

Dollarama Inc.

Condensed Interim Consolidated Financial
Statements

**For the 13-week periods ended May 3, 2020
and May 5, 2019**

(Unaudited, expressed in thousands of
Canadian dollars, unless otherwise noted)

Dollarama Inc.

Interim Consolidated Statement of Financial Position as at (Unaudited, expressed in thousands of Canadian dollars)

	Note	May 3, 2020 \$	February 2, 2020 \$
Assets			
Current assets			
Cash		522,644	90,464
Accounts receivable		28,917	34,965
Prepaid expenses		18,451	9,935
Prepaid income taxes		-	1,767
Inventories		608,331	623,490
Derivative financial instruments	7	36,001	3,876
		<u>1,214,344</u>	<u>764,497</u>
Non-current assets			
Right-of-use assets	6	1,278,504	1,283,778
Property, plant and equipment		670,088	644,011
Intangible assets		153,928	152,967
Derivative financial instruments	7	142	-
Goodwill		727,782	727,782
Equity-accounted investment	5	133,099	143,421
		<u>4,177,887</u>	<u>3,716,456</u>
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities		272,863	289,254
Short-term borrowings	8	385,471	-
Dividend payable		13,659	13,737
Derivative financial instruments	7	792	267
Income taxes payable		18,491	-
Current portion of long-term debt	8	314,234	606,494
Current portion of lease liabilities	6	170,470	182,732
		<u>1,175,980</u>	<u>1,092,484</u>
Non-current liabilities			
Non-current portion of long-term debt	8	1,546,515	1,270,289
Non-current portion of lease liabilities	6	1,324,508	1,332,016
Deferred income taxes		120,550	113,863
		<u>4,167,553</u>	<u>3,808,652</u>
Shareholders' equity (deficit)			
Share capital	9	455,260	448,704
Contributed surplus	9	29,166	29,108
Deficit		(501,690)	(574,110)
Accumulated other comprehensive income		27,598	4,102
		<u>10,334</u>	<u>(92,196)</u>
Total shareholders' equity (deficit)		<u>10,334</u>	<u>(92,196)</u>
Total liabilities and shareholders' equity (deficit)		<u>4,177,887</u>	<u>3,716,456</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Interim Consolidated Statement of Changes in Shareholders' Equity (Deficit)
For the 13-week periods ended
(Unaudited, expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
Balance – February 2, 2020	9	310,231,037	448,704	29,108	(574,110)	4,102	(92,196)
Net earnings		-	-	-	86,079	-	86,079
Other comprehensive income		-	-	-	-	28,944	28,944
Total comprehensive income		-	-	-	86,079	28,944	115,023
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(5,448)	(5,448)
Dividends declared		-	-	-	(13,659)	-	(13,659)
Share-based compensation	9	-	-	1,180	-	-	1,180
Issuance of common shares	9	190,500	5,434	-	-	-	5,434
Reclassification for the exercise of share options	9	-	1,122	(1,122)	-	-	-
Balance – May 3, 2020		310,421,537	455,260	29,166	(501,690)	27,598	10,334
Balance – February 3, 2019	9	314,685,277	408,179	32,450	(765,202)	7,189	(317,384)
Net earnings		-	-	-	103,512	-	103,512
Other comprehensive income		-	-	-	-	12,006	12,006
Total comprehensive income		-	-	-	103,512	12,006	115,518
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(6,047)	(6,047)
Dividends declared		-	-	-	(13,848)	-	(13,848)
Share-based compensation	9	-	-	1,415	-	-	1,415
Issuance of common shares	9	55,700	1,346	-	-	-	1,346
Reclassification for the exercise of share options	9	-	280	(280)	-	-	-
Balance – May 5, 2019		314,740,977	409,805	33,585	(675,538)	13,148	(219,000)

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Dollarama Inc.

Interim Consolidated Statement of Net Earnings and Comprehensive Income

For the 13-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	May 3, 2020 \$	May 5, 2019 \$
Sales		844,798	828,036
Cost of sales	13	495,747	479,145
Gross profit		349,051	348,891
General, administrative and store operating expenses		137,738	122,123
Depreciation and amortization	13	63,975	58,199
Share of net earnings of equity-accounted investment	5	(2,374)	-
Operating income		149,712	168,569
Financing costs		27,202	25,558
Earnings before income taxes		122,510	143,011
Income taxes	10	36,431	39,499
Net earnings		86,079	103,512
Other comprehensive income			
<i>Items that may be reclassified subsequently to net earnings</i>			
Reclassification of losses on derivative financial instruments not subject to basis adjustments		(95)	(95)
Foreign currency translation adjustments		5,424	-
Share of other comprehensive loss of equity-accounted investment	5	(3,864)	-
Income tax recovery relating to these items		31	25
<i>Items that will not be reclassified subsequently to net earnings</i>			
Unrealized gains on derivative financial instruments subject to basis adjustments		37,328	16,523
Income tax expense relating to these items		(9,880)	(4,447)
Total other comprehensive income, net of income taxes		28,944	12,006
Total comprehensive income		115,023	115,518
Earnings per common share			
Basic net earnings per common share	11	\$0.28	\$0.33
Diluted net earnings per common share	11	\$0.28	\$0.33
Weighted average number of common shares outstanding (thousands)	11	310,281	314,701
Weighted average number of diluted common shares outstanding (thousands)	11	312,074	317,863

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Interim Consolidated Statement of Cash Flows For the 13-week periods ended (Unaudited, expressed in thousands of Canadian dollars)

	Note	May 3, 2020 \$	May 5, 2019 \$
Operating activities			
Net earnings		86,079	103,512
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	13	63,975	58,199
Amortization of debt issue costs		650	547
Recognition of gains and losses on bond lock and bond forward contracts	7	(95)	(95)
Share-based compensation	9	1,180	1,415
Financing costs on long-term debt		6,106	8,971
Financing costs on short-term borrowings		456	-
Deferred income taxes		(1,201)	5,580
Gain on disposal of assets		(1,064)	(504)
Share of net earnings of equity-accounted investment	5	(2,374)	-
		<u>153,712</u>	<u>177,625</u>
Changes in non-cash working capital components	14	30,820	(83,311)
Net cash generated from operating activities		<u>184,532</u>	<u>94,314</u>
Investing activities			
Additions to property, plant and equipment		(42,921)	(26,523)
Additions to intangible assets		(5,077)	(4,157)
Proceeds from disposal of property, plant and equipment		106	351
Net cash used in investing activities		<u>(47,892)</u>	<u>(30,329)</u>
Financing activities			
Net proceeds of short-term borrowings	8	383,191	-
Net proceeds (repayments) of credit facilities	8	277,500	(20,000)
Repayment of Series 2 Floating Rate Notes	8	(300,000)	-
Payment of debt issue costs		(290)	-
Principal elements of lease liabilities	6	(56,558)	(27,754)
Issuance of common shares		5,434	1,346
Dividends paid		(13,737)	(12,650)
Net cash generated from (used in) financing activities		<u>295,540</u>	<u>(59,058)</u>
Change in cash		432,180	4,927
Cash – beginning of period		<u>90,464</u>	<u>50,371</u>
Cash – end of period		<u>522,644</u>	<u>55,298</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements
May 3, 2020

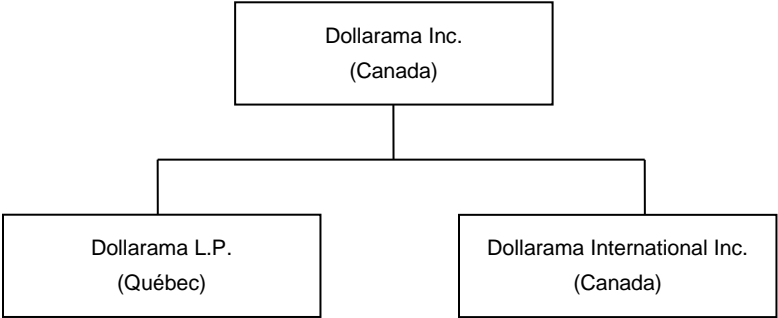
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the *Canada Business Corporations Act*. The Corporation offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to \$4.00 in-store and online in Canada. As at May 3, 2020, the Corporation maintains retail operations in every Canadian province.

The Corporation’s head and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1. The Corporation’s warehousing and distribution operations are also located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOL”.

As at May 3, 2020, the significant entities within the legal structure of the Corporation are as follows:



Dollarama L.P. operates the chain of stores in Canada and performs related logistical and administrative support activities.

Dollarama International Inc. (“Dollarama International”) has retail operations in Latin America through its 50.1% equity investment in Dollarcity, a value retailer headquartered in Panama. Dollarcity offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to US\$3.00 (or the equivalent in local currency) in stores located in El Salvador, Guatemala and Colombia. Dollarama International sells merchandise and renders services to Dollarcity. For the 13-week periods ended May 3, 2020 and May 5, 2019, sales by Dollarama International to Dollarcity represented approximately 1% of the Corporation’s total consolidated sales.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Corporation for issue on June 10, 2020.

The Corporation prepares its condensed interim consolidated financial statements 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"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended February 2, 2020 ("Fiscal 2020"), which have been prepared in accordance with IFRS as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

Seasonality of operations

The Corporation's sales generally increase ahead of major holidays, with December representing the highest proportion of sales, but otherwise experience limited seasonal fluctuations. However, the occurrence of certain events that are beyond the Corporation's control, such as unusually adverse weather or an epidemic or pandemic outbreak (like the COVID-19 pandemic), and cause disruption in its operations could materially adversely affect the business and financial results of the Corporation. Consequently, results for the 13-week period ended May 3, 2020 may not be representative of results for subsequent quarters or for the full fiscal year.

3 Summary of significant accounting policies

Except as described below, these unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in Note 3 to the Fiscal 2020 audited consolidated financial statements.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Effective February 3, 2020, the Corporation adopted the "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7" (the "Reform"). The amendments were meant to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the Reform which affects the application of hedge accounting requirements of IFRS 9. There is no impact as a result of the adoption of these amendments since the hedges the Corporation contracted are not subject to an interest rate benchmark that is scheduled for replacement.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

4 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.

These unaudited condensed interim consolidated financial statements have been prepared using the critical accounting estimates and judgments as outlined in Note 4 to the Fiscal 2020 audited consolidated financial statements.

5 Equity-accounted investment

On August 14, 2019, the Corporation acquired, through Dollarama International, a 50.1% interest in Latin American value retailer Dollarcity and made a cash payment of US\$40,000 (\$52,800). The total estimated purchase price 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 May 3, 2020, based on the latest financial projections, the estimated purchase price was US\$80,422 (\$109,751). The estimated balance of the purchase price of US\$40,422 (\$56,951) was recorded in accounts payable and accrued liabilities, and will be due, subject to final adjustments, in the third quarter of the Corporation's fiscal year ending January 31, 2021.

6 Leases

As at May 3, 2020, the Corporation owned one store, one distribution centre, one warehouse and leased 1,300 stores, its head office, five warehouses and some equipment.

a) Additions to right-of-use assets

Additions to the right-of-use assets during the 13-week period ended May 3, 2020 amounted to \$39,702 (May 5, 2019 – \$65,248).

b) Amounts recognized in the interim consolidated statement of net earnings

	May 3, 2020 \$	May 5, 2019 \$
Depreciation of right-of-use assets	43,146	39,958
Gain on lease remeasurements	(1,085)	(746)
Interest on lease liabilities	11,913	11,764
Variable lease expenses not included in the measurement of the lease liabilities	24,692	22,397
Expenses relating to short-term leases	4,175	3,818

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

6 Leases (cont'd)

c) Amounts recognized in the interim consolidated statement of cash flows

	May 3, 2020 \$	May 5, 2019 \$
Lease cash flows		
Fixed payments	72,837	50,234
Variable payments	31,742	22,810
Short-term leases	4,175	3,818
Tenant incentives received	(4,366)	(10,716)
	<u>104,388</u>	<u>66,146</u>
Principal elements of lease liabilities		
Fixed payments	72,837	50,234
Tenant incentives received	(4,366)	(10,716)
Interest on lease liabilities	(11,913)	(11,764)
	<u>56,558</u>	<u>27,754</u>

7 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 or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US Commercial Paper Program. Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

7 Financial instruments (cont'd)

A summary of the aggregate contractual nominal value, weighted average contract rate, statement of financial position location and estimated fair values of derivative financial instruments as at May 3, 2020 and February 2, 2020 is as follows:

	Contractual nominal value	Weighted average contract rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD	USD/CAD	Location	Significant other observable inputs (Level 2)	Recurring
	\$			\$	
As at May 3, 2020					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	514,000	1.35	Current assets	33,372	Cash flow hedge
USD Foreign exchange forward contracts	8,000	1.39	Non-current assets	142	Cash flow hedge
	<u>522,000</u>			<u>33,514</u>	
Hedging instruments for the US commercial paper program					
USD Foreign exchange forward contracts	75,000	1.37	Current assets	2,629	Cash flow hedge
USD Foreign exchange forward contracts	199,000	1.41	Current liabilities	(792)	Cash flow hedge
	<u>274,000</u>			<u>1,837</u>	
Total	<u>796,000</u>			<u>35,351</u>	
As at February 2, 2020					
Hedging instruments					
USD Foreign exchange forward contracts	410,000	1.31	Current assets	3,876	Cash flow hedge
USD Foreign exchange forward contracts	41,000	1.33	Current liabilities	(267)	Cash flow hedge
	<u>451,000</u>			<u>3,609</u>	

For the 13-week period ended May 3, 2020, accumulated fair value gains of \$3,053 on foreign exchange forward contracts recorded in the carrying value of inventory were reclassified from inventory to the consolidated statement of net earnings and comprehensive income and recorded in the cost of sales.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Debt

	May 3, 2020 \$	February 2, 2020 \$
Long-term debt outstanding consists of the following as at:		
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", and collectively with the 3.55% Fixed Rate Notes and the 2.203% Fixed Rate Notes, the "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, repaid on March 16, 2020 (the "Series 2 Floating Rate Notes", and collectively with the Series 3 Floating Rate Notes, the "Floating Rate Notes")	-	300,000
Unsecured revolving credit facilities	277,500	-
Less: Unamortized debt issue costs	(6,264)	(6,624)
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	14,513	8,407
	<u>1,860,749</u>	<u>1,876,783</u>
Current portion (includes the Series 3 Floating Rate Notes maturing February 1, 2021, unamortized debt issue costs and accrued interest on the Senior Unsecured Notes)	(314,234)	(606,494)
	<u>1,546,515</u>	<u>1,270,289</u>

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Debt (cont'd)

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at May 3, 2020 and February 2, 2020. The fair values of the Senior Unsecured Notes were determined using Level 2 inputs in the fair value hierarchy.

	May 3, 2020		February 2, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Fixed Rate Notes				
3.55% Fixed Rate Notes	505,522	530,050	500,874	523,480
2.203% Fixed Rate Notes	252,090	254,300	250,664	250,958
2.337% Fixed Rate Notes	527,854	531,032	524,686	527,678
Floating Rate Notes				
Series 3 Floating Rate Notes	299,448	298,653	301,302	300,204
Series 2 Floating Rate Notes	-	-	300,754	300,156
	<u>1,584,914</u>	<u>1,614,035</u>	<u>1,878,280</u>	<u>1,902,476</u>

Credit Agreement

On February 14, 2020, the Corporation and the lenders entered into the Third Amended and Restated Credit Agreement (the "TARCA") reflecting a number of agreed upon amendments to the Second Amended and Restated Credit Agreement, including the addition of a new revolving credit facility, Facility D, in the amount of \$300,000, which is available until February 12, 2021. This additional facility brings total commitments up from \$500,000 to \$800,000 and serves as a liquidity backstop for the repayment of the USCP Notes (defined hereinafter) issued from time to time under the US Commercial Paper Program (defined hereinafter).

On March 13, 2020, the Corporation and the lenders entered into a first amending agreement to the TARCA in order to extend the term of Facility B and Facility C, representing \$200,000 and \$50,000 respectively, from September 29, 2021 to September 29, 2022. Facility A, in the amount of \$250,000 is available until September 27, 2024.

Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to committed facilities up to an aggregate amount, together with all then-existing commitments, of \$1,500,000.

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

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Debt (cont'd)

As at May 3, 2020, an amount of \$277,500 was outstanding under the TARCA (May 5, 2019 – \$5,000), in addition to letters of credit issued for the purchase of inventories which amounted to \$1,033 (May 5, 2019 – \$784). As at May 3, 2020, the Corporation was in compliance with all of its financial covenants.

Short-term borrowings

On February 18, 2020, the Corporation announced the establishment of a commercial paper program in the United States on a private placement basis, in reliance upon exemptions from registration and prospectus requirements under applicable securities legislation (the “US Commercial Paper Program”).

Under the terms of the US Commercial Paper Program, the Corporation may issue, from time to time, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the “USCP Notes”). The aggregate principal amount of USCP Notes outstanding at any one time under the US Commercial Paper Program may not exceed US\$500,000. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars, and uses those proceeds for general corporate purposes.

The USCP Notes are direct unsecured obligations of the Corporation and rank equally with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation.

The USCP Notes had carrying values that approximated their fair values as at May 3, 2020 and their fair value was determined using Level 2 inputs. As at May 3, 2020, the amount outstanding under the US Commercial Paper Program was US\$274,000 (\$385,471).

9 Shareholders' equity (deficit)

a) Share capital

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”).

No common shares were repurchased for cancellation under the 2019-2020 NCIB and the normal course issuer bid in effect before that during the 13-week periods ended May 3, 2020 and May 5, 2019.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

9 Shareholders' equity (deficit) (cont'd)

b) Contributed surplus

Share-based compensation

During the 13-week period ended May 3, 2020, the Corporation recognized a share-based compensation expense of \$1,180 (May 5, 2019 – \$1,415).

Outstanding and exercisable share options for the 13-week periods ended on the dates indicated below are as follows:

	May 3, 2020		May 5, 2019	
	Number of share options	Weighted average exercise price (\$)	Number of share options	Weighted average exercise price (\$)
Outstanding – beginning of period	5,083,700	26.99	7,249,600	22.07
Granted	-	-	565,500	38.17
Exercised	(190,500)	28.52	(55,700)	24.17
Forfeited	-	-	(53,400)	33.68
Outstanding – end of period	4,893,200	26.93	7,706,000	23.16
Exercisable – end of period	3,623,300	22.39	5,567,000	17.85

Information relating to share options outstanding and exercisable as at May 3, 2020 is as follows:

Range of exercise prices	Share options outstanding			Share options exercisable		
	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price (\$)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price (\$)
\$4.39 - \$6.59	13	36,000	5.67	13	36,000	5.67
\$6.60 - \$9.90	21	171,600	7.29	21	171,600	7.29
\$9.91 - \$13.66	35	555,600	12.11	35	555,600	12.11
\$13.67 - \$18.72	47	1,120,000	14.83	47	1,120,000	14.83
\$18.73 - \$23.68	59	537,400	23.68	59	537,400	23.68
\$23.69 - \$30.20	71	825,000	30.20	71	597,000	30.20
\$30.21 - \$37.36	83	567,000	37.36	83	293,400	37.36
\$37.37 - \$51.25	101	1,080,600	44.57	99	312,300	46.78
	66	4,893,200	26.93	57	3,623,300	22.39

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

9 Shareholders' equity (deficit) (cont'd)

No share options were granted during the 13-week period ended May 3, 2020.

The weighted average fair value of the share options granted during the 13-week period ended May 5, 2019 was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	<u>May 5, 2019</u>
Exercise price per share	\$38.17
Dividend yield	0.5%
Risk-free interest rate	1.4%
Expected life	6.2 years
Expected volatility	22.4%
Weighted average fair value of share options estimated at the grant date	\$9.08

The expected life is estimated using the average of the vesting period and the contractual life of the share options. Expected volatility is estimated based on weekly observations of the Corporation's publicly traded share price.

10 Income taxes

The 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 rate for the 13-week period ended May 3, 2020 was 26.7% (May 5, 2019 – 27.0%). The Corporation's effective income tax rate for the 13-week period ended May 3, 2020 was 29.7% (May 5, 2019 – 27.6%).

11 Earnings per common share

Diluted net earnings per common share for the 13-week periods ended on the dates indicated below were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	<u>May 3, 2020</u>	<u>May 5, 2019</u>
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	\$86,079	\$103,512
Weighted average number of common shares outstanding during the period (<i>thousands</i>)	310,281	314,701
Assumed share options exercised (<i>thousands</i>)	1,793	3,162
Weighted average number of common shares for diluted net earnings per common share (<i>thousands</i>)	312,074	317,863
Diluted net earnings per common share	\$0.28	\$0.33

As at May 3, 2020, 1,080,600 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the sum of the exercise price and the unearned shared-based compensation of those share options under the treasury stock method (May 5, 2019 – 1,786,500).

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Notes to Condensed Interim Consolidated Financial Statements

May 3, 2020

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

12 Related party transactions

a) Rossey family

As at May 3, 2020, the outstanding balance of lease liabilities owed to entities controlled by the Rossey family totalled \$50,141 (February 2, 2020 – \$52,419).

Rental expenses charged by entities controlled by the Rossey family but not included in lease liabilities totalled \$1,670 for the 13-week period ended May 3, 2020 (May 5, 2019 – \$2,101).

These transactions were measured at cost, which equals fair value, being the amount of consideration established at market terms.

b) Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into a licensing and services agreement with Dollarcity. As at May 3, 2020, the account receivable from Dollarcity for the goods sold, assets licensed and services provided under the licensing and services agreement totalled US\$17,038 (\$23,919), which amount is guaranteed by a letter of credit up to US\$10,000 (\$14,089). For the 13-week period ended May 3, 2020, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to US\$3,441 (\$4,737).

Under the Stockholders Agreement dated August 14, 2019, Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International purchase shares of Dollarcity held by them at fair market value. This right is exercisable in the ordinary course commencing on October 1, 2022, and is subject to certain 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, including a change in control of the Corporation and a sale of Dollarcity.

13 Expenses by nature included in the condensed interim consolidated statement of net earnings and comprehensive income

	May 3, 2020	May 5, 2019
	\$	\$
Cost of sales		
Cost of goods sold, labour, transport and other costs	459,230	446,856
Occupancy costs	36,517	32,289
Total cost of sales	495,747	479,145
Depreciation and amortization		
Depreciation of property, plant and equipment and right-of-use assets	59,859	54,641
Amortization of intangible assets	4,116	3,558
Total depreciation and amortization	63,975	58,199
Employee benefits	106,970	93,449

Dollarama Inc.

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(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

14 Details of statement of cash flows

Changes in non-cash working capital

The changes in non-cash working capital components for the 13-week periods ended on the dates indicated below are as follows:

	May 3, 2020	May 5, 2019
	\$	\$
Accounts receivable	7,754	1,454
Prepaid expenses	(8,514)	(2,259)
Prepaid income taxes	1,759	(9,630)
Inventories	15,159	3,761
Accounts payable and accrued liabilities ⁽¹⁾	(2,959)	(42,035)
Income taxes payable	17,621	(34,602)
	<u>30,820</u>	<u>(83,311)</u>
Cash paid for income taxes	17,372	78,151
Cash paid for interest	19,895	16,313

⁽¹⁾ As at May 3, 2020, the estimated balance of purchase price for the acquisition of a 50.1% interest in Dollarcity of US\$40,422 (\$56,951) was recorded in accounts payable and accrued liabilities and was excluded from the change in non-cash working capital.

Cash paid for income taxes and interest are cash flows used in operating activities.

15 Events after the reporting period

a) Quarterly cash dividend

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

b) Additional investment in Dollarcity

On May 8, 2020, the Corporation, through Dollarama International, and Dollarcity's founding stockholders, each made a capital contribution to Dollarcity to cover their pro rata share of the costs associated with a series of transactions aimed at bringing real estate assets into the Dollarcity group, eliminating existing related-party transactions and insourcing some logistics activities. The Corporation's capital contribution amounted to US\$20,040 (\$28,002) and has been added to the equity-accounted investment of the Corporation in Dollarcity.