DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Third Quarter Ended November 3, 2019

December 4, 2019

The following management's discussion and analysis ("MD&A") dated December 4, 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 third quarter ended November 3, 2019. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended November 3, 2019 and the 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 unaudited condensed interim consolidated financial statements for the third quarter ended November 3, 2019 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"). They reflect the adoption of IFRS 16, "Leases", on February 4, 2019, and all comparative figures for the corresponding period of the prior fiscal year have been restated.

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 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 gross margin;
- the indirect impact ongoing trade discussions between China and the United States may have on the Corporation's sourcing activities;
- the liquidity position of the Corporation;
- the potential accretive effect of the normal course issuer bid;
- the planned expansion of distribution centre capacity;
- expectations relating to the net new store openings of Dollarcity for calendar year 2019;
- expectations relating to the financial performance of Dollarcity; and
- the estimated purchase price to be paid by the Corporation for a 50.1% interest in Dollarcity.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's annual MD&A and its annual information form for Fiscal 2019, both available on SEDAR at www.sedar.com: 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 the Corporation; 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 December 4, 2019 and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The financial outlook for Dollarcity for the 12-month period ending June 30, 2020 used specifically to calculate the estimated purchase price for the Dollarcity transaction constitutes a forward-looking statement. It is based on financial projections and is subject to risks and uncertainties similar to those identified above.

All of 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 unaudited condensed interim consolidated financial statements and notes for the third quarter of Fiscal 2020, 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 November 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 November 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 Event

Acquisition of a 50.1% interest in Dollarcity

On August 14, 2019, the Corporation acquired a 50.1% interest in Latin American value retailer Dollarcity and made an upfront payment of US$40.0 million ($52.8 million). This acquisition resulted in the creation of a second growth platform for the Corporation in complement to its Canadian growth strategy.

The total estimated purchase price of US$92.7 million ($122.1 million), as at November 3, 2019, represents 50.1% of a five times multiple of Dollarcity's estimated EBITDA for the 12-month period ending June 30, 2020, minus net debt and subject to other adjustments. The purchase price estimate is based on financial projections, whereas the final purchase price will be based on audited financial statements. As at November 3, 2019, the estimated balance of the purchase price of US$52.7 million ($69.3 million) was recorded in accounts payable and accrued liabilities and will be due, subject to final adjustments, in the third quarter of the Corporation's next fiscal year ending January 31, 2021.

As per the terms of the stockholders agreement dated August 14, 2019, certain strategic and operational decisions of Dollarcity are subject to 100% stockholder approval. These include, but are not limited to, decisions related to capital structure, nature of the business, merger and acquisition activities, executive officer appointments and remuneration, approval of annual budget and business plan, and entry into new countries. As a result, Dollarcity is treated as an equity investee and the Corporation is accounting for this investment as a joint arrangement using the equity method. At its latest quarter ended September 30, 2019, Dollarcity operated 210 stores, with 104 locations in Colombia, 48 in El Salvador and 58 in Guatemala. This compares to a total of 169 stores as at December 31, 2018.

Overview

Our Business

As at November 3, 2019, we operated 1,271 stores in Canada, and we continue to expand our network across the country. Our stores average 10,275 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, the Corporation 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, general merchandise and seasonal offering, are available for purchase through the online store by the full case. 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 Canadian 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.

Following the acquisition of a 50.1% interest in Dollarcity, we are establishing a second growth platform, in complement to our Canadian growth strategy. Dollarcity offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US$3.00 (or the equivalent in local currency) through its 210 conveniently-located stores in Colombia, El Salvador and Guatemala. Dollarcity plans to continue to grow its store network in these countries in the years ahead. Dollarcity's growth target for the calendar year 2019 is 40 to 50 net new stores. In the first nine months of calendar year 2019, Dollarcity opened 41 net new stores.

Key Items in the Third Quarter of Fiscal 2020

Compared to the third quarter of Fiscal 2019:

- Sales increased by 9.6% to $947.6 million;
- Comparable store sales(1) grew 5.3%, over and above a 3.1% growth the previous year;
- Gross margin(1) was 43.7% of sales, compared to 44.3%(2) of sales;
- EBITDA(1) grew 4.3% to $273.2 million, or 28.8% of sales, compared to 30.3%(2) of sales;
- Operating income grew 3.7% to $211.9 million, or 22.4% of sales, compared to 23.6%(2) of sales; and
- Diluted net earnings per common share increased by 10.0%, to $0.44 from $0.40(2).

During the third quarter of Fiscal 2020, the Corporation opened 21 net new stores, compared to 14 net new stores during the corresponding period of the previous fiscal year.

Key Items in the First Nine Months of Fiscal 2020

Compared to the first nine months of Fiscal 2019:

- Sales increased by 9.4% to $2,722.1 million;
- Comparable store sales[(1)] grew 5.2%, over and above a 2.7% growth in the same period a year ago;
- Gross margin[(1)] was 43.2% of sales, compared to 44.4%[(2)] of sales;
- EBITDA[(1)] grew 3.9% to 781.6 million, or 28.7% of sales, compared to 30.2%[(2)] of sales;
- Operating income grew 3.3% to $602.0 million, or 22.1% of sales, compared to 23.4%[(2)] of sales; and
- Diluted net earnings per common share increased by 7.1%, to $1.21 from $1.13[(2)].

During the first nine months of Fiscal 2020, the Corporation opened 46 net new stores, compared to 32 net new stores during the corresponding period of the previous fiscal year. The Corporation still plans to open 60 to 70 net new stores by fiscal year end.

(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) Comparative financial information and ratios have been restated to reflect the full retrospective application of IFRS 16 for lease accounting.

Outlook

A discussion of management's expectations as to the Corporation's outlook for Fiscal 2020 is contained in the Corporation's press release dated December 4, 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. Gift cards sold are recorded as a liability, and revenue is recognized when gift cards are redeemed.

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 compelling values in well-designed, consistent and convenient store formats.

The Corporation's subsidiary, Dollarama International Inc. ("DII"), may enter into arrangements with customers for the sale of products to consumers located outside of Canada. 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.

Sales by DII to customers represent sales of merchandise to Dollarcity, which was an independently-owned and operated value retailer, with operations in El Salvador, Guatemala and Colombia, until the Corporation's acquisition of a 50.1% interest on August 14, 2019. Before that date, DII had a third-party commercial relationship with Dollarcity pursuant to a licensing and services agreement ("LSA") entered into in February 2013, under which DII sublicenses certain assets, provides various services and sells goods to Dollarcity. The Corporation, through DII, continues to share its business expertise and act as Dollarcity's main supplier of merchandise, either as principal or as intermediary, under that same agreement which remains in effect.

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 the annual MD&A dated March 28, 2019 entitled "Risks and Uncertainties" for a discussion about the risks associated with seasonality.

Cost of Sales

Our cost of sales consists mainly of inventory, the variable and non-indexed portion of store occupancy costs that are excluded from the lease liability under IFRS 16, 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, direct overseas sourcing accounted for 55% of our purchases. 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.

The occupancy costs included in our cost of sales are mainly comprised of variable and non-indexed rental expenses for our stores that are excluded from the lease liability under IFRS 16, which have 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.

In Fiscal 2019, given the then prevailing retail environment in Canada, management made the decision to minimize price increases in order to invest in its value proposition to consumers to stimulate sales growth, both in terms of number of units per transaction and number of transactions. In Fiscal 2020, management stayed the course on its decision to minimize price increases despite the impact this may have on margins.

Management is monitoring the indirect impact ongoing trade discussions between China and the United States may have on the Corporation's sourcing activities. The impact is currently slightly positive but offset by other cost increases. We expect that future impact, if any, will affect all Canadian retailers sourcing products from China, and as a result, the Corporation expects to operate on a level playing field with its competitors.

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.

Economic or Industry-Wide Factors Affecting the Corporation

The Corporation operates 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. In addition to the competition from dollar stores, the Corporation faces competition to an even greater extent from variety and discount stores, convenience stores and mass merchants, many of which operate stores in the areas where the Corporation operates, offer products substantially similar to those offered by Dollarama, and engage in extensive advertising and marketing efforts. Moreover, as a result of the Corporation's broad offering of general merchandise, consumable products and seasonal products, it faces competition from various speciality retailers, including in the stationery, hardware, household ware, health and beauty, and arts and crafts categories, whose product offerings overlap with a subset of the Corporation's product offering. Additionally, the Corporation competes with a number of companies for prime retail site locations and for the recruitment of employees. Management expects 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 November 3, 2019 and October 28, 2018 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

(dollars and shares in thousands, except per share amounts)	13-Week Periods Ended		39-Week Periods Ended	
	November 3, 2019 $	October 28, 2018 $ Restated (1)	November 3, 2019 $	October 28, 2018 $ Restated (1)
Earnings Data				
Sales	947,649	864,267	2,722,090	2,488,789
Cost of sales	533,887	481,656	1,546,194	1,384,591
Gross profit	413,762	382,611	1,175,896	1,104,198
SG&A	142,242	120,669	396,016	352,086
Depreciation and amortization	61,374	57,665	179,538	169,441
Share of net earnings on equity-accounted investment	(1,707)	-	(1,707)	-
Operating income	211,853	204,277	602,049	582,671
Net financing costs	25,198	22,720	75,374	67,719
Other income	(2,842)	-	(2,842)	-
Earnings before income taxes	189,497	181,557	529,517	514,952
Income taxes	50,870	49,464	144,195	140,972
Net earnings	138,627	132,093	385,322	373,980
Basic net earnings per common share	$0.44	$0.41	$1.23	$1.14
Diluted net earnings per common share	$0.44	$0.40	$1.21	$1.13
Weighted average number of common shares outstanding:				
Basic	314,125	325,032	314,528	326,752
Diluted	317,843	328,905	318,112	330,992
Other Data				
Year-over-year sales growth	9.6%	6.6%	9.4%	6.9%
Comparable store sales growth (2)	5.3%	3.1%	5.2%	2.7%
Gross margin (3)	43.7%	44.3%	43.2%	44.4%
SG&A as a % of sales (3)	15.0%	14.0%	14.5%	14.1%
EBITDA (4)	273,227	261,942	781,587	752,112
Operating margin (3)	22.4%	23.6%	22.1%	23.4%
Capital expenditures	39,767	32,970	100,809	124,078
Number of stores (5)	1,271	1,192	1,271	1,192
Average store size (gross square feet) (5)	10,275	10,193	10,275	10,193
Declared dividends per common share	$0.044	$0.040	$0.132	$0.120

(dollars in thousands)	13-Week Periods Ended November 3, 2019 $	13-Week Periods Ended October 28, 2018 $ Restated (1)	39-Week Periods Ended November 3, 2019 $	39-Week Periods Ended October 28, 2018 $ Restated (1)
A reconciliation of operating income to EBITDA is included below:				
Operating income	211,853	204,277	602,049	582,671
Add: Depreciation and amortization	61,374	57,665	179,538	169,441
EBITDA	**273,227**	**261,942**	**781,587**	**752,112**
EBITDA margin (4)	28.8%	30.3%	28.7%	30.2%
A reconciliation of EBITDA to cash flows from operating activities is included below:				
EBITDA	273,227	261,942	781,587	752,112
Net financing costs (net of amortization of debt issue costs)	(15,853)	(14,527)	(64,896)	(56,969)
Recognition of gains and losses on bond lock and bond forward contracts	(95)	23	(284)	68
Transfer of realized cash flow hedge losses to inventory	-	-	-	8,646
Current income taxes	(44,428)	(46,323)	(132,547)	(136,175)
Share-based compensation	1,430	1,512	4,145	4,720
Gain on lease modification	(109)	(153)	(589)	(566)
Share of net earnings of equity-accounted investment	(1,707)	-	(1,707)	-
	212,465	202,474	585,709	571,836
Changes in non-cash working capital components	(9,149)	(73,816)	(105,315)	(164,302)
Net cash generated from operating activities	**203,316**	**128,658**	**480,394**	**407,534**

	As at November 3, 2019 $	As at February 3, 2019 $ Restated (1)
Statement of Financial Position Data		
Cash	63,996	50,371
Inventories	658,154	581,241
Total current assets	775,119	688,520
Property, plant and equipment	625,462	586,027
Right-of-use assets	1,283,119	1,208,461
Total assets	3,696,245	3,359,669
Total current liabilities	803,252	443,234
Total non-current liabilities	3,005,692	3,233,819
Total debt (6)	1,891,091	1,907,383
Net debt (7)	1,827,095	1,857,012
Shareholders' deficit	(112,699)	(317,384)

(dollars in thousands)	As at	
A reconciliation of long-term debt to total debt is included below:	**November 3, 2019 $**	**February 3, 2019 $ Restated [(1)]**
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	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
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	300,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 59 basis points payable quarterly, maturing March 16, 2020 (the "Series 2 Floating Rate Notes", and collectively with the Series 3 Floating Rate Notes, the "Floating Rate Notes")	300,000	300,000
Unsecured revolving credit facility maturing September 27, 2024	-	25,000
Accrued interest on senior unsecured notes	16,091	7,383
Total debt	**1,891,091**	**1,907,383**
A reconciliation of total debt to net debt is included below:		
Total debt	1,891,091	1,907,383
Cash	(63,996)	(50,371)
Net debt [(7)]	**1,827,095**	**1,857,012**
A reconciliation of deficit to adjusted retained earnings is included below:		
Deficit	(562,602)	(765,202)
Price paid in excess of book value of common shares repurchased under the normal course issuer bid	3,531,488	3,390,260
Adjusted retained earnings [(8)]	**2,968,886**	**2,625,058**

The deficit as at November 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 $112.7 million at November 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) The numbers presented above reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to the unaudited condensed interim consolidated financial statements for the 13-week and 39-week periods ended November 3, 2019. Comparative figures have been restated.

(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 percentage 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, a non-GAAP measure, 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 November 3, 2019 over (ii) the book value of those common shares.

Results of Operations

Analysis of Results for the Third Quarter of Fiscal 2020

The following section provides an overview of our financial performance during the third quarter of Fiscal 2020 compared to the third quarter of Fiscal 2019.

Sales

Sales for the third quarter of Fiscal 2020 increased by 9.6% to $947.6 million, compared to $864.3 million in the corresponding period of the prior fiscal year. Continued organic sales growth was fuelled by balanced growth in both comparable store sales and in the total number of stores over the past 12 months, from 1,192 stores on October 28, 2018 to 1,271 stores on November 3, 2019.

Comparable store sales grew 5.3% in the third quarter of Fiscal 2020, over and above comparable store sales growth of 3.1% in the same quarter a year ago. Comparable store sales growth for the third quarter of Fiscal 2020 consisted of a 2.8% increase in average transaction size, driven in part by an increase in the number of units per basket, and a 2.4% increase in the number of transactions. This increase is mainly driven by ongoing in-store merchandising initiatives, as well as the positive impact of the calendar shift caused by a 52-week fiscal year in Fiscal 2020 following a 53-week fiscal year in Fiscal 2019, with three additional Halloween shopping days falling in the third quarter of 2020 compared to the same period in Fiscal 2019.

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, 71.4% of sales originated from products priced higher than $1.25, compared to 70.6% in the corresponding quarter last year.

Gross Margin

Gross margin was 43.7% of sales in the third quarter of Fiscal 2020, compared to 44.3% of sales in the third quarter of Fiscal 2019. Gross margin is lower primarily due to a slight decrease in the product margin and higher sales of lower margin items, as well as higher logistics costs.

Gross margin includes sales made by the Corporation to Dollarcity, 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 third quarter of Fiscal 2020 was $142.2 million, compared to $120.7 million for the third quarter of Fiscal 2019. This increase is primarily related to the continued growth in the total number of stores.

SG&A for the third quarter of Fiscal 2020 represented 15.0% of sales, compared to 14.0% of sales for the third quarter of Fiscal 2019. The 1.0% increase is mainly the result of the timing of certain expenditures and of a slight increase in labour costs, due to wage increases and to the fiscal year calendar shift with Halloween packaway falling in the third quarter this year.

Depreciation and Amortization

The depreciation and amortization expense increased by $3.7 million, from $57.7 million for the third quarter of Fiscal 2019 to $61.4 million for the third quarter of Fiscal 2020. This increase relates mainly to investments in information technology projects, new stores and buildings. This expense now includes the depreciation of right-of-use assets related to leased stores and operating facilities as calculated under IFRS 16 for both periods.

Share of Net Earnings on Equity-Accounted Investment

For the third quarter of Fiscal 2020, the Corporation's 50.1% share of Dollarcity's net earnings for the period from August 14, 2019, the closing date of the acquisition, to September 30, 2019, the end date of Dollarcity's third quarter, was $1.7 million. The Corporation is accounting for its investment in Dollarcity as a joint arrangement using the equity method.

Net Financing Costs

Net financing costs increased by $2.5 million, from $22.7 million for the third quarter of Fiscal 2019 to $25.2 million for the third quarter of Fiscal 2020. The increase is mainly due to an increase in average borrowings on long-term debt, and net financing costs also include costs related to lease liabilities as calculated under IFRS 16 for both periods.

Other Income

Other income includes a one-time, non-recurring gain of $2.8 million, or $2.1 million after tax, representing the difference between the fair value of the call option to purchase 50.1% of Dollarcity's issued and outstanding shares and the estimated purchase price of this investment as at August 14, 2019, the closing date of the acquisition.

Income Taxes

Income taxes increased by $1.4 million, from $49.5 million for the third quarter of Fiscal 2019 to $50.9 million for the third quarter of Fiscal 2020, as a result of higher pre-tax earnings. The statutory income tax rate for the third quarter of Fiscal 2020 was 26.9% compared to 27.0% in the corresponding quarter of Fiscal 2019. The Corporation's effective tax rates for the third quarters of Fiscal 2020 and Fiscal 2019 were 26.8% and 27.2%, respectively. The effective tax rate for the quarter ended November 3, 2019 is lower than the statutory tax rate as it excludes the tax impact on the Corporation's share of net earnings of its equity-accounted investment, which is already net of taxes provisioned by Dollarcity.

Net Earnings

Net earnings increased to $138.6 million, or $0.44 per diluted common share, in the third quarter of Fiscal 2020, compared to $132.1 million, or $0.40 per diluted common share, in the third quarter of Fiscal 2019. This increase in net earnings is mainly the result of a 9.6% increase in sales, the inclusion of the Corporation's share of Dollarcity's net earnings and the one-time, non-recurring gain on the call option, partially offset by lower margins and higher SG&A as a percentage of sales. Earnings per common share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid over the past 12 months.

Analysis of Results for the First Nine Months of Fiscal 2020

The following section provides an overview of our financial performance during the first nine months of Fiscal 2020 compared to the first nine months of Fiscal 2019.

Sales

Sales for the first nine months of Fiscal 2020 increased by 9.4% to $2,722.1 million, compared to $2,488.8 million in the corresponding period of the prior fiscal year. Continued organic sales growth was fuelled by balanced growth in both comparable store sales and in the total number of stores over the past 12 months, from 1,192 stores on October 28, 2018 to 1,271 stores on November 3, 2019.

Comparable store sales grew 5.2% in the first nine months of Fiscal 2020, over and above comparable store sales growth of 2.7% in the same period a year ago. Comparable store sales growth for the first nine months of Fiscal 2020 consisted of a 3.8% increase in average transaction size, and a 1.4% increase in the number of transactions. The expansion of the Corporation's product offering across all merchandising categories through the addition of new stock keeping units (SKUs), as well as ongoing in-store merchandising initiatives contributed to comparable store sales growth. This increase was also driven by the positive impact of the calendar shift caused by a 52-week fiscal year in

Fiscal 2020 following a 53-week fiscal year in Fiscal 2019, with three additional Halloween shopping days in the third quarter of 2020 compared to the same period in Fiscal 2019.

In the first nine months of Fiscal 2020, 70.9% of sales originated from products priced higher than $1.25, compared to 69.7% in the corresponding period last year.

Gross Margin

Gross margin was 43.2% of sales in the first nine months of Fiscal 2020, compared to 44.4% of sales in the first nine months of Fiscal 2019. Gross margin is lower due to a slight decrease in the product margin, higher sales of lower margin items and higher logistics costs.

Gross margin includes sales made by the Corporation to Dollarcity, 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 period.

SG&A

SG&A for the first nine months of Fiscal 2020 was $396.0 million, compared to $352.1 million for the first nine months of Fiscal 2019. This increase is primarily related to the continued growth in the total number of stores.

SG&A for the first nine months of Fiscal 2020 represented 14.5% of sales, compared to 14.1% of sales for the first nine months of Fiscal 2019. The 0.4% increase is mainly the result of the timing of certain expenditures and of a slight increase in labour costs, due to wage increases and to the fiscal year calendar shift with Halloween packaway falling in the third quarter this year.

Depreciation and Amortization

The depreciation and amortization expense increased by $10.1 million, from $169.4 million for the first nine months of Fiscal 2019 to $179.5 million for the first nine months of Fiscal 2020. This increase relates mainly to investments in information technology projects, new stores and buildings. This expense now includes the depreciation of right-of-use assets related to leased stores and operating facilities as calculated under IFRS 16 for both periods.

Share of Net Earnings on Equity-Accounted Investment

For the first nine months of Fiscal 2020, the Corporation's 50.1% share of Dollarcity's net earnings for the period from August 14, 2019, the closing date of the acquisition, to September 30, 2019, the end date of Dollarcity's third quarter, was $1.7 million. The Corporation is accounting for its investment in Dollarcity as a joint arrangement using the equity method.

Net Financing Costs

Net financing costs increased by $7.7 million, from $67.7 million for the first nine months of Fiscal 2019 to $75.4 million for the first nine months of Fiscal 2020. The increase is mainly due to increased borrowings on long-term debt, and net financing costs also include costs related to lease liabilities as calculated under IFRS 16 for both periods.

Other Income

Other income for the first nine months of Fiscal 2019 includes a one-time, non-recurring gain of $2.8 million, or $2.1 million after tax, representing the difference between the fair value of the call option to purchase 50.1% of Dollarcity's issued and outstanding shares and the estimated purchase price of this investment as at August 14, 2019, the closing date of the acquisition.

Income Taxes

Income taxes increased by $3.2 million, from $141.0 million for the first nine months of Fiscal 2019 to $144.2 million for the first nine months of Fiscal 2020, as a result of higher pre-tax earnings. The statutory income tax rate for the first nine months of Fiscal 2020 was 26.9% compared to 27.0% in Fiscal 2019. The Corporation's effective tax rates for the first nine months of Fiscal 2020 and Fiscal 2019 were 27.2% and 27.4%, respectively.

Net Earnings

Net earnings increased to $385.3 million, or $1.21 per diluted common share, in the first nine months of Fiscal 2020, compared to $374.0 million, or $1.13 per diluted common share, in the first nine months of Fiscal 2019. This increase in net earnings is mainly the result of a 9.4% increase in sales, the inclusion of the Corporation's share of Dollarcity's net earnings and the one-time, non-recurring gain on the call option, partially offset by lower margins and higher SG&A as a percentage of sales. Earnings per common share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid over the past 12 months.

Summary of Consolidated Quarterly Results

	Fiscal 2020			Fiscal 2019 (2)				Fiscal 2018 (3)
(dollars in thousands, except per share amounts)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Statements of Net Earnings Data	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	947,649	946,405	828,036	1,059,714	864,267	868,453	756,069	938,075
Net earnings	138.627	143,183	103,512	171,005	132,095	140,350	101,537	162,828
Net earnings per common share(1)								
Basic	$0.44	$0.45	$0.33	$0.54	$0.41	$0.43	$0.31	$0.49
Diluted	$0.44	$0.45	$0.33	$0.53	$0.40	$0.42	$0.31	$0.48

(1) Per share amounts for Fiscal 2018 and the first quarter of Fiscal 2019 reflect the retrospective application of the Share Split.
(2) The numbers presented for Fiscal 2019 have been restated to reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to the unaudited condensed interim consolidated financial statements for the 13-week and 39-week periods ended November 3, 2019.
(3) The numbers presented for Fiscal 2018 do not reflect IFRS 16. The impact is not material.

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 Third Quarter of Fiscal 2020

(dollars in thousands)	13-Week Periods Ended		
	November 3, 2019 $	October 28, 2018 $ Restated (1)	Change $
Cash flows from operating activities	203,316	128,658	74,658
Cash flows used in investing activities	(98,275)	(32,048)	(66,227)
Cash flows used in financing activities	(180,097)	(199,470)	19,373
Net change in cash	(75,056)	(102,860)	27,804

(1) The numbers presented above reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to the unaudited condensed interim consolidated financial statements for the 13-week and 39-week periods ended November 3, 2019. Comparative Fiscal 2019 figures have been restated.

Cash Flows - Operating Activities

For the third quarter of Fiscal 2020, cash flows generated from operating activities totalled $203.3 million, compared to $128.7 million for the third quarter of Fiscal 2019. This increase is mainly attributable to changes in non-cash working capital components.

Cash Flows - Investing Activities

For the third quarter of Fiscal 2020, cash flows used in investing activities totaled $98.3 million, compared to $32.0 million for the third quarter of Fiscal 2019. This increase relates primarily to the acquisition of a 50.1% interest in Dollarcity and higher capital expenditures relating to a larger number of store openings.

Cash Flows - Financing Activities

For the third quarter of Fiscal 2020, cash flows used in financing activities totalled $180.1 million, compared to $199.5 million for the third quarter of Fiscal 2019. The lower use of cash flows in financing activities is explained by a lower amount used for share repurchases quarter over quarter.

Cash Flows for the First Nine Months of Fiscal 2020

(dollars in thousands)	39-Week Periods Ended		
	November 3, 2019 $	October 28, 2018 $ Restated (1)	Change $
Cash flows from operating activities	480,394	407,534	72,860
Cash flows used in investing activities	(158,785)	(122,914)	(35,871)
Cash flows used in financing activities	(307,984)	(260,621)	(47,363)
Net change in cash	13,625	23,999	(10,374)

(1) The numbers presented above reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to the unaudited condensed interim consolidated financial statements for the 13-week and 39-week periods ended November 3, 2019. Comparative Fiscal 2019 figures have been restated.

Cash Flows - Operating Activities

For the first nine months of Fiscal 2020, cash flows generated from operating activities totalled $480.4 million, compared to $407.5 million for the first nine months of Fiscal 2019. This increase is mainly attributable to changes in non-cash working capital components.

Cash Flows - Investing Activities

For the first nine months of Fiscal 2020, cash flows used in investing activities totaled $158.8 million, compared to $122.9 million for the first nine months of Fiscal 2019. This increase relates primarily to the acquisition of a 50.1% interest in Dollarcity, partially offset by lower capital expenditures, as the first nine months of Fiscal 2019 were marked by the acquisition by the Corporation of the previously leased distribution centre for $39.0 million.

Cash Flows - Financing Activities

For the first nine months of Fiscal 2020, cash flows used in financing activities totalled $308.0 million, compared to $260.6 million for the first nine months of Fiscal 2019. In the first nine months of Fiscal 2020, cash flows were used to pay down the Credit Facility, pay rent and dividends, while proceeds from a debt issuance in the corresponding period of the prior year more than offset financing needs, including in connection with share repurchases under the normal course issuer bid.

Capital Expenditures

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

For the third quarter of Fiscal 2020, capital expenditures totalled $39.8 million, compared to $33.0 million for the third quarter of Fiscal 2019. This increase is mainly due to the larger number of store openings.

For the first nine months of Fiscal 2020, capital expenditures totalled $100.8 million, compared to $124.1 million for the first nine months of Fiscal 2019. This decrease is mainly due to higher investments related to the distribution centre expansion incurred in Fiscal 2019, when the Corporation acquired the previously leased distribution centre from a related party.

Capital Resources

The Corporation generates sufficient cash flows from operating activities to fund its planned growth strategy in Canada and in Latin America, service its debt and make dividend payments to shareholders. As at November 3, 2019, the Corporation had $64.0 million of cash on hand and $498.9 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 and investments 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, including the payment of the estimated balance of the purchase price for the acquisition of a 50.1% interest in Dollarcity. 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 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 November 3, 2019, the carrying value of the 2.337% Fixed Rate Notes was $527.6 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 November 3, 2019, the carrying value of the Series 2 Floating Rate Notes was $300.8 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 November 3, 2019, the carrying value of the 2.203% Fixed Rate Notes was $252.0 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 November 3, 2019, the carrying value of the Series 3 Floating Rate Notes was $299.5 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 November 3, 2019, the carrying value of the 3.55% Fixed Rate Notes was $505.1 million.

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 Credit Agreement, originally dated as of October 25, 2013, as amended and restated from time to time, most recently on June 14, 2019. This latest amendment was aimed at extending the term of each facility, at harmonizing certain provisions of the Credit Agreement with IFRS 16 and at adjusting certain thresholds and ratios.

Facility A in the amount of $250.0 million is available until September 27, 2024, whereas Facility B and Facility C, representing $200.0 million and $50.0 million respectively, are available until September 29, 2021.

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 November 3, 2019, there was no amount outstanding under the Credit Facility (February 3, 2019 - $25.0 million), other than letters of credit issued for the purchase of inventories which amounted to $1.1 million (February 3, 2019 – $5.6 million, which amount included a letter of guarantee required by the municipality in connection with the expansion of the distribution centre). As at November 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 November 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).

(dollars in thousands)	**Less than 3 Months $**	**3 Months to 1 Year $**	**1-5 Years $**	**Over 5 years $**	**Total $**
Trade payables and accrued liabilities [1]	192,496	69,316	-	-	261,812
Dividend payable	13,799	-	-	-	13,799
Lease liabilities [1] [2]	53,556	161,163	739,974	789,310	1,744,003
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	-	-	-	-	-
Interest payments on:					
3.55% Fixed Rate Notes	8,875	8,875	62,125	-	79,875
2.203% Fixed Rate Notes	2,754	2,754	13,769	-	19,277
2.337% Fixed Rate Notes	6,135	6,135	12,269	-	24,539
Credit Facility and Floating Rate Notes [3]	3,602	6,964	1,681	-	12,247
	281,217	555,207	2,404,818	789,310	4,030,552

(1) The numbers presented above reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to the unaudited condensed interim consolidated financial statements for the 13-week and 39-week periods ended November 3, 2019.
(2) Represent the basic annual rent and other charges paid to landlords that are fixed or that vary based on an index or a rate.
(3) Based on interest rates in effect as at November 3, 2019.

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

(dollars in thousands)	**Less than 3 Months $**	**3 Months to 1 Year $**	**1-5 Years $**	**Over 5 Years $**	**Total $**
Letters of credit	1,082	-	-	-	1,082
Distribution centre expansion costs commitments	3,300	-	-	-	3,300
	4,382	-	-	-	4,382

Other than letters of credit 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, 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 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 first nine months of Fiscal 2020.

For a description of the derivative financial instruments of the Corporation, refer to Note 8 of the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended November 3, 2019 and to Note 3 and Note 14 of the Corporation's Fiscal 2019 audited consolidated financial statements.

Related Party Transactions

Property Leases

As at November 3, 2019, the Corporation leased 19 stores, five warehouses and its head office from entities controlled by the Rossy family pursuant to long-term lease agreements. Rental payments associated with these related-party leases are measured at cost, which equals fair value, being the amount of consideration established at market terms.

As at November 3, 2019, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $54.7 million (February 3, 2019 - $62.0 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $1.5 million and $5.3 million for the 13-week and 39-week periods ended November 3, 2019, respectively (13-week and 39-week periods ended October 28, 2018 - $1.5 million and $5.2 million, respectively, the latter amount including charges related to the distribution centre until February 21, 2018, the date on which it was acquired by the Corporation).

Property

On February 21, 2018, the Corporation acquired its existing distribution centre, which was previously leased from an entity controlled by the Rossy family, for a total of $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.

Dollarcity

In 2013, the Corporation's wholly-owned subsidiary, DII, entered into a licensing and services agreement with Dollarcity. As at November 3, 2019, the account receivable from Dollarcity for the goods sold, assets licensed and services provided under the licensing and services agreement totaled US$25,899 ($34,037), which amount is guaranteed by letters of credit up to US$20,000 ($26,284). For the period from August 14, 2019 to November 3, 2019, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to US$2,825 ($3,738).

Pursuant to the Stockholders Agreement dated August 14, 2019, Dollarcity's founding shareholders have the right under a put option, but not the obligation, to elect to sell to DII shares of Dollarcity held by them. This right is exercisable in the ordinary course commencing on October 1, 2022, subject to transaction size thresholds, required ownership thresholds and freeze periods, among other conditions and restrictions. This right may also be exercised upon the occurrence of certain extraordinary events. The exercise of any put right will trigger a fair market valuation to establish the applicable share price.

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.

Except for estimates relating to the lease term as discussed below and to the purchase price for the acquisition of a 50.1% interest in Dollarcity as discussed in "Recent Event", the Corporation's unaudited condensed interim consolidated financial statements discussed in this MD&A were prepared using the same significant estimates and judgments as those made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty to the Fiscal 2019 audited consolidated financial statements (refer to Note 5 to the Fiscal 2019 audited consolidated financial statements).

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. IFRS 16 may also introduce new estimates due to the incremental borrowing rate used for measurement of the lease liabilities.

Significant Standards and Interpretations

New and Amended Accounting Standards Adopted

Adoption of IFRS 16 – Leases

In January of 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases". For the Corporation, the new standard is effective for fiscal years beginning on February 4, 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 had significant contractual obligations in the form of operating leases under IAS 17, there has been a material increase to both assets and liabilities upon adoption of IFRS 16, and changes in the timing of recognition of expenses associated with lease arrangements.

IFRS 16 has been applied to the unaudited condensed interim consolidated financial statements discussed in this MD&A using the full retrospective approach and the Corporation has therefore restated comparative information for Fiscal 2019, as if IFRS 16 had always been in effect.

Refer to Note 6 and Note 7 to the Corporation's unaudited condensed interim consolidated financial statements for further details on these changes.

Equity Method of Accounting

The equity method of accounting is used by the Corporation to account for its equity investment in Dollarcity as the Corporation has significant influence, but not control over Dollarcity' operations.

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 described in the Corporation's annual MD&A and annual information form for Fiscal 2019 (which are available on SEDAR at www.sedar.com) and 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.

Controls and Procedures

There were no changes in internal control over financial reporting that occurred during the period beginning on August 5, 2019 and ended on November 3, 2019 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

As a result of the adoption of IFRS 16, new internal controls were designed and implemented, including new processes to meet the disclosure requirements under the new standard. The Corporation also went live with a new IT solution for the recognition and measurement of lease obligations in scope for the accounting of leases under IFRS 16.

Dividend

On December 4, 2019, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of its common shares of $0.044 per common share. The Corporation's quarterly cash dividend will be paid on February 7, 2020 to shareholders of record at the close of business on January 10, 2020 and is designated as an "eligible dividend" for Canadian tax purposes.

Normal Course Issuer Bid

On July 3, 2019, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 15,737,468 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on July 2, 2019, during the 12-month period from July 5, 2019 to July 4, 2020 (the "2019-2020 NCIB").

During the third quarter of Fiscal 2020, a total of 2,772,340 common shares were repurchased for cancellation under the 2019-2020 NCIB, at a weighted average price of $46.82 per common share, for a total cash consideration of $129.8 million. The Corporation's share capital was reduced by $3.7 million and the remaining $126.1 million was accounted for as an increase in deficit.

During the first nine months of Fiscal 2020, a total of 3,086,563 common shares were repurchased for cancellation under the 2019-2020 NCIB and the normal course issuer bid previously in effect, at a weighted average price of $47.07 per common share, for a total cash consideration of $145.3 million. The Corporation's share capital was reduced by $4.1 million and the remaining $141.2 million was accounted for as an increase in deficit.

Share Information

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

As at December 3, 2019, there were 312,220,914 common shares issued and outstanding. In addition, there were 7,096,300 options, each exercisable for one common share, issued and outstanding as at December 3, 2019. Assuming exercise of all outstanding options, there would have been 319,317,214 common shares issued and outstanding on a fully diluted basis as at December 3, 2019.

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".