DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Third Quarter Ended November 1, 2020

December 9, 2020

The following management's discussion and analysis ("MD&A") dated December 9, 2020 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 1, 2020. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended November 1, 2020 and the audited annual consolidated financial statements and notes for Fiscal 2020 (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 1, 2020 have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The 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 2019" are to the Corporation's fiscal year ended February 3, 2019; to "Fiscal 2020" are to the Corporation's fiscal year ended February 2, 2020; and to "Fiscal 2021" are to the Corporation's fiscal year ending January 31, 2021.

The Corporation's fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 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:

- the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of Dollarama and Dollarcity, as well as on consumer behaviour and the economy in general;
- expectations on gross margin;
- the liquidity position of the Corporation;
- the refinancing of the 2.337% Fixed Rate Notes (defined hereinafter) maturing July 22, 2021;
- the potential accretive effect of the normal course issuer bid;
- the impact of minimum wage increases on administrative and store operating expenses; and
- the ability to maintain sufficient inventory levels to meet anticipated customer demand.

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 for Fiscal 2020, available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com, and of this MD&A: future increases in operating costs (including increases in statutory minimum wages and incremental costs associated with COVID-19 measures), future increases in merchandise costs (including as a result of tariff disputes), future increases in shipping and transportation costs, inability to sustain assortment and replenishment of merchandise, increase in the cost or a disruption in the flow of imported goods (including as a result of the global outbreak of COVID-19), 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, pandemic or epidemic outbreaks, earthquakes and other natural disasters, climate change, geopolitical events and political unrest in foreign countries, 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 9, 2020 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.

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 ended November 1, 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 and includes share of net earnings of equity-accounted investment.
EBITDA margin	Represents EBITDA divided by sales.
Total debt	Represents the sum of long-term debt (including accrued interest and unamortized debt issue costs as current portion), short-term borrowings under the US Commercial Paper Program (defined hereinafter) 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 1, 2020 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 1, 2020 over (ii) the book value of those common shares. The Corporation believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Refer to the section entitled "Selected Consolidated Financial Information" of this MD&A for a reconciliation of the non-GAAP measures used and presented by the Corporation to the most directly comparable GAAP measures.

Recent Events

Quarterly Cash Dividend

On December 9, 2020, the Corporation announced that its Board of Directors had approved a 6.8% increase of the quarterly cash dividend for holders of common shares, from $0.044 to $0.047 per common share. This dividend is payable on February 5, 2021 to shareholders of record at the close of business on January 8, 2021. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Payment of Balance of Purchase Price for 50.1% Interest in Dollarcity

On September 10, 2020, the balance of purchase price of US$52.7 million ($69.3 million) for the Corporation's 50.1% equity interest in Dollarcity was paid. This is following a cash payment of US$40.0 million ($52.8 million) made on August 14, 2019, when the Corporation closed the acquisition.

The final purchase price of US$92.7 million ($122.1 million) was calculated using 50.1% of a five times multiple of Dollarcity's EBITDA for the 12-month period ended June 30, 2020, minus net debt and subject to other adjustments, following completion of the audit of Dollarcity's financial statements for the reference period.

COVID-19 Operational Procedures and Cost Impact

Dollarama continues to maintain wide-ranging measures, implemented in the first quarter of Fiscal 2021, to promote the health and safety of its employees across its operations and of its customers in-store. In addition to various hygiene, cleaning and sanitation measures, strict protocols remain in place to minimize risk to employees and customers in any proven or probable case of COVID-19.

Direct costs related to COVID-19 measures implemented by Dollarama to support employees and protect the health and safety of customers and employees from the outset of the pandemic through to the end of the third quarter ended November 1, 2020 totalled approximately $60.2 million, of which $2.9 million relates to cost of sales and $57.3 million to SG&A (defined hereinafter). Direct costs incurred in the third quarter of Fiscal 2021 totalled $10.9 million, and the full amount is recorded in SG&A. These amounts do not reflect any indirect costs related to COVID-19 such as lost sales and changes in the sales mix.

Overview

Our Business

As at November 1, 2020, the Corporation had 1,333 stores in Canada and continues to expand its network across the country. Stores average 10,313 square feet and offer a broad assortment of consumable 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 stores are corporately operated, providing a consistent shopping experience, and many are located in high-traffic areas, in metropolitan areas, mid-sized cities and small towns.

The Corporation has an online store to provide additional convenience to its Canadian 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 only.

The Corporation's strategy is to grow sales, operating income, net earnings, earnings per share and cash flows by expanding its Canadian store network and by offering a compelling value proposition on a wide variety of merchandise to a broad base of customers. The Corporation continually strives to maintain and improve the efficiency of its operations.

The Corporation also has operations in Latin America through its 50.1% equity interest in Dollarcity, a Latin American value retailer headquartered in Panama. 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) in El Salvador and Guatemala and up to the equivalent of US$4.00 in local currency in Colombia. At its latest quarter ended September 30, 2020, Dollarcity had a total of 240 stores with 127 locations in Colombia, 49 in El Salvador and 64 in Guatemala. Dollarcity is expected to enter a fourth market in 2021 with the opening of stores in Peru.

Key Items in the Third Quarter of Fiscal 2021

Compared to the third quarter of Fiscal 2020:

- Sales increased by 12.3% to $1,064.2 million;
- Comparable store sales[(1)] grew 7.1%, over and above a 5.3% growth in the same period a year ago;
- Gross margin[(1)] was 44.0% of sales, compared to 43.7% of sales;
- EBITDA[(1)] increased by 14.2% to $312.1 million, or 29.3% of sales, compared to 28.8% of sales;
- Operating income increased by 15.1% to $243.8 million, or 22.9% of sales, compared to 22.4% of sales; and
- Diluted net earnings per common share increased by 18.2%, to $0.52 from $0.44.

During the third quarter of Fiscal 2021, the Corporation opened 19 net new stores, compared to 21 net new stores during the corresponding period last year.

Key Items in the First Nine Months of Fiscal 2021

Compared to the first nine months of Fiscal 2020:

- Sales increased by 7.4% to $2,922.6 million;
- Comparable store sales[(1)] grew 4.6%, over and above a 5.2% growth in the same period a year ago;
- Gross margin[(1)] was 43.2% of sales, unchanged from the same period a year ago;
- EBITDA[(1)] increased by 2.8% to $803.7 million, or 27.5% of sales, compared to 28.7% of sales;
- Operating income increased by 0.5% to $604.9 million, or 20.7% of sales, compared to 22.1% of sales; and
- Diluted net earnings per common share increased by 3.3%, to $1.25 from $1.21.

During the first nine months of Fiscal 2021, the Corporation opened 42 net new stores, compared to 46 net new stores during the corresponding period of the previous fiscal year.

[(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.

Factors Affecting Results of Operations

Sales

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

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

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, the Corporation focuses on offering a wide selection of quality merchandise at attractive values in well-designed, consistent and convenient store formats.

The Corporation's wholly-owned subsidiary, Dollarama International, 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 Dollarama International to customers represent sales of merchandise to Dollarcity. Following the acquisition by Dollarama International of a 50.1% interest in Dollarcity on August 14, 2019, the Corporation continues, through Dollarama International, to share its business expertise, to provide various services and to act as Dollarcity's primary supplier of products, either as principal or as intermediary, pursuant to a licensing and services agreement (the "LSA") entered into between the parties in February 2013.

Historically, the Corporation's highest sales results have occurred in the fourth quarter, with December representing the highest proportion of sales. Sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but the Corporation otherwise experiences limited seasonal fluctuations in sales in the normal course of business. The Corporation is currently monitoring the impact of the COVID-19 pandemic on its sales, as further discussed below. Refer to the section of the annual MD&A dated April 1, 2020 and of this MD&A entitled "Risks and Uncertainties" for a discussion about the risks associated with seasonality and business continuity.

Cost of Sales

Our cost of sales consists mainly of inventory purchased, 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 occupancy costs. We record vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of inventory purchases or, if the related inventory has been sold, as a reduction of 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 2020, direct overseas sourcing accounted for 53% 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. Firstly, when fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on these cost changes to us. Due to the high volatility of fuel costs, it is difficult to forecast the fuel surcharges we may incur from our carriers. Also, inbound shipping costs are impacted by changing dynamics in the ocean shipping industry, most notably by the wave of market consolidation observed in container shipping in recent years, which continues to have an impact on shipping capacity and prevailing rates, especially in the context of the COVID-19 pandemic.

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. Fixed and indexed rental payments are capitalized as a lease liability under IFRS 16. Occupancy costs have generally increased over the years. 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. Presently, it is too early to determine the impact of the COVID-19 pandemic on commercial real estate rates. 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. This fiscal year, the gross margin is also impacted by a shift in the sales mix in the COVID environment and by preventative measures implemented throughout Dollarama's operations, including its logistics chain.

In the context of the COVID-19 pandemic, management maintained the decision to minimize price increases in Fiscal 2021 in order to provide Canadian consumers with affordable everyday products. Management intends to continue to invest in the value proposition to consumers to stimulate sales growth, both in terms of number of units per transaction and number of transactions.

General, Administrative and Store Operating Expenses

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.

Certain Canadian provinces implemented notable increases in the statutory minimum wage in Fiscal 2021, and a few more adjustments are scheduled for the next fiscal year, in British Columbia and Nova Scotia. Minimum wage adjustments that deviate from the formula based on the year-over-year change in the consumer price index (CPI) create unpredictability, resulting in additional challenges for retailers.

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 other dollar stores, the Corporation faces competition to an even greater extent from variety and discount stores, convenience stores and mass merchants operating in Canada, 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 items, 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 in Canada and for the recruitment of employees.

On March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus disease (COVID-19) outbreak a pandemic. Subsequently, all of the jurisdictions in which Dollarama operates imposed strict measures in an attempt to slow the transmission of the virus, including travel restrictions, self-isolation measures, temporary closures of non-essential services and businesses, and physical distancing practices. Similar measures have been taken in the countries of operation of Dollarcity.

Dollarama has been recognized as an essential business in Canada, and Dollarcity received the same recognition in El Salvador, Guatemala and Colombia. The Corporation remains committed to maintaining stores open and well-stocked with affordable everyday products and offering the same compelling value proposition to customers, all while ensuring appropriate measures are in place to protect the health and safety of its customers and employees.

From the outset of the COVID-19 outbreak, the Corporation implemented mitigation strategies, contingency plans and several preventive measures to protect the health and safety of its employees and customers. Also, the Corporation is continuously monitoring the impact of the pandemic on its local and global supply chains and its operations in Canada and Latin America. Measures adopted by the Corporation in response to COVID-19 as well as measures implemented by different levels of governments, which continue to evolve to this date, and their impact on operations, operating costs, customer traffic and labour productivity and availability could materially adversely affect the Corporation's financial results.

Since the summer of 2020, economic activity has resumed in all markets in which the Corporation operates, and all Dollarama and Dollarcity stores that were temporarily closed at the height of the pandemic have reopened. However, store traffic continues to be adversely impacted by physical distancing measures in place. Also, supply shortages, temporary closures of facilities, restrictions on the sale of non-essential items, and increased government regulation could negatively affect operations and financial results. The deterioration of economic conditions to date has resulted in a surge in unemployment and may lead to a deterioration in consumer balance sheets, all of which may impact consumers' spending behaviour and could adversely affect the Corporation's financial performance.

It remains impossible to reliably estimate the duration, severity and extent of public health and economic impacts of the COVID-19 pandemic on the operations and financial results of the Corporation, both in the short term and in the long term. The current resurgence of COVID-19 infections across Canada could force governments to impose stricter restrictions.

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 1, 2020 and November 3, 2019 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

	13-Week Periods Ended		39-Week Periods Ended	
(dollars and shares in thousands, except per share amounts)	November 1, 2020	November 3, 2019	November 1, 2020	November 3, 2019
	$	$	$	$
Earnings Data				
Sales	1,064,201	947,649	2,922,591	2,722,090
Cost of sales	595,455	533,887	1,660,044	1,546,194
Gross profit	468,746	413,762	1,262,547	1,175,896
SG&A	160,904	142,242	467,979	396,016
Depreciation and amortization	68,291	61,374	198,773	179,538
Share of net earnings of equity-accounted investment	(4,259)	(1,707)	(9,136)	(1,707)
Operating income	243,810	211,853	604,931	602,049
Financing costs	23,048	25,198	72,854	75,374
Other income	-	(2,842)	-	(2,842)
Earnings before income taxes	220,762	189,497	532,077	529,517
Income taxes	58,891	50,870	141,631	144,195
Net earnings	161,871	138,627	390,446	385,322
Basic net earnings per common share	$0.52	$0.44	$1.26	$1.23
Diluted net earnings per common share	$0.52	$0.44	$1.25	$1.21
Weighted average number of common shares outstanding:				
Basic	311,146	314,125	310,725	314,528
Diluted	312,838	317,843	312,494	318,112
Other Data				
Year-over-year sales growth	12.3%	9.6%	7.4%	9.4%
Comparable store sales growth (1)	7.1%	5.3%	4.6%	5.2%
Gross margin (2)	44.0%	43.7%	43.2%	43.2%
SG&A as a % of sales (2)	15.1%	15.0%	16.0%	14.5%
EBITDA (3)	312,101	273,227	803,704	781,587
Operating margin (2)	22.9%	22.4%	20.7%	22.1%
Capital expenditures	33,602	39,767	116,102	100,809
Number of stores (4)	1,333	1,271	1,333	1,271
Average store size (gross square feet) (4)	10,313	10,275	10,313	10,275
Declared dividends per common share	$0.044	$0.044	$0.132	$0.132

(dollars in thousands)	13-Week Periods Ended		39-Week Periods Ended	
	November 1, 2020 $	November 3, 2019 $	November 1, 2020 $	November 3, 2019 $
A reconciliation of operating income to EBITDA is included below:				
Operating income	243,810	211,853	604,931	602,049
Add: Depreciation and amortization	68,291	61,374	198,773	179,538
EBITDA	**312,101**	**273,227**	**803,704**	**781,587**
EBITDA margin [(3)]	29.3%	28.8%	27.5%	28.7%
A reconciliation of EBITDA to cash flows from operating activities is included below:				
EBITDA	312,101	273,227	803,704	781,587
Financing costs (net of amortization of debt issue costs)	(12,577)	(15,853)	(61,774)	(64,896)
Recognition of gains and losses on bond lock and bond forward contracts	(87)	(95)	(276)	(284)
Current income taxes	(58,891)	(44,428)	(142,832)	(132,547)
Share-based compensation	1,812	1,430	4,310	4,145
(Gain) loss on disposal of assets	(1,112)	(109)	(3,787)	(589)
Share of net earnings of equity-accounted investment	(4,259)	(1,707)	(9,136)	(1,707)
	236,987	212,465	590,209	585,709
Changes in non-cash working capital components	(35,571)	(9,149)	78,004	(105,315)
Net cash generated from operating activities	**201,416**	**203,316**	**668,213**	**480,394**

	As at	
	November 1, 2020 $	February 2, 2020 $
Statement of Financial Position Data		
Cash	444,721	90,464
Inventories	602,524	623,490
Total current assets	1,086,946	764,497
Property, plant and equipment	686,805	644,011
Right-of-use assets	1,319,216	1,283,778
Total assets	4,154,265	3,716,456
Total current liabilities	1,373,240	1,092,484
Total non-current liabilities	2,518,664	2,716,168
Total debt [(5)]	1,941,951	1,883,407
Net debt [(6)]	1,497,230	1,792,943
Shareholders' equity (deficit)	262,361	(92,196)

(dollars in thousands)	As at	
A reconciliation of long-term debt to total debt is included below:	**November 1, 2020 $**	**February 2, 2020 $**
Senior unsecured notes bearing interest at:		
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	-
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 1.505% Fixed Rate Notes, 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
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, "Senior Unsecured Notes")	15,767	8,407
Total long-term debt	1,890,767	1,883,407
USCP Notes issued under US Commercial Paper Program	51,184	-
Total debt	**1,941,951**	**1,883,407**

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

Total debt	1,941,951	1,883,407
Cash	(444,721)	(90,464)
Net debt [(6)]	**1,497,230**	**1,792,943**

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

Deficit	(224,697)	(574,110)
Price paid in excess of book value of common shares repurchased under the NCIB	3,707,976	3,707,976
Adjusted retained earnings [(7)]	**3,483,279**	**3,133,866**

The deficit as at November 1, 2020 or February 2, 2020 is not a reflection of poor 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. Even though no shares were repurchased for cancellation in the first three quarters of Fiscal 2021 as the Corporation chose to preserve liquidity as a result of the uncertainty related to the COVID-19 pandemic, management believes that buying back shares remains an effective strategy to drive shareholder value over time and constitutes an appropriate use of the Corporation's funds.

(1) 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. For the first and second quarters of Fiscal 2021, comparable store sales growth excludes stores that were then temporarily closed.

(2) 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.

(3) EBITDA, a non-GAAP measure, represents operating income plus depreciation and amortization. EBITDA margin represents EBITDA divided by sales.

(4) At the end of the period.

(5) Total debt, a non-GAAP measure, represents the sum of long-term debt (including accrued interest and unamortized debt issue costs as current portion), short-term borrowings under the US Commercial Paper Program and other bank indebtedness (if any).

(6) Net debt, a non-GAAP measure, represents total debt minus cash.

(7) 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 1, 2020 over (ii) the book value of those common shares.

Results of Operations

Analysis of Results for the Third Quarter of Fiscal 2021

The following section provides an overview of the Corporation's financial performance during the third quarter of Fiscal 2021 compared to the third quarter of Fiscal 2020.

Sales

Sales for the third quarter of Fiscal 2021 increased by 12.3% to $1,064.2 million, compared to $947.6 million in the corresponding period of the prior fiscal year. This increase is attributable to the growth in the total number of stores over the past twelve months, from 1,271 stores on November 3, 2019, to 1,333 stores on November 1, 2020, and to an increase in comparable store sales, primarily driven by higher sales of summer and other seasonal items as well as household essentials, health and beauty, and cleaning products. This was partially offset by lower in-store traffic and lower sales of certain product categories, such as party supplies and greeting cards.

Comparable store sales grew 7.1%, consisting of a 26.3% increase in average transaction size and a 15.2% decrease in the number of transactions. Customers reduced the frequency of store visits but purchased larger quantities of goods at one time compared to the same period last year. However, in-store traffic has improved compared to the previous quarter when a number of stores were temporarily closed and/or operating with reduced hours.

In this quarter, 73.7% of the Corporation's sales originated from products priced higher than $1.25, compared to 71.4% in the corresponding quarter last year.

Gross Margin

Gross margin was $468.7 million or 44.0% of sales in the third quarter of Fiscal 2021, compared to $413.8 million or 43.7% of sales in the third quarter of Fiscal 2020. This increase is primarily driven by higher sales of higher margin products, namely summer and Halloween seasonal items, and the positive impact of scaling.

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 2021 increased by 13.2% to $160.9 million, compared to $142.2 million for the third quarter of Fiscal 2020. SG&A for the third quarter of Fiscal 2021 represented 15.1% of sales, compared to 15.0% of sales for the third quarter of Fiscal 2020. The variance reflects the incremental direct costs of additional in-store hours to ensure the execution of COVID-19 cleaning and physical distancing measures, which amounted to approximately $10.9 million, or 100 bps. COVID-19 direct costs were lower in the third quarter of Fiscal 2021 compared to the second quarter as all COVID-related wage premiums in stores and in the distribution centre and warehouses lapsed at the beginning of August 2020. SG&A was positively impacted by higher labour productivity in stores due to the processing of a lower volume of transactions but higher baskets, less packaway of seasonal inventory as a result of strong sales, and lower travel costs, as well as scaling.

Depreciation and Amortization

The depreciation and amortization expense increased by $6.9 million, from $61.4 million for the third quarter of Fiscal 2020 to $68.3 million for the third quarter of Fiscal 2021. The increase is mainly explained by the depreciation of new stores, right-of-use assets, computer software and the distribution centre expansion completed in the last quarter of Fiscal 2020.

Share of Net Earnings of Equity-Accounted Investment

For the third quarter of Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from July 1, 2020 to September 30, 2020 (a 13-week period), was $4.3 million. For the corresponding period last year, an amount of $1.7 million was recorded as Dollarama's share of Dollarcity's net earnings for the period from August 14, 2019, the date of Dollarama's acquisition of its interest in Dollarcity, to September 30, 2019, the end date of Dollarcity's fiscal quarter (a 6.5-week period). The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs decreased by $2.2 million, from $25.2 million for the third quarter of Fiscal 2020 to $23.0 million for the third quarter of Fiscal 2021, mainly due to a lower average borrowing rate.

Other Income

Other income in the third quarter of Fiscal 2020 included 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. Other income in the third quarter of Fiscal 2021 was nil.

Income Taxes

Income taxes increased by $8.0 million, from $50.9 million for the third quarter of Fiscal 2020 to $58.9 million for the third quarter of Fiscal 2021, as a result of higher pre-tax earnings. This increase was partly compensated by a reduction in the statutory income tax rate, as well by the fact that the Corporation's share of net earnings of its equity-accounted investment is computed net of taxes provisioned by Dollarcity. The statutory income tax rates for the third quarters of Fiscal 2021 and Fiscal 2020 were 26.6% and 26.9%, respectively. The Corporation's effective income tax rates for the third quarters of Fiscal 2021 and Fiscal 2020 were 26.7% and 26.8%, respectively.

Net Earnings

Net earnings were $161.9 million, or $0.52 per diluted common share, in the third quarter of Fiscal 2021, compared to $138.6 million, or $0.44 per diluted common share, in the third quarter of Fiscal 2020. Net earnings in the third quarter of Fiscal 2021 reflect higher sales and improved gross margin, partially offset by incremental COVID-19 direct costs.

Analysis of Results for the First Nine Months of Fiscal 2021

The following section provides an overview of our financial performance during the first nine months of Fiscal 2021 compared to the first nine months of Fiscal 2020.

Sales

Sales for the first nine months of Fiscal 2021 increased by 7.4% to $2,922.6 million, compared to $2,722.1 million in the corresponding period of the prior fiscal year. The increase in sales is attributable to the growth in the total number of stores over the past twelve months, from 1,271 stores on November 3, 2019 to 1,333 stores on November 1, 2020, and to an increase in comparable store sales, driven by higher sales of consumable products, household essentials as well as summer seasonal items. This was partially offset by lower in-store traffic and lower sales of certain product categories, such as party supplies and greeting cards.

Comparable store sales, excluding stores temporarily closed in the first and second quarters, grew 4.6% in the first nine months of Fiscal 2021, consisting of a 30.0% increase in average transaction size and a 19.6% decrease in the number of transactions. Customers reduced the frequency of store visits but purchased larger quantities of goods at one time.

In the first nine months of Fiscal 2021, 73.6% of sales originated from products priced higher than $1.25, compared to 70.9% in the corresponding period last year.

Gross Margin

Gross margin was $1,262.5 million or 43.2% of sales in the first nine months of Fiscal 2021, compared to $1,175.9 million or the same 43.2% of sales in the first nine months of Fiscal 2020. Strong margins were sustained by sales of higher margin products such as summer and Halloween seasonal items.

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 2021 was $468.0 million, an 18.2% increase over $396.0 million for the first nine months of Fiscal 2020. SG&A for the first nine months of Fiscal 2021 represented 16.0% of sales, compared to 14.5% of sales for the first nine months of Fiscal 2020. This variance mainly reflects the incremental direct costs of additional in-store hours to ensure the execution of COVID-19 cleaning and physical distancing measures, which amounted to approximately $57.3 million or 2.0% of sales. Those costs included COVID-related wage premiums that ended on August 2, 2020 as well as additional in-store hours to ensure the execution of COVID-19 cleaning and sanitization protocols and physical distancing measures.

Depreciation and Amortization

The depreciation and amortization expense increased by $19.3 million, from $179.5 million for the first nine months of Fiscal 2020 to $198.8 million for the first nine months of Fiscal 2021. The increase is mainly explained by the depreciation of new stores, right-of-use assets, computer software and the distribution centre expansion completed in the last quarter of Fiscal 2020.

Share of Net Earnings of Equity-Accounted Investment

For the first nine months of Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2020 to September 30, 2020 (a 39-week period) was $9.1 million. For the corresponding period last year, an amount of $1.7 million was recorded as Dollarama's share of Dollarcity's net earnings for the period from August 14, 2019, the date of Dollarama's acquisition of its interest in Dollarcity, to September 30, 2019, the end date of Dollarcity's fiscal quarter (a 6.5-week period). The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs decreased by $2.5 million, from $75.4 million for the first nine months of Fiscal 2020 to $72.9 million for the first nine months of Fiscal 2021. The decrease is mainly due to a lower average borrowing rate.

Other Income

Other income in the third quarter of Fiscal 2020 included 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. Other income in the third quarter of Fiscal 2021 was nil.

Income Taxes

Income taxes decreased by $2.6 million, from $144.2 million for the first nine months of Fiscal 2020 to $141.6 million for the first nine months of Fiscal 2021, as a result of a reduction in the statutory income tax rate, as well as the fact that the Corporation's share of net earnings of its equity-accounted investment is computed net of taxes provisioned by Dollarcity. The statutory income tax rates for the first nine months of Fiscal 2021 and Fiscal 2020 were 26.6% and 26.9%, respectively. The Corporation's effective income tax rates for the first nine months of Fiscal 2021 and Fiscal 2020 were 26.6% and 27.2%, respectively.

Net Earnings

Net earnings increased to $390.4 million, or $1.25 per diluted common share, in the first nine months of Fiscal 2021, compared to $385.3 million, or $1.21 per diluted common share, in the first nine months of Fiscal 2020. Net earnings in the first nine months of Fiscal 2021 reflect higher sales and sustained gross margins offset by incremental COVID-19 direct costs.

Summary of Consolidated Quarterly Results

(*dollars in thousands, except per share amounts*)	Fiscal 2021			Fiscal 2020				Fiscal 2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Statement of Net Earnings Data	$	$	$	$	$	$	$	$
Sales	1,064,201	1,013,592	844,798	1,065,201	947,649	946,405	828,036	1,059,714
Net earnings	161,871	142,496	86,079	178,717	138,627	143,183	103,512	171,006
Net earnings per common share								
Basic	$0.52	$0.46	$0.28	$0.57	$0.44	$0.45	$0.33	$0.54
Diluted	$0.52	$0.46	$0.28	$0.57	$0.44	$0.45	$0.33	$0.53

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 or an outbreak like the COVID-19 pandemic causing disruption in our business activities or operations during a peak season such as the winter holidays or around other major holidays and celebrations or for a prolonged period of time could have an adverse effect on our distribution network and on store traffic, which could materially adversely affect our business and financial results. Results for the third quarter of Fiscal 2021 may not be representative of results for the remaining quarter of the fiscal year.

Liquidity and Capital Resources

Cash Flows for the Third Quarter of Fiscal 2021

(dollars in thousands)	13-Week Periods Ended		
	November 1, 2020	November 3, 2019	Change
	$	$	$
Cash flows from operating activities	201,416	203,316	(1,900)
Cash flows used in investing activities	(102,643)	(98,275)	(4,368)
Cash flows generated (used) in financing activities	127,591	(180,097)	307,688
Net change in cash	226,364	(75,056)	301,420

Cash Flows - Operating Activities

For the third quarter of Fiscal 2021, cash flows generated from operating activities totalled $201.4 million, compared to $203.3 million for the third quarter of Fiscal 2020. This decrease is attributable to a higher use of working capital resulting mainly from the payment of previously deferred tax installments as allowed by Canadian tax authorities in the context of the COVID-19 pandemic. These tax payments more than offset the higher operating earnings, as well as the lower use of working capital to purchase inventory.

Cash Flows - Investing Activities

For the third quarter of Fiscal 2021, cash flows used in investing activities totalled $102.6 million, compared to $98.3 million for the third quarter of Fiscal 2020. The increase includes a US$52.7 million ($69.3 million) payment representing the balance of purchase price for Dollarama's 50.1% interest in Dollarcity, whereas the initial payment made in the corresponding quarter last year amounted to US$40.0 million ($52.8 million). Capital expenditures were also slightly lower in the third quarter of Fiscal 2021 compared to the prior year as certain transformation projects were slowed down as the Corporation focused on new store openings.

Cash Flows - Financing Activities

For the third quarter of Fiscal 2021, cash flows generated from financing activities totalled $127.6 million, compared to cash flows used in financing activities totalling $180.1 million for the third quarter of Fiscal 2020. This variation is mainly due to the proceeds from the issuance of the 1.505% Fixed Rate Notes (defined hereinafter).

Cash Flows for the First Nine Months of Fiscal 2021

	39-Week Periods Ended		
(dollars in thousands)	November 1, 2020 $	November 3, 2019 $	Change $
Cash flows from operating activities	668,213	480,394	187,819
Cash flows used in investing activities	(212,919)	(158,785)	(54,134)
Cash flows used in financing activities	(101,037)	(307,984)	206,947
Net change in cash	354,257	13,625	340,632

Cash Flows - Operating Activities

For the first nine months of Fiscal 2021, cash flows generated from operating activities totalled $668.2 million, compared to $480.4 million for the first nine months of Fiscal 2020. This increase is attributable to higher operating earnings and a lower use of working capital to purchase inventory. Inventory levels decreased in Fiscal 2021 as a result of strong sales and the timing in receiving merchandise, compared to Fiscal 2020. The impact of lower inventory has been mitigated by accelerating the replenishment cycles and drawing down on safety stocks. The Corporation expects to be in a position to meet anticipated customer demand in the upcoming quarters.

Cash Flows - Investing Activities

For the first nine months of Fiscal 2021, cash flows used in investing activities totalled $212.9 million, compared to $158.8 million for the first nine months of Fiscal 2020. This increase includes the payment of the balance of purchase price of US$52.7 million ($69.3 million) for the 50.1% interest in Dollarcity, a US$20.0 million ($28.0 million) additional equity investment into Dollarcity to purchase real estate assets, as well as higher transformational capital expenditures for Dollarama's stores in Canada, such as the purchase of additional self-checkout machines for certain high-traffic locations across the network, the continued roll-out of security cameras, and other store optimization projects.

Cash Flows - Financing Activities

For the first nine months of Fiscal 2021, cash flows used in financing activities totalled $101.0 million, compared to $308.0 million for the first nine months of Fiscal 2020. The use of cash flows in Fiscal 2021 was lower than in the prior year as the Corporation did not repurchase shares under the normal course issuer bid program in Fiscal 2021 to preserve liquidity in the context of the COVID-19 pandemic.

Capital Expenditures

Now that the expansion of the distribution centre is completed, capital expenditures mainly relate to investments in information technology projects and new stores.

Capital expenditures decreased by $6.2 million, from $39.8 million for the third quarter of Fiscal 2020 to $33.6 million for the third quarter of Fiscal 2021. The decrease reflects a slowdown in store transformation projects as the Corporation focused on new store openings.

For the first nine months of Fiscal 2021, capital expenditures totalled $116.1 million, compared to $100.8 million for the first nine months of Fiscal 2020. This increase reflects additional store-related transformational capital expenditures, including but not limited to, the purchase of additional self-checkout machines for certain high-traffic locations across the network, the continued roll-out of security cameras, and other store optimization projects.

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 1, 2020, the Corporation had $444.7 million of cash on hand and $798.8 million undrawn under its Credit Facility (defined hereinafter) of which $51.2 million was reserved to serve as a backstop for outstanding amounts under the US Commercial Paper Program.

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

The Corporation is not eligible for any federal or provincial government support programs made available in the context of the COVID-19 pandemic. In Canada, the Corporation paid rent due to landlords, in full and in a timely manner, for all stores (including those that were temporarily closed earlier in Fiscal 2021), warehouses and its head office.

Barring further extraordinary circumstances arising from the COVID-19 pandemic, based upon the current strength of earnings, management believes that cash flows from operating activities, together with cash on hand and credit available under the Credit Facility, will be adequate to meet future operating cash needs.

The Corporation had a negative working capital of $286.3 million as at November 1, 2020, compared to a negative working capital of $328.0 million as at February 2, 2020 as a result of the inclusion in current liabilities of the Senior Unsecured Notes due in the next twelve months. The Corporation intends to use the net proceeds from the recent issuance of the 1.505% Fixed Rate Notes to repay the $300.0 million aggregate principal amount of outstanding Series 3 Floating Rate Notes due February 1, 2021 and for general corporate purposes. In addition, the Corporation expects to refinance the 2.337% Fixed Rate Notes due July 22, 2021 through the issuance of new long-term notes before the maturity date. The Corporation is in good standing with rating agencies.

The Corporation’s assumptions with respect to future liquidity needs and refinancing opportunities may not be correct, and funds available to it from the sources described herein may not be sufficient to enable it to service its indebtedness or cover any shortfall in funding for any unanticipated expenses.

Senior Unsecured Notes

Long-term debt outstanding consists of the following as at:	November 1, 2020 $	February 2, 2020 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	-
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 1.505% Fixed Rate Notes, 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
Less: Unamortized debt issue costs	(6,869)	(6,624)
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	15,767	8,407
	1,883,898	1,876,783
Current portion (includes the Series 3 Floating Rate Notes maturing February 1, 2021, the 2.337% Fixed Rate Notes maturing July 22, 2021, unamortized debt issue costs and accrued interest on the Senior Unsecured Notes)	(840,314)	(606,494)
	1,043,584	1,270,289

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at November 1, 2020 and February 2, 2020.

	November 1, 2020		February 2, 2020	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
1.505% Fixed Rate Notes	298,908	297,330	-	-
3.55% Fixed Rate Notes	505,943	535,650	500,874	523,480
2.203% Fixed Rate Notes	252,186	256,500	250,664	250,958
2.337% Fixed Rate Notes	528,074	531,720	524,686	527,678
Floating Rate Notes				
Series 3 Floating Rate Notes	300,403	300,150	301,302	300,204
Series 2 Floating Rate Notes	-	-	300,754	300,156
	1,885,514	1,921,350	1,878,280	1,902,476

Fixed Rate Notes

On September 18, 2020, the Corporation issued the 1.505% Fixed Rate Notes at par, for aggregate gross proceeds of $300.0 million, by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Corporation intends to use the net proceeds to repay the $300.0 million aggregate principal amount of outstanding Series 3 Floating Rate Notes due February 1, 2021 and for general corporate purposes. The 1.505% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited. The 1.505% Fixed Rate Notes bear interest at a rate of 1.505% per annum, payable in equal semi-annual instalments, in arrears, on March 20 and September 20 of each year until maturity on September 20, 2027.

Credit Facility

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 (the “SARCA”), including the addition of a new revolving credit facility, Facility D, in the amount of $300.0 million, to the three existing facilities (all four facilities being collectively referred to as the “Credit Facility”). This additional facility brings total commitments up from $500.0 million to $800.0 million and the whole facility 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.

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 $200.0 million and $50.0 million respectively, from September 29, 2021 to September 29, 2022.

On September 21, 2020, the Corporation and the lenders entered into a second amending agreement to the TARCA in order to extend the term of Facility D from February 12, 2021 to September 20, 2021. Facility A, in the amount of $250.0 million, 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 the Credit Facility up to an aggregate amount, together with all then-existing commitments, of $1,500.0 million.

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.

The Credit Facility remains guaranteed by Dollarama L.P. and Dollarama GP Inc. (collectively, with the Corporation, the "Credit Parties"). The TARCA 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 TARCA 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 1, 2020, no amount was outstanding under the TARCA (February 2, 2020 – no amount outstanding under the SARCA), although there were letters of credit issued for the purchase of inventories which amounted to $1.2 million (February 2, 2020 – $0.5 million). As at November 1, 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$500.0 million. 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 November 1, 2020 and their fair value was determined using Level 2 inputs. As at November 1, 2020, the amount outstanding under the US Commercial Paper Program was US$38.4 million ($51.2 million).

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 1, 2020. 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 payable and accrued liabilities	205,639	-	-	-	205,639
Dividend payable	13,691	-	-	-	13,691
Lease liabilities (1)	52,641	167,635	781,788	790,137	1,792,201
Principal repayment on:					
1.505% Fixed Rate Notes	-	-	-	300,000	300,000
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
USCP Notes	50,575	-	-	-	50,575
Interest payments on:					
1.505% Fixed Rate Notes	-	4,540	18,060	9,030	31,630
3.55% Fixed Rate Notes	8,875	8,875	44,375	-	62,125
2.203% Fixed Rate Notes	2,754	2,754	8,261	-	13,769
2.337% Fixed Rate Notes	6,135	6,135	-	-	12,270
Credit Facility and Floating Rate Notes (2)	570	570	-	-	1,140
	340,880	1,015,509	1,602,484	1,099,167	4,058,040

(1) Represent the basic annual rent and other charges paid to landlords that are fixed or that vary based on an index or a rate.
(2) Based on interest rates in effect as at November 1, 2020.

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, and commitments as at November 1, 2020.

(dollars in thousands)	**Less than 3 months** **$**	**3 months to 1 year** **$**	**1-5 years** **$**	**Over 5 years** **$**	**Total** **$**
Letters of credit	1,084	165	-	-	1,249

Other than letters of credit, the Corporation has 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 or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US Commercial Paper Program.

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.

With the introduction of the US Commercial Paper Program, the Corporation reassessed the nature of the risks arising from derivatives and related risk management and concluded that there were no material changes.

For a description of the derivative financial instruments of the Corporation, refer to Note 7 of the Corporation's unaudited condensed interim consolidated financial statements for third quarter ended November 1, 2020 and to Note 3 and Note 15 of the Corporation's Fiscal 2020 audited consolidated financial statements.

Related Party Transactions

Property Leases

As at November 1, 2020, 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 1, 2020, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $45.5 million (February 2, 2020 – $52.4 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $1.4 million and $4.6 million for the 13-week and 39-week periods ended November 1, 2020, respectively (13-week and 39-week periods ended November 3, 2019 – $1.5 million and $5.3 million, respectively).

Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into the LSA with Dollarcity. As at November 1, 2020, the account receivable from Dollarcity for the goods sold, assets licensed, and services provided under the LSA totalled $22.6 million (November 3, 2019 – $34.0 million), which amount is partly guaranteed by a letter of credit up to US$10.0 million ($13.3 million) (November 3, 2019 – US$20.0 million ($26.3 million)). For the 13-week and 39-week periods ended November 1, 2020, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to $4.7 million and $10.5 million, respectively (for the period from August 14, 2019, the date on which Dollarcity became a related party to the Corporation as a result of the acquisition by the Corporation of a 50.1% interest in Dollarcity, to November 3, 2019 – $3.7 million).

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.

Critical Accounting Estimates and Judgments

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

The Corporation's 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.

Significant Standards and Interpretations

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.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

In May 2020, the IASB issued an amendment to IFRS 16, Leases, which provides lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification. The amendment is effective for annual and interim reporting periods beginning on or after June 1, 2020 with early application permitted. The Corporation has adopted the "COVID-19-Related Rent Concessions" amendment to IFRS 16. Early application by the Corporation of the practical expedient did not have an impact on the financial results as no rent concession was received by the Corporation.

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 2020 (which are available on SEDAR at www.sedar.com) and updated herein, 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.

Update to Risks and Uncertainties – Risks Related to Business Operations

The COVID-19 pandemic continues to spread and is having a significant impact on global economic activity. The duration of the COVID-19 pandemic and its impact on the Corporation and Dollarcity is unknown at this time.

The measures imposed by public authorities worldwide, including in Canada, to slow the transmission of the virus at the outset of the pandemic resulted in the temporary closure of non-essential services and businesses in certain jurisdictions and, notably, the closure of malls in Quebec, among other consequences. Certain of these measures were gradually eased across Canada in the second quarter of our fiscal year, which has allowed us to re-open temporarily closed stores.

However, the recent resurgence in COVID-19 cases in the second half of the third quarter has prompted certain provincial governments to re-introduce emergency measures, including the mandatory closure of certain types of businesses in Ontario, a prohibition on the sale of non-essential items in Manitoba, and additional restrictions on gatherings and maximum capacity in retail stores in multiple provinces. The Corporation has been recognized as an essential business in its Canadian markets from the onset of the pandemic. However, if additional mitigation measures are implemented by public authorities as a result of the recent resurgence in the number of COVID-19 cases, there is no guarantee that the Corporation would be able to requalify as an essential business and maintain its operations. In particular, the inability of the Corporation to re-obtain such status in Quebec could lead to the closure of the Corporation's distribution centre and significantly hinder its ability to re-stock its stores across Canada. Furthermore, the COVID-19 pandemic continues to cause a significant disruption in everyday life and in consumer habits in the Corporation's principal markets, and there is no assurance that the end of the pandemic will restore business as usual.

Similarly, in the Latin American markets in which Dollarcity operates (Colombia, El Salvador and Guatemala), the long-term impact of the COVID-19 pandemic is impossible to forecast at this time. As the situation in these markets evolves, Dollarcity may continue to be impacted by factors beyond its control, including without limitation forced store closures, potential supply disruptions or other unforeseen circumstances.

The Corporation continues to closely monitor the situation as it evolves day-to-day and may take further actions in response to directives of governmental and public health authorities or that are deemed to be in the best interests of employees, customers, suppliers or other stakeholders, as necessary.

In the context of this pandemic, global financial markets have experienced, and could continue to experience, significant volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions and financial markets. However, the efficacy of these interventions is uncertain. Economic uncertainty, including as a result of the recent resurgence in the number of COVID-19 cases, could negatively impact access to capital markets, could cause interest rate volatility and movements, and could adversely affect our ability to raise financing as well as the cost thereof. It could also prompt the adoption of new legislation or regulations imposing additional burden, financial or otherwise, on companies.

In addition, the risk factors described in the Corporation's annual MD&A and annual information form for Fiscal 2020, as updated in this MD&A, could be exacerbated, or become more likely to materialize, as a result of the COVID-19 pandemic or related events.

Controls and Procedures and Internal Controls over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the period beginning on August 3, 2020 and ended on November 1, 2020 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On December 9, 2020, the Corporation announced that its Board of Directors had approved a 6.8% increase of the quarterly cash dividend for holders of common shares, from $0.044 to $0.047 per common share. This dividend is payable on February 5, 2021 to shareholders of record at the close of business on January 8, 2021. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

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

Normal Course Issuer Bid

On July 3, 2020, the Corporation announced the renewal of its normal course issuer bid and the approval from the Toronto Stock Exchange (the "TSX") to repurchase for cancellation up to 15,548,326 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on June 30, 2020, during the 12-month period from July 7, 2020 to July 6, 2021.

During the 13-week and 39-week periods ended November 1, 2020, no common shares were repurchased for cancellation under the normal course issuer bid as the Corporation chose to preserve liquidity in light of the uncertainty related to the COVID-19 pandemic.

Share Information

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

As at December 8, 2020, there were 311,180,737 common shares issued and outstanding. In addition, there were 4,936,900 options, each exercisable for one common share, issued and outstanding as at December 8, 2020. Assuming exercise of all outstanding options, there would have been 316,117,637 common shares issued and outstanding on a fully diluted basis as at December 8, 2020.

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".