



DOLLARAMA INC. MANAGEMENT'S DISCUSSION AND ANALYSIS First Quarter Ended May 2, 2021

June 9, 2021

The following management's discussion and analysis ("MD&A") dated June 9, 2021 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 first quarter ended May 2, 2021. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the first quarter ended May 2, 2021 and the audited annual consolidated financial statements and notes for Fiscal 2021 (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 first quarter ended May 2, 2021 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 2020" are to the Corporation's fiscal year ended February 2, 2020; to "Fiscal 2021" are to the Corporation's fiscal year ended January 31, 2021; and to "Fiscal 2022" are to the Corporation's fiscal year ending January 30, 2022.

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 of the COVID-19 pandemic and its impact on the business, operations and financial condition of Dollarama and Dollarcity, as well as on consumer behaviour and the economy in general;
- the liquidity position of the Corporation;
- the refinancing of the 2.337% Fixed Rate Notes (as hereinafter defined) maturing July 22, 2021;
- the potential accretive effect of the normal course issuer bid and the Corporation's intention to actively repurchase shares thereunder; and
- the impact of the market consolidation of ocean carriers on shipping capacity and prevailing rates.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's annual MD&A and annual information form for Fiscal 2021, both available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com: 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 rising raw material costs and 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 June 9, 2021 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 first quarter ended May 2, 2021 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 (as hereinafter defined) 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 May 2, 2021 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 May 2, 2021 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

Performance Share Units

On March 30, 2021, upon recommendation of the Human Resources and Compensation Committee, the board of directors of the Corporation (the "Board of Directors") approved the introduction of a new performance component to the Corporation's long-term incentive plan (the "LTIP"), namely performance share units ("PSUs"), to be awarded annually concurrently with share options. Awards under the LTIP are now allocated so that at all times PSUs represent a minimum of 50% of the target dollar value of the LTIP award. PSUs will be settled shortly after the vesting determination date, following the expiry of the three-year performance period of each grant, in common shares of the Corporation purchased on the open market. Vesting will be based upon the achievement of performance objectives established at the time of the award by the Board of Directors.

Quarterly Cash Dividend

On June 9, 2021, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of \$0.0503 per common share. This dividend is payable on August 6, 2021, to shareholders of record at the close of business on July 9, 2021. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

COVID-19 Update

The ongoing COVID-19 pandemic and various measures taken by provincial governments in response to its third wave continued to impact consumer shopping patterns and Dollarama's results in the first quarter of Fiscal 2022. These measures included a stay-at-home order and a ban on the sale of non-essential goods in Ontario, where approximately 40% of the Corporation's stores are located, effective April 8, 2021, which had an immediate and sustained impact on sales for the remainder of the quarter and beyond.

In this context, Dollarama continues to maintain wide-ranging measures to promote the health and safety of its employees across its operations and of its customers in-store. In addition to various cleaning, sanitization and physical distancing 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 protocols followed by Dollarama to support employees and protect the health and safety of customers and employees totalled approximately \$18.3 million in the first quarter of Fiscal 2022, and the full amount is recorded in SG&A (as hereinafter defined). This amount does not reflect any indirect costs related to COVID-19 such as lost sales.

Overview

Our Business

As at May 2, 2021, the Corporation had 1,368 stores in Canada, including 12 net new stores opened during the first quarter of Fiscal 2022, and continues to expand its network across the country. In the context of the ongoing COVID-19 pandemic, a small number of stores were temporarily closed at the end of the quarter, mostly in Ontario and in enclosed shopping malls, where the majority of other businesses were closed at the time and where another Dollarama location in close proximity was open.

Stores average 10,336 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. A selection of products 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. As at March 31, 2021, Dollarcity had a total of 279 stores with 156 locations in Colombia, 54 in El Salvador and 69 in Guatemala. Subsequent to its quarter end, Dollarcity opened its first store in Peru.

Key Items in the First Quarter of Fiscal 2022

Compared to the first quarter of Fiscal 2021:

- Sales increased by 13.0% to \$954.2 million;
- Comparable store sales⁽¹⁾ (excluding temporarily closed stores) increased by 5.8%;
- Gross margin⁽¹⁾ was 42.3% of sales, compared to 41.3% of sales;
- EBITDA⁽¹⁾ increased by 16.1% to \$248.2 million, or 26.0% of sales, compared to 25.3% of sales;
- Operating income increased by 18.1% to \$176.8 million, or 18.5% of sales, compared to 17.7% of sales;
- Incremental direct costs related to COVID-19 measures amounted to \$18.3 million, compared to \$15.0 million incurred in the last six weeks of the corresponding quarter;
- Diluted net earnings per common share increased by 32.1%, to \$0.37 from \$0.28; and
- The Corporation opened 12 net new stores compared to 10 net new stores.

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

Outlook

Due to the continued uncertainty related to the COVID-19 pandemic, the Corporation only provided limited guidance for Fiscal 2022. Management's expectations as to net new stores openings and capital expenditures for Fiscal 2022 are contained in the Corporation's press release dated June 9, 2021 under the heading "Outlook and COVID-19 Impact". The press release is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

Factors Affecting Results of Operations

Sales

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

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

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 Inc. ("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. Restrictions imposed by provincial authorities on retailers in the context of the COVID-19 pandemic, including a stay-at-home order and a ban on the sale of non-essential goods in Ontario starting April 8, 2021, in reaction to a sharp rise in COVID-19 case counts across the country continue to have a negative impact on traffic and sales to this date, as further discussed below. Refer to the section of the annual MD&A dated March 31, 2021 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 2021, direct overseas sourcing accounted for 53% of purchases.

While we still source a majority of 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 and zero cost collar 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 recognized 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-19 environment.

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 came into effect since the beginning of Fiscal 2022. 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 down the transmission of the virus in its first wave in the spring of 2020, again starting in December 2020 as Canada experienced a resurgence in COVID-19 infections brought on by a second wave and once more starting in April 2021 as variants were spreading quickly and as Canada faced and continues to face a serious third wave. These measures included travel restrictions, self-isolation measures and stay-at-home orders, temporary closures of non-essential services and businesses, temporary bans on the sale of non-essential items, curfews, in-store capacity limits and other physical distancing requirements. Similar measures have been taken in the countries of operation of Dollarcity. Traffic in Dollarama and Dollarcity stores continues to this date to be adversely impacted by these measures.

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 employees and customers.

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 for so long as such measures remain in place. Also, the deterioration of economic conditions may lead to a deterioration in consumer balance sheets, which may impact consumers' spending behaviour and could adversely affect the Corporation's financial performance.

In recent weeks, Canadian provinces have started to announce phased reopening plans ahead of the summer, based on ongoing progress of vaccination rates and improvements of key public health and health care indicators.

Although vaccination campaigns are well underway, it remains difficult 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. Another resurgence of COVID-19 infections across Canada and Latin America could force governments to reverse reopening plans.

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 May 2, 2021 and May 3, 2020 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

| | 13-Week Periods Ended | |
|--|-----------------------|----------------|
| | May 2, 2021 | May 3, 2020 |
| | \$ | \$ |
| <i>(dollars and shares in thousands, except per share amounts)</i> | | |
| Earnings Data | | |
| Sales | 954,246 | 844,798 |
| Cost of sales | 550,806 | 495,747 |
| Gross profit | 403,440 | 349,051 |
| SG&A | 158,672 | 137,738 |
| Depreciation and amortization | 71,402 | 63,975 |
| Share of net earnings of equity-accounted investment | (3,403) | (2,374) |
| Operating income | 176,769 | 149,712 |
| Financing costs | 22,146 | 27,202 |
| Earnings before income taxes | 154,623 | 122,510 |
| Income taxes | 41,049 | 36,431 |
| Net earnings | 113,574 | 86,079 |
| Basic net earnings per common share | \$0.37 | \$0.28 |
| Diluted net earnings per common share | \$0.37 | \$0.28 |
| Weighted average number of common shares outstanding: | | |
| Basic | 309,400 | 310,281 |
| Diluted | 310,742 | 312,074 |
| Other Data | | |
| Year-over-year sales growth | 13.0% | 2.0% |
| Comparable store sales growth ⁽¹⁾ | 5.8% | 0.7% |
| Gross margin ⁽²⁾ | 42.3% | 41.3% |
| SG&A as a % of sales ⁽²⁾ | 16.6% | 16.3% |
| EBITDA ⁽³⁾ | 248,171 | 213,687 |
| Operating margin ⁽²⁾ | 18.5% | 17.7% |
| Capital expenditures | 30,370 | 47,998 |
| Number of stores ⁽⁴⁾ | 1,368 | 1,301 |
| Average store size (gross square feet) ⁽⁴⁾ | 10,336 | 10,276 |
| Declared dividends per common share | \$0.0503 | \$0.044 |

(dollars in thousands)

| | 13-Week Periods Ended | |
|--|-----------------------|----------------|
| | May 2, 2021 | May 3, 2020 |
| | \$ | \$ |
| A reconciliation of operating income to EBITDA is included below: | | |
| Operating income | 176,769 | 149,712 |
| Add: Depreciation and amortization | 71,402 | 63,975 |
| EBITDA | 248,171 | 213,687 |
| <i>EBITDA margin</i> ⁽³⁾ | 26.0% | 25.3% |

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

| | | |
|--|----------------|----------------|
| EBITDA | 248,171 | 213,687 |
| Financing costs (net of amortization of debt issue costs) | (14,126) | (19,990) |
| Recognition of gains on bond lock and bond forward contracts | (78) | (95) |
| Current income taxes | (39,925) | (37,632) |
| Share-based compensation | 2,217 | 1,180 |
| Gain on lease modifications | (852) | (1,064) |
| Share of net earnings of equity-accounted investment | (3,403) | (2,374) |
| | 192,004 | 153,712 |
| Changes in non-cash working capital components | (57,723) | 30,820 |
| Net cash generated from operating activities | 134,281 | 184,532 |

| | As at | |
|---|----------------|---------------------|
| | May 2, 2021 | January 31, 2021 |
| | \$ | \$ |
| Statement of Financial Position Data | | |
| Cash | 49,100 | 439,144 |
| Inventories | 629,375 | 630,655 |
| Total current assets | 729,062 | 1,100,362 |
| Property, plant and equipment | 715,331 | 709,469 |
| Right-of-use assets | 1,367,441 | 1,344,639 |
| Total assets | 3,876,187 | 4,223,746 |
| Total current liabilities | 1,167,503 | 1,321,165 |
| Total non-current liabilities | 2,568,194 | 2,567,727 |
| Total debt ⁽⁵⁾ | 1,728,936 | 1,883,051 |
| Net debt ⁽⁶⁾ | 1,679,836 | 1,443,907 |
| Shareholders' equity | 140,490 | 334,854 |

(dollars in thousands)

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

| | As at | |
|---|------------------|---------------------|
| | May 2, 2021 | January 31, 2021 |
| | \$ | \$ |
| 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 | 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, repaid on February 1, 2021 (the "Series 3 Floating Rate Notes") | - | 300,000 |
| Accrued interest on Fixed Rate Notes and Series 3 Floating Rate Notes (collectively, "Senior Unsecured Notes") | 15,179 | 8,051 |
| Total long-term debt | 1,590,179 | 1,883,051 |
| USCP Notes (as hereinafter defined) issued under the US Commercial Paper Program (as hereinafter defined) | 138,757 | - |
| Total debt | 1,728,936 | 1,883,051 |

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

| | | |
|--------------------------------|------------------|------------------|
| Total debt | 1,728,936 | 1,883,051 |
| Cash | (49,100) | (439,144) |
| Net debt ⁽⁶⁾ | 1,679,836 | 1,443,907 |

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

| | As at | |
|--|------------------|---------------------|
| | May 2, 2021 | January 31, 2021 |
| | \$ | \$ |
| Deficit | (327,431) | (149,983) |
| Price paid in excess of book value of common shares repurchased under the NCIB | 4,068,099 | 3,792,578 |
| Adjusted retained earnings ⁽⁷⁾ | 3,740,668 | 3,642,595 |

The deficit as at May 2, 2021 or January 31, 2021 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. As a result, the Corporation's shareholders' equity for accounting purposes was \$140.5 million as at May 2, 2021. Management believes that buying back shares remains an effective strategy to drive shareholder value and constitutes an appropriate use of the Corporation's funds.

- (1) 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 quarters of Fiscal 2021 and Fiscal 2022, comparable store sales growth excludes stores that were 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 as current portion), short-term borrowings under the US Commercial Paper Program (if any) 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 May 2, 2021 over (ii) the book value of those common shares.

Results of Operations

Analysis of Results for the First Quarter of Fiscal 2022

The following section provides an overview of the Corporation's financial performance during the first quarter of Fiscal 2022 compared to the first quarter of Fiscal 2021.

Sales

The ongoing COVID-19 pandemic and various measures taken by provincial governments in response to its third wave continued to impact consumer shopping patterns and Dollarama's results in the first quarter of Fiscal 2022. Also, the comparable period in the prior year was marked by the onset of the pandemic, when the Corporation experienced a surge in transactions in early March of 2020 as customers purchased higher volumes of consumables than historically, followed by a sharp decline in transactions as a result of increasingly strict measures imposed by public health authorities across Canada.

Against this backdrop, sales for the first quarter of Fiscal 2022 increased by 13.0% to \$954.2 million, compared to \$844.8 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 1,301 stores on May 3, 2020 to 1,368 stores on May 2, 2021, and an increase in comparable store sales driven by higher sales of seasonal items, including Easter holiday and spring-summer products. This is compared to higher sales of consumable products and lower sales of seasonal items in the first quarter of Fiscal 2021 at the onset of the pandemic.

For the nine-week period ended April 4, 2021, the Corporation recorded comparable store sales growth of 15.2% compared to the corresponding period of the previous fiscal year. However, various provinces across Canada subsequently imposed new or more stringent measures due to the sharp rise in COVID-19 case counts. This included a stay-at-home order and a ban on the sale of non-essential goods in Ontario, where approximately 40% of the Corporation's stores are located, effective April 8, 2021, which had an immediate and sustained impact on sales for the remainder of the quarter. As a result, comparable store sales growth receded to 5.8% for the full first quarter of Fiscal 2022. Comparable store sales growth, which excludes a limited number of temporarily closed stores, consisted of a 9.3% increase in average transaction size and a 3.2% decrease in the number of transactions. This is compared to comparable store sales growth of 0.7% (excluding temporarily closed stores) in the first quarter of Fiscal 2021, which consisted of a 22.6% increase in average transaction size and a 17.9% decrease in the number of transactions.

Subsequent to quarter end, the Government of Ontario announced that the ban on the sale of non-essential goods will be lifted on June 11, 2021. As a result, the ban will have been in place for the first five and a half weeks of the Corporation's second quarter ending August 1, 2021.

New stores, which are not yet comparable stores, reach annual sales of approximately \$2.4 million within their first two years of operation, and achieve an average capital payback period of approximately two years.

In this quarter, 74.3% of the Corporation's sales originated from products priced higher than \$1.25, compared to 71.8% in the corresponding quarter last year.

Gross Margin

Gross margin for the first quarter of Fiscal 2022 was 42.3% of sales, compared to 41.3% of sales for the first quarter of Fiscal 2021. Gross margin was higher due to changes in the sales mix, including higher sales of higher margin items, such as seasonal products.

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 first quarter of Fiscal 2022 increased by 15.3% to \$158.7 million, compared to \$137.7 million for the first quarter of Fiscal 2021. SG&A for the first quarter of Fiscal 2022 represented 16.6% of sales, compared to 16.3% of sales for the first quarter of Fiscal 2021. This 0.3% variance mainly reflects additional costs incurred in the first quarter of Fiscal 2022 for the execution of COVID-19 protocols in stores, which amounted to \$18.3 million, representing a 190 basis-point impact. This is compared to \$14.0 million in COVID-related costs recorded in SG&A in the first quarter of Fiscal 2021, representing a 165 basis-point impact, for the implementation of COVID-19 protocols as well as temporary wage increases.

Depreciation and Amortization

The depreciation and amortization expense increased by \$7.4 million, from \$64.0 million for the first quarter of Fiscal 2021 to \$71.4 million for the first quarter of Fiscal 2022. The increase is mainly explained by the opening of new stores, as well as additions to right-of-use assets and investments in store transformation projects.

Share of Net Earnings of Equity-Accounted Investment

For the first quarter of Fiscal 2022, the Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2021 to March 31, 2021, was \$3.4 million, compared to \$2.4 million in the same period of the prior year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs decreased by \$5.1 million, from \$27.2 million for the first quarter of Fiscal 2021 to \$22.1 million for the first quarter of Fiscal 2022. The decrease is mainly due to lower average debt levels as well as lower average interest rates on debt.

Income Taxes

Income taxes increased by \$4.6 million, from \$36.4 million for the first quarter of Fiscal 2021 to \$41.0 million for the first quarter of Fiscal 2022. The statutory income tax rate for the first quarter of Fiscal 2022 was 26.5% compared to 26.7% for the corresponding quarter of Fiscal 2021. The Corporation's effective tax rates for the first quarters of Fiscal 2022 and Fiscal 2021 were 26.5% and 29.7%, respectively. The higher effective tax rate for the first quarter of Fiscal 2021 is due to the inclusion of taxes payable on the call option gain following the adjustment to the Dollarcity estimated purchase price.

Net Earnings

Net earnings increased to \$113.6 million, or \$0.37 per diluted common share, in the first quarter of Fiscal 2022, compared to \$86.1 million, or \$0.28 per diluted common share, in the first quarter of Fiscal 2021. This increase in net earnings is mainly the result of stronger sales and gross margin partially offset by higher SG&A expenses, primarily due to COVID-19 direct costs.

Summary of Consolidated Quarterly Results

| (dollars in thousands, except per share amounts) | Fiscal 2022 | Fiscal 2021 | | | | Fiscal 2020 | | |
|--|-------------|-------------|-----------|-----------|-----------|-------------|-----------|-----------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Statement of Net Earnings Data | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Sales | 954,246 | 1,103,668 | 1,064,201 | 1,013,592 | 844,798 | 1,065,201 | 947,649 | 946,405 |
| Net earnings | 113,574 | 173,902 | 161,871 | 142,496 | 86,079 | 178,717 | 138,627 | 143,183 |
| Net earnings per common share | | | | | | | | |
| Basic | \$0.37 | \$0.56 | \$0.52 | \$0.46 | \$0.28 | \$0.57 | \$0.44 | \$0.45 |
| Diluted | \$0.37 | \$0.56 | \$0.52 | \$0.46 | \$0.28 | \$0.57 | \$0.44 | \$0.45 |

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 first quarter of Fiscal 2022 may not be representative of results for other quarters or for the full fiscal year.

Liquidity and Capital Resources

Cash Flows for the First Quarter of Fiscal 2022

| (dollars in thousands) | 13-Week Periods Ended | | Change |
|---|-----------------------|-------------|-----------|
| | May 2, 2021 | May 3, 2020 | |
| | \$ | \$ | \$ |
| Cash flows from operating activities | 134,281 | 184,532 | (50,251) |
| Cash flows used in investing activities | (30,197) | (47,892) | 17,695 |
| Cash flows (used in) or from financing activities | (494,128) | 295,540 | (789,668) |
| Net change in cash | (390,044) | 432,180 | (822,224) |

Cash Flows - Operating Activities

For the first quarter of Fiscal 2022, cash flows generated from operating activities totalled \$134.3 million, compared to \$184.5 million for the first quarter of Fiscal 2021. This decrease is attributable to a higher use of working capital related to the purchase of inventory and payments of income taxes in the first quarter of Fiscal 2022 compared to the first quarter of Fiscal 2021, when the Canadian government had authorized the deferral of income tax payments due to the COVID-19 pandemic.

Cash Flows - Investing Activities

For the first quarter of Fiscal 2022, cash flows used in investing activities totalled \$30.2 million, compared to \$47.9 million for the first quarter of Fiscal 2021. This lower use is attributable primarily to lower capital expenditures related to transformation projects in stores compared to the first quarter of Fiscal 2021.

Cash Flows - Financing Activities

For the first quarter of Fiscal 2022, cash flows used in financing activities totalled \$494.1 million, compared to cash flows from financing activities of \$295.5 million for the first quarter of Fiscal 2021. This variance is mainly due to the fact that at the onset of the COVID-19 pandemic, the Corporation chose not to repurchase any shares under its normal course issuer bid due to the uncertainty related to the pandemic, and drew, in the first quarter of Fiscal 2021, an additional amount of \$660.7 million in aggregate in short-term borrowings under the US Commercial Paper Program and under the Credit Facility (as hereinafter defined). In the first quarter of Fiscal 2022, the Corporation repurchased shares for cancellation for a total cash consideration of \$283.4 million under the 2020-2021 NCIB (as hereinafter defined) and drew \$139.3 million in short-term borrowings.

Capital Expenditures

Capital expenditures mainly relate to investments in information technology projects and new stores.

For the first quarter of Fiscal 2022, capital expenditures totalled \$30.4 million, compared to \$48.0 million for the first quarter of Fiscal 2021. This decrease is mainly attributable to lower capital expenditures related to transformation projects in stores.

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 May 2, 2021, the Corporation had \$49.1 million of cash on hand and \$799.2 million available under its Credit Facility of which \$138.8 million was reserved as a back-stop for amounts outstanding 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 temporarily closed), 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 \$438.4 million as at May 2, 2021, compared to a negative working capital of \$220.8 million as at January 31, 2021 as a result of the inclusion in current liabilities of the Senior Unsecured Notes due in the next twelve months. The Corporation used the net proceeds from the issuance of the 1.505% Fixed Rate Notes on September 18, 2020 to repay the \$300.0 million aggregate principal amount of 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: | May 2, 2021 | January 31, 2021 |
|---|------------------------|-----------------------------|
| | \$ | \$ |
| 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 | 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, repaid on February 1, 2021 (the "Series 3 Floating Rate Notes") | - | 300,000 |
| Less: Unamortized debt issue costs | (5,735) | (6,151) |
| Accrued interest on Series 3 Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes") | 15,179 | 8,051 |
| | <u>1,584,444</u> | <u>1,876,900</u> |
| Current portion (includes the 2.337% Fixed Rate Notes maturing July 22, 2021, unamortized debt issue costs and accrued interest on the Senior Unsecured Notes) | (540,063) | (832,821) |
| | <u>1,044,381</u> | <u>1,044,079</u> |

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at May 2, 2021 and January 31, 2021. The fair value of the Senior Unsecured Notes was determined as a level 2 in the fair value hierarchy.

| | May 2, 2021 | | January 31, 2021 | |
|------------------------------|-----------------------|-------------------|-------------------------|-------------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| | \$ | \$ | \$ | \$ |
| Fixed Rate Notes | | | | |
| 1.505% Fixed Rate Notes | 298,989 | 290,520 | 300,089 | 300,660 |
| 3.55% Fixed Rate Notes | 506,363 | 530,550 | 501,716 | 537,250 |
| 2.203% Fixed Rate Notes | 252,283 | 255,275 | 250,856 | 257,000 |
| 2.337% Fixed Rate Notes | 528,297 | 527,100 | 525,127 | 529,725 |
| Floating Rate Notes | | | | |
| Series 3 Floating Rate Notes | - | - | 300,566 | 300,030 |
| | <u>1,585,932</u> | <u>1,603,445</u> | <u>1,878,354</u> | <u>1,924,665</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 \$300.0 million, which is available until September 20, 2021. This additional facility brings total commitments on the revolving credit facilities (collectively, the "Credit Facility") up from \$500.0 million to \$800.0 million. The Credit Facility serves as a liquidity backstop for the repayment of the USCP Notes issued from time to time under the US Commercial Paper Program.

On March 9, 2021, the Corporation and the lenders entered into a third amending agreement to the TARCA in order to extend further the term of each of Facility B and Facility C from September 29, 2022 to September 29, 2023. 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 committed facilities up to an aggregate amount, together with all then-existing commitments, of \$1,500.0 million.

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.

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.

As at May 2, 2021, no amount was outstanding under the Credit Facility, although there were letters of credit issued for the purchase of inventories which amounted to \$0.8 million. As at May 2, 2021, 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.

As at May 2, 2021, the amount outstanding under the US Commercial Paper Program was US\$113.0 million (\$138.8 million) (May 3, 2020 – US\$274.0 million (\$385.5 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 May 2, 2021. Trade payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities created as a result of statutory requirements imposed by governments).

| <i>(dollars in thousands)</i> | Less than 3 months | 3 months to 1 year | 1-5 years | Over 5 years | Total |
|---------------------------------------|-------------------------------|-------------------------------|------------------|-------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Trade payable and accrued liabilities | 188,685 | - | - | - | 188,685 |
| Dividend payable | 15,501 | - | - | - | 15,501 |
| Lease liabilities ⁽¹⁾ | 73,768 | 175,016 | 787,866 | 803,369 | 1,840,019 |
| 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 |
| USCP Notes | 139,626 | - | - | - | 139,626 |
| Interest payments on: | | | | | |
| 1.505% Fixed Rate Notes | - | 4,515 | 18,060 | 6,773 | 29,348 |
| 3.55% Fixed Rate Notes | 8,875 | 8,875 | 35,500 | - | 53,250 |
| 2.203% Fixed Rate Notes | 2,754 | 2,754 | 5,507 | - | 11,015 |
| 2.337% Fixed Rate Notes | 6,135 | - | - | - | 6,135 |
| | <u>960,344</u> | <u>191,160</u> | <u>1,596,933</u> | <u>1,110,142</u> | <u>3,858,579</u> |

⁽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.

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, and commitments as at May 2, 2021.

| <i>(dollars in thousands)</i> | Less than 3 months | 3 months to 1 year | 1-5 years | Over 5 years | Total |
|-------------------------------|-------------------------------|-------------------------------|------------------|-------------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Letters of credit | 538 | 130 | 137 | - | 805 |

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 and zero cost collar contracts to mitigate the risk associated with fluctuations in the U.S. dollar against the Canadian dollar as well as bond forward contracts to mitigate the risk associated with fluctuations in interest rates. 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 and, in the case of bond forward contracts, as hedges of interest rates of future note issuances.

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. Interest rate hedging also entails a risk of illiquidity and, to the extent that interest rates decrease, hedging arrangements may have the effect of limiting or reducing the total returns to the Corporation if the issuance of notes at hedged rates results in lower profitability than otherwise earned if notes had been issued at spot rates.

The Corporation entered into bond forward sale derivatives in May 2021 to manage its exposure to interest rate risk on the upcoming refinancing of the 2.337% Fixed Rates Notes maturing July 22, 2021. These derivatives are also designated as hedging instruments and are recorded on the consolidated statement of financial position at fair value. The effective portion of the change in fair value of the derivatives is recorded to other comprehensive income, and will be reclassified to net earnings over the same period as the hedged interest payments are recorded in earnings. The hedged risk is defined as the variability in cash flows associated with coupons paid on the debt to be issued attributable to movements in the CAD benchmark rate. The CAD benchmark rate consists of the interpolated yield of Government of Canada bond curve with a term corresponding to the expected debt. Cash flows related to the expected bond's credit spread over the CAD benchmark are not designated as part of the hedging relationship.

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.

For a description of the derivative financial instruments of the Corporation, refer to Note 10 of the Corporation's unaudited condensed interim consolidated financial statements for first quarter ended May 2, 2021 and to Note 3 and Note 14 of the Corporation's Fiscal 2021 annual audited consolidated financial statements.

Related Party Transactions

Property Leases

As at May 2, 2021, 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 May 2, 2021, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled \$40.7 million (January 31, 2021 – \$44.1 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled \$1.8 million for the first quarter ended May 2, 2021 (May 3, 2020 – \$1.7 million).

Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into the LSA. As at May 2, 2021, the account receivable from Dollarcity for the goods sold, assets licensed, and services provided under the LSA totalled \$17.5 million (January 31, 2021 – \$14.8 million), which amount is partly guaranteed by a letter of credit up to US\$10.0 million (\$12.3 million) (January 31, 2021 – US\$10.0 million (\$12.8 million)). For the first quarter ended May 2, 2021, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to \$8.2 million (May 3, 2020 – \$4.7 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.

New accounting standards

New accounting standards announced but not yet adopted

On March 31, 2021, the IASB extended by 12 months the availability of the practical expedient issued in May 2020 which relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The 2021 amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. Application of the practical expedient and its extension did not have an impact on the financial results of the Corporation.

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 5 to the Fiscal 2021 audited consolidated financial statements.

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 2021 (which are both available on SEDAR at www.sedar.com) and are divided into the following categories:

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

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

Controls and Procedures and Internal Controls over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the period beginning on February 1, 2021 and ended on May 2, 2021 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On June 9, 2021, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of \$0.0503 per common share. This dividend is payable on August 6, 2021, to shareholders of record at the close of business on July 9, 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 (the "2020-2021 NCIB").

During the first quarter of Fiscal 2022, a total of 4,935,573 common shares were repurchased for cancellation under the 2020-2021 NCIB, at a weighted average price of \$57.41 per common share, for a total cash consideration of \$283.4 million.

Share Information

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

As at June 8, 2021, there were 305,599,156 common shares issued and outstanding. In addition, there were 4,357,200 options, each exercisable for one common share, issued and outstanding as at June 8, 2021. Assuming exercise of all outstanding options, there would have been 309,956,356 common shares issued and outstanding on a fully diluted basis as at June 8, 2021.

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".