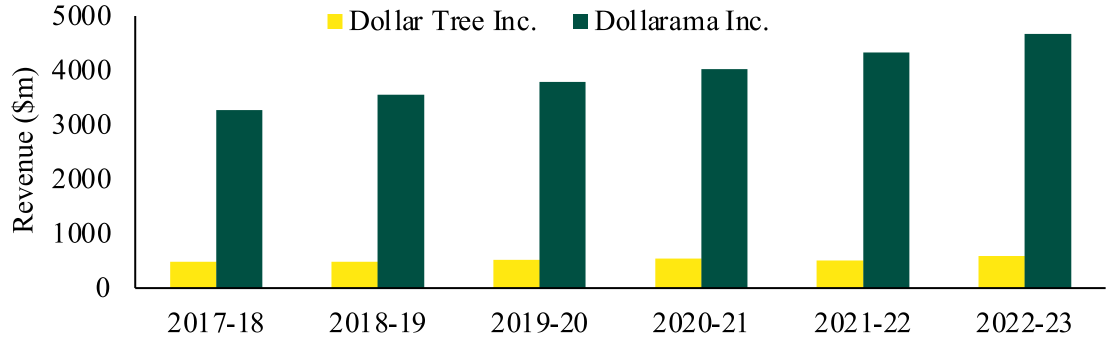
Industry Overview

Store Count

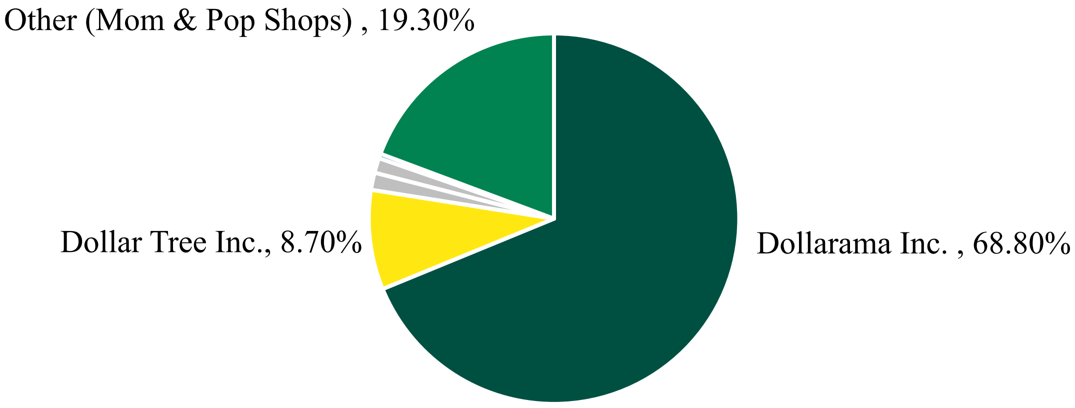
DOLLARAMA → 1,421

DOLLAR TREE → 240

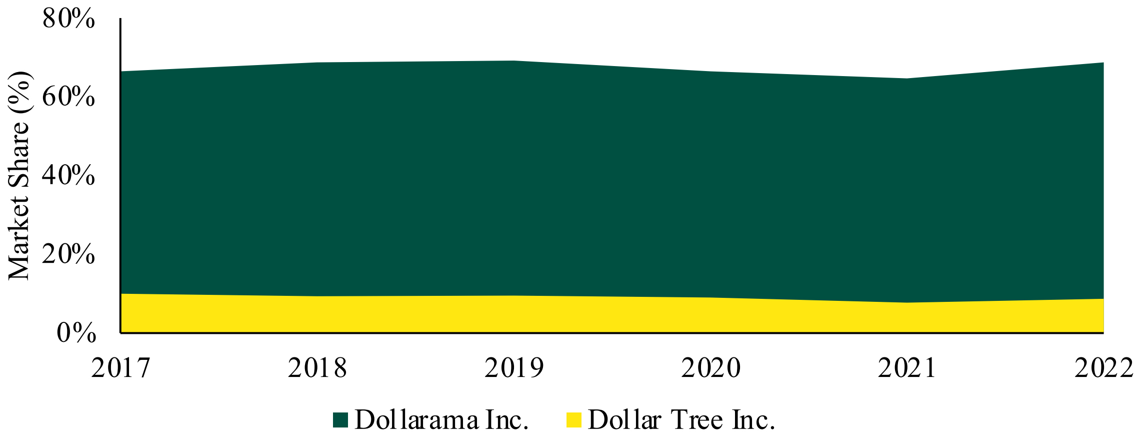
Revenue Profile



Market Share Snapshot



Market Share Over Time

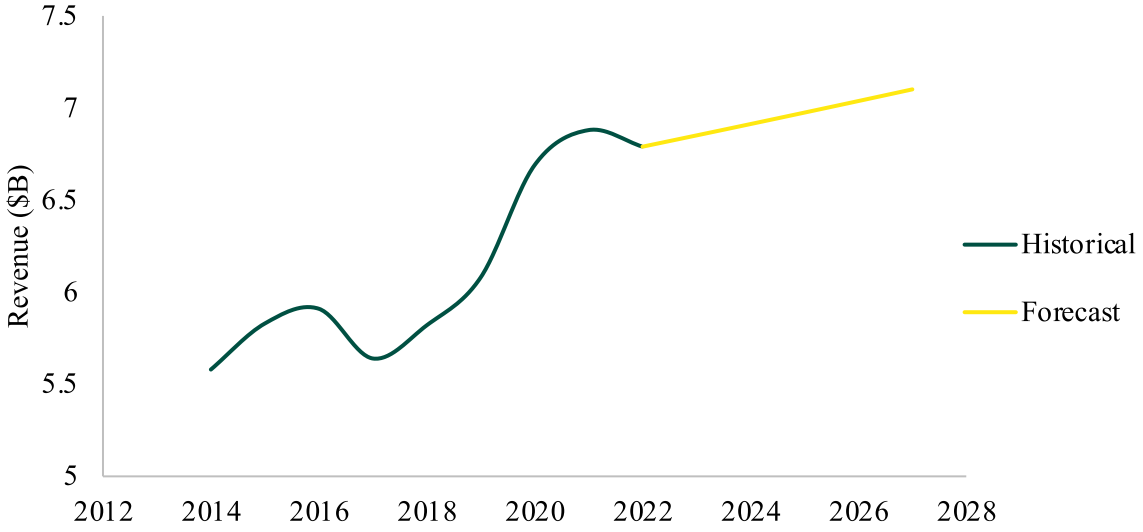


Key Trends

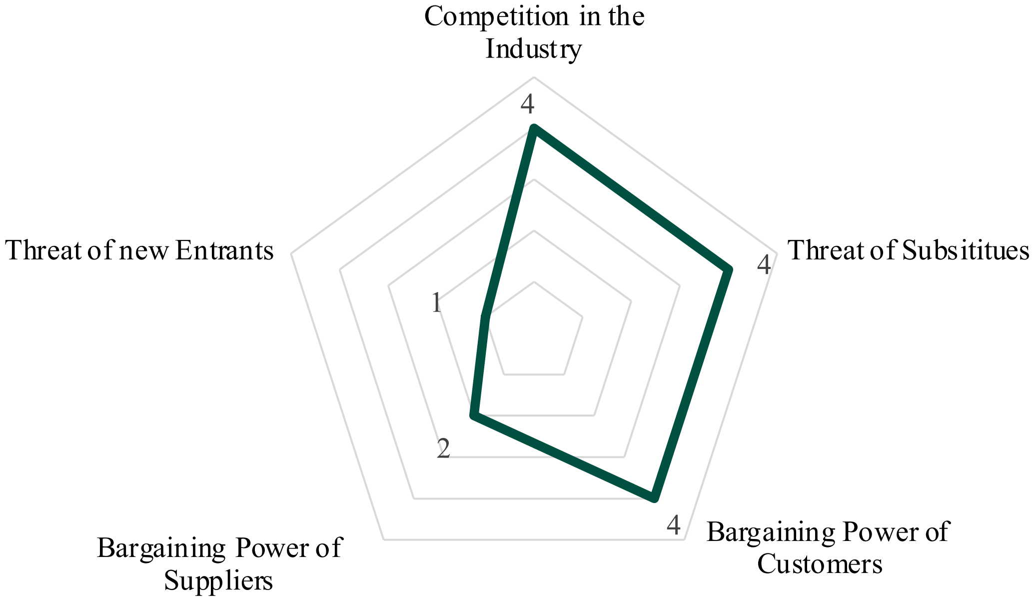
Industry Overview

Summary	
Market share of top two companies (2022)	77.50%
Market share concentration is considered	High
Competitive Landscape	
Profit	0.40%
Wages	1.10%
National Industry	
Total Revenues	$6.8B
Forecasted 5Y average reveneue growth per year ('22-'27)	0.90%

Industry Performance



Competitive Outlook



Porter's Five Forces

- Substitutes offered by large format retailers and e-commerce retailers
- Merchandise costs are subject to changes in currency exchange rates and trade regulation.
- Expected that the industry will consolidate further. This trend makes it difficult for smaller players to compete in the industry.

Source(s): IBIS World; S&P Capital IQ; Yahoo Finance

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S.W.O.T.

Strengths

- Strong Store Network
- 98% brand recognition across Canada
- Broad customer base
- Value proposition

Weaknesses

- Principle outstanding on long term debt
- Little advertising of products
- No return or exchange policy

Opportunities

- Online Retail Market
- Optimize and evolve the service model
- Underpenetrated markets in Western Canada

Threats

- Disruptions in international trade & supply chain
- Labor shortage
- Significant cost pressures

Source(s): Dollarama's Financial Reports: IBIS World

Performance

Revenue Drivers

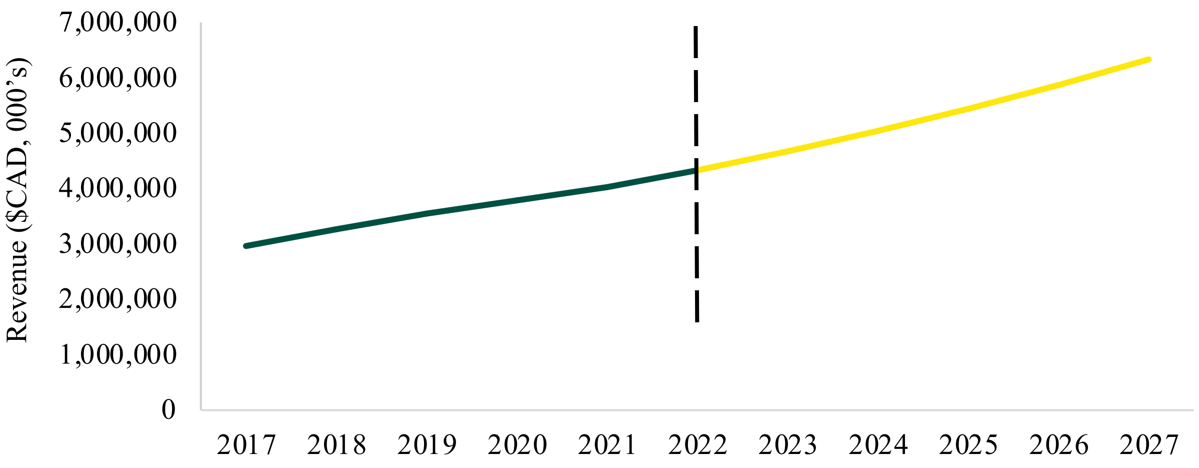
Countercyclicality to Economic Cycle:

- Benefit from Economic Hardship
- Sustain Market Share

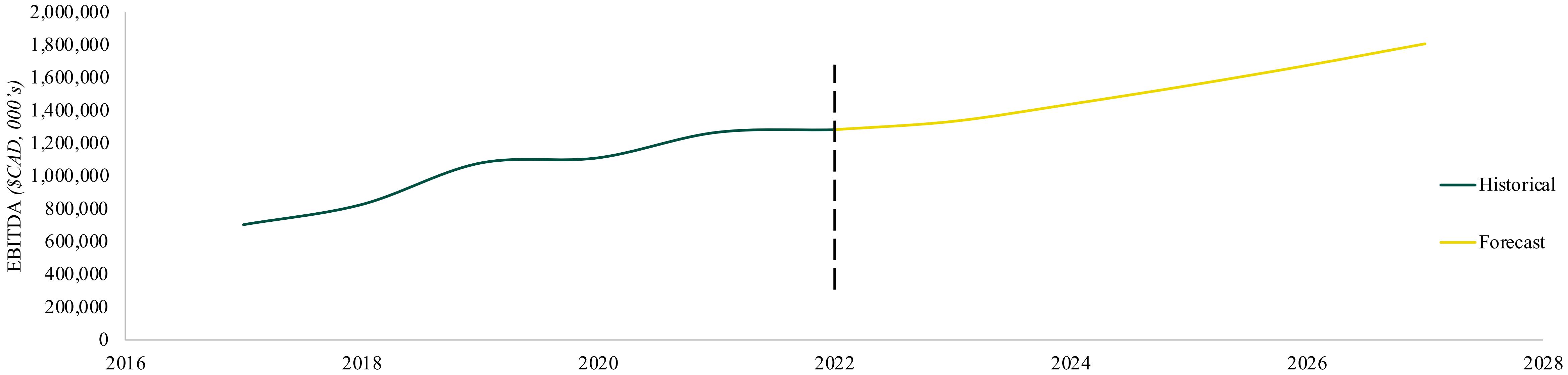
Number of Transactions:

- Revenues Tied to Volume of Transactions
- Store Expansion
- Product Refreshment Strategy

Revenue Forecast



EBITDA Forecast



Source(s): CAPIQ, Dollarama's Financial Reports

Relative Company Analysis

Ticker	Company Name	Price ($/share)	MC ($B)	% 52 W H (%)	Div. Yield (%)	EV/EBITDA (x)	P/E (x)
DOL.TO	**Dollarama**	**76.72**	**22.1**	**91.39**	**0.28**	**19.04**	**30.94**
FIVE	Five below	199.68	11.1		0.00	22.61	35.61
DLTR	Dollar tree	221.72	49.1		0.00	16.05	23.70
DG	Dollar general corp	341.55	74.3		0.89	18.65	24.59
	Mean					**19.10**	**27.97**
	Median					**18.65**	**24.59**

Source(s): CAPIQ, Dollarama's Financial Reports, Yahoo Finance

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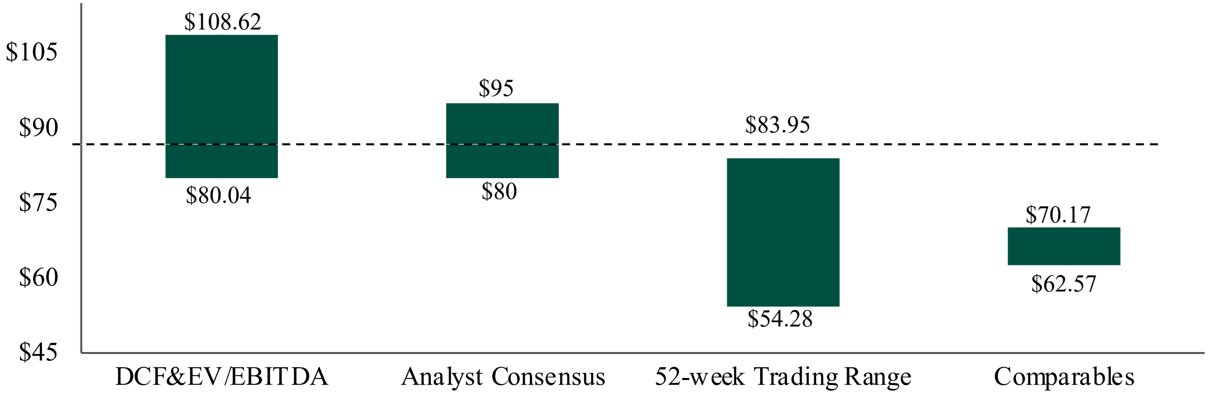
Investment Decision

% of Blend		Sensitivity	Valuation Summaries
GGM	EV/EBITDA	Target Price	Metric
70%	30%	$84.71	DCF
60%	40%	$86.36	Relative Company Analysis
50%	50%	$88.00	Analyst Consensus
40%	60%	$89.64	AVERAGE
30%	70%	$91.29	$86.35

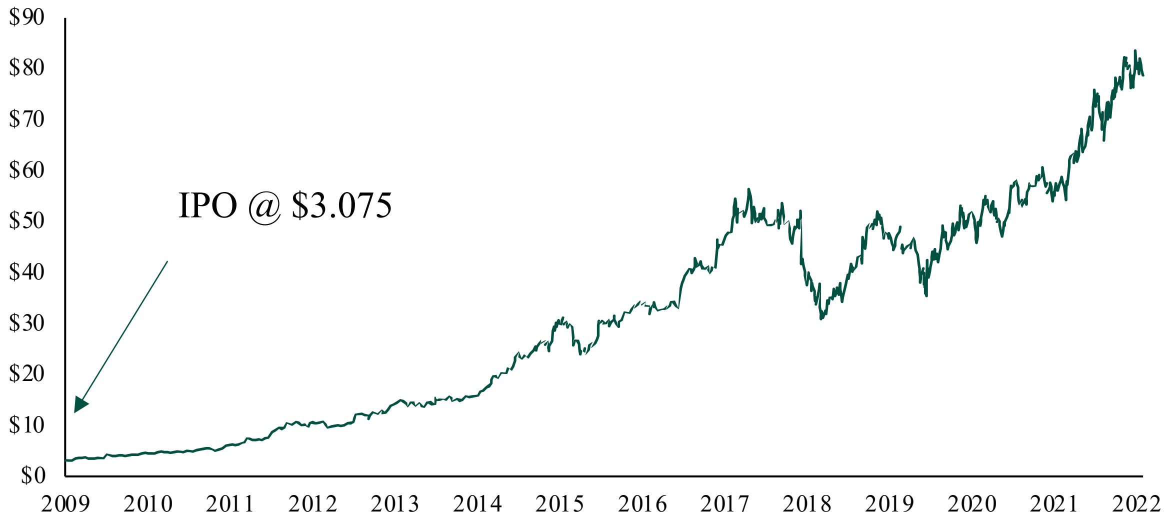
Football Valuation ($CAD/Share)



Recommendation

Target Price	$88
Implied Return	14.98%
Action	BUY

Trading History



Source(s): Market Beat; CAPIQ, Yahoo Finance, Group Consensus, YCharts

Thank-you
Questions?

Appendices

Scenario Analysis					
Summary of Bear-case DCF		Summary of Base-case DCF		Summary of Bull-case DCF	
(in $CAD millions except per share values)		(in $CAD millions except per share values)		(in $CAD millions except per share values)	
WACC	6.28%	WACC	5.95%	WACC	5.24%
Tax Rate	26.44%	Tax Rate	26.44%	Tax Rate	26.44%
EV/EBITDA Multiple (x, 50%)	19.10	EV/EBITDA Multiple (x, 50%)	19.10	EV/EBITDA Multiple (x, 50%)	19.10
Perpetual Rate (50%)	1.5%	Perpetual Rate (50%)	2.0%	Perpetual Rate (50%)	2.50%
Enterprise Value ($)	26,987.20	Enterprise Value ($)	29,282.11	Enterprise Value ($)	35,225.60
Add: Cash ($)	70.87	Add: Cash ($)	70.87	Add: Cash ($)	70.87
Less: Debt ($)	3,992.42	Less: Debt ($)	3,992.42	Less: Debt ($)	3,992.42
Equity Value ($)	23,065.65	Equity Value ($)	25,360.56	Equity Value ($)	31,304.05
Shares Outstanding	288.19	Shares Outstanding	288.19	Shares Outstanding	288.19
Implied Share Price ($CAD)	80.04	Implied Share Price ($CAD)	88.00	Implied Share Price ($CAD)	108.62

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Appendices

Cost of Debt

Debt Maturity Schedule (As of October 25, 2022)												Date of Maturity	Fixed Yield (%)
Units in 000's													
Fiscal Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032		
Fixed Rate 2.443%								375,000.00				2029	2.44
Fixed Rate 1.505%						300,000.00						2027	1.51
Fixed Rate 1.871%					375,000.00							2026	1.87
Fixed Rate 3.55%		500,000.00										2023	3.55
Fixed Rate 2.203%	250,000.00											2022	2.20
Fixed Rate 5.084%				250,000.00								2025	5.08
Fixed Rate 5.165%									450,000.00			2030	5.17
Total	250,000.00	500,000.00	-	250,000.00	375,000.00	300,000.00	-	375,000.00	450,000.00	-	-	Average YTM	3.12

Appendices

Tax Rate				
Store count as of January 2022		% of Total Stores	Provincial Tax Rate	Tax Weight
Ontario	565	39.73%	11.5%	4.57%
Quebec	391	27.50%	11.5%	3.16%
Alberta	147	10.34%	8.0%	0.83%
British Columbia	119	8.37%	12.0%	1.00%
New Brunswick	44	3.09%	14.0%	0.43%
Manitoba	42	2.95%	12.0%	0.35%
Nova Scotia	41	2.88%	14.0%	0.40%
Saskatchewan	42	2.95%	12.0%	0.35%
Newfoundland & Labrador	25	1.76%	15.0%	0.26%
Prince Edward Island	5	0.35%	16.0%	0.06%
Yukon	1	0.07%	12.0%	0.01%
Total Store Counr	1,422	Total Provincial Tax Rate		11.44%
Federal Rate	15%	Justified Tax Rate		26.44%

Appendices

Risk Free Rate

Risk Free Rate
Based on Canadian 5-year T-bills Historical Average
4.14%

Market Rate of Return

TSX Composite YOY Return
7.03%

Risk Premium

Risk Premium	
Risk Free rate	4.14%
Market Return base	7.03%
Market Return bear	7.50%
Market Return bull	6.00%
Market Risk Premium base	2.89%
Market Risk Premium bear	3.36%
Market Risk Premium bull	1.86%

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Relative Valuations			
EV/EBITDA Valuation		P/E Valuation	
(in $CAD millions except per share, multiple, and EPS values)		(in $CAD millions except per share, multiple, and EPS values)	
LTM EBITDA	$1,149.21	P/E Multiple	27.97x
EV/EBITDA COMP	19.10x	LTM EPS	2.51
EV	$21,953.74		
Add: Cash	$70.87		
Less: Debt	$3,992.42		
Equity Value	$18,032.19		
Shares Outstanding	$288.19		
Implied Share Price	$62.57	Implied Share Price	$70.17

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CAPM: Cost of Equity

Bear - CAPM		Base - CAPM		Bull - CAPM	
Risk Free Rate (T-Bill Average)	4.14%	Risk Free Rate (T-Bill Average)	4.14%	Risk Free Rate (T-Bill Average)	4.14%
Beta	0.77	Beta	0.77	Beta	0.77
Expected Return on Market	7.50%	Expected Return on Market	7.03%	Expected Return on Market	6.00%
Market Risk Premium	3.36%	Market Risk Premium	2.89%	Market Risk Premium	1.86%
CAPM	6.73%	CAPM	6.37%	CAPM	5.57%

Appendices

Weighted Average Cost of Capital					
Bear-WACC		Base-WACC		Bull-WACC	
Market Value of Equity	22,109,936.80	Market Value of Equity	22,109,936.80	Market Value of Equity	22,109,936.80
Market Value of Debt	2,500,000	Market Value of Debt	2,500,000	Market Value of Debt	2,500,000
Market Value of Equity + Debt	24,609,936.80	Market Value of Equity + Debt	24,609,936.80	Market Value of Equity + Debt	24,609,936.80
Cost of Equity	6.73%	Cost of Equity	6.37%	Cost of Equity	5.57%
Cost of Debt	3.12%	Cost of Debt	3.12%	Cost of Debt	3.12%
Corporate Tax Rate	26.44%	Corporate Tax Rate	26.44%	Corporate Tax Rate	26.44%
WACC	6.277%	WACC	5.952%	WACC	5.239%

Appendices

Analyst Consensus	
Brokerage	Target
Scotiabank	$93.00
National Bankshares	$86.00
CIBC	$82.00
Desjardins	$91.00
TD Securities	$91.00
Stifel Securities	$88.50
Canaccord Genuity Group	$80.00
Royal Bank of Canada	$93.00
BMO Capital Markets	$95.00
Average	$88.83

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Standard Deviation and Variance			
	Average Return Since 2010-01-04	Standard Deviation	Variance
^GTSP	5.46%	11.32%	1.28%
DOL.TO	29.35%	24.93%	6.22%

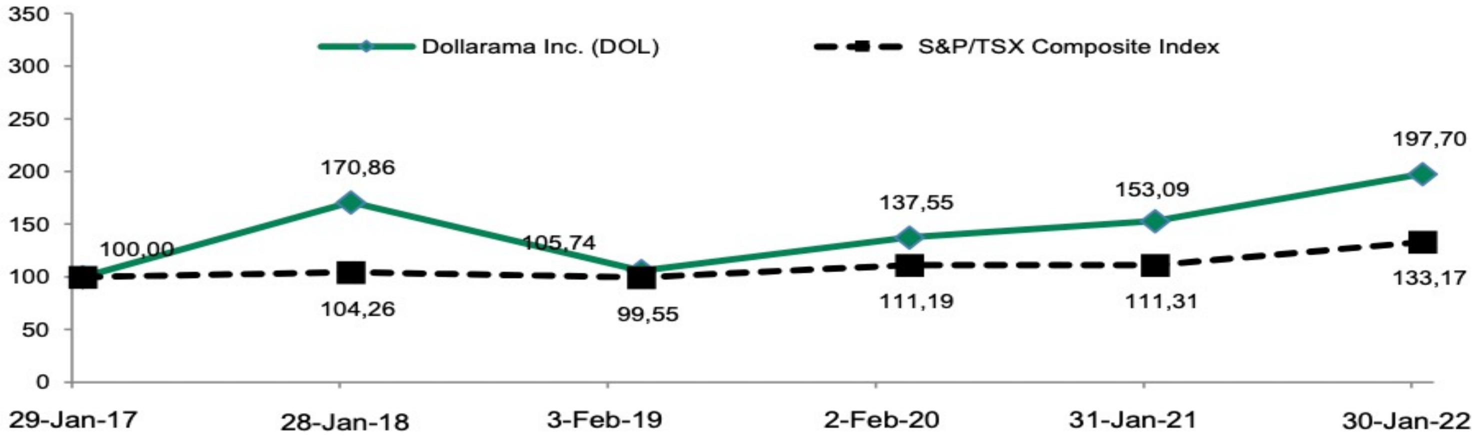
Appendices

$100 Investment Comparison

PERFORMANCE GRAPH

The following table and graph illustrate the cumulative total shareholder return ("TSR") of a $100 investment in the common shares of the Corporation, with dividend reinvestments, compared to the cumulative return on the S&P/TSX Composite Index for the five-year period from January 29, 2017 to January 30, 2022.

	January 29, 2017	January 28, 2018	February 3, 2019	February 2, 2020	January 31, 2021	January 30, 2022
Dollarama TSR	$100.00	$170.86	$105.74	$137.55	$153.09	$197.70
S&P/TSX Composite Index	$100.00	$104.26	$99.55	$111.19	$111.31	$133.17



Appendices

Top Insider Positions

% Insider Ownership		3.94%
Shares Owned		11,354,686.00
Market Value as of Nov 17, 2022	$	871,131,509.92
Fair Value as of Nov 17, 2022 (BASE)	$	1,013,762,991.70
Gain	$	142,631,481.78

Top Institutional Positions

% of Shares Outstanding	54.24%
% of Float	56.47%
Shares Owned	156,314,256.00
Market Value as of Nov 17, 2022	$11,992,429,720.32
Fair Value as of Nov 17, 2022 (BASE)	$13,955,965,652.21
Gain	$ 1,963,535,931.89

Top Institution Positions

Mn Services Vermogensbeheer B.V.	154,600 Shares
Mn Services Vermogensbeheer B.V.	18,315 Shares

Top Mutual Fund Positions

Smallcap World Fund	5,010,000 Shares
Vanguard International Stock Index-Total Intl Stock Indx	3,626,367 Shares
Invesxo Oppenheimer International Growth Fund	3,032,434 Shares
Fidelity Series Canada Fund	2,713,200 Shares
John Hancock Mutual Fds III-International Growth Fd	2,069,801 Shares
Vanguard Tax Managed Fund-Vanguard Developed Markets Index Fund	2,000,841 Shares
JP Morgan ETF Tr-BetaBuilders Canada ETF	933,451 Shares
MFS International New Discovery Fund	841,907 Shares
Old Westbury Small & Mid Cap Strategies Fund	833325 Shares
Massachusetts Investors Growth Stock Fund	742,010 Shares

- The board of directors and executive officers' ownership represents ~4% of the common shares outstanding. Representing a gain of over $140M when valuing their position at our target
- The top institutions involved in own ~54.24% of the shares outstanding, or, 56.47% of the float. Representing a gain of over $1.9B when valuing their position at our target

Source(s): Yahoo Finance; S&P Capital IQ

Appendices

Growth Prospects

- Large players in the dollar and variety store industry are expected to grow
- Recent long-term lease for 7th warehouse (500,000 sqft.) to increase capacity
- Plans to expand to 2000 stores by 2031, a 40.7% increase
- Dollarama is underpenetrated in Western Canada

Strategic Partnerships

- 50.1% stake in Latin American company Dollarcity
  - Additional long term growth avenue; target of 600 Dollarcity stores by 2029
  - Grants entry to Latin America, where Dollarama predicts stronger sales per square foot than at its Canadian stores
  - Geographical diversification
- Long standing relationships with low-cost suppliers
  - Well-diversified base of established suppliers
  - ~50% of merchandise is sourced directly from 25+ countries (primarily China)

Corporate Strategy

- Quick sales ramp up
  - Average sales ramp-up to $2.4M within 2 years
- Low-cost operating model
  - Efficient supply chain
- New store target of 1700 stores by 2027, to 2,000 stores by 2031
  - 2-year payback period for all new stores

Dividend Growth Outlook

- Recent **10% Increase** in Quarterly Dividend
- **$0.05 → $0.055** Quarterly Dividend; or **$0.22**, Annual
- Low Payout Ratio of **8.45%**
- No Plans to Increase Dividends in the Future
- **Better** Than Majority of Peer Group

Highlights

- **16.65%** implied return (base-case) after considering **0.28% Dividend Yield**
- **Lower** than industry average **EV/EBITDA**
- **Fair Value** surpasses its **52-week high** & **ATH**

Source(s): Dollarama Q1-FY2022 Investor Presentation