FINANCIAL ANALYTICS

GROUP 8

DOLLARAMA

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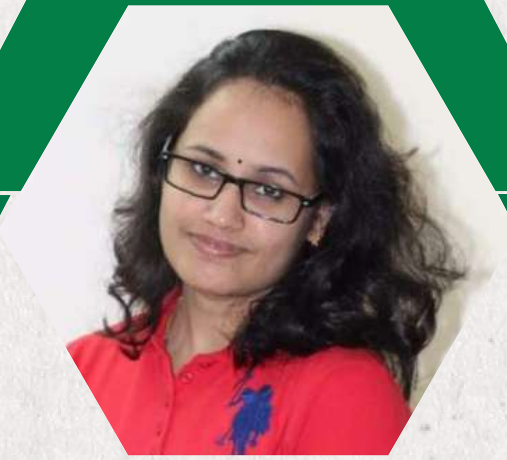

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DOLLARAMA OVERVIEW & STRATEGIC EVOLUTION

Foundation and Growth: Founded in 1992 in Matane, Québec, by Larry Rossy, a third-generation retailer. Expanded under Neil Rossy to over 1,500 locations across Canada.

Pricing Strategy: Transitioned from $1.00 price points to a maximum of $5.00, diversifying product offerings while maintaining value.

Product Range: Offers a wide variety of products including household items, office supplies, arts and crafts, seasonal merchandise, and food.

Sourcing Strategy: Sources internationally from over 25 countries and locally with 45% of products from North American vendors.

Financial Growth & Competitive Landscape

Major Milestones:
Rapid expansion to nearly 350 stores by 2004.
Attraction of Bain Capital investment to support further growth.
Public offering in October 2009 and subsequent exit of Bain Capital.

Current Market Position and Share Values:
Dollarama Inc: $112 CAD(as of 15th April 10.39am)
Key competitors include Loblaw Companies Ltd ($149 CAD), Dollar General Corp ($146 USD), Dollar Tree Inc ($126 USD), and Empire Co Ltd ($32 CAD).

Competitive Landscape:
Competes with both Canadian and American retailers.
Not directly comparable with Loblaw and Empire Co Ltd, more aligned with discount retailers like Dollar General and Dollar Tree.

RISK ANALYSIS

KPI	Calculated Value	Accepted Value	Inference
Current Ratio	1.93	1.2 to 2	Strong liquidity position, within the ideal range.
Quick Ratio	0.58	≥ 1	Significant portion of assets tied up in inventory, below ideal.
Cash Ratio	0.46	0.5 to 1	Below the minimum ideal range, potential liquidity concerns.
Debt-to-Equity Ratio	1137.89%	Up to 250%	Excessively high, indicating reliance on debt, above industry norm.
Operating Profit Margin	3.55	—	Needs correction; the current figure may not be accurate.
Gross Profit Margin	0.4454	20-30% (Retail average)*	Strong margin, well above the industry average.
Return on Sales Ratio	0.1722	5-10% (Retail average)*	Good efficiency in converting sales into profits.

KPI	Calculated Value	Accepted Value	Inference
Return on Investment	3.6248	—	Unusually high, possibly due to low investment base.
Return on Total Assets	0.192	5-9% (Retail average)*	Efficient use of assets, above the industry average.
Dividend Payout Ratio	0.0753	30-50% (Retail average)*	Low payout ratio, more earnings retained for reinvestment.
Return on Equity Ratio	2.6532	15-30% (Retail average)*	Exceptionally high, indicative of strong financial performance.
Earnings per Share (CAD)	3.62	—	Healthy profitability on a per-share basis.
Price/Earnings Ratio	30.91	15-25 (Retail average)*	Higher than average, suggesting strong investor confidence.
Sustainable Growth Rate	0.0245	—	Conservative, manageable growth without new equity financing.

CAPITAL ASSET PRICING MODEL

01

Dollarama's beta of 0.538844022 suggests that it is less volatile than the market. A beta less than 1 indicates that the stock is expected to be less volatile than the market.

This means that Dollarama's stock is considered less risky than the average market investment, but it also might provide lower returns in a rising market.

02

Lower beta suggests that it might not offer the high returns that come with high-risk investments.

It provides a safer, more stable option that can be particularly attractive to cautious investors looking to safeguard their investments against economic unpredictability.

03

The expected return on Dollarama's stock is 7.90%.

Making it an attractive investment relative to safe assets like government bonds.

04

The market return, Rm, is 10.90%, and Dollarama's return relative to the market.

Rm (DOL), is 21.79%, indicating its potential for higher returns compared to the overall market.

WACC

01

- Weighted Average Cost of Capital (WACC) of 3.37%: This is relatively low, suggesting that the company's cost to finance its assets through debt and equity is inexpensive.
- A low WACC is typically indicative of a less risky firm, as investors demand less return for the risk they are taking.
- This can also suggest that the company has a favorable debt-to-equity ratio or that it's able to borrow money at lower interest rates, which can be a sign of a strong credit rating and financial stability.

02

The value per share calculated using the WACC analysis ($117.88) is notably higher than the market value per share ($112.05). This indicates that according to the WACC methodology, Dollarama's shares may be undervalued in the market, potentially suggesting a buying opportunity for investors seeking value.

03

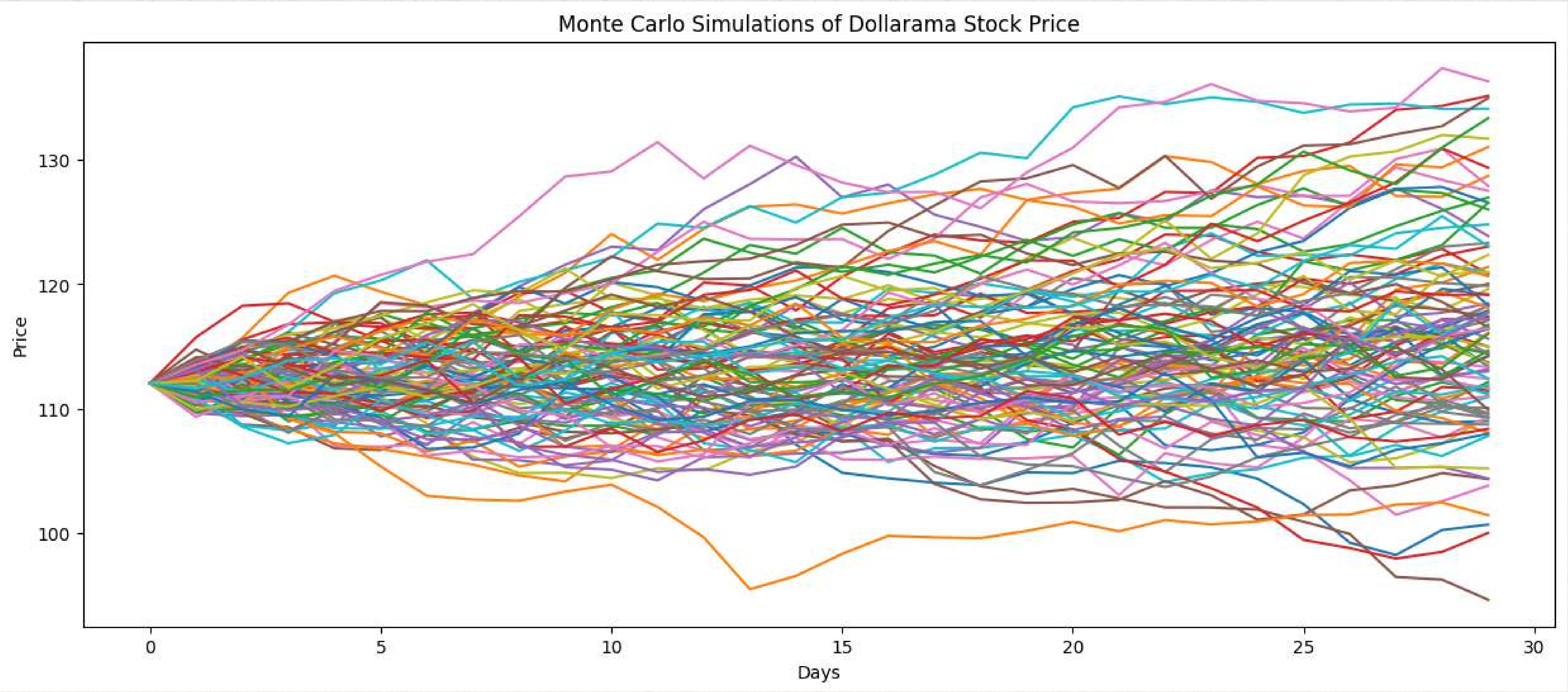
With a weight of debt at 91.92%, the company is highly leveraged. This high leverage indicates that the company primarily relies on debt for its financing needs

INSIGHTS

01. Value Opportunity: Intrinsic value of stock exceeding market price may indicate an undervalued stock, presenting a potential buying opportunity.

02. Investment Advantage: A low WACC implies Dollarama can undertake new projects or acquisitions cost-effectively, likely enhancing shareholder value.

03. Market Positioning: Dollarama's solid finances and strategic retail presence offer stability and growth potential for investors.



Monte Carlo Analysis

Stock Value and Growth Potential: potential peak in stock value around $130, indicating growth potential. The actual stock closing prices have been trending upwards, reinforcing the simulation's positive outlook.

Risk Management: Over a 30-day period, the simulation exhibits variability but not extreme volatility, indicating - there might be fluctuations, but not drastic. Establish liquidity buffer would be a good approach to manage any unforeseen price movements towards the upper bounds of the simulation.

Short-Term Opportunities: The current upward trend, as indicated by the short-term Monte Carlo simulation, presents a window for potential gains. For Dollarama, this could mean considering financial maneuvers such as share buybacks or secondary offerings at higher price points, capitalizing on market sentiment.

Monte Carlo Analysis

Considering Dollarama as a potential investment due to its promising growth outlook and recent positive stock trends.

However, it's vital to approach with caution, given the company's high debt levels and the possibility of market volatility affecting the retail sector.

Facebook Prophet

01. The stock price is projected to rise from the current level of approximately $100 to potential highs above $160 within a year, suggesting a more than 60% increase.

02. The uncertainty in the forecast grows over time, with the confidence interval widening significantly at the one-year mark, which could suggest a potential variance of around +/- $20 or more from the median forecast.

03. Weekly seasonality effects indicate fluctuations in stock price with an average mid-week peak potentially around 0.10 units higher than the start of the week and a Friday dip that can be around 0.15 units below Thursday's peak.

PREPARED BY GROUP 8

Thank you very much!