



DOLLARAMA INC. MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal year ended February 3, 2019

March 28, 2019

The following management's discussion and analysis ("MD&A") dated March 28, 2019 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the fourth quarter and fiscal year ended February 3, 2019. This MD&A should be read in conjunction with the Corporation's audited annual consolidated financial statements and notes for Fiscal 2019 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's audited annual consolidated financial statements for Fiscal 2019 (as hereinafter defined) have 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"). The information on numbers of outstanding common shares and options to purchase common shares as well as earnings per share presented in this MD&A for the 13-week and 52-week periods ended January 28, 2018 has been retrospectively restated to reflect the three-for-one share split of the Corporation's outstanding common shares implemented on June 20, 2018 (the "Share Split").

The Corporation manages its business on the basis of one reportable segment. The functional and reporting currency of the Corporation is the Canadian dollar.

Accounting Periods

All references to "Fiscal 2017" are to the Corporation's fiscal year ended January 29, 2017; to "Fiscal 2018" are to the Corporation's fiscal year ended January 28, 2018; to "Fiscal 2019" are to the Corporation's fiscal year ended February 3, 2019; and to "Fiscal 2020" are to the Corporation's fiscal year ending February 2, 2020.

The Corporation's fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five or six years, a week is added to the fiscal year. Fiscal 2019 was comprised of 53 weeks.

Forward-Looking Statements

This MD&A contains certain forward-looking statements about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or other future events or developments. 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. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- expectations on net new store openings and general capital expenditures;
- expectations on a sustainable gross margin;
- the impact of minimum wage increases on administrative and store operating expenses;
- the liquidity position of the Corporation;
- the potential accretive effect of the normal course issuer bid; and
- the planned expansion of distribution centre capacity.

Forward-looking statements are based on information currently available to us and on estimates and assumptions made by us regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada, in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but 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 following factors which are discussed in greater detail in the “Risks and Uncertainties” section of this MD&A: future increases in operating costs (including increases in statutory minimum wages), future increases in merchandise costs (including as a result of tariff disputes), inability to sustain assortment and replenishment of merchandise, increase in the cost or a disruption in the flow of imported goods, failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, inability to renew store, warehouse and head office leases on favourable terms, inability to increase warehouse and distribution centre capacity in a timely manner, seasonality, market acceptance of private brands, failure to protect trademarks and other proprietary rights, foreign exchange rate fluctuations, potential losses associated with using derivative financial instruments, level of indebtedness and inability to generate sufficient cash to service debt, changes in creditworthiness and credit rating and the potential increase in the cost of capital, interest rate risk associated with variable rate indebtedness, competition in the retail industry, disruptive technologies, general economic conditions, departure of senior executives, failure to attract and retain quality employees, disruption in information technology systems, inability to protect systems against cyber-attacks, unsuccessful execution of the growth strategy, holding company structure, adverse weather including any related impact on sales, natural disasters, climate change and geopolitical events, unexpected costs associated with current insurance programs, product liability claims and product recalls, litigation, regulatory and environmental compliance and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect us; 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 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 MD&A are made as at March 28, 2019 and we have no intention and undertake 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 MD&A are expressly qualified by this cautionary statement.

GAAP and Non-GAAP Measures

This MD&A, as well as the Corporation's audited annual consolidated financial statements and notes for Fiscal 2019 have been prepared in accordance with GAAP. However, this MD&A also refers to certain non-GAAP measures. The non-GAAP measures used by the Corporation are as follows:

EBITDA	Represents operating income plus depreciation and amortization.
EBITDA margin	Represents EBITDA divided by sales.
Total debt	Represents the sum of long-term debt (including accrued interest as current portion) and other bank indebtedness (if any).
Net debt	Represents total debt minus cash.
Adjusted retained earnings	Represents deficit plus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through February 3, 2019 over (ii) the book value of those common shares.

The above-described non-GAAP measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures provide investors with a supplemental measure of our operating performance and financial position and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. With the exception of adjusted retained earnings, these measures are used to bridge differences between external reporting under GAAP and external reporting that is tailored to the retail industry, and should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with GAAP. Management uses non-GAAP measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, to assess the Corporation's ability to meet future debt service, capital expenditure and working capital requirements, and to evaluate senior management's performance. Management uses total debt and net debt to calculate the Corporation's indebtedness level, cash position, future cash needs and financial leverage ratios. Adjusted retained earnings is a non-GAAP measure that shows retained earnings without the effect of the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through February 3, 2019 over (ii) the book value of those common shares. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Refer to the section entitled "Selected Consolidated Financial Information" of this MD&A for a reconciliation of the non-GAAP measures used and presented by the Corporation to the most directly comparable GAAP measures.

Recent Events

Increase of Quarterly Dividend

On March 28, 2019, the Corporation announced that its board of directors had approved a 10.0% increase of the quarterly dividend for holders of common shares, from \$0.040 per common share to \$0.044 per common share. This increased quarterly dividend will be paid on May 10, 2019 to shareholders of record at the close of business on April 19, 2019 and is designated as an "eligible dividend" for Canadian tax purposes.

Launch of Online Store

On January 21, 2019, the Corporation launched its online store, offering a selection of some of its most popular consumable and general merchandise products by the full case, for delivery across Canada.

Overview

Our Business

As at February 3, 2019, we operated 1,225 stores in Canada, and we continue to expand our network across the country. Our stores average 10,217 square feet and offer a broad assortment of consumer products, general merchandise and seasonal items, including private label and nationally branded products, all at compelling values. Merchandise is sold in individual or multiple units at select fixed price points up to \$4.00. All of our stores are corporate-owned and operated, providing a consistent shopping experience, and many are located in high-traffic areas such as strip malls and shopping centers in various locations, including metropolitan areas, mid-sized cities and small towns.

Also, effective January 21, 2019, we launched an online store to provide additional convenience to Dollarama customers—individuals and businesses alike—who wish to buy products in large quantities that may not be

available in-store. Approximately 1,000 products, selected from the broader consumable and general merchandise offering, are available for purchase through the online store by the full case only. Online product pricing is the same as in-store and shipping fees apply to all online orders.

Our strategy is to grow sales, operating income, net earnings and cash flows by expanding the store network through the opening of 60 to 70 net new stores annually and by offering a compelling value proposition on a wide variety of merchandise to a broad base of customers. We continually strive to maintain and improve the efficiency of our operations.

Key Items in the Fourth Quarter of Fiscal 2019

Compared to the fourth quarter of Fiscal 2018:

- Sales increased by 13.0% to \$1,059.7 million;
- Comparable store sales⁽¹⁾ grew 2.6%;
- Gross margin⁽¹⁾ was 40.4% of sales, compared to 41.4% of sales;
- EBITDA⁽¹⁾ grew 7.6% to \$273.2 million, or 25.8% of sales, compared to 27.1% of sales;
- Operating income grew 6.9% to \$251.3 million, or 23.7% of sales, compared to 25.1% of sales; and
- Diluted net earnings per common share increased by 12.5% to \$0.54 from \$0.48⁽²⁾.

During the fourth quarter of Fiscal 2019, the Corporation opened 33 net new stores, compared to 25 net new stores during the corresponding period of the previous fiscal year.

Key Items in Fiscal 2019

Compared to Fiscal 2018:

- Sales increased by 8.6% to \$3,548.5 million;
- Comparable store sales⁽¹⁾ grew 2.7%;
- Gross margin⁽¹⁾ was 39.3% of sales, compared to 39.8% of sales;
- EBITDA⁽¹⁾ grew 7.0% to \$883.8 million, or 24.9% of sales, compared to 25.3% of sales;
- Operating income grew 6.5% to \$804.5 million, or 22.7% of sales, compared to 23.1% of sales; and
- Diluted net earnings per common share increased by 9.9% to \$1.67 from \$1.52⁽²⁾.

During Fiscal 2019, the Corporation opened 65 net new stores, the same number of net new stores opened during Fiscal 2018.

During Fiscal 2019, the Corporation repurchased for cancellation under successive normal course issuer bids a total of 13,790,350 common shares, at a weighted average price of \$38.66 per common share, for a total cash consideration of \$533.1 million. Management believes the repurchase of shares to be accretive to shareholder value.

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

⁽²⁾ Earnings per common share for the 13-week and 52-week periods ended January 28, 2018 reflect the retrospective application of the Share Split.

Outlook

A discussion of management's expectations as to the Corporation's outlook for Fiscal 2020 as well as a summary of how the Corporation performed against Fiscal 2019 guidance is contained in the Corporation's press release dated March 28, 2019 under the heading "Outlook". The press release is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

Factors Affecting Results of Operations

Sales

The Corporation recognizes revenue from the sale of products or the rendering of services as the performance obligations are fulfilled.

All sales are final. Revenue is shown net of sales tax and discounts. Gift cards sold are recorded as a liability, and revenue is recognized when gift cards are redeemed.

The Corporation may enter into arrangements with third parties for the sale of products to customers. When the Corporation acts as the principal in these arrangements, it recognizes revenue based on the amounts billed to customers. Otherwise, the Corporation recognizes the net amount that it retains as revenue.

Our sales consist of comparable store sales and new store sales as well as sales to third parties.

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. The primary drivers of comparable store sales performance are changes in the number of transactions and the average transaction size. To increase comparable store sales, we focus on offering a wide selection of quality merchandise at attractive values in well-designed, consistent and convenient store formats.

Sales to third parties represent mainly sales of merchandise to Dollar City, an independently-owned and operated value retailer with operations in El Salvador, Guatemala and Colombia founded in 2009. The Corporation, through Dollarama International Inc., shares its business expertise and acts as Dollar City's main supplier of merchandise, either as principal or as intermediary, pursuant to an agreement entered into in February 2013.

Historically, our highest sales results have occurred in the fourth quarter, with December representing the highest proportion of sales. Our sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but we otherwise experience limited seasonal fluctuations in sales and expect this trend to continue. Refer to the section of this MD&A entitled "Risks and Uncertainties" for a discussion about the risks associated with seasonality.

Cost of Sales

Our cost of sales consists mainly of inventory, store occupancy costs, and transportation costs (which are largely variable and proportional to our sales volume) as well as warehouse and distribution centre operating costs. We record vendor rebates consisting of volume purchase rebates when earned. The rebates are recorded as a reduction of inventory purchased at cost, which has the effect of reducing the cost of sales.

Although cost increases can negatively affect our business, our multiple price point product offering provides some flexibility to react to cost increases on a timely basis. We have historically reduced our cost of sales by shifting most of our sourcing to low-cost foreign suppliers. For Fiscal 2019 and Fiscal 2018, direct overseas sourcing accounted for 55% and 56% of our purchases, respectively. While we still source a majority of our overseas products from China, we currently purchase products from over 25 different countries around the world.

Since the Corporation purchases goods in currencies other than the Canadian dollar, our cost of sales is affected by fluctuations in foreign currencies against the Canadian dollar. In particular, we purchase a vast majority of our imported merchandise from suppliers in China with U.S. dollars. Therefore, our cost of sales is impacted indirectly by the fluctuation of the Chinese renminbi against the U.S. dollar and directly by the fluctuation of the U.S. dollar against the Canadian dollar.

While we enter into foreign exchange forward contracts to hedge a significant portion of our exposure to fluctuations in the value of the U.S. dollar against the Canadian dollar (generally nine to twelve months in advance), we do not hedge our exposure to fluctuations in the value of the Chinese renminbi against the U.S. dollar.

Shipping and transportation costs, including surcharges on transportation costs, are also a significant component of our cost of sales. When fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on these cost changes to us. Because of the high volatility of fuel costs, it is difficult to forecast the fuel surcharges we may incur from our carriers.

Our occupancy costs are mainly comprised of rental expense for our stores, which has generally increased over the years. While we continue to feel some pressure on lease rates in certain markets, where demand for prime locations is strong and/or vacancy rates are low, management believes that it is generally able to negotiate leases at competitive market rates and does not anticipate material rate increases in the short to medium term. Typically, store leases are signed with base terms of ten years and one or more renewal options of five years each.

We strive to maintain a sustainable gross margin, where we believe we can achieve a healthy balance between maximizing returns to shareholders and offering a compelling value to our customers. The gross margin varies on a quarterly basis as a result of fluctuations in product margins, as we refresh approximately 25% to 30% of our offering on an annual basis, and/or fluctuations in logistics and transportation costs, among other factors. The goal remains to actively manage the gross margin to keep the value proposition compelling with a view to stimulating continued sales growth.

General, Administrative and Store Operating Expenses

Our general, administrative and store operating expenses ("SG&A") consist of store labour, which is primarily variable and proportional to our sales volume, as well as general store maintenance costs, salaries and related benefits of corporate and field management team members, administrative office expenses, professional fees, and other related expenses, all of which are primarily fixed. Although our average store hourly wage rate is higher than the statutory minimum wage, a significant increase in the statutory minimum wage would significantly increase our payroll costs unless we realize offsetting productivity improvements and other store cost reductions.

On November 22, 2017, the Ontario government passed Bill 148, *Fair Workplaces, Better Jobs Act, 2017*. The bill amended a number of provisions of the *Employment Standards Act*, raised the minimum wage to \$14 per hour as of January 1, 2018 and was set to raise the minimum wage to \$15 per hour starting January 1, 2019. On November 21, 2018, the Ontario government passed Bill 47, *Making Ontario Open for Business Act, 2018*. The bill amends numerous provisions of Bill 148 and froze the Ontario minimum wage at \$14 per hour until October 1, 2020, following which it would be adjusted annually by the rate of inflation. Alberta raised its minimum wage to \$15 per hour on October 1, 2018. Other provinces, including Québec and British Columbia, Nova Scotia and Prince Edward Island have announced notable increases in their statutory minimum wage, which have either come into effect recently or are set to come into effect in Fiscal 2020 and beyond.

Economic or Industry-Wide Factors Affecting the Corporation

We operate in the value retail industry, which is highly competitive with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. We compete with other dollar stores but also, and to an even greater extent, with variety and discount stores, convenience stores and mass merchants operating in Canada, many of which operate stores in the areas where we operate, offer products substantially similar to those we offer as a subset of their overall offering and engage in extensive advertising and marketing efforts. Additionally, we compete with a number of companies for prime retail site locations, as well as in attracting and retaining quality employees.

We expect continuing pressure resulting from a number of factors including, but not limited to: merchandise costs, currency exchange fluctuations, instability in the global economy, tariff disputes, consumer debt levels and buying patterns, economic conditions, interest rates, fuel prices, utilities costs, weather patterns, market volatility, customer preferences, labour costs, inflation, catastrophic events, competitive pressures and insurance costs. A factor affecting both the consumer and business is oil prices. On one hand, higher oil prices could have a dampening effect on consumer spending and result in higher transportation costs. On the other hand, significant and prolonged decreases in oil prices may result in lower transportation costs but could also adversely affect consumer spending as a result of reduced employment in some industries and/or geographic markets.

Selected Consolidated Financial Information

The following tables set out selected financial information for the periods indicated. The selected consolidated financial information set out below as at February 3, 2019, January 28, 2018 and January 29, 2017 has been derived from the Corporation's audited annual consolidated financial statements and notes for Fiscal 2017, Fiscal 2018 and Fiscal 2019.

<i>(dollars and shares in thousands, except per share amounts)</i>	14-Week	13-Week	53-Week	52-Week	52-Week
	<i>unaudited</i>				
	Periods Ended		Years Ended		
	February 3, 2019	January 28, 2018	February 3, 2019	January 28, 2018	January 29, 2017
	\$	\$	\$	\$	\$
Earnings Data					
Sales	1,059,714	938,075	3,548,503	3,266,090	2,963,219
Cost of sales	631,470	549,355	2,155,339	1,965,171	1,801,935
Gross profit	428,244	388,720	1,393,164	1,300,919	1,161,284
SG&A	155,055	134,920	509,337	474,807	458,026
Depreciation and amortization	21,879	18,705	79,374	70,550	57,748
Operating income	251,310	235,095	804,453	755,562	645,510
Net financing costs	14,328	10,256	48,506	39,877	33,083
Earnings before income taxes	236,982	224,839	755,947	715,685	612,427
Income taxes	65,002	62,011	207,073	196,275	166,791
Net earnings	171,980	162,828	548,874	519,410	445,636
Basic net earnings per common share ⁽¹⁾	\$0.54	\$0.49	\$1.69	\$1.54	\$1.25
Diluted net earnings per common share ⁽¹⁾	\$0.54	\$0.48	\$1.67	\$1.52	\$1.24
Weighted average number of common shares outstanding ⁽¹⁾ :					
Basic	318,074	333,282	324,460	338,253	356,994
Diluted	321,032	337,926	328,404	342,519	360,729
Other Data					
Year-over-year sales growth	13.0%	9.8%	8.6%	10.2%	11.8%
Comparable store sales growth ⁽²⁾	2.6%	5.5%	2.7%	5.2%	5.8%
Gross margin ⁽³⁾	40.4%	41.4%	39.3%	39.8%	39.2%
SG&A as a % of sales ⁽³⁾	14.6%	14.4%	14.4%	14.5%	15.5%
EBITDA ⁽⁴⁾	273,189	253,800	883,827	826,112	703,258
Operating margin ⁽³⁾	23.7%	25.1%	22.7%	23.1%	21.8%
Capital expenditures	56,729	51,423	180,807	131,920	166,214
Number of stores ⁽⁵⁾	1,225	1,160	1,225	1,160	1,095
Average store size (gross square feet) ⁽⁵⁾	10,217	10,120	10,217	10,120	10,023
Declared dividends per common share	\$0.04	\$0.04	\$0.16	\$0.15	\$0.13

DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 28, 2019

(dollars in thousands)	14-Week	13-Week	53-Week	52-Week	52-Week
	<i>unaudited</i>				
	Periods Ended		Years Ended		
	February 3, 2019	January 28, 2018	February 3, 2019	January 28, 2018	January 29, 2017
\$	\$	\$	\$	\$	
A reconciliation of operating income to EBITDA is included below:					
Operating income	251,310	235,095	804,453	755,562	645,510
Add: Depreciation and amortization	21,879	18,705	79,374	70,550	57,748
EBITDA	273,189	253,800	883,827	826,112	703,258
<i>EBITDA margin</i> ⁽⁴⁾	25.8%	27.1%	24.9%	25.3%	23.7%

A reconciliation of EBITDA to cash flows from operating activities is included below:

EBITDA	273,189	253,800	883,827	826,112	703,258
Net financing costs (net of amortization of debt issue costs)	(17,707)	(17,356)	(41,047)	(36,312)	(31,334)
Recognition gains and losses on bond locks and bond forwards	109	-	177	-	-
Transfer of realized cash flow hedge losses to inventory	-	-	8,646	-	-
Recognition of realized gains (losses) on foreign exchange contracts	-	7,347	-	3,851	(46,269)
Cash settlement of gains (losses) on foreign exchange contracts	-	(8,999)	-	(10,266)	16,108
Current income taxes	(67,387)	(62,097)	(203,562)	(189,978)	(150,686)
Deferred lease inducements	823	1,627	4,360	5,348	6,020
Deferred tenant allowances	5,198	3,723	10,305	10,607	8,970
Recognition of deferred tenant allowances and deferred leasing costs	(1,245)	(1,240)	(5,126)	(4,666)	(4,276)
Share-based compensation	1,746	1,544	6,466	6,559	6,932
Loss on disposal of assets	189	26	159	207	40
	194,915	178,375	664,205	611,462	508,763
Changes in non-cash working capital components	33,503	73,931	(131,153)	25,872	(3,595)
Net cash generated from operating activities	228,418	252,306	533,052	637,334	505,168

Statement of Financial Position Data	As at		
	February 3, 2019	January 28, 2018	January 29, 2017
	\$	\$	\$
Cash	50,371	54,844	62,015
Inventories	581,241	490,927	465,715
Total current assets	709,639	569,969	559,065
Property, plant and equipment	589,513	490,988	437,089
Total assets	2,177,895	1,934,339	1,863,451
Total current liabilities	288,583	720,945	513,402
Total non-current liabilities	2,123,408	1,465,752	1,249,765
Total debt ⁽⁶⁾	1,907,383	1,671,192	1,333,643
Net debt ⁽⁷⁾	1,857,012	1,616,348	1,271,628
Shareholders' equity (deficit)	(234,096)	(252,358)	100,284

DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 28, 2019

(dollars in thousands)

A reconciliation of long-term debt to total debt is included below:

	As at		
	February 3, 2019	January 28, 2018	January 29, 2017
	\$	\$	\$
Senior unsecured notes bearing interest at:			
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.55% Fixed Rate Notes")	500,000	-	-
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the "2.203% Fixed Rate Notes")	250,000	250,000	-
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the "2.337% Fixed Rate Notes")	525,000	525,000	525,000
Fixed annual rate of 3.095% payable in equal semi-annual instalments, repaid November 5, 2018 (the "3.095% Fixed Rate Notes", and collectively with the 3.55% Fixed Rate Notes, the 2.203% Fixed Rate Notes and the 2.337% Fixed Rate Notes, the "Fixed Rate Notes")	-	400,000	400,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021 (the "Series 3 Floating Rate Notes")	300,000	-	-
Variable rate equal to 3-month bankers' acceptance rate plus 59 basis points payable quarterly, maturing March 16, 2020 (the "Series 2 Floating Rate Notes")	300,000	300,000	-
Variable rate equal to 3-month bankers' acceptance rate plus 54 basis points payable quarterly, repaid May 16, 2017 (the "Series 1 Floating Rate Notes")	-	-	274,834
Unsecured revolving credit facility maturing September 29, 2023	25,000	191,000	130,000
Accrued interest on senior unsecured notes	7,383	5,192	3,809
Total debt	1,907,383	1,671,192	1,333,643

A reconciliation of total debt to net debt is included below:

Total debt	1,907,383	1,671,192	1,333,643
Cash	(50,371)	(54,844)	(62,015)
Net debt	1,857,012	1,616,348	1,271,628

A reconciliation of deficit to adjusted retained earnings is included below:

Deficit	(681,914)	(663,421)	(342,957)
Price paid in excess of book value of common shares repurchased under the NCIB	3,390,238	2,874,638	2,084,284
Adjusted retained earnings⁽⁸⁾	2,708,324	2,211,217	1,741,327

The deficit as at February 3, 2019 is not a reflection of poor or deteriorating operating performance. It results from the fact that a significant portion of the cash consideration for the repurchase of shares under the Corporation's normal course issuer bid is accounted for as a reduction of retained earnings and that the market price at which shares are repurchased significantly exceeds the book value of those shares. As a result, the Corporation's shareholders' deficit for accounting purposes was \$681.9 million at February 3, 2019. Management believes that buying back shares remains an effective strategy to drive shareholder value and constitutes an appropriate use of the Corporation's funds.

- (1) Per share amounts as at January 28, 2018 and January 29, 2017 and numbers of shares outstanding during the 13-week and 52-week periods ended January 28, 2018 and January 29, 2017 reflect the retrospective application of the Share Split.
- (2) Comparable store sales growth is a measure of the percentage increase or decrease, as applicable, of the sales of stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year.
- (3) Gross margin represents gross profit divided by sales. SG&A as a % of sales represents SG&A divided by sales. Operating margin represents operating income divided by sales.
- (4) EBITDA, a non-GAAP measure, represents operating income plus depreciation and amortization. EBITDA margin represents EBITDA divided by sales.
- (5) At the end of the period.
- (6) Total debt, a non-GAAP measure, represents the sum of long-term debt (including accrued interest as current portion) and other bank indebtedness (if any).
- (7) Net debt, a non-GAAP measure, represents total debt minus cash.
- (8) Adjusted retained earnings represents deficit plus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through February 3, 2019 over (ii) the book value of those common shares.

Results of Operations

Analysis of Results for the Fourth Quarter of Fiscal 2019

The following section provides an overview of our financial performance during the fourth quarter of Fiscal 2019 compared to the fourth quarter of Fiscal 2018.

Sales

Sales for the fourth quarter of Fiscal 2019 increased by 13.0% to \$1,059.7 million, compared to \$938.1 million in the corresponding period of the prior fiscal year. Continued organic sales growth was driven by balanced growth in comparable store sales and in the total number of stores over the past twelve months, from 1,160 stores on January 28, 2018 to 1,225 stores on February 3, 2019. Sales for the fourth quarter of Fiscal 2019 include sales generated during the additional week in this quarter associated with the 53-week retail calendar, which accounted for \$57.7 million.

Comparable store sales grew 2.6% in the fourth quarter of Fiscal 2019, over and above comparable store sales growth of 5.5% in the same quarter a year ago. Year-over-year comparable store sales growth excludes the additional week in the fourth quarter of Fiscal 2019. Comparable store sales growth consisted of a 3.0% increase in average transaction size, partially offset by a 0.4% decrease in the number of transactions.

New stores, which are not yet comparable stores, reach annual sales of approximately \$2.3 million within their first two years of operation, and achieve an average capital payback period of approximately two years.

In this quarter, 69.7% of our sales originated from products priced higher than \$1.25, compared to 67.5% in the corresponding quarter last year.

Gross Margin

Gross margin was 40.4% of sales in the fourth quarter of Fiscal 2019, compared to 41.4% of sales in the fourth quarter of Fiscal 2018. Gross margin was lower due to lower product margins attributable to management's strategic decision to minimize price increases in Fiscal 2019 in order to offer an even more compelling and competitive value proposition to consumers in the prevailing retail environment. Gross margin includes sales made by the Corporation to Dollar City, as principal, which represent approximately 1% of the Corporation's total sales, and a nominal markup margin. Consequently, these sales had minimal impact on overall gross margin in either the current or prior year quarter.

SG&A

SG&A for the fourth quarter of Fiscal 2019 was \$155.1 million, a 14.9% increase over \$134.9 million for the fourth quarter of Fiscal 2018. This increase was primarily related to the growth in the total number of stores, an increase in minimum wage in certain jurisdictions, and the additional week in the fourth quarter of Fiscal 2019.

SG&A for the fourth quarter of Fiscal 2019 represented 14.6% of sales, compared to 14.4% of sales for the fourth quarter of Fiscal 2018. The 0.2% increase was the result of an increase in minimum wage in certain jurisdictions, partially offset by ongoing labour productivity initiatives.

Depreciation and Amortization

The depreciation and amortization expense increased by \$3.2 million, from \$18.7 million for the fourth quarter of Fiscal 2018 to \$21.9 million for the fourth quarter of Fiscal 2019. This increase relates mainly to investments in information technology projects, new stores and buildings.

Net Financing Costs

Net financing costs increased by \$4.0 million, from \$10.3 million for the fourth quarter of Fiscal 2018 to \$14.3 million for the fourth quarter of Fiscal 2019. The increase was mainly due to increased borrowings on long-term debt.

Income Taxes

Income taxes increased by \$3.0 million, from \$62.0 million for the fourth quarter of Fiscal 2018 to \$65.0 million for the fourth quarter of Fiscal 2019, as a result of higher pre-tax earnings. The statutory income tax rates for the fourth quarters of Fiscal 2019 and Fiscal 2018 were 27.0% and 26.9%, respectively. The Corporation's effective tax rates for the fourth quarters of Fiscal 2019 and Fiscal 2018 were 27.4% and 27.6%, respectively.

Net Earnings

Net earnings increased to \$172.0 million, or \$0.54 per diluted common share, in the fourth quarter of Fiscal 2019, compared to \$162.8 million, or \$0.48 per diluted common share, in the fourth quarter of Fiscal 2018. The increase in net earnings was mainly the result of a 13.0% increase in sales, partially offset by a lower gross margin. Earnings per share were positively impacted by the repurchase of shares through the Corporation's normal course issuer bid.

Analysis of Results for Fiscal 2019

The following section provides an overview of our financial performance during Fiscal 2019 compared to Fiscal 2018.

Sales

Sales for Fiscal 2019 increased by 8.6% to \$3,548.5 million, compared to \$3,266.1 million in Fiscal 2018. Continued organic sales growth was driven by balanced growth in comparable store sales and in the total number of stores over the past twelve months, from 1,160 stores on January 28, 2018 to 1,225 stores on February 3, 2019. Sales for Fiscal 2019 include sales generated during the additional week associated with the 53-week retail calendar, which accounted for \$57.7 million.

Comparable store sales grew 2.7% in Fiscal 2019, over and above comparable store sales growth of 5.2% for Fiscal 2018. Year-over-year comparable store sales growth excludes the additional week in Fiscal 2019. Comparable store sales growth consisted of a 3.2% increase in average transaction size, partially offset by a 0.5% decrease in the number of transactions. The rate of comparable store sales growth in Fiscal 2019 primarily reflects management's strategic decision to limit price increases in order to offer an even more compelling and competitive value proposition to consumers in the prevailing retail environment.

In Fiscal 2019, 69.7% of sales originated from products priced higher than \$1.25, compared to 67.1% in Fiscal 2018.

Gross Margin

Gross margin was 39.3% of sales in Fiscal 2019, compared to 39.8% of sales in Fiscal 2018. Gross margin decreased mainly due to lower product margins attributable to management's decision to minimize price increases in Fiscal 2019 compared to Fiscal 2018. The decrease in gross margin was partially offset by lower occupancy costs as a percentage of sales. Gross margin includes sales made by the Corporation to Dollar City, as principal, which represent approximately 1% of the Corporation's total sales, and a nominal markup margin. Consequently, these sales had minimal impact on overall gross margin in both the current and prior year.

SG&A

SG&A for Fiscal 2019 was \$509.3 million, a 7.3% increase over \$474.8 million for Fiscal 2018. The increase was primarily related to the growth in the total number of stores, an increase in minimum wage in certain jurisdictions and the additional week in Fiscal 2019.

SG&A for Fiscal 2019 represented 14.4% of sales, compared to 14.5% of sales for Fiscal 2018. The 0.1% improvement was mainly the result of lower variable costs driven by new and continuing labour productivity initiatives that mitigated the impact of minimum wage increases in certain jurisdictions, primarily in Ontario.

Depreciation and Amortization

The depreciation and amortization expense increased by \$8.8 million, from \$70.6 million for Fiscal 2018 to \$79.4 million for Fiscal 2019. The increase relates mainly to investments in information technology projects, new stores, and buildings.

Net Financing Costs

Net financing costs increased by \$8.6 million, from \$39.9 million for Fiscal 2018 to \$48.5 million for Fiscal 2019. The increase was mainly due to increased borrowings on long-term debt.

Income Taxes

Income taxes increased by \$10.8 million, from \$196.3 million for Fiscal 2018 to \$207.1 million for Fiscal 2019, as a result of higher pre-tax earnings. Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rates for Fiscal 2019 and Fiscal 2018 were 27.0% and 26.9%, respectively. The Corporation's effective tax rate for Fiscal 2019 and Fiscal 2018 was 27.4%.

Net Earnings

Net earnings increased to \$548.9 million, or \$1.67 per diluted common share, for Fiscal 2019, compared to \$519.4 million, or \$1.52 per diluted common share, for Fiscal 2018. The increase in net earnings was mainly the result of an 8.6% increase in sales and lower SG&A as a percentage of sales, partially offset by a lower gross margin. Earnings per share were positively impacted by the repurchase of shares through the Corporation's normal course issuer bid.

Summary of Consolidated Quarterly Results

(dollars in thousands, except per share amounts)	Fiscal 2019				Fiscal 2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Statements of Net Earnings Data								
Sales	1,059,714	864,267	868,453	756,069	938,075	810,583	812,487	704,945
Cost of sales	631,470	528,411	524,041	471,417	549,355	485,703	490,490	439,623
Gross profit	428,244	335,856	344,412	284,652	388,720	324,880	321,997	265,322
SG&A	155,055	121,227	118,577	114,478	134,920	117,630	112,783	109,474
Depreciation and amortization	21,879	19,629	19,130	18,736	18,705	17,999	17,301	16,545
Operating income	251,310	195,000	206,705	151,438	235,095	189,251	191,913	139,303
Net financing costs	14,328	11,443	11,409	11,326	10,256	10,154	10,225	9,242
Earnings before income taxes	236,982	183,557	195,296	140,112	224,839	179,097	181,688	130,061
Income taxes	65,002	50,010	53,524	38,537	62,011	49,005	49,888	35,371
Net earnings	171,980	133,547	141,772	101,575	162,828	130,092	131,800	94,690
Net earnings per common share⁽¹⁾								
Basic	\$0.54	\$0.41	\$0.43	\$0.31	\$0.49	\$0.39	\$0.39	\$0.28
Diluted	\$0.54	\$0.41	\$0.43	\$0.31	\$0.48	\$0.38	\$0.38	\$0.27

⁽¹⁾ Per share amounts for Fiscal 2018 and the first quarter of Fiscal 2019 reflect the retrospective application of the Share Split.

Historically, our lowest sales results have occurred during the first quarter whereas our highest sales results have occurred during the fourth quarter, with December representing the highest proportion of sales. Our sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but we otherwise experience limited seasonal fluctuations and expect this trend to continue. The occurrence of unusually adverse weather causing disruption in our business activities or operations during a peak season such as the winter holidays or around other major holidays and celebrations could have an adverse effect on our distribution network and on store traffic, which could materially adversely affect our business and financial results.

Liquidity and Capital Resources

Cash Flows for the Fourth Quarter of Fiscal 2019

(dollars in thousands)	14-Week	13-Week	Change
	Periods Ended		
	February 3, 2019	January 28, 2018	
	\$	\$	\$
Cash flows from operating activities	228,418	252,306	(23,888)
Cash flows used in investing activities	(56,598)	(51,271)	(5,327)
Cash flows used in financing activities	(200,292)	(223,447)	23,155
Net change in cash	(28,472)	(22,412)	(6,060)

Cash Flows - Operating Activities

For the fourth quarter of Fiscal 2019, cash flows generated from operating activities totalled \$228.4 million, compared to \$252.3 million for the fourth quarter of Fiscal 2018. This decrease was attributable to an increase in accounts receivable with Dollar City, which are secured by letters of credit, as well as to prepaid expenses, the purchase of merchandise inventory, and a decrease in income tax payable.

Cash Flows - Investing Activities

For the fourth quarter of Fiscal 2019, cash flows used in investing activities totalled \$56.6 million, compared to \$51.3 million for the fourth quarter of Fiscal 2018. This increase relates primarily to new store opening costs.

Cash Flows - Financing Activities

For the fourth quarter of Fiscal 2019, cash flows used in financing activities totalled \$200.3 million, compared to \$223.4 million for the fourth quarter of Fiscal 2018. This decrease was mainly due to the Corporation repurchasing fewer shares under the normal course issuer bid, partially offset by a decrease in borrowings during the quarter on long-term debt.

Cash Flows for Fiscal 2019

	53-Week	52-Week	Change
	Years Ended		
<i>(dollars in thousands)</i>	February 3, 2019	January 28, 2018	
	\$	\$	\$
Cash flows from operating activities	533,052	637,334	(104,282)
Cash flows used in investing activities	(179,512)	(131,224)	(48,288)
Cash flows used in financing activities	(358,013)	(513,281)	155,268
Net change in cash	(4,473)	(7,171)	2,698

Cash Flows - Operating Activities

For Fiscal 2019, cash flows generated from operating activities totalled \$533.1 million, compared to \$637.3 million for Fiscal 2018. This decrease was attributable to an increase in accounts receivable with Dollar City, which are secured by letters of credit, as well as to prepaid expenses and to the purchase of merchandise inventory.

Cash Flows - Investing Activities

For Fiscal 2019, cash flows used in investing activities totalled \$179.5 million, compared to \$131.2 million for Fiscal 2018. This increase relates primarily to the construction costs related to the acquisition and expansion of the Corporation's distribution centre.

Cash Flows - Financing Activities

For Fiscal 2019, cash flows used in financing activities totalled \$358.0 million, compared to \$513.3 million for Fiscal 2018, as a result of the Corporation repurchasing fewer shares under the normal course issuer bid, partially offset by a decrease in borrowings during the year on long-term debt.

Capital Expenditures

Capital expenditures relate to investments in information technology projects, new stores and the expansion of warehousing and distribution capacity.

For the fourth quarter of Fiscal 2019, capital expenditures totalled \$56.7 million, compared to \$51.4 million for the fourth quarter of Fiscal 2018. This increase was mainly due to new store opening costs.

For Fiscal 2019, capital expenditures totalled \$180.8 million, compared to \$131.9 million for Fiscal 2018. Capital expenditures increased primarily due to the acquisition and expansion of the distribution centre for a total cost incurred in Fiscal 2019 of \$71.6 million.

Capital Resources

The Corporation generates sufficient cash flows from operating activities to fund its planned growth strategy, service its debt and make dividend payments to shareholders. As at February 3, 2019, the Corporation had \$50.4 million of cash on hand and \$469.4 million available under the Credit Facility. These available funds provide funding flexibility to meet unanticipated cash requirements.

Our ability to pay the principal and interest on our debt, to refinance it, or to generate sufficient funds to pay for planned capital expenditures will depend on our future performance, which to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond our control.

Based upon the current strength of our earnings, we believe that cash flows from operations, together with credit available under the Credit Facility, will be adequate to meet our future operating cash needs. Our assumptions with respect to future liquidity needs may not be correct and funds available to us from the sources described herein may not be sufficient to enable us to service our indebtedness, or cover any shortfall in funding for any unanticipated expenses.

Senior Unsecured Notes

On November 5, 2013, the Corporation issued fixed rate senior unsecured notes in the aggregate principal amount of \$400.0 million (the "3.095% Fixed Rate Notes"), on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 3.095% Fixed Rate Notes bear interest at a rate of 3.095% per annum, payable in equal semi-annual instalments, in arrears, on May 5 and November 5 of each year until maturity on November 5, 2018. On November 5, 2018, the Corporation repaid the principal and all accrued and unpaid interest on the 3.095% Fixed Rate Notes.

On July 22, 2016, the Corporation issued fixed rate senior unsecured notes in the aggregate principal amount of \$525.0 million (the "2.337% Fixed Rate Notes"), on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 2.337% Fixed Rate Notes bear interest at a rate of 2.337% per annum, payable in equal semi-annual instalments, in arrears, on January 22 and July 22 of each year until maturity on July 22, 2021. As at February 3, 2019, the carrying value of the 2.337% Fixed Rate Notes was \$524.3 million.

On March 16, 2017, the Corporation issued series 2 floating rate senior unsecured notes in the aggregate principal amount of \$225.0 million (the "Original Series 2 Floating Rate Notes"), on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Original Series 2 Floating Rate Notes bear interest at a rate equal to the 3-month bankers' acceptance rate (CDOR) plus 59 basis points (or 0.59%), set quarterly on the 16th day of March, June, September and December of each year. Interest is payable in cash quarterly, in arrears, on the 16th day of March, June, September and December of each year until maturity on March 16, 2020.

On May 10, 2017, the Corporation issued additional series 2 floating rate senior unsecured notes in the aggregate principal amount of \$75.0 million (the "Additional Series 2 Floating Rates Notes"), on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The

Additional Series 2 Floating Rate Notes constitute an increase to the \$225.0 million aggregate principal amount of Original Series 2 Floating Rate Notes issued by the Corporation on March 16, 2017. The Additional Series 2 Floating Rate Notes were issued at a premium of 0.284% of the principal amount thereof, for aggregate gross proceeds of \$75.2 million. As at the date of issuance, the effective spread over the 3-month bankers' acceptance rate (CDOR) for the Additional Series 2 Floating Rate Notes was 49 basis points (or 0.49%). Once issued, they bear interest at the same rate as the Original Series 2 Floating Rate Notes, and interest is payable in cash quarterly, in arrears, concurrently with the payment of interest on the Original Series 2 Floating Rate Notes. All other terms and conditions applicable to the Original Series 2 Floating Rate Notes also apply to the Additional Series 2 Floating Rate Notes, and the Additional Series 2 Floating Rate Notes are treated as a single series with the Original Series 2 Floating Rate Notes (collectively, the "Series 2 Floating Rate Notes"). As at February 3, 2019, the carrying value of the Series 2 Floating Rate Notes was \$300.7 million.

On May 10, 2017, the Corporation also issued fixed rate senior unsecured notes in the aggregate principal amount of \$250.0 million (the "2.203% Fixed Rate Notes"), on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 2.203% Fixed Rate Notes bear interest at a rate of 2.203% per annum, payable in equal semi-annual instalments, in arrears, on the 10th day of May and November of each year until maturity on November 10, 2022. As at February 3, 2019, the carrying value of the 2.203% Fixed Rate Notes was \$250.5 million.

On February 1, 2018, the Corporation issued series 3 floating rate senior unsecured notes in the aggregate principal amount of \$300.0 million (the "Series 3 Floating Rates Notes" and, together with the Series 2 Floating Rate Notes, the "Floating Rate Notes"), on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Series 3 Floating Rate Notes bear interest at a rate equal to the 3-month bankers' acceptance rate (CDOR) plus 27 basis points (or 0.27%), set quarterly on the 1st day of February, May, August and November of each year. Interest is payable in cash quarterly, in arrears, on the 1st day of February, May, August and November of each year until maturity on February 1, 2021. As at February 3, 2019, the carrying value of the Series 3 Floating Rate Notes was \$299.3 million.

On November 5, 2018, the Corporation issued the 3.55% Fixed Rate Notes in the aggregate principal amount of \$500.0 million, on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 3.55% Fixed Rate Notes were issued at a price of \$995.37 per \$1,000.00 principal amount of 3.55% Fixed Rate Notes, for an effective yield of 3.652% and aggregate gross proceeds of \$497.7 million. The 3.55% Fixed Rate Notes bear interest at a rate of 3.55% per annum, payable in equal semi-annual instalments, in arrears, on the 6th day of May and November of each year until maturity on November 6, 2023. As at February 3, 2019, the carrying value of the 3.55% Fixed Rate Notes was \$500.1 million. Proceeds of this offering were used in part to repay the 3.095% Fixed Rate Notes upon maturity on November 5, 2018.

The 2.337% Fixed Rate Notes, the 2.203% Fixed Rate Notes, the 3.55% Fixed Rate Notes and the Floating Rate Notes (collectively, the "Senior Unsecured Notes") are direct unsecured obligations of the Corporation and rank equally and *pari passu* with all other existing and future unsecured and unsubordinated indebtedness of the Corporation. All Senior Unsecured Notes are rated BBB, with a stable trend, by DBRS Limited.

The Senior Unsecured Notes are solidarily (jointly and severally) guaranteed, on a senior unsecured basis, as to the payment of principal, interest and premium, if any, and of certain other amounts specified in the trust indentures governing them, by certain subsidiaries of the Corporation representing combined EBITDA, when aggregated with the EBITDA of the Corporation (on a non-consolidated basis), of at least 80% of the consolidated EBITDA. As at the date hereof, Dollarama L.P. and Dollarama GP Inc. are the only guarantors. So long as any Senior Unsecured Notes remain outstanding and the Credit Facility is in full force and effect, all of the Corporation's subsidiaries that are guarantors from time to time in respect of indebtedness under the Credit Facility will be guarantors in respect of the Senior Unsecured Notes.

Credit Facility

The Corporation has access to three separate unsecured revolving credit facilities totalling \$500.0 million (collectively, the "Credit Facility"), made available under the Second Amended and Restated Credit Agreement (the "Credit Agreement"), originally dated as of October 25, 2013, as amended and restated from time to time, most recently on December 21, 2018.

Facility A in the amount of \$250.0 million is available until September 29, 2023, whereas Facility B and Facility C, representing \$200.0 million and \$50.0 million respectively, are available until September 29, 2020.

Under the Credit Agreement, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to the Credit Facility up to an aggregate amount, together with all then-existing commitments, of \$1.5 billion.

Since the July 27, 2018 amendment to the Credit Agreement, the applicable margin, ranging from 0% to 1.70% per annum, is no longer calculated based on the senior unsecured credit or debt rating issued to the Corporation by a rating agency but rather on a lease-adjusted leverage ratio reported on a quarterly basis to the lenders.

The Credit Agreement requires the Corporation to respect a minimum interest coverage ratio and a maximum lease-adjusted leverage ratio, each tested quarterly on a consolidated basis. The Corporation has the option to borrow in Canadian or U.S. dollars.

The Credit Facility is guaranteed by Dollarama L.P. and Dollarama GP Inc. (collectively, with the Corporation, the "Credit Parties"). The Credit Agreement contains restrictive covenants that, subject to certain exceptions, limit the ability of the Credit Parties to, among other things, incur, assume, or permit to exist senior ranking indebtedness or liens, engage in mergers, acquisitions, asset sales or sale-leaseback transactions, alter the nature of the business and engage in certain transactions with affiliates. The Credit Agreement also limits the ability of the Corporation to make loans, declare dividends and make payments on, or redeem or repurchase equity interests if there exists a default or an event of default thereunder.

As at February 3, 2019, an amount of \$25.0 million was outstanding under the Credit Facility (January 28, 2018 - \$191.0 million), as well as letters of credit issued for the purchase of inventories and a letter of guarantee required by the municipality in connection with the expansion of the distribution centre, which amounted to \$5.6 million (January 28, 2018 - \$1.1 million). As at February 3, 2019, the Corporation was in compliance with all of its financial covenants.

Contractual Obligations, Off-Balance Sheet Arrangements and Commitments

The table below analyzes the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at February 3, 2019. Trade payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities created as a result of statutory requirements imposed by governments).

<i>(dollars in thousands)</i>	Less than 3 Months \$	3 Months to 1 Year \$	1-5 Years \$	Total \$
Trade payables and accrued liabilities	193,002	-	-	193,002
Dividend payable	12,650	-	-	12,650
Obligations under finance lease	153	470	3,070	3,693
Principal repayment on:				
3.55% Fixed Rate Notes	-	-	500,000	500,000
2.203% Fixed Rate Notes	-	-	250,000	250,000
2.337% Fixed Rate Notes	-	-	525,000	525,000
Series 3 Floating Rate Notes	-	-	300,000	300,000
Series 2 Floating Rate Notes	-	-	300,000	300,000
Credit Facility	-	-	25,000	25,000
Interest payments on:				
3.55% Fixed Rate Notes	-	17,799	71,000	88,799
2.203% Fixed Rate Notes	-	5,508	16,523	22,031
2.337% Fixed Rate Notes	-	12,269	18,404	30,673
Credit Facility and Floating Rate Notes ⁽¹⁾	4,139	12,417	10,012	26,568
	<u>209,944</u>	<u>48,463</u>	<u>2,019,009</u>	<u>2,277,416</u>

⁽¹⁾ Based on interest rates in effect as at February 3, 2019.

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, letters of guarantee and commitments as at February 3, 2019.

<i>(dollars in thousands)</i>	Less than 3 Months \$	3 Months to 1 Year \$	1-5 Years \$	Over 5 Years \$	Total \$
Obligations under operating leases ⁽²⁾	47,750	143,249	613,083	320,147	1,124,229
Letters of credit and letters of guarantee	5,633	-	-	-	5,633
Distribution centre expansion costs commitments	4,833	9,667	-	-	14,500
	<u>58,216</u>	<u>152,916</u>	<u>613,083</u>	<u>320,147</u>	<u>1,144,362</u>

⁽²⁾ Represent the basic annual rent, exclusive of the contingent rentals, common area maintenance, real estate taxes and other charges paid to landlords that, all together, represent approximately 38% of total lease expenses.

Other than operating lease obligations, letters of credit, letters of and guarantee and commitments associated with the expansion of the existing distribution centre described above, we have no other off-balance sheet arrangements or commitments.

Financial Instruments

The Corporation uses derivative financial instruments such as foreign exchange forward contracts to mitigate the risk associated with fluctuations in the U.S. dollar against the Canadian dollar. These derivative financial instruments are used for risk management purposes and are designated as hedges of future forecasted purchases of merchandise.

Currency hedging entails a risk of illiquidity and, to the extent that the U.S. dollar depreciates against the Canadian dollar, the risk of using hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Corporation if purchases at hedged rates result in lower margins than otherwise earned if purchases had been made at spot rates.

The Corporation also entered into bond forward sale derivatives in January 2018, March 2018, May 2018, June 2018 and July 2018 to manage its exposure to interest rate risk on the refinancing of the 3.095% Fixed Rates Notes, which matured on November 5, 2018. For Fiscal 2019, these derivatives were designated as hedging instruments and were recorded on the consolidated statement of financial position at fair value. The effective portion of the change in fair value of the derivatives was recorded to other comprehensive income, and will be reclassified to net earnings over the same period as the hedged interest payments are recorded in earnings. The hedged risk was defined as the variability in cash flows associated with coupons paid on the debt to be issued attributable to movements in the CAD benchmark rate. The CAD benchmark rate consisted of the interpolated yield of Government of Canada bond curve with a term corresponding to the expected debt. Cash flows related to the expected bond's credit spread over the CAD benchmark were not designated as part of the hedging relationship. On October 29, 2018, immediately after the pricing of the 3.55% Fixed Rate Notes, the Corporation settled the bond forward sale derivatives. The realized gain on the settlement of the derivatives was \$2.3 million and will be amortized in net financing costs over the term of the 3.55% Fixed Rate Notes.

The Corporation documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. Derivative financial instruments designated as hedging instruments are recorded at fair value, determined using market prices and other observable inputs.

There were no material changes to the nature of risks arising from derivatives and related risk management in the fourth quarter of Fiscal 2019.

For a description of the derivative financial instruments of the Corporation, refer to Note 3 and Note 14 of the Corporation's audited annual consolidated financial statements for Fiscal 2019.

Related Party Transactions

Property Leases

As at February 3, 2019, the Corporation leased 21 stores, five warehouses and its head office from entities controlled by the Rossy family pursuant to long-term lease agreements. Rental expenses associated with these related-party leases are measured at cost, which equals fair value, being the amount of consideration established at market terms.

Rental expenses charged by entities controlled by the Rossy family totalled \$3.1 million and \$16.3 million for the 14-week and 53-week periods ended February 3, 2019, respectively, compared to \$3.7 million and \$18.4 million for the 13-week and 52-week periods ended January 28, 2018, respectively. The year-over-year decrease was attributable to the fact that, on February 21, 2018, the Corporation acquired its existing distribution centre, which was previously leased from an entity controlled by the Rossy family.

Property

On February 21, 2018, the Corporation acquired its existing distribution centre, which was previously leased from an entity controlled by the Rossey family, for a total \$39.0 million of which \$16.8 million accounted for land and \$22.2 million for the building. This purchase was a related party transaction at fair value, being the amount of consideration established at market terms, based on an independent appraisal.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

The following discusses the most significant accounting judgments and estimates that the Corporation made in the preparation of the consolidated financial statements.

Income Taxes

Judgment - Judgment is required in determining income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Property, Plant and Equipment

Estimate - Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes, based on additional available information, are accounted for prospectively as a change in accounting estimate.

Valuation of Inventories

Estimate - Store inventories are valued at the lower of cost and net realizable value, with cost being determined by the retail inventory method. Under the retail inventory method, inventories are converted to a cost basis by applying an average cost-to-sell ratio. Inventories that are at the distribution centre or warehouses and inventories that are in transit from suppliers are measured at the lower of cost and net realizable value, with cost determined on a weighted average cost basis.

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow moving or carryover seasonal merchandise on hand, historical markdown statistics, future merchandising plans and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Historically, the Corporation has not experienced significant differences in its estimates of markdowns compared with actual results. Changes to the inventory provisions can have a material impact on the results of the Corporation.

Impairment of Goodwill and Trade Name

Estimate - Goodwill and trade name are not subject to amortization and are tested for impairment annually or more frequently if events or circumstances indicate that the assets might be impaired. Impairment is identified by comparing the recoverable amount of the Cash Generating Unit ("CGU") to its carrying value. To the extent the

CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of net earnings and comprehensive income (loss).

The recoverable amount of the CGU is based on comparing the greater of the fair value less costs of disposal and its value in use to the carrying value. The fair value is the price that could be received for an asset or CGU in an orderly transaction between market participants at the measurement date, less costs of disposal. The value in use is derived using estimated future cash flows that are discounted with an interest rate that reflects risk for the Corporation and the time value of money. Management undertakes an assessment of relevant market data, which includes the current publicly quoted market capitalization of the Corporation.

As at February 3, 2019 and January 28, 2018, impairment reviews were performed by comparing the carrying value of goodwill and the trade name with the recoverable amount of the CGU to which goodwill and the trade name have been allocated. Management determined that there has been no impairment.

Fair Value of Financial Instruments and Hedging

Estimate - The fair value of financial instruments is based on current interest rates, foreign exchange rates, credit risk, market value and current pricing of financial instruments with similar terms. The carrying value of financial instruments, especially those with current maturities such as cash, accounts receivable, accounts payable and accrued liabilities, and dividend payable approximates their fair value.

When hedge accounting is used, formal documentation is set up about relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific firm commitments or forecasted transactions. As part of the Corporation's hedge accounting, an assessment is made to determine whether the derivatives that arose as hedging instruments are effective in offsetting changes in cash flows of hedged items.

Significant Standards and Interpretations

a) New and Amended Accounting Standards Adopted

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments" concerning classification and measurement, impairment and hedge accounting, to supersede IAS 39, "Financial Instruments: Recognition and Measurement". The Corporation adopted the requirements of IFRS 9 on January 29, 2018 using the modified retrospective method as permitted by IFRS 9. On the transition date, the Corporation applied the new hedge accounting requirements to all existing qualifying hedge relationships. The adoption of IFRS 9 did not have a material impact on the Corporation's consolidated financial statements, but IFRS 9 introduces changes to the cash flow hedge accounting model and eliminates the accounting policy choice provided by IAS 39 for the hedging of a forecasted transaction that results in the recognition of a non-financial asset or liability.

As a result of the adoption of IFRS 9, the Corporation transferred on January 29, 2018 an amount of \$8.6 million of accumulated losses previously recognized in accumulated other comprehensive income (loss) and included that amount directly in the carrying amount of inventory (referred to as 'basis adjustment'). This basis adjustment was not a reclassification adjustment and did not affect the Corporation's consolidated statement of net earnings and comprehensive income (loss). Furthermore, for Fiscal 2019, the fair value gain of \$38.2 million on foreign exchange forward contracts subject to cash flow hedge accounting that will be subsequently basis adjusted to the initial carrying amount of non-financial hedged items (foreign currency denominated inventory purchases), has been presented as an amount that will not be subsequently reclassified to net earnings.

The table below summarizes the classification and measurement of the Corporation's financial instruments accounted for under IFRS 9 compared to the Corporation's previous classification under IAS 39.

	IAS 39 Classification	IFRS 9 Classification
Assets		
Cash	Loans and receivables - Amortized cost	Amortized cost
Accounts receivable	Loans and receivables - Amortized cost	Amortized cost
Derivative financial instruments	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
Liabilities		
Trade payables and accrued liabilities	Other financial liabilities - Amortized cost	Amortized cost
Dividend payable	Other financial liabilities - Amortized cost	Amortized cost
Long-term debt	Other financial liabilities - Amortized cost	Amortized cost
Derivative financial instruments	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)

For the Corporation's method of accounting for financial instruments under IFRS 9, refer to Note 3 of Corporation's audited annual consolidated financial statements for Fiscal 2019.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces all previous revenue recognition standards, including IAS 18, "Revenue". The Corporation adopted the requirements of IFRS 15 on January 29, 2018, using the modified retrospective method as permitted by IFRS 15.

The adoption of IFRS 15 did not result in any adjustments or in any change in the recognition of revenues compared to prior periods and therefore, no comparative figures have been restated.

For the Corporation's method of accounting for revenue under IFRS 15, refer to Note 3 of the Corporation's audited annual consolidated financial statements for Fiscal 2019.

b) Accounting Standards and Amendments Issued but not yet Adopted

IFRS 16 – Leases

In January of 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases". The new standard is effective for fiscal years beginning on or after January 1, 2019. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Corporation has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with lease arrangements.

IFRS 16 will be applied for Fiscal 2020 using the full retrospective approach and the Corporation will therefore be restating comparative information for Fiscal 2019, as if IFRS 16 had always been applied.

The Corporation's consolidated statement of financial position as at February 3, 2019 is expected to increase by approximately \$1.2 billion to \$1.3 billion with the addition of lease liabilities and \$1.1 billion to \$1.2 billion with the addition of right-of-use assets. Lease-related expenses previously recorded in cost of sales, primarily as occupancy costs, will be recorded as depreciation using a straight line method on the right-of-use assets and the lease liabilities will be unwound using an effective interest rate method. The

application of these two methods will result in more expenses charged to net earnings earlier in the lease term and less expenses charged in the later years.

While IFRS 16 will not cause a difference in the amount of cash transferred between the parties of a lease, it will change the presentation of cash flows relating to leases in the Corporation's consolidated statements of cash flows.

The Corporation will elect to include in the right-of-use assets and lease liability non-lease components that are in scope of IFRS 16, which include, but are not limited to, property taxes, utility charges, and common area maintenance charges. Other occupancy costs not within the scope of IFRS 16 will continue to be expensed as incurred and recorded in cost of sales.

The lease term for the majority of leases is expected to be approximately 15 years, which includes an initial base term of 10 years and one renewal option of 5 years.

The Corporation has upgraded its accounting system and implemented processes and internal controls to enable the application of IFRS 16 for Fiscal 2020.

Risks and Uncertainties

Monitoring and improving its operations are constant concerns of the Corporation. In view of this, understanding and managing risks are important parts of the Corporation's strategic planning process. The board of directors requires that the Corporation's senior management identify and properly manage the principal risks related to the Corporation's business operations.

The major risks and uncertainties that could materially affect the Corporation's future business results are divided into the following categories:

- risks related to business operations;
- financial risks;
- market risks;
- human resources risks;
- technology risks;
- strategy and corporate structure risks;
- business continuity risks; and
- legal and regulatory risks.

The Corporation manages these risks on an ongoing basis and has put in place certain guidelines with the goal of mitigating these in order to lessen their financial impact, and the Corporation maintains cost-effective, comprehensive insurance coverage against most insurable events. The Corporation also gathers and analyzes economic and competitive data on a regular basis and senior management takes these findings into consideration when making strategic and operational decisions. Despite these guidelines and initiatives, the Corporation cannot provide assurances that any such efforts will be successful.

Risks Related to Business Operations

Merchandise and Operating Costs

The Corporation's ability to provide quality merchandise at low price points is subject to a number of factors that are beyond its control, including merchandise costs, foreign exchange rate fluctuations, tariffs on imported goods, increases in labour costs (including any increases in the minimum wage), increases in rent and occupancy costs, fuel costs and inflation, all of which may reduce profitability and have an adverse impact on cash flows. Some of these factors are discussed immediately below while others are addressed under the headings "Imports and Supply Chain" and "Foreign Exchange Risk".

Labour costs are largely outside of the Corporation's control, driven by the legislated minimum wage in each province. Ontario's minimum wage is currently frozen until October 1, 2020, but certain provinces such as Alberta, British Columbia and Québec have announced notable increases in their statutory minimum wage, which have either come into effect recently or are set to come into effect in Fiscal 2020 and beyond. Productivity improvements resulting from various operational initiatives will not be sufficient to offset those additional costs.

Rent and occupancy costs, while substantial, offer multi-year visibility due to the long term nature of leases. Historically, the Corporation has been able to negotiate leases on market terms and therefore benefits from a reasonable lead time to prepare for potential rent increases.

Inflation and adverse economic developments in Canada, where the Corporation both buys and sells merchandise, and in China and other parts of Asia, where it buys a large portion of its imported merchandise, could have a negative impact on margins, profitability and cash flows. Fuel cost increases or surcharges could also increase transportation costs and therefore impact profitability.

If management is unable to predict and respond promptly to these or other similar events, the merchandise and operating costs may increase, and the Corporation's business and financial results could be materially adversely affected.

Generally, management believes that the multiple price point strategy provides some flexibility to address cost increases by allowing the Corporation to adjust the selling price on certain items. There is, however, no guarantee that the Corporation will continue to be successful in offsetting cost increases in a meaningful way. There can be no assurance that the Corporation will be able to pass on any cost increases to customers if it wishes to maintain the compelling value of its product offering relative to competitors.

Merchandise Selection and Replenishment

The Corporation's success depends in large part on its ability to continually find, select and purchase quality merchandise at attractive prices in order to expand the assortment of products and replace underperforming goods to timely respond to evolving trends in demographics and consumer preferences, expectations and needs. The Corporation typically does not enter into long-term contracts for the purchase or development of merchandise and must continually seek out buying opportunities from both existing suppliers and new sources. Although management believes that the Corporation has strong and long-standing relationships with most of its suppliers, it may not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If the Corporation cannot find or purchase the necessary amount of competitively priced merchandise to maintain its compelling product offering or to replace goods that are outdated or unprofitable, business and financial results could be materially adversely affected.

Imports and Supply Chain

Following one of its key business strategies of sourcing merchandise directly from low cost suppliers, the Corporation relies heavily on imported goods, the majority of which is imported from China. Imported goods are generally less expensive than domestic goods and contribute significantly to favourable profit margins. Imported merchandise could become more expensive or unavailable, or deliveries could be subject to longer lead times, for a number of reasons, including: (a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages and strikes, suppliers going out of business, factory closures resulting from changes in the economic or regulatory landscape of the country of origin, inflation, and political unrest in foreign countries; (b) uncertainty and potential consolidation in the shipping industry in a context of overcapacity and carrier failures, which could eventually lead to rate increases; (c) economic instability and international disputes; (d) increases in the cost of purchasing or shipping foreign merchandise resulting from Canada's failure to maintain normal trade relationships with foreign countries; (e) increases in tariffs or the elimination of existing preferential tariffs on goods originating from certain countries, including China, restrictive changes to import quotas, and other adverse protectionist trade measures; and (f) changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect the Corporation's business and financial results.

If imported merchandise becomes more expensive, limited or unavailable, the Corporation may not be able to transition to alternative sources in time to meet the demand. Products from alternative sources may also be of lesser quality and/or more expensive than those currently imported. A disruption in the flow of imported merchandise or an increase in the cost of those goods due to these or other factors would significantly decrease sales and profits and have a material adverse impact on the Corporation's business and financial results.

Management believes that the Corporation has good relationships with suppliers and that it is generally able to obtain competitive pricing and other terms. However, products are bought on an order-by-order basis and the Corporation has very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If it fails to maintain good relationships with suppliers, or if suppliers' product costs are increased as a result of prolonged or repeated increases in the prices of certain raw materials, foreign exchange rate fluctuations, or changes in the economic or regulatory landscape of the country of origin, the Corporation may not be able to obtain attractive pricing. In addition, if it is unable to receive merchandise from suppliers on a timely basis because of interruptions in production or in shipping or other reasons that are beyond its control, the Corporation could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used, and business and financial results could be materially adversely affected.

Brand Image and Reputation

The Corporation has a well recognized brand that consumers associate with compelling value. Failure to maintain product safety and quality or ethical and socially responsible operations could materially adversely affect its brand image and reputation. Any negative publicity about, or significant damage to, the Corporation's brand and reputation could have an adverse impact on customer perception and confidence, which could materially adversely affect the Corporation's business and financial results. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to its business practices and products.

Furthermore, as the Corporation's sourcing strategy relies heavily on directly imported merchandise from overseas, mainly from China, any unethical conduct by a supplier or any allegations, whether or not founded, of unfair or illegal business practices by a supplier, including production methods and labour practices, could also materially adversely affect the Corporation's brand image and reputation, which could in turn materially adversely affect its business and financial results. The Vendor Code of Conduct formalizes Dollarama's expectations with respect to suppliers' business standards. However, signed engagement forms do not constitute a guarantee that suppliers will uphold and adhere to the principles outlined in the Vendor Code of Conduct or that violations of the Vendor Code of Conduct will be reported to Dollarama in a timely manner.

Distribution and Warehousing Network

The Corporation must constantly replenish depleted inventory through deliveries of merchandise from suppliers to its warehouses, distribution centre and directly to stores by various means of transportation, including shipments by sea, train and truck. Also, as a result of its reliance on third-party carriers, the Corporation is subject to carrier disruptions and increased costs due to factors beyond its control. Disruptions in the distribution network or the national and international transportation infrastructure could lead to delays or interruptions of service which, in turn, could materially adversely affect the Corporation's business and financial results.

With the addition of a new 500,000 square foot warehouse in Fiscal 2017 and the ongoing expansion project of the Montreal-area distribution centre, management believes that the Corporation's facilities will provide the required capacity to cost-effectively support new store openings for the currently planned store expansion. However, over the longer term, the Corporation may need additional warehouse and distribution centre capacity. If the Corporation does not plan efficiently for increased capacity, or is unable to locate new sites, either for sale or for rent, on favorable terms, or is unable to commission new warehousing or distribution operations on a timely basis, the Corporation may not be able to successfully execute its growth strategy or may incur additional costs, which could materially adversely affect its business and financial results.

Inventory Shrinkage

The Corporation is subject to the risk of inventory loss and administrative or operator errors, including mislabelling, as well as damage, theft and fraud. The Corporation experiences inventory shrinkage in the normal course of its business, and cannot ensure that incidences of inventory loss and theft will decrease in the future or that measures taken or initiatives implemented will effectively address inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if the Corporation were to experience higher rates of inventory shrinkage or were required to incur increased security costs to limit inventory theft, its business and financial results could be materially adversely affected.

Real Estate

All of the Corporation's stores are leased from unaffiliated third parties, except for one store that is owned by the Corporation and 21 stores that are leased from entities controlled by the Rossy family. In addition, the Corporation leases five of its six warehouses (the sixth one being owned by the Corporation) and its head office from entities controlled by the Rossy family pursuant to long-term leases expiring in November 2024.

Unless the terms of the Corporation's leases are extended, the properties, together with any improvements that were made, will revert to the property owners upon expiration of the lease terms. As the terms of those leases expire, the Corporation may not be able to renew leases or promptly find alternative locations that meet its needs on favourable terms, or at all. Also, breaching the terms of a lease may result in the Corporation incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. In the event that one or more of the foregoing risks materialize, the Corporation's business and financial results could be materially adversely affected.

Seasonality

Historically, the Corporation's highest sales have occurred in the fourth quarter, during the winter holidays selling season. Sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day,

Valentine's Day and Halloween. Failure to adequately prepare for the holidays sales demand and the timing of certain holidays and of new store openings could have material adverse effects on the Corporation's business and financial results. In addition, the occurrence of unusually adverse weather, natural disasters, geopolitical events or any other event beyond the Corporation's control and causing any disruption in its business activities or operations during a peak season could have an adverse effect on the distribution network and on store traffic, which could materially adversely affect its business and financial results.

Private Brands

The Corporation carries a substantial number of private brand items. Management believes that the Corporation's success in maintaining broad market acceptance of private brands depends on many factors, including pricing, quality and customer perception. If the Corporation does not achieve or maintain expected sales for private brands, or if it fails to successfully protect its proprietary rights in those brands or avoid claims related to the proprietary rights of third parties, its business and financial results could be materially adversely affected.

Intellectual Property

Management believes that trademarks and other proprietary rights are important to the Corporation's success and competitive position. Accordingly, the Corporation protects its trademarks and proprietary rights, in Canada and in other relevant markets. However, monitoring the unauthorized use of one's intellectual property is difficult, and violations may not always become immediately known. Furthermore, the steps generally taken to address such violations, including sending demand letters and taking actions against third parties, may be inadequate to prevent imitation of products and concepts by others or to prevent others from claiming violations of their trademarks and proprietary rights by Dollarama. In addition, the Corporation's intellectual property rights may not have the value that management believes they have. If the Corporation is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation against it relating to its intellectual property rights, the value of the brand could be diminished, causing customer confusion and materially adversely affecting the Corporation's business and financial results. In addition, the Corporation may incur significant costs if it is required to change certain aspects of its branding and business operations.

Financial Risks

Foreign Exchange Risk

The Corporation's results of operations are impacted by foreign exchange rate fluctuations. While its sales are in Canadian dollars, the Corporation purchases a majority of its merchandise from overseas suppliers using U.S. dollars. If the Chinese renminbi were to appreciate against the U.S. dollar, the cost of merchandise purchased in China would likely increase. Similarly, and to an even greater extent, if the U.S. dollar appreciates against the Canadian dollar, it would have a negative impact on margins, profitability and cash flows.

The Corporation uses foreign exchange forward contracts to mitigate the foreign currency risk associated with the vast majority of forecasted U.S. dollar merchandise purchases. However, hedging arrangements may have the effect of limiting the total returns to the Corporation if purchases at hedged rates result in lower margins than otherwise earned if purchases had been made at spot rates.

Indebtedness

As at February 3, 2019, the outstanding principal on the Corporation's long-term debt amounted to \$1,898.2 million. The Corporation's indebtedness could have important consequences on its business and operations, including the following:

- a portion of cash flows from operations will be dedicated to the payment of interest on the indebtedness and other financial obligations and will not be available for other purposes, including funding the operations and capital expenditures and future business opportunities;

- the Corporation's ability to obtain additional financing for working capital and general corporate or other purposes may be limited;
- this debt level may limit the Corporation's flexibility to engage in specified types of transactions or in planning for, or reacting to, changes in the business and in the industry in general, placing the Corporation at a competitive disadvantage compared to competitors that have less debt; and
- the Corporation's leverage may make it vulnerable to a downturn in general economic conditions and adverse industry conditions.

Depending on the circumstances and the relative impact of the foregoing consequences, the level of indebtedness of the Corporation could materially adversely affect the Corporation's business and financial results.

Furthermore, the Credit Facility and the trust indentures governing the Senior Unsecured Notes contain restrictive covenants that, subject to certain exceptions, limit the ability of the Credit Parties, to, among other things: make loans, incur, assume, or permit to exist additional secured indebtedness, guarantees or liens. The Credit Facility also requires the Corporation to comply, on a quarterly and consolidated basis, with a minimum interest coverage ratio test and a maximum lease-adjusted leverage ratio test. This may prevent it from pursuing certain business opportunities or taking certain actions that may be in the best interest of the business, which could materially adversely affect the Corporation's business and financial results.

Interest Rates

Although a significant portion of the Corporation's indebtedness bears interest at fixed annual rates, the Corporation remains exposed from time to time to interest rate risk under the Floating Rate Notes and the Credit Facility. If interest rates increase, debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and net income and cash flows would decrease, which could materially adversely affect the Corporation's business and financial results.

Liquidity

A portion of cash flows from operations is dedicated to the payment of interest on the Corporation's indebtedness and other financial obligations. The Corporation's ability to service its debt and other financial obligations depends on its financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond its control, including fluctuations in interest rates, market liquidity conditions, increased operating costs, and industry trends. If cash flows and capital resources are insufficient to meet debt service obligations, the Corporation may be forced to reduce the scope of, or delay, capital expenditures, new store openings and future business opportunities, sell assets, seek additional capital, or restructure or refinance its indebtedness.

Changes in Creditworthiness or Credit Rating

Changes in the perceived creditworthiness of the Corporation and in the credit rating of the Senior Unsecured Notes may affect not only the market value and the liquidity of those notes but also the cost at which the Corporation can access capital or credit markets, public or private. The Corporation received credit ratings in connection with the issuance of each series of Senior Unsecured Notes. Credit ratings are generally evaluated and determined by independent third parties and may be impacted by events outside of the Corporation's control as well as any other significant decisions made by it, including the entering into of any transaction. Credit rating agencies perform independent analysis when assigning credit ratings and such analysis includes a number of criteria, including various financial tests, business composition and market and operational risks. Those criteria are continually reviewed by credit rating agencies and are therefore subject to change from time to time. There is no assurance that any credit rating assigned to the Senior Unsecured Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. Any actual or anticipated lowering or withdrawal of a credit rating could have a material adverse effect not only on the market value of those notes but also on the market perceptions of the Corporation in general or its business and financial results.

Market Risks

Retail Competition

The Corporation operates in the value retail industry, which is highly competitive with respect to, among other things, price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment could materially adversely affect the Corporation's business and financial results due to the lower prices, and thus lower margins, that could be required to maintain its competitive position. Companies operating in the value retail industry have limited ability to increase prices in response to increased costs. This limitation may also affect margins and financial performance.

The Corporation also competes for customers, employees, store sites, products and services and in other important aspects of its business with many other local, regional and national retailers, including multi-price dollar stores, variety and discount stores and mass merchants. These retailers compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Management expects that the Corporation's expansion plans will increasingly bring it into direct competition with those other retailers.

Given the lack of significant economic barriers for other companies to open dollar stores or develop dollar store concepts within their existing retail operations, competition may also increase as a result of new value retailers entering into the markets in which Dollarama operates. If the Corporation fails to respond effectively to competitive pressures and changes in the retail markets, its business and financial results could be materially adversely affected.

E-Commerce and Disruptive Technologies

While the Corporation has now begun to penetrate the online shopping market with the launch of its online store offering select products by the full case, the Corporation continues to face increased competition from the use of mobile and web-based technology that facilitates online shopping and real-time product and price comparisons. Failure to adequately assess and address this evolving retail trend could have a material impact on the Corporation's business and financial results.

As part of the Corporation's e-commerce initiative, customers expect innovative concepts and a positive customer experience, including a user-friendly website, reliable data, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Corporation is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems do not function effectively, the Corporation's ability to maintain and potentially grow its e-commerce business could be adversely affected.

Economic Conditions

Adverse global or Canadian economic conditions affecting disposable consumer income, employment levels, consumer debt levels, credit availability, business conditions, fuel and energy costs, rent, inflation, interest rates and tax rates could materially adversely affect the Corporation's business and financial results by reducing consumer spending or causing customers to shift their spending to other products Dollarama either does not sell or does not sell as profitably, which could translate into decreased sales volumes, slower inventory turnover and lower gross margin for Dollarama. In addition, similar adverse economic conditions could materially adversely affect the Corporation, its suppliers or other business partners by reducing access to liquid funds or credit, increasing the cost of credit, limiting the ability to manage interest rate risk, increasing the risk of insolvency or bankruptcy of Dollarama, its suppliers, landlords or financial counterparties, increasing the cost of goods, and other impacts which cannot be fully anticipated.

Human Resources Risks

Reliance on Key Personnel

Dollarama's senior executives have extensive experience in the industry and with the business, suppliers, products and customers. The loss of management knowledge, expertise and technical proficiency as a result of the loss of one or more members of the core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect the Corporation's ability to develop and pursue other business strategies, which could materially adversely affect its business and financial results. Also, the expertise pertaining to purchasing and import management, especially as it relates to the dollar store industry, is rare and the loss of key executives leading those functions could have a material adverse effect on the Corporation's ability to continue to offer a compelling product offering to its customers, which in turn could materially adversely affect its business and financial results.

Recruitment, Retention and Management of Quality Employees

Future growth and performance depends, among other things, on the Corporation's ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. The Corporation's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). In addition, the Corporation must be able to successfully manage personnel throughout its vast, geographically dispersed network of stores.

The Corporation's employees are not unionized. Should any portion of its employee base attempt to unionize, the successful negotiation of a collective bargaining agreement cannot be assured. Protracted and extensive work stoppages or labour disruptions could materially adversely affect the Corporation's business and financial results.

Technology Risks

Information Technology Systems

The Corporation depends on its information technology systems for the efficient functioning of its business, including financial reporting and accounting, purchasing, inventory management and replenishment, labour forecasting and scheduling, payroll processing, data storage, customer transactions processing and store communications. Enterprise-wide software solutions enable management to efficiently conduct operations, and gather, analyze and assess information across all business functions and geographic locations.

Management believes that the Corporation's information technology architecture is resilient, relying on redundant material components to prevent material failures, redundant telecommunication links to prevent communication failures and a synchronous disaster recovery site to provide service continuity in the event of a server room disaster. However, systems may be subject to damage or interruption resulting from power outages, telecommunication failures, computer viruses, security breaches, cyber-attacks and catastrophic events. Difficulties with the hardware and software platform may require the Corporation to incur substantial costs to repair or replace it, could result in a loss of critical data or could disrupt operations, including the Corporation's ability to timely ship and track product orders, forecast inventory requirements, manage the supply chain, process customer transactions and otherwise adequately service customers, which, in each case, could have a material adverse effect on the Corporation's business and financial results. Prolonged disruptions to information technology systems may reduce the efficiency of the Corporation's operations, which could materially adversely affect its business and financial results.

The Corporation relies heavily on information technology staff and consultants. Failure to meet staffing needs or to retain competent consultants may have an adverse effect on its ability to pursue technology-driven initiatives and to maintain and periodically upgrade many of its information systems and software programs, which could disrupt or reduce the efficiency of its operations and materially adversely affect its business and financial results.

The Corporation also depends on security measures that some of its third party service providers are taking to protect their own systems and infrastructure. For instances, the outsourcing of certain functions requires the Corporation to sometimes grant network access to third parties. If such third party service providers do not maintain adequate security measures in accordance with contractual requirements, the Corporation may experience operational difficulties and increased costs.

Data Security and Privacy Breaches

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber-threats in particular vary in technique and sources, are persistent, and are increasingly more targeted and difficult to detect and prevent.

Cyber-attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Corporation's information technology systems, networks and websites, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence. Cyber-attacks and security breaches could therefore materially adversely affect the Corporation's business and financial results.

At store level, the Corporation does not store customer data on its systems, such as card numbers and other customer personally identifiable information. However, since the launch of its online store, the Corporation must now store certain personally identifiable information of its online customers through its website, such as names and addresses, and through third party service providers, including cardholder data. Moreover, during the ordinary course of its business, the Corporation collects and maintains proprietary and confidential information related to its business and affairs, including its suppliers and employees. The Corporation stores and processes such internal data both at onsite facilities and at third-party owned facilities. Any fraudulent, malicious or accidental breach of data security could result in unintentional disclosure of, or unauthorized access to, customers, suppliers, employees or other confidential or sensitive data or information, which could potentially result in additional costs to the Corporation to enhance security or to respond to occurrences, violations of privacy or other laws or regulations, penalties or litigation. In addition, media or other reports of perceived security vulnerabilities of the Corporation's systems, even if no breach has been attempted or has occurred, could also adversely impact the Corporation's brand and reputation and materially impact its business and financial results.

While the Corporation has dedicated resources and utilizes third party technology products and services to help protect the Corporation's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber incidents, such measures may not be adequate or effective to prevent or identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could cause damage in excess of any available insurance, and could materially adversely affect its business and financial results.

Strategy and Corporate Structure Risks

Growth Strategy

The Corporation's ability to successfully execute its growth strategy will depend largely on its ability to successfully open and operate new stores, which, in turn, will depend on a number of operational, financial, and economic factors, including whether it can:

- locate, lease, build out, and open stores in suitable locations on a timely basis and on favourable economic terms;
- hire, train, and retain an increasing number of quality employees at affordable rates of compensation;
- supply an increasing number of stores with the proper mix and volume of merchandise;

- expand within the markets of Ontario and Québec, where it is already well established and where new stores may draw sales away from existing stores;
- expand into new geographic markets, where it has limited presence;
- procure efficient logistics and transportation services for those new markets;
- successfully compete against local competitors; and
- build, expand and upgrade warehousing and distribution facilities as well as store support systems in an efficient, timely and economical manner.

Any failure by the Corporation to achieve these goals could materially adversely affect its ability to continue to grow.

In addition, if the expansion occurs as planned, the Corporation's store base will include a relatively high proportion of stores with relatively short history of operations. If new stores on average fail to achieve results comparable to existing stores, the Corporation's business and financial results could be materially adversely affected.

Also, in February 2013, the Corporation, through a wholly-owned subsidiary, entered into an agreement with Dollar City, an independently-owned and operated value retailer with operations in El Salvador, Guatemala and Colombia founded in 2009, pursuant to which it shares business expertise and provides sourcing services to Dollar City. The Corporation believes that this partnership with a reputable local partner with strong business experience will allow Dollarama to assess the growth opportunity in Latin America, while remaining focused on strengthening its leading position in the Canadian market. The Corporation holds an option to acquire a 50.1% interest in Dollar City, exercisable starting on February 4, 2020. The Corporation's decision on whether or not to exercise this option will be an important determinant of growth prospects in Latin America and will also affect the Corporation's risk profile.

Corporate Structure

Dollarama Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, the Corporation is subject to the risks attributable to Dollarama Inc.'s subsidiaries. As a holding company, Dollarama Inc. conducts substantially all of its business through its subsidiaries, which generate substantially all of Dollarama Inc.'s revenues. Consequently, Dollarama Inc.'s cash flows, and its ability to meet financial obligations and to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Dollarama Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and may potentially be constrained by various contractual restrictions. Dollarama Inc.'s subsidiaries are distinct legal entities and have no obligation to make funds available to Dollarama Inc., except in the case of a subsidiary that is a guarantor of Dollarama Inc.'s obligations. In the event of a bankruptcy liquidation of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Dollarama Inc.

Business Continuity Risks

Adverse Weather, Natural Disasters, Climate Change and Geopolitical Events

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather exacerbated by global climate change or otherwise, pandemic outbreaks, boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located and acts of terrorism, or similar disruptions could materially adversely affect the Corporation's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during a period of the year when sales generally increase, such as the winter holidays season or any other major holidays and celebrations.

These events could result in physical damage to one or more of the Corporation's properties, increases in fuel or other energy prices, the temporary or permanent closure of one or more of its warehouses or distribution centre (which are all located in Montreal, Québec, within a small radius from the Corporation's head office) or of one or more of its stores, delays in opening new stores, the temporary lack of an adequate workforce in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transportation of goods from overseas, delays in the delivery of goods to warehouses, distribution

centre or stores, the temporary reduction in the availability of products in stores, the temporary reduction of store traffic and disruption to information systems. These factors could materially adversely affect the Corporation's business and financial results.

Insurance

The Corporation's insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that management believes are prudent based on the nature and size of Dollarama's operations. However, there are types of losses against which the Corporation cannot be insured or which management chose not to insure, in some cases because it believes it is not economically reasonable to do so, such as losses due to acts of war, nuclear disaster, pandemic, reputational risks, supply chain issues, certain cyber risks, product recalls, employee turnover, strikes and some natural disasters. If the Corporation incurs these losses and they are material, its business and financial results could be materially adversely affected. In addition, certain material events may result in sizable losses for the insurance industry and materially adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, the Corporation may elect to increase its level of self-insurance, accept higher deductibles or reduce the amount of coverage in response to these market changes. Although it continues to maintain property insurance for catastrophic events, the Corporation is effectively self-insured for property losses up to the amount of its deductibles. If it experiences a greater number of these losses than anticipated, the Corporation's business and financial results could be materially adversely affected.

Legal and Regulatory Risks***Product Liability Claims and Product Recalls***

The Corporation sells products manufactured by unaffiliated third parties. Manufacturers might not adhere to product safety requirements or quality control standards, and the Corporation might not identify the deficiency before merchandise is shipped to stores and sold to customers. As a result, the products sold by the Corporation may expose it to product liability claims relating to personal injury, death or property damage, and may require the Corporation to take actions or act as a defendant in a litigation. In addition, if suppliers are unable or unwilling to recall products failing to meet quality standards, the Corporation may be required to remove merchandise from the shelves or recall those products at a substantial cost. Product liability claims and product recalls may affect customers' perception of the business or the brand and harm the Corporation's reputation, which may materially adversely affect its business and financial results. Although the Corporation maintains liability insurance to mitigate potential claims, it cannot be certain that coverage will be adequate or sufficient to cover for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

Litigation

The Corporation's business is subject to the risk of litigation by employees, customers, consumers, product suppliers, service providers, other business partners, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including, in the case of administrative proceedings, as a result of reviews by taxation authorities. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. In addition, certain of these lawsuits or claims, if decided adversely to the Corporation or settled by it, may result in liability material to its financial statements as a whole or may negatively affect operating results if changes to business operations are required. In addition, in connection with its business activities, the Corporation is subject to reviews by taxation authorities. There is no assurance that any such reviews will not result in taxation authorities challenging any of its tax filings.

The cost to defend litigation may be significant. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect customer perception of the business or the brand, regardless of whether the allegations are valid or whether the Corporation is ultimately found liable. As a result, litigation could materially adversely affect the Corporation's business and financial results.

Regulatory Environment

The Corporation is subject to many laws and regulations, including laws and regulations related to, among other things, permits and licences, product safety, labour practices, health and safety, merchandise quality, labelling, privacy, environmental levies, and trade restrictions.

Compliance with existing or new laws and regulations, or changes in the interpretation, implementation or enforcement of any laws and regulations, could require the Corporation to make significant system or operating changes or require it to make significant expenditures or incur substantial costs, all of which could materially adversely affect its business and financial results. In addition, untimely compliance or non-compliance with any laws and regulations could trigger litigation or governmental enforcement action, or require the payment of any fines or penalties, and harm the Corporation's reputation, which could materially adversely affect the Corporation's business and financial results.

Furthermore, as the Corporation's sourcing strategy relies heavily on directly imported merchandise from overseas, mainly from China, any violation of applicable local laws and regulations by one or more suppliers, including laws and regulations related to, among other things, labour practices, health and safety, and environmental protection, could also materially adversely affect the Corporation's brand image and reputation.

Environmental Compliance

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

Certain of the facilities that the Corporation occupies have been in operation for many years and, over such time, the Corporation and the prior owners or occupants of such properties may have generated and disposed of materials, which are or may be considered hazardous. Accordingly, it is possible that environmental liabilities may arise in the future as a result of any generation and disposal of such hazardous materials. Although it has not been notified of, and management is not aware of, any current material environmental liability, claim, or non-compliance, the Corporation could incur costs in the future related to its properties in order to comply with, or address any violations under, environmental laws and regulations.

In the ordinary course of business, the Corporation sometimes uses, stores, handles or disposes of household products and cleaning supplies that are classified as hazardous materials under various environmental laws and regulations. Also, products sold by the Corporation may be subject to environmental regulations prohibiting or restricting the use of certain toxic substances in the manufacturing process.

The Corporation cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures or impose fines or penalties, which could vary substantially from those currently anticipated and could materially adversely affect the Corporation's business and financial results.

Climate Change

Climate change is an international concern that is receiving increasing attention worldwide. As a result, in addition to the physical risks associated with climate change, there is the risk that the government introduces climate change legislation and treaties that could result in increased costs, and therefore, decreased profitability of the Corporation's operations.

The Canadian government has established a number of policy measures in response to concerns relating to climate change. While the impact of these measures cannot be quantified at this time, the likely effect will be to increase costs for fuels, electricity and transportation; restrict industrial emission levels; impose added costs for emissions in excess of permitted levels; and increase costs for monitoring and reporting. Compliance with these initiatives could require the Corporation to make significant system or operating changes or require it to make significant

expenditures or incur substantial costs, all of which could materially adversely affect its business and financial results.

Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas (GHG) emissions. GHG regulations could require the Corporation to purchase allowances to offset the Corporation's own emissions or result in an overall increase in costs or operating expenses, any of which could materially adversely affect the Corporation's business and financial results. While additional regulation of emissions in the future appears likely, it is too early to predict whether this regulation could ultimately have a material adverse effect on the Corporation's business or financial results.

Shareholder Activism

The Corporation may be subject to legal and business challenges in the operation of its business due to actions instituted by activist shareholders or others. Responding to such actions can be costly and time-consuming, disrupting business operations and diverting the attention of management and employees. Such investor activism could result in uncertainty of the direction of the Corporation, substantial costs and diversion of management's attention and resources, which could harm the business, hinder execution of the business strategy and initiatives and create adverse volatility in the market price and trading volume of the Corporation's shares.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. The CEO and the CFO evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings. They concluded that, as at February 3, 2019, the Corporation's design and operation of its disclosure controls and procedures was effective in providing reasonable assurance that material information regarding this MD&A, the consolidated financial statements and other disclosures was made known to them on a timely basis.

Management has developed a system for internal controls over financial reporting in order to provide reasonable assurance about the reliability of the financial information published and the preparation of the financial statements in accordance with GAAP. Furthermore, internal controls over financial reporting design provides reasonable assurance that the Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing information, in accordance with GAAP. The CEO and the CFO are responsible for developing internal controls over financial reporting or the supervision of their development.

As at February 3, 2019, the CEO and the CFO evaluated the effectiveness of both disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the CEO and the CFO concluded that disclosure controls and procedures and internal control over financial reporting were effective as at February 3, 2019. In making the evaluation of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control - Integrated Framework* (commonly referred to as the 2013 COSO Framework).

There were no changes in internal control over financial reporting that occurred during the period beginning on January 29, 2018 and ended on February 3, 2019 that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On March 28, 2019, the Corporation announced that its board of directors had approved a 10.0% increase of the quarterly cash dividend for holders of common shares, from \$0.040 to \$0.044 per common share. The Corporation's quarterly cash dividend will be paid on May 10, 2019 to shareholders of record at the close of business on April 19, 2019 and is designated as an "eligible dividend" for Canadian tax purposes.

The board of directors has determined that this new level of quarterly dividend is appropriate based on Dollarama's current cash flow, earnings, financial position and on other relevant factors. The dividend is expected to remain at this level subject to the board of directors' ongoing assessment of Dollarama's future capital requirements, financial performance, liquidity, outlook and other factors that the board of directors may deem relevant.

The payment of each quarterly dividend remains subject to the declaration of that dividend by the board of directors. The actual amount of each quarterly dividend, as well as each declaration date, record date and payment date are subject to the discretion of the board of directors.

Normal Course Issuer Bid

During the 12-month period ended June 18, 2018, the Corporation was authorized to repurchase for cancellation up to 17,041,170 common shares, representing 5% of the common shares issued and outstanding as at the close of markets on June 6, 2017 (the "2017-2018 NCIB"). At the expiry of the 2017-2018 NCIB, the Corporation had repurchased for cancellation a total of 14,061,366 common shares.

On June 7, 2018, the Corporation announced the renewal of the normal course issuer bid and the approval from the Toronto Stock Exchange (the "TSX") to purchase for cancellation up to 16,386,351 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on June 6, 2018, during the 12-month period from June 20, 2018 to June 19, 2019 (the "2018-2019 NCIB").

On December 5, 2018, the Corporation received approval from the TSX to amend the 2018-2019 NCIB in order to increase the maximum number of shares that may be repurchased thereunder from 16,386,351 to 30,095,056 common shares (representing 10.0% of the Corporation's public float as at June 6, 2018). The other terms of the 2018-2019 NCIB remain unchanged.

The total number of common shares repurchased for cancellation during Fiscal 2019 under the 2017-2018 NCIB (which expired on June 18, 2018) and the 2018-2019 NCIB amounted to 13,790,350 common shares, at a weighted average price of \$38.66 per common share, for a total cash consideration of \$533.1 million. For Fiscal 2019, the Corporation's share capital was reduced by \$17.5 million and the remaining \$515.6 million was accounted for as a reduction of retained earnings, resulting in an increase of the deficit.

The table below summarizes all purchases of common shares under each of the 2017-2018 NCIB and the 2018-2019 NCIB up to February 3, 2019, the last day of Fiscal 2019.

NCIB	Period of Coverage	Number of Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Share \$	Value of Shares Repurchased for Cancellation ('000s) \$
2017-2018 NCIB	June 19, 2017 to June 18, 2018	14,061	47.89	673,431
2018-2019 NCIB	June 20, 2018 to February 3, 2019	12,981	37.88	491,754
		27,042	43.09	1,165,185

The table below summarizes all purchases of common shares during Fiscal 2018 and Fiscal 2019.

Period of Coverage	Number of Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Share \$	Value of Shares Repurchased for Cancellation ('000s) \$
Fiscal 2018	18,314	44.37	812,659
Fiscal 2019	13,790	38.66	533,091
	32,104	41.92	1,345,750

Share Information

The Corporation's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at March 27, 2019, there were 314,685,277 common shares issued and outstanding. In addition, there were 7,249,600 options, each exercisable for one common share, issued and outstanding as at March 27, 2019. Assuming exercise of all outstanding options, there would have been 321,934,877 common shares issued and outstanding on a fully diluted basis as at March 27, 2019. Refer to Note 12 of the Corporation's audited annual consolidated financial statements for Fiscal 2019 for additional information.

Additional Information

Additional information relating to the Corporation, including the Corporation's current annual information form, is available on SEDAR at www.sedar.com. The Corporation is a publicly traded company listed on the TSX under the symbol "DOL".