DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended January 30, 2022

March 30, 2022

The following management's discussion and analysis ("MD&A") dated March 30, 2022 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the fourth quarter and fiscal year ended January 30, 2022. This MD&A should be read in conjunction with the Corporation's audited annual consolidated financial statements and notes for Fiscal 2022 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's audited annual consolidated financial statements for Fiscal 2022 (as hereinafter defined) have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The 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; to "Fiscal 2022" are to the Corporation's fiscal year ended January 30, 2022; and to "Fiscal 2023" are to the Corporation's fiscal year ending January 29, 2023.

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 continuing adverse effects of the COVID-19 pandemic on the global economy and on the business, operations and financial condition of Dollarama and Dollarcity;
- global supply chain challenges, whether or not caused by the COVID-19 pandemic, including container shipping rates and lead times;
- the long-term store potential for Dollarama stores in Canada;
- the liquidity position of the Corporation;
- the refinancing of the 2.203% Fixed Rate Notes (defined hereinafter) maturing November 10, 2022;
- the potential accretive effect of the normal course issuer bid.

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 and geopolitical 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 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 rising raw material costs and tariff disputes), future increases in shipping and transportation costs (including as a result of freight costs and fuel price increases), 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 COVID-19 pandemic, global supply chain disruptions and the geopolitical instability triggered by the conflict between Russia and Ukraine), failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, inability to enter into or renew, as applicable, store, warehouse and head office leases on favourable and competitive 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 March 30, 2022 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.

Recent Events

Warehousing Capacity Expansion

In Fiscal 2022, Dollarama entered into a long-term lease for a seventh warehouse, located in Laval, Quebec, to increase its near-term warehousing capacity. The new 500,000 square foot built-to-suit facility is currently under construction and is expected to be operational by the end of Fiscal 2023.

Quarterly Cash Dividend

On March 30, 2022, the Corporation announced that its Board of Directors had approved a 10% increase of the quarterly cash dividend for holders of common shares, from $0.0503 to $0.0553 per common share. This dividend is payable on May 6, 2022 to shareholders of record at the close of business on April 15, 2022. The dividend is designated as an “eligible dividend” for Canadian tax purposes.

Overview

Our Business

As at January 30, 2022, the Corporation had 1,421 stores in Canada, including 65 net new stores opened during Fiscal 2022, and continues to expand its network across the country. Stores average 10,381 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. Throughout the course of Fiscal 2023, the Corporation will gradually roll out additional price points up to $5.00, consistent with its multi-price point strategy in place since 2009. Over time, this will enable the Corporation to maintain and enhance its broad product assortment and compelling value. 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'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 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 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$4.00 (or the equivalent in local currency) in El Salvador, Guatemala, Colombia and Peru. As at December 31, 2021, Dollarcity had a total of 350 stores with 206 locations in Colombia, 76 in Guatemala, 59 in El Salvador, and 9 in Peru.

Key Items in the Fourth Quarter of Fiscal 2022

Compared to the fourth quarter of Fiscal 2021:

- Sales increased by 11.0% to $1,224.9 million;
- Comparable store sales(1) grew 5.7%;
- Gross margin(1) was 45.2% of sales, compared to 45.5% of sales;
- EBITDA(1) increased by 20.4% to $393.7 million, or 32.1% of sales, compared to 29.6% of sales;
- Operating income increased by 23.3% to $315.7 million, or 25.8% of sales, compared to 23.2% of sales;
- Incremental direct costs related to COVID-19 measures(1) totalled $4.4 million, compared to $23.8 million;
- Diluted net earnings per common share increased by 32.1% to $0.74, compared to $0.56;
- A total of 24 net new stores were opened, compared to 23 net new stores; and
- 5,090,587 common shares were repurchased for cancellation for $318.5 million.

Key Items in Fiscal 2022

Compared to Fiscal 2021:

- Sales increased by 7.6% to $4,330.8 million;
- Comparable store sales(1) grew 1.7%;
- Gross margin(1) was 43.9% of sales, compared to 43.8% of sales;
- EBITDA(1) increased by 13.4% to $1,282.6 million, or 29.6% of sales, compared to 28.1% of sales;
- Operating income increased by 14.4% to $984.6 million, or 22.7% of sales, compared to 21.4% of sales;
- Incremental direct costs related to COVID-19 measures(1) totalled $35.5 million, compared to $84.0 million, of which $2.9 million relates to cost of sales and $81.1 million to SG&A;
- Diluted net earnings per common share increased by 20.4% to $2.18, compared to $1.81;
- A total of 65 net new stores were opened, the same number year over year; and

- 18,176,760 common shares were repurchased for cancellation for $1,059.9 million.

(1) We refer the reader to the section entitled "Non-GAAP and Other Financial Measures" of this MD&A for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure.

Outlook

A discussion of management's expectations as to the Corporation's outlook for Fiscal 2023 as well as a summary of how the Corporation performed against Fiscal 2022 guidance are contained in the Corporation's press release dated March 30, 2022 under the heading "Outlook". The press release is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

Factors Affecting Results of Operations

Sales

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

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

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"), enters into arrangements with Dollarcity 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.

Following the acquisition by Dollarama International of a 50.1% interest in Dollarcity on August 14, 2019, the Corporation continued, 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. When the LSA expired on February 4, 2022, the Corporation entered into a new sourcing agreement and a new services agreement with Dollarcity. Changes were made to reflect the new relationship between the parties following the 2019 acquisition, but the overall net economic and operational impact of these new agreements for Dollarama International remains generally unchanged.

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 Fiscal 2021 and Fiscal 2022 in reaction to successive waves of COVID-19 cases across the country negatively impacted in-store traffic and sales. Refer to the section of this MD&A entitled "Risks and Uncertainties" for a discussion on 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, shipping 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, including raw material costs, can negatively affect our business, our multiple price point product offering provides some flexibility to react to and offset, at least partially, those cost increases.

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, inbound shipping costs are impacted by new dynamics in the ocean shipping industry triggered by the COVID-19 pandemic, which dynamics have a significant impact on shipping capacity, prevailing rates and lead times. The Corporation experienced increased pressure on container shipping costs in Fiscal 2022 and expects continued pressures on inbound shipping costs in Fiscal 2023 as new contracts and rates become effective. Also, when fuel costs increase, shipping and transportation costs increase because carriers generally pass on these increases to us.

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. 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 and/or fluctuations in logistics and transportation costs, among other factors. We target to refresh approximately 25% to 30% of our offering on an annual basis. However, the actual percentage was lower in Fiscal 2022 as a result of consequential effects of the COVID pandemic, including travel restrictions, supply chain disruptions, and a general reduction in product innovation and diversification in global manufacturing.

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.

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, grocery, 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.

From the outset of the COVID-19 pandemic in March 2020, Dollarama was recognized as an essential business across Canada, allowing its stores to remain open during government-mandated closures of non-essential services and businesses. However, the business was impacted by successive bans on the sale of non-essential products in its two largest markets, being Ontario and Quebec.

During Fiscal 2022, the Corporation continued to implement mitigation strategies, contingency plans and several preventive measures to protect the health and safety of its employees and customers. Measures adopted by the Corporation in response to the COVID-19 pandemic and their impact on operations, operating costs, customer traffic as well as labour productivity and availability have adversely affected the Corporation's financial results in Fiscal 2022, and it remains difficult to predict the extent of any continuing adverse effects the pandemic may have on the Corporation in Fiscal 2023.

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 January 30, 2022, January 31, 2021 and February 2, 2020 has been derived from the Corporation's audited annual consolidated financial statements and notes for Fiscal 2022, Fiscal 2021 and Fiscal 2020.

	13-Week *Unaudited* Periods Ended		52-Week Years Ended		
(dollars and shares in thousands, except per share amounts)	January 30, 2022 $	January 31, 2021 $	January 30, 2022 $	January 31, 2021 $	February 2, 2020 $
Earnings Data					
Sales	1,224,900	1,103,668	4,330,761	4,026,259	3,787,291
Cost of sales	671,562	601,204	2,428,536	2,261,248	2,134,933
Gross profit	553,338	502,464	1,902,225	1,765,011	1,652,358
SG&A	177,991	186,053	652,832	654,032	551,699
Depreciation and amortization	77,998	70,860	297,960	269,633	242,785
Share of net earnings of equity-accounted investment	(18,370)	(10,518)	(33,184)	(19,654)	(10,263)
Operating income	315,719	256,069	984,617	861,000	868,137
Financing costs	23,160	22,792	91,216	95,646	100,605
Other income	-	-	-	-	(2,835)
Earnings before income taxes	292,559	233,277	893,401	765,354	770,367
Income taxes	72,593	59,375	230,232	201,006	206,328
Net earnings	219,966	173,902	663,169	564,348	564,039
Basic net earnings per common share	$0.74	$0.56	$2.19	$1.82	$1.80
Diluted net earnings per common share	$0.74	$0.56	$2.18	$1.81	$1.78
Weighted average number of common shares outstanding:					
Basic	296,535	310,776	302,963	310,738	313,910
Diluted	298,015	312,289	304,416	312,455	317,185
Other Data					
Year-over-year sales growth	11.0%	3.6%	7.6%	6.3%	6.7%
Comparable store sales growth (1)	5.7%	(0.2%)	1.7%	3.2%	4.3%
Gross margin (1)	45.2%	45.5%	43.9%	43.8%	43.6%
SG&A as a % of sales (1)	14.5%	16.9%	15.1%	16.2%	14.6%
EBITDA (1)	393,717	326,929	1,282,577	1,130,633	1,110,922
Operating margin (1)	25.8%	23.2%	22.7%	21.4%	22.9%
Capital expenditures	49,233	51,735	159,512	167,837	140,622
Number of stores (2)	1,421	1,356	1,421	1,356	1,291
Average store size (gross square feet) (2)	10,381	10,325	10,381	10,325	10,277
Declared dividends per common share	$0.0503	$0.047	$0.2012	$0.179	$0.176

	As at		
	January 30, 2022 $	January 31, 2021 $	February 2, 2020 $
Statement of Financial Position Data			
Cash	71,058	439,144	90,464
Inventories	590,927	630,655	623,490
Total current assets	717,367	1,100,362	764,497
Property, plant and equipment	761,876	709,469	644,011
Right-of-use assets	1,480,255	1,344,639	1,283,778
Total assets	4,063,562	4,223,746	3,716,456
Total current liabilities	911,891	1,321,165	1,092,484
Total non-current liabilities	3,217,705	2,567,727	2,716,168
Total debt [1]	1,894,309	1,883,051	1,883,407
Net debt [1]	1,823,251	1,443,907	1,792,943
Shareholders' equity (deficit)[1]	(66,034)	334,854	(92,196)

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" of this MD&A for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure
(2) At the end of the period.

Results of Operations

Analysis of Results for the Fourth Quarter of Fiscal 2022

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

Sales

Sales for the fourth quarter of Fiscal 2022 increased by 11.0% to $1,224.9 million, compared to $1,103.7 million for the fourth quarter of Fiscal 2021. This increase was driven by growth in the total number of stores over the past 12 months (from 1,356 stores on January 31, 2021, to 1,421 stores on January 30, 2022) and in comparable store sales.

Comparable store sales for the fourth quarter of Fiscal 2022 increased by 5.7%, compared to the fourth quarter of Fiscal 2021, reflecting a 10.1% increase in the number of transactions and a 4.0% decrease in average transaction size. This increase in comparable store sales reflects sales of our full product assortment across all provinces during the quarter and strong seasonal product sales, whereas in the same period last year there was a temporary ban on the sale of non-essential items in Quebec, where the Corporation has approximately 30% of its stores, from December 26, 2020, to February 8, 2021. Overall sales and comparable store sales for the fourth quarter of Fiscal 2022 were dampened by the impact of the Omicron variant on consumer shopping patterns and by a wave of COVID-related provincial restrictions over critical sales weeks leading up to the holidays and carrying into the month of January.

New stores, which are not yet comparable stores, reach annual sales of approximately $2.6 million within their first two years of operation, and achieve an average capital payback period of approximately two years.

In this quarter, 75.5% of the Corporation's sales originated from products priced higher than $1.25, compared to 73.8% in the corresponding quarter last year.

Gross Margin

Gross margin was 45.2% of sales in the fourth quarter of Fiscal 2022, compared to 45.5% of sales in the fourth quarter of Fiscal 2021. Gross margin as a percentage of sales is slightly lower due to a change in sales mix.

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 fourth quarter of Fiscal 2022 decreased by 4.4% to $178.0 million, compared to $186.1 million for the fourth quarter of Fiscal 2021, reflecting lower COVID-related costs, partially offset by the costs associated with operating a larger number of stores, compared to the same period last year. SG&A represented 14.5% of sales, compared to 16.9% of sales for the fourth quarter of Fiscal 2021. SG&A as a percentage of sales in the fourth quarter of Fiscal 2022 also benefited from the positive scaling impact of strong sales.

Incremental direct costs related to COVID-19 measures for the fourth quarter of Fiscal 2022 totalled $4.4 million, representing a 0.4% of sales, compared to $23.8 million recorded in SG&A in the same period last year, representing a 2.2% of sales.

Depreciation and Amortization

The depreciation and amortization expense increased by $7.1 million, from $70.9 million for the fourth quarter of Fiscal 2021 to $78.0 million for the fourth quarter of Fiscal 2022. The increase is mainly explained by the opening of new stores, additions to right-of-use assets, and investments in information technology projects.

Share of Net Earnings of Equity-Accounted Investment

The Corporation's 50.1% share of Dollarcity's net earnings for the period from October 1, 2021, to December 31, 2021, was $18.4 million, compared to $10.5 million for the same period last year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs increased by $0.4 million, from $22.8 million for the fourth quarter of Fiscal 2021 to $23.2 million for the fourth quarter of Fiscal 2022, mainly due to slightly higher average borrowings.

Income Taxes

Income taxes increased by $13.2 million, from $59.4 million for the fourth quarter of Fiscal 2021 to $72.6 million for the fourth quarter of Fiscal 2022. The statutory income tax rate for the fourth quarter of Fiscal 2022 was 26.5% compared to 26.6% for the corresponding quarter of Fiscal 2021. The Corporation's effective tax rates for the fourth quarters of Fiscal 2022 and Fiscal 2021 were 24.8% and 25.5%, respectively. The decrease in the effective tax rate for the fourth quarter of Fiscal 2022 is the result of the fact that the Corporation's share of net earnings of its equity-accounted investment in Dollarcity (which was higher for the fourth quarter of Fiscal 2022 than for the same period in Fiscal 2021, respectively at $18.4 million and at $10.5 million) is computed net of taxes, already accounted for by Dollarcity.

Net Earnings

Net earnings were $220.0 million, or $0.74 per diluted common share, in the fourth quarter of Fiscal 2022, compared to $173.9 million, or $0.56 per diluted common share, in the fourth quarter of Fiscal 2021. Earnings improved due to higher sales, lower SG&A and a higher equity pick-up from Dollarcity's net earnings. These were partially offset by a slightly lower gross margin.

Analysis of Results for Fiscal 2022

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

Sales

Sales in Fiscal 2022 increased by 7.6% to $4,330.8 million, compared to $4,026.3 million in Fiscal 2021. This increase was driven by growth in the total number of stores over the past 12 months and in comparable store sales.

Comparable store sales grew 1.7% in Fiscal 2022, over and above 3.2% growth in Fiscal 2021. Comparable store sales growth for Fiscal 2022 consisted of a 3.8% increase in the number of transactions and a 2.0% decrease in average transaction size. Overall sales and comparable store sales were impacted throughout Fiscal 2022 by the implementation and subsequent lifting of measures by provincial governments in response to different waves of COVID-19. Fiscal 2022 comparable store sales were particularly impacted by the ban on the sale of non-essential items in Ontario, from April 8, 2021, to June 11, 2021, which coincided with a peak seasonal sales period and where approximately 40% of the Corporation's stores are located.

In Fiscal 2022, 75.3% of sales originated from products priced higher than $1.25, compared to 73.7% in Fiscal 2021.

Gross Margin

Gross margin was 43.9% of sales in Fiscal 2022, compared to 43.8% of sales in Fiscal 2021. Gross margin includes sales made by the Corporation to Dollarcity, as principal, which represented approximately 1% of the Corporation's total sales in Fiscal 2022, and a nominal markup margin. Consequently, these sales had a minimal impact on gross margin in Fiscal 2022 and Fiscal 2021.

SG&A

SG&A for Fiscal 2022 totalled $652.8 million, a 0.2% decrease from $654.0 million for Fiscal 2021. SG&A for Fiscal 2022 represented 15.1% of sales, compared to 16.2% of sales for Fiscal 2021. This decrease primarily reflects lower COVID-related costs of $35.5 million, representing 0.8% of sales, compared to $81.1 million, or 2.0% of sales, in Fiscal 2021.

Incremental direct costs related to COVID-19 represent costs incurred for the implementation and execution of health and safety measures in stores and in logistic operations in response to the pandemic, including costs associated with additional labor hours for the execution of sanitization and crowd control protocols and with the procurement of personal protection equipment for employees and cleaning supplies and equipment.

Depreciation and Amortization

The depreciation and amortization expense increased by $28.4 million, from $269.6 million for Fiscal 2021 to $298.0 million for Fiscal 2022. The increase is mainly explained by the opening of new stores, additions to right-of-use assets, and investments in information technology projects.

Share of Net Earnings of Equity-Accounted Investment

The Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2021, to December 31, 2021, was $33.2 million. This is compared to $19.7 million for the period from January 1, 2020, to December 31, 2020, recorded in Fiscal 2021. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs decreased by $4.4 million, from $95.6 million for Fiscal 2021 to $91.2 million for Fiscal 2022, due to lower borrowings and a lower average borrowing rate.

Income Taxes

Income taxes increased by $29.2 million, from $201.0 million for Fiscal 2021 to $230.2 million for Fiscal 2022. The statutory income tax rates for Fiscal 2022 and Fiscal 2021 were 26.5% and 26.6%, respectively. The Corporation's effective income tax rates for Fiscal 2022 and Fiscal 2021 were 25.8% and 26.3%, respectively. The decrease in the effective tax rate for Fiscal 2022 is the result of the fact that the Corporation's share of net earnings of its equity-accounted investment in Dollarcity (which was higher for Fiscal 2022 than Fiscal 2021, respectively at $33.2 million and at $19.7 million) is computed net of taxes, already accounted for by Dollarcity.

Net Earnings

Net earnings totalled $663.2 million, or $2.18 per diluted common share, for Fiscal 2022, compared to $564.3 million, or $1.81 per diluted common share, for Fiscal 2021. Net earnings for Fiscal 2022 reflect higher sales, lower SG&A due to lower COVID-related costs, higher equity pick-up from Dollarcity's net earnings and lower financing costs. Earnings per common share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid over the past 12 months.

Summary of Consolidated Quarterly Results

	Fiscal 2022				Fiscal 2021			
(dollars in thousands, except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Statement of Net Earnings Data	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	1,224,900	1,122,267	1,029,348	954,246	1,103,668	1,064,201	1,013,592	844,798
Net earnings	219,966	183,401	146,228	113,574	173,902	161,871	142,496	86,079
Net earnings per common share								
Basic	$0.74	$0.61	$0.48	$0.37	$0.56	$0.52	$0.46	$0.28
Diluted	$0.74	$0.61	$0.48	$0.37	$0.56	$0.52	$0.46	$0.28

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.

Liquidity and Capital Resources

Cash Flows for the Fourth Quarter of Fiscal 2022

(dollars in thousands)	Periods Ended January 30, 2022	Periods Ended January 31, 2021	Change
	$	$	$
Cash flows from operating activities	313,833	220,409	93,424
Cash flows used in investing activities	(48,966)	(51,606)	2,640
Cash flows used in financing activities	(290,808)	(174,380)	(116,428)
Net change in cash	(25,941)	(5,577)	(20,364)

Cash Flows - Operating Activities

For the fourth quarter of Fiscal 2022, cash flows generated from operating activities totalled $313.8 million, compared to $220.4 million for the fourth quarter of Fiscal 2021. This increase is attributable to higher net earnings and a lower use of working capital for the purchase of inventory in the fourth quarter of Fiscal 2022 compared to the fourth quarter of Fiscal 2021.

Cash Flows - Investing Activities

For the fourth quarter of Fiscal 2022, cash flows used in investing activities totalled $49.0 million, compared to $51.6 million for the fourth quarter of Fiscal 2021. This decrease is attributable primarily to lower capital expenditures related to transformation projects in stores compared to the fourth quarter of Fiscal 2021.

Cash Flows - Financing Activities

For the fourth quarter of Fiscal 2022, cash flows used in financing activities totalled $290.8 million, compared to $174.4 million for the fourth quarter of Fiscal 2021. This increase is mainly due to the Corporation repurchasing a larger number of shares under the normal course issuer bid in Fiscal 2022.

Cash Flows for Fiscal 2022

(dollars in thousands)	Years Ended January 30, 2022	Years Ended January 31, 2021	Change
	$	$	$
Cash flows from operating activities	1,065,883	888,622	177,261
Cash flows used in investing activities	(158,673)	(264,525)	105,852
Cash flows used in financing activities	(1,275,296)	(275,417)	(999,879)
Net change in cash	(368,086)	348,680	(716,766)

Cash Flows - Operating Activities

For Fiscal 2022, cash flows generated from operating activities totalled $1,065.9 million, compared to $888.6 million for Fiscal 2021. This increase is primarily attributable to higher net earnings and a lower use of working capital for the purchase of inventory in Fiscal 2022 compared to Fiscal 2021.

Cash Flows - Investing Activities

For Fiscal 2022, cash flows used in investing activities totalled $158.7 million, compared to $264.5 million for Fiscal 2021. This decrease is attributable to the fact that the prior year included the payment of the balance of purchase price of US$52.7 million ($69.3 million) for the 50.1% interest in Dollarcity and a US$20.0 million ($28.0 million) additional equity investment into Dollarcity to bring real estate assets into the Dollarcity group, eliminate related-party transactions and insource some logistics activities.

Cash Flows - Financing Activities

For Fiscal 2022, cash flows used in financing activities totalled $1,275.3 million, compared to $275.4 million for Fiscal 2021. This increase results from increased activity under the normal course issuer bid in Fiscal 2022, slightly offset by net proceeds from the issuance of USCP Notes in Fiscal 2022. The Corporation also refinanced both series of notes that matured during Fiscal 2022.

Capital Expenditures

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

For the fourth quarter of Fiscal 2022, capital expenditures totalled $49.2 million, compared to $51.7 million for the fourth quarter of Fiscal 2021.

For Fiscal 2022, capital expenditures totalled $159.5 million, compared to $167.8 million for Fiscal 2021.

For both periods, the decrease in capital expenditures is due to lower store-related transformational capital expenditures in Fiscal 2022 compared to Fiscal 2021.

Capital Resources

The Corporation generates sufficient cash flows from operating activities to fund its planned growth, service its debt and make dividend payments to shareholders. As at January 30, 2022, the Corporation had $71.1 million of cash on hand and $798.7 million available under its Credit Facility, of which $89.4 million were 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 did not benefit from 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 or other factors that are beyond its control, 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 $194.5 million as at January 30, 2022, 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 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes to repay the $525 million aggregate principal amount of the 2.337% Fixed Rate Notes due July 22, 2021, to repay a portion of its then outstanding USCP Notes and for general corporate purposes. The Corporation expects to refinance the 2.203% Fixed Rate Notes due November 10, 2022 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:	January 30, 2022 $	January 31, 2021 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029 (the "2.443% Fixed Rate Notes")	375,000	-
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 1.871% payable in equal semi-annual instalments, maturing July 8, 2026 (the "1.871% Fixed Rate Notes")	375,000	-
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, repaid on July 22, 2021 (the "2.337% Fixed Rate Notes", and collectively with the 2.443% Fixed Rate Notes, the 1.505% Fixed Rate Notes, the 1.871% Fixed Rate Notes, the 3.55% Fixed Rate Notes and the 2.203% Fixed Rate Notes, the "Fixed Rate Notes")	-	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" or "Floating Rate Notes")	-	300,000
Less: Unamortized debt issue costs	(8,009)	(6,151)
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	7,850	8,051
Fair value hedge - basis adjustment on interest rate swap	(2,927)	-
	1,796,914	1,876,900
Current portion (includes unamortized debt issue costs, accrued interest on the Senior Unsecured Notes, and the Senior Unsecured Notes with a maturity date falling within the next 52-week period, when applicable)	(257,674)	(832,821)
	1,539,240	1,044,079

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at January 30, 2022 and January 31, 2021.

	January 30, 2022		January 31, 2021	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
2.443% Fixed Rate Notes	373,809	361,913	-	-
1.505% Fixed Rate Notes	300,277	280,650	300,089	300,660
1.871% Fixed Rate Notes	373,948	363,675	-	-
3.55% Fixed Rate Notes	502,387	512,950	501,716	537,250
2.203% Fixed Rate Notes	251,052	251,600	250,856	257,000
2.337% Fixed Rate Notes	-	-	525,127	529,725
Floating Rate Notes				
Series 3 Floating Rate Notes	-	-	300,566	300,030
	1,801,473	1,770,788	1,878,354	1,924,665

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 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. The Corporation used the net proceeds from this offering to repay the $300.0 million aggregate principal amount of Series 3 Floating Rate Notes due February 1, 2021 and for general corporate purposes.

On July 8, 2021, the Corporation issued the 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 1.871% Fixed Rate Notes were issued at par for aggregate gross proceeds of $375.0 million and bear interest at a fixed rate of 1.871% per annum, payable in semi-annual instalments, in arrears, on January 8 and July 8 of each year until maturity on July 8, 2026. The 2.443% Fixed Rate Notes were issued at par for aggregate gross proceeds of $375.0 million and bear interest at a fixed rate of 2.443% per annum, payable in semi-annual instalments, in arrears, on January 9 and July 9 of each year until maturity on July 9, 2029. The 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited. The Corporation used the net proceeds from these offerings to repay the $525.0 million aggregate principal amount of 2.337% Fixed Rate Notes due July 22, 2021, to repay then outstanding USCP Notes and for general corporate purposes.

Credit Agreement

On July 6, 2021, the Corporation and the lenders entered into a fourth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, extend (i) the term of Facility A in the amount of $250.0 million from September 27, 2024 to July 6, 2026, (ii) the term of Facility B, in the amount of $200.0 million, from September 29, 2023 to July 5, 2024, (iii) the term of Facility C, in the amount of $50.0 million, from September 29, 2023 to July 5, 2024, and (iv) the term of Facility D, in the amount of $300.0 million, from September 20, 2021 to July 6, 2022 (collectively, the "Credit Facility").

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 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 January 30, 2022 and January 31, 2021, no amount was outstanding under the TARCA. As at January 30, 2022, there were letters of credit issued for the purchase of inventories which amounted to $1.3 million (January 31, 2021 – $1.1 million) and the Corporation was in compliance with all of its financial covenants.

Short-Term Borrowings

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 January 30, 2022, there was US$70.0 million ($89.4 million) outstanding under the US commercial paper program (January 31, 2021 – no amount outstanding).

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 January 30, 2022. 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	237,991	-	-	-	237,991
Dividend payable	14,891	-	-	-	14,891
Lease liabilities (1)	78,253	166,907	854,611	865,552	1,965,323
Principal repayment on:					
2.443% Fixed Rate Notes	-	-	-	375,000	375,000
1.505% Fixed Rate Notes	-	-	-	300,000	300,000
1.871% Fixed Rate Notes	-	-	375,000	-	375,000
3.55% Fixed Rate Notes	-	-	500,000	-	500,000
2.203% Fixed Rate Notes	-	250,000	-	-	250,000
Credit Facility	-	-	-	-	-
USCP Notes	89,386	-	-	-	89,386
Interest payments on:					
2.443% Fixed Rate Notes	-	9,161	36,645	22,903	68,709
1.505% Fixed Rate Notes	2,258	2,258	18,060	4,514	27,090
1.871% Fixed Rate Notes	-	7,016	24,557	-	31,573
3.55% Fixed Rate Notes	-	17,750	17,750	-	35,500
2.203% Fixed Rate Notes	-	5,507	-	-	5,507
	422,779	458,599	1,826,623	1,567,969	4,275,970

(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 January 30, 2022.

(dollars in thousands)	**Less than 3 months** $	**3 months to 1 year** $	**1-5 years** $	**Over 5 years** $	**Total** $
Letters of credit	875	252	143	-	1,270

Other than letters of credit, the Corporation has no other off-balance sheet arrangements or commitments.

Financial Instruments

The Corporation uses derivative financial instruments in the management of its foreign currency and interest rate exposure. 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 Notes 3 and 14 of the Corporation's Fiscal 2022 annual audited consolidated financial statements.

Foreign Currency Exposure

The Corporation uses 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. 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. Foreign exchange forward contracts and zero cost collar contracts are designated as hedging instruments and are recorded at fair value, determined using market prices and other observable inputs.

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 Exposure

The Corporation also uses interest rate swap contracts to mitigate the risk associated with changes in the fair value of the issued 3.55% Fixed Rates Notes maturing November 6, 2023 due to changes in interest rates. These derivative financial instruments are used for risk management purposes and are designated as fair value hedges. Under these interest rates swaps, the Corporation receives a fixed rate of interest and pays interest at a variable rate on the notional amount. These derivatives are designated as hedging instruments and are recorded on the consolidated statement of financial position at fair value.

Also bond forward contracts were used in the first half of Fiscal 2022 in advance of issuing the 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes as hedges of interest rates thereof. Upon the pricing of the 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes on June 23, 2021, these bond forward contracts were settled and were no longer outstanding as of January 30, 2022. These derivatives were designated as hedging instruments and were recorded on the consolidated statement of financial position at fair value. The gain or loss related to the effective portion of the change in fair value of the derivatives was recorded to other comprehensive income and is being reclassified to net earnings over the same period as the hedged interest payments are recorded in earnings. The hedged risk was defined as the variability in cash flows associated with coupons paid on the debt to be issued attributable to movements in the CAD benchmark rate. The CAD benchmark rate consisted of the interpolated yield of Government of Canada bond curve with a term corresponding to the expected debt. Cash flows related to the expected bond's credit spread over the CAD benchmark were not designated as part of the hedging relationship.

Interest rate hedging also entails a risk of illiquidity and, to the extent that interest rates fluctuate, 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 reassessed the nature of the risks arising from derivative financial instruments and related risk management and concluded that there were no material changes.

Related Party Transactions

Property Leases

As at January 30, 2022, 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 January 30, 2022, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $34.7 million (January 31, 2021 - $44.1 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $6.3 million for the fiscal year ended January 30, 2022 (January 31, 2021 – $6.4 million).

Dollarcity

As at January 30, 2022, the account receivable from Dollarcity for the goods sold, assets licensed, and services provided under the LSA totalled $16.0 million (January 31, 2021 – $14.8 million), which amount was partly guaranteed by a letter of credit up to US$10.0 million ($12.8 million) (January 31, 2021 – US$10.0 million ($12.8 million)). For Fiscal 2022, the goods sold to Dollarcity shipped directly from the Corporation's warehouses amounted to $36.6 million (January 31, 2021 – $16.8 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 following discusses the most significant accounting judgments and estimates that the Corporation made in the preparation of the Corporation's audited annual consolidated financial statements for Fiscal 2022.

Valuation of Inventories

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

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

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

Lease Term

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

New Accounting Standards

New Accounting Standards Adopted in Fiscal 2022

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

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. 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 2021 amendments are effective for annual reporting periods beginning on or after April 1, 2021. The Corporation adopted the "COVID-19-Related Rent Concessions" amendment to IFRS 16. Application of the practical expedient and its extension did not have an impact on the financial results of the Corporation.

Libor Reform with Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform Phase 2 (the "Reform Phase 2"), which complemented the Reform Phase 1 and amended various standards requiring interest rates or interest rate calculations. The Reform Phase 2 provides guidance on the impacts on the financial statements after the London Inter-bank Offered Rate reform and its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. The Corporation adopted these amendments and their application did not have a significant impact on the Corporation's financial statements.

New Accounting Standards Announced but not yet Adopted

A number of new standards and amendments to standards and interpretations are effective for the fiscal year beginning in 2022 or after. None of these new standards or amendments are expected to have a significant impact on the consolidated financial statements of the Corporation.

Non-GAAP and Other Financial Measures

The Corporation's audited annual consolidated financial statements and notes for Fiscal 2022 have been prepared in accordance with GAAP. However, this MD&A also refers to certain non-GAAP and other financial measures.

We have included non-GAAP and other financial measures to provide investors with supplemental measures of our operating and financial performance. We believe that those measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP and other financial measures in the evaluation of issuers. Our management also uses non-GAAP and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

The majority of 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.

The below-described non-GAAP and other financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These 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.

National Instrument 52-112, *Non-GAAP and Other Financial Measures*, applies to documents filed by reporting issuers for a fiscal year ending on or after October 15, 2021. It sets out disclosure requirements for (A) non-GAAP financial measures, (B) non-GAAP ratios, and (C) other financial measures.

Refer to the section below for a reconciliation of the non-GAAP measures used and presented by the Corporation to the most directly comparable GAAP measures.

(A) Non-GAAP Financial Measures

EBITDA

EBITDA represents operating income plus depreciation and amortization and includes the Corporation's share of net earnings of its equity-accounted investment.

	Unaudited 13-week Periods Ended		Years Ended		
(dollars in thousands)	**January 30, 2022 $**	**January 31, 2021 $**	**January 30, 2022 $**	**January 31, 2021 $**	**February 2, 2020 $**
A reconciliation of operating income to EBITDA is included below:					
Operating income	315,719	256,069	984,617	861,000	868,137
Add: Depreciation and amortization	77,998	70,860	297,960	269,633	242,785
EBITDA	**393,717**	**326,929**	**1,282,577**	**1,130,633**	**1,110,922**
A reconciliation of EBITDA to cash flows from operating activities is included below:					
EBITDA	393,717	326,929	1,282,577	1,130,633	1,110,922
Financing costs (net of amortization of debt issue costs)	(31,141)	(32,015)	(88,548)	(93,789)	(96,790)
Amortization of net gains on bond lock and bond forward contracts	(133)	(78)	(435)	(354)	(378)
Current income taxes	(68,770)	(42,331)	(210,703)	(185,163)	(191,313)
Share-based compensation	2,155	1,930	8,617	6,240	5,448
Gain on lease modifications	(578)	(1,035)	(2,535)	(4,822)	(762)
Share of net earnings of equity-accounted investment	(18,370)	(10,518)	(33,184)	(19,654)	(10,263)
	276,880	242,882	955,789	833,091	816,864
Changes in non-cash working capital components	36,954	(22,473)	110,095	55,531	(84,356)
Net cash generated from operating activities	**313,833**	**220,409**	**1,065,883**	**888,622**	**732,508**

Management uses total debt, net debt, adjusted net debt and adjusted net debt to EBITDA ratio 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 January 30, 2022 over (ii) the book value of those common shares. The Corporation believes that securities analysts, investors and other interested parties frequently use non-GAAP and other financial measures in the evaluation of issuers.

Total debt

Total debt represents the sum of long-term debt (including accrued interest and fair value hedge – basis adjustment), short-term borrowings under the US commercial paper program and other bank indebtedness (if any).

(dollars in thousands)	As at		
A reconciliation of long-term debt to total debt is included below:	**January 30, 2022**	**January 31, 2021**	**February 2, 2020**
Senior unsecured notes bearing interest at:	**$**	**$**	**$**
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029 (the "2.443% Fixed Rate Notes")	375,000	-	-
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 1.871% payable in equal semi-annual instalments, maturing July 8, 2026 (the "1.871% Fixed Rate Notes")	375,000	-	-
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	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	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, repaid on July 22, 2021 (the "2.337% Fixed Rate Notes", and collectively with the 2.443 % Fixed Rate Notes, the 1.505% Fixed Rate Notes, the 1.871% 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	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 2 Floating Rate Notes, the "Floating Rate Notes")	-	-	300,000
Accrued interest on Fixed Rate Notes and Floating Rate Notes (collectively, "Senior Unsecured Notes")	7,850	8,051	8,407
Fair value hedge - basis adjustment on interest rate swap	(2,927)	-	-
Total long-term debt	1,804,923	1,883,051	1,883,407
USCP Notes issued under US commercial paper program	89,386	-	-
Total debt	**1,894,309**	**1,883,051**	**1,883,407**

Net debt

Net debt represents total debt minus cash.

(dollars in thousands)	As at		
	January 30, 2022	January 31, 2021	February 2, 2020
	$	$	$
A reconciliation of total debt to net debt is included below:			
Total debt	1,894,309	1,883,051	1,883,407
Cash	(71,058)	(439,144)	(90,464)
Net debt	**1,823,251**	**1,443,907**	**1,792,943**

Adjusted retained earnings

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 January 30, 2022 over (ii) the book value of those common shares.

	As at		
A reconciliation of deficit to adjusted retained earnings is included below:	January 30, 2022	January 31, 2021	February 2, 2020
	$	$	$
Deficit	(578,079)	(149,983)	(574,110)
Price paid in excess of book value of common shares repurchased under the NCIB	4,823,071	3,792,581	3,707,976
Adjusted retained earnings	**4,244,992**	**3,642,598**	**3,133,866**

The deficit as at January 30, 2022, January 31, 2021 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. As a result, the Corporation's shareholders' deficit for accounting purposes was $66.0 million as at January 30, 2022. Management believes that buying back shares remains an effective strategy to drive shareholder value and constitutes an appropriate use of the Corporation's funds.

(B) Non-GAAP Ratios

Adjusted net debt to EBITDA ratio

Adjusted net debt to EBITDA ratio is a ratio calculated using adjusted net debt over consolidated EBITDA for the last twelve months.

(dollars in thousands)	As at		
	January 30, 2022	**January 31, 2021**	**February 2, 2020**
	$	**$**	**$**
A calculation of adjusted net debt to EBITDA ratio is included below:			
Net debt	1,823,251	1,443,907	1,792,943
Lease liabilities	1,727,428	1,583,662	1,514,748
Adjusted net debt	**3,550,679**	**3,027,569**	**3,307,691**
EBITDA for the last twelve-month period	1,282,577	1,130,633	1,110,922
Adjusted net debt to EBITDA ratio	**2.77x**	**2.68x**	**2.98x**

EBITDA margin

EBITDA margin represents EBITDA divided by sales.

	Unaudited				
	13-week Periods Ended		**Years Ended**		
(dollars in thousands)	**January 30, 2022**	**January 31, 2021**	**January 30, 2022**	**January 31, 2021**	**February 2, 2020**
	$	**$**	**$**	**$**	**$**
A reconciliation of EBITDA to EBITDA margin is included below:					
EBITDA	393,717	326,929	1,282,577	1,130,633	1,110,922
Sales	1,224,900	1,103,668	4,330,761	4,026,259	3,787,291
EBITDA margin	*32.1%*	*29.6%*	29.6%	*28.1%*	*29.3%*

(C) Supplementary Financial Measures

Since the instrument 52-112 came into force, the disclosure surrounding the supplementary financial measures used by the Corporation in the assessment of the performance of its operations, are detailed below.

Gross margin	Represents gross profit divided by sales.
Operating margin	Represents operating income divided by sales.
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.
Comparable store sales growth	Represents the percentage increase or decrease, as applicable, of comparable store sales relative to the same period in the prior fiscal year. For the first, second and fourth quarters of Fiscal 2022, the calculation of comparable store sales growth excludes stores that were temporarily closed, either in Fiscal 2022 or in the same period in the prior fiscal year, in the context of the COVID-19 pandemic.
Incremental direct costs related to COVID-19	Represent costs incurred for the implementation and execution of health and safety measures in stores and in logistic operations in response to the pandemic, including costs associated with additional labor hours for the execution of sanitization and crowd control protocols and with the procurement of personal protection equipment for employees and cleaning supplies and equipment.

Risks and Uncertainties

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

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

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

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

Risks Related to Business Operations

Russia-Ukraine Conflict

Although Dollarama does not have direct suppliers based in Russia or Ukraine, a prolonged armed conflict between the two countries or an expansion of the armed conflict to other European countries could have a materially adverse effect on world economies and on the Corporation in a variety of ways including: (i) disruptions in international trade which could have severe impacts on global energy, food (particularly wheat and corn), and metal markets that may result in further inflationary pressures on a variety of goods sourced by the Corporation; (ii) supply chain disruptions due to restrictions on trade lanes, resulting in sudden and severe increases in the cost and/or shortages of raw materials, and/or logistics services; (iii) general decrease in consumer spending resulting from lower confidence levels and severe price inflation; and (iv) disruptions in capital and financial markets.

Merchandise and Operating Costs

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

Labour costs are largely outside of the Corporation’s control, driven by minimum wage legislation in each jurisdiction in which the Corporation has operations. Certain Canadian provinces implemented notable increases in the statutory minimum wage in recent years. 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. Productivity improvements from various operational initiatives may not be sufficient to offset those costs.

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

Inflation and adverse economic developments in Canada, where the Corporation both buys and sells merchandise, in China and other parts of Asia, where it buys a large portion of its imported merchandise, and in Latin America, where Dollarcity carries on its operations, could have a negative impact on margins, profitability and cash flows.

Fuel cost increases or surcharges could also increase transportation costs and therefore impact profitability.

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

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

Merchandise Selection and Replenishment

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

Imports and Supply Chain

Following one of its key business strategies of sourcing merchandise directly from low-cost suppliers, the Corporation relies heavily on imported goods, the majority of which are imported from China. Imported goods are generally less expensive than domestic goods and contribute significantly to favourable profit margins. Imported merchandise could become more expensive or unavailable, or deliveries could be subject to longer lead times, for a number of reasons, including: (a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages and strikes, suppliers going out of business, factory closures resulting from changes in the economic or regulatory landscape of the country of origin, inflation, natural disasters, unusually adverse weather, pandemic or epidemic outbreaks (such as COVID-19), political unrest in foreign countries and international conflicts; (b) further consolidation in the shipping industry, which could lead to even tighter shipping capacity and steeper rate increases; (c) economic instability and international disputes; (d) increases in the cost of purchasing or shipping foreign merchandise resulting from Canada's failure to maintain normal trade relationships with foreign countries; (e) increases in tariffs or the elimination of existing preferential tariffs on goods originating from certain countries, including China, restrictive changes to import quotas, and other adverse protectionist trade measures; and (f) changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect the Corporation's business and financial results.

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

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

COVID-19 Pandemic

The COVID-19 pandemic has had a significant impact on global economic activity since March 2020 and remains ongoing.

The Corporation was recognized as an essential business in its Canadian markets at the outset of the pandemic. However, measures taken by Canadian public authorities to curb the spread of the virus have resulted in the temporary closure of a number of stores, most notably in shopping malls, strict in-store capacity limits and temporary bans on the sale of non-essential items in Ontario, Québec and Manitoba. If additional mitigation measures were implemented by public authorities in the event of a new surge in the number of COVID cases, there is no assurance that the Corporation will be able to retain its status as an essential business and maintain its operations. The loss of such status in Québec 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 has caused significant disruption in many areas, including global supply chains, consumer demand patterns and the labour market. 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, Guatemala and Peru), the long-term direct and indirect impact of the COVID-19 pandemic remains difficult to forecast. As the situation in these markets continues to evolve, Dollarcity could be impacted by factors beyond its control, including without limitation store closures, potential supply disruptions or other unforeseen circumstances.

Brand Image and Reputation

The Corporation has a well recognized brand that consumers associate with compelling value.

Failure to maintain product safety and quality or ethical and socially responsible operations could materially adversely affect its brand image and reputation. Public concerns about the environmental impact of the Corporation’s products and operations could also negatively impact consumers’ perceptions of the Corporation’s brand image. Any negative publicity about, or significant damage to, the Corporation’s brand and reputation could have an adverse impact on customer perception and confidence, which could materially adversely affect the Corporation’s business and financial results. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to its business practices and products.

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

Also, there is a risk that the significant inflationary pressures that the Corporation, and the retail industry as a whole, will be facing in Fiscal 2023 have negative implications on brand perception. Those pressures are expected to be more acute for an import-based business focusing on goods sold at low, fixed price points, and price increases required to maintain margins on select products may not be well received by consumers, which could materially adversely affect the Corporation’s business and financial results.

Distribution and Warehousing Network

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

Over the longer term, the Corporation will eventually need additional warehousing and distribution centre capacity. If the Corporation does not plan efficiently for increased capacity, or is unable to locate new sites, either for sale or for rent, on favorable terms, or is unable to commission new warehousing or distribution operations on a timely basis, the Corporation may not be able to successfully execute its growth strategy or may incur additional costs, which could materially adversely affect its business and financial results.

In the meantime, as the Corporation relies on a single distribution centre located in the Town of Mont-Royal (Québec), any disruption at that facility, for example as a result of a COVID-19 outbreak, would materially impact the flow of goods to stores and, in turn, could potentially impact sales and the Corporation’s financial results.

Inventory Shrinkage

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

Real Estate

All of the Corporation’s stores are leased from unaffiliated third parties, except for one store that is owned by the Corporation and 19 stores that are leased from entities controlled by the Rossy family. In addition, the Corporation leases five of its six warehouses (the sixth one being owned by the Corporation) and its head office from entities controlled by the Rossy family pursuant to long-term leases expiring in November 2024.

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

Seasonality

Historically, the Corporation’s highest sales have occurred in the fourth quarter, during the winter holidays selling season. Sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick’s Day, Valentine’s Day and Halloween. Failure to adequately prepare for the holiday sales demand and the timing of certain holidays and of new store openings could have material adverse effects on the Corporation’s business and financial results. In addition, the occurrence of unusually adverse weather, natural disasters, geopolitical events, pandemic or epidemic outbreaks or any other event beyond the Corporation’s control and causing any disruption in its business activities or operations during a peak season could have an adverse effect on the distribution network and on store traffic, which could materially adversely affect its business and financial results.

Private Brands

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

Intellectual Property

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

International Operations

The Corporation has international operations in El Salvador, Guatemala, Colombia and Peru through its 50.1% equity interest in Dollarcity. The Corporation's operations outside of Canada are exposed to risks inherent in foreign operations. These risks, which can vary substantially by market and jurisdiction, are described in many of the risk factors discussed in this section and also include the following:

- the adoption of laws, regulations and policies aimed at managing national economic conditions, such as increases in taxes, austerity measures that impact consumer spending, monetary policies that may impact inflation rates and currency fluctuations;
- the imposition of import restrictions or controls;
- the effects of legal and regulatory changes and the burdens and costs of compliance with a variety of foreign laws;
- changes in laws and policies that govern foreign investment and trade in the countries in which the Corporation operates;
- breaches or violations of Canadian and other foreign anti-corruption and anti-bribery laws, including by the Corporation's employees, suppliers, contractors, agents or representatives;
- risks and costs associated with political and economic instability, corruption, and social and ethnic unrest in the countries in which the Corporation operates;
- risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights; and
- risks arising from the significant and rapid fluctuations in currency exchange markets, and the impact of any decisions and positions taken to hedge such volatility.

These factors may increase in importance as Dollarcity expands its store network in Latin America and could adversely affect the growth strategy which, in turn, could adversely affect the Corporation's business and financial results.

Financial Risks

Foreign Exchange Risk

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

The Corporation uses foreign exchange forward contracts and zero cost collar contracts to mitigate the foreign currency risk associated with the vast majority of forecasted U.S. dollar merchandise purchases, as well as the hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program. However, hedging arrangements may have the effect of limiting the total returns to the Corporation if purchases at hedged rates result in lower margins than otherwise earned if purchases had been made at spot rates.

Indebtedness

As at January 30, 2022, the outstanding principal on the Corporation's long-term debt amounted to $1,800.0 million, in addition to $89.4 million outstanding under the US commercial paper program. The Corporation's indebtedness could have important consequences on its business and operations, including the following:

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

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

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

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

Interest Rates

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

Liquidity

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

Changes in Creditworthiness or Credit Rating

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

Income Taxes

The Corporation's income tax provisions and income tax assets and liabilities are based on interpretations of applicable tax laws, including income tax treaties between the countries in which the Corporation operates (including countries in Latin America in the case of Dollarcity), as well as underlying rules and regulations with respect to transfer pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Corporation is regularly subject to. New information may become available that causes the Corporation to change its judgment regarding the adequacy of existing income tax assets and liabilities; such changes will impact net earnings in the period that such a determination is made.

Market Risks

Retail Competition

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

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

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

E-Commerce and Disruptive Technologies

While the Corporation has an online store offering select products by the full case, which drove increased traffic and generated higher sales since the beginning of the COVID-19 pandemic, the Corporation faces stronger than ever competition from online retailers, especially as the pandemic pushed more consumers to shop online. Aggressive growth of e-commerce competitors and changing consumer habits could have a material adverse impact on the Corporation's business and financial results. As part of the Corporation's e-commerce initiative, customers expect innovative concepts and a positive customer experience, including a user-friendly website, reliable data, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Corporation is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems do not function effectively, the Corporation's ability to maintain and potentially grow its e-commerce business could be adversely affected.

Economic Conditions

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

Human Resources Risks

Reliance on Key Personnel

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

As the Corporation's activities continue to grow, it must also continue to hire additional highly qualified individuals at corporate level, including key procurement, replenishment, project management, IT, finance, legal, and technical personnel, and to manage its growing network of stores. There can be no assurance that the Corporation will be able to attract or retain such qualified personnel in the future, which would adversely affect its business and financial results.

Recruitment, Retention and Management of Quality Employees

Future growth and performance depend, among other things, on the Corporation's ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. The Corporation's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). More specifically, in the event of a labour shortage affecting the Corporation's warehouse and distribution centre staffing needs, the Corporation could experience difficulty delivering its products to stores in a timely manner and could be forced to increase wages and benefits in order to attract and retain workers, which would result in higher operating costs and reduced profitability.

In addition, the Corporation must be able to successfully manage personnel throughout its vast, geographically dispersed network of stores.

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

Technology Risks

Information Technology Systems

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

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

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

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

Data Security and Privacy Breaches

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

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

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

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

Strategy and Corporate Structure Risks

Growth Strategy

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

- locate, lease, build out, and open stores in suitable locations on a timely basis and on favourable economic terms;
- hire, train, and retain an increasing number of quality employees at competitive rates of compensation;
- supply an increasing number of stores with the proper mix and volume of merchandise;
- expand within the markets of Ontario and Québec, where it is already well established and where new stores may draw sales away from existing stores;
- expand into new geographic markets, including Latin America, where it has limited presence;
- procure efficient logistics and transportation services for those new markets;
- successfully compete against local competitors; and
- build, expand and upgrade warehousing and distribution facilities as well as store support systems in an efficient, timely and economical manner.

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

On August 14, 2019, the Corporation acquired a 50.1% interest in Dollarcity and established a second growth platform in Latin America. The Corporation's ability to develop this new growth platform depends largely on the ability of Dollarcity to successfully expand its store network within the territory mutually agreed upon between the parties (comprised of El Salvador, Guatemala, Honduras, Costa Rica, Nicaragua, Panama, Colombia, Peru and Ecuador), which, in turn, depends on a number of operational and financial factors similar to those that the Corporation has to contend with in Canada, in addition to economic, social and geopolitical factors arising specifically in the countries where Dollarcity operates and the legal environment governing its Latin American operations.

Moreover, while the Corporation has a majority interest in Dollarcity, certain strategic and operational decisions are subject to the approval of all stockholders. Dollarcity's founding stockholders may in the future have interests that are different from the Corporation's interests, which may result in conflicting views as to the conduct of the business of Dollarcity. In the event of a disagreement regarding the resolution of any particular issue, or regarding the management or conduct of the business of Dollarcity, the Corporation may not be able to resolve such disagreement in its favor and such disagreement could have a material adverse effect on the Corporation's equity interest in Dollarcity or the business of Dollarcity in general. As a result, the Corporation's success in Latin America will also depend on the ability of Dollarcity's stockholders to reach agreements with respect to the strategic direction of Dollarcity and other important aspects of the Dollarcity business in the future.

Corporate Structure

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

Business Continuity Risks

Adverse Weather, Natural Disasters, Climate Change, Geopolitical Events, Pandemic and Epidemic Outbreaks

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather exacerbated by global climate change or otherwise, pandemic or epidemic outbreaks (including new outbreaks of COVID-19), boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located or in which the Corporation, including through Dollarcity, operates, and acts of terrorism, or similar disruptions could materially adversely affect the Corporation's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during a period of the year when sales generally increase, such as the winter holidays season or any other major holidays and celebrations.

These events could result in physical damage to one or more of the Corporation's or Dollarcity's properties, increases in fuel or other energy prices, disruption to information systems, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transportation of goods from overseas, delays in the delivery of goods to warehouses, distribution centres or stores, the temporary or permanent closure of one or more warehouses or distribution centre or of one or more stores, the temporary reduction in the availability of products in stores, delays in opening new stores, a temporary workforce unavailability in a market or a surge in unemployment, the temporary reduction of store traffic, significant disruption in everyday life and consumer spending habits in the markets in which the Corporation operates and/or the loss of sales. These factors could materially adversely affect the Corporation's business and financial results, for a short or long period, and there is no assurance that business will resume and reach historical levels after any such event.

Insurance

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

Legal and Regulatory Risks

Product Liability Claims and Product Recalls

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

Litigation

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

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

Regulatory Environment

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

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

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

In addition, the Corporation and its representatives are subject to anti-corruption and anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities, or persons defined in those anti-corruption and anti-bribery laws, in order to obtain business or other improper advantages in the conduct of business. Failure by the Corporation or any of its employees, subcontractors, suppliers, agents, and/or representatives to comply with anti-corruption and anti-bribery laws could result in criminal, civil and administrative legal sanctions and negative publicity, and could materially adversely affect the Corporation's business and financial results as well as its brand image and reputation.

Environmental Compliance

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

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

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

The Corporation cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures or impose fines or penalties, which could vary substantially from those currently anticipated and could materially adversely affect the Corporation's business and financial results. For example, new federal regulations prohibiting the manufacture, import, and sale of different categories of single-use plastic items which are expected to be adopted in 2022 will force the Corporation to refresh its product assortment. There is no assurance that the Corporation will be able to offer sustainable alternatives, particularly reusable options, to maintain sales levels or that it will be able to do so while preserving product margins.

Climate Change

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

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

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

Shareholder Activism

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. The CEO and the CFO evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings. They concluded that, as at January 30, 2022, the Corporation's design and operation of its disclosure controls and procedures was effective in providing reasonable assurance that material information regarding this MD&A, the consolidated financial statements and other disclosures was made known to them on a timely basis.

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

As at January 30, 2022, the CEO and the CFO evaluated the effectiveness of both disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the CEO and the CFO concluded that disclosure controls and procedures and internal control over financial reporting were effective as at January 30, 2022. In making the evaluation of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control - Integrated Framework* (commonly referred to as the 2013 COSO Framework).

There were no changes in internal control over financial reporting that occurred during the period beginning on February 1, 2021 and ended on January 30, 2022 that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On March 30, 2022, the Corporation announced that its Board of Directors had approved a 10% increase of the quarterly cash dividend for holders of common shares, from $0.0503 to $0.0553 per common share. This dividend is payable on May 6, 2022 to shareholders of record at the close of business on April 15, 2022. 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 5, 2021, the Corporation announced the renewal of its normal course issuer bid and the approval from the Toronto Stock Exchange ("TSX") to repurchase for cancellation up to 19,376,824 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2021, during the 12-month period from July 7, 2021, to July 6, 2022. (the "2021-2022 NCIB").

The table below summarizes all purchases of common shares under each of the 2020-2021 NCIB and the 2021-2022 NCIB up to January 30, 2022, the last day of Fiscal 2022.

NCIB	Period of Coverage	Number of Common Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Common Share $	Value of Common Shares Repurchased for Cancellation ('000s) $
2020-2021 NCIB	July 7, 2020 to July 6, 2021	7,807	56.46	440,752
2021-2022 NCIB	July 7, 2021 to January 30, 2022[(1)]	11,991	58.89	706,208
		19,798	57.93	1,146,960

[(1)] The 2021-2022 NCIB is set to expire on July 6, 2022.

The table below summarizes all purchases of common shares during Fiscal 2021 and Fiscal 2022.

Period of Coverage	Number of Common Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Common Share $	Value of Common Shares Repurchased for Cancellation ('000s) $
Fiscal 2021	1,622	53.67	87,042
Fiscal 2022	18,176	58.31	1,059,918
	19,798	57.93	1,146,960

As at January 30, 2022, the Corporation's adjusted net debt to EBITDA ratio was 2.77 times[(1)].

Share Information

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

As at March 29, 2022, there were 292,813,569 common shares issued and outstanding. In addition, there were 3,819,100 options, each exercisable for one common share, issued and outstanding as at March 29, 2022. Assuming exercise of all outstanding options, there would have been 296,632,669 common shares issued and outstanding on a fully diluted basis as at March 29, 2022. Refer to Note 12 of the Corporation's audited annual consolidated financial statements for Fiscal 2022 for additional information.

Additional Information

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

[(1)] Refer to the section entitled "Non-GAAP and Other Financial Measures" of this MD&A for the definition of this item and, when applicable, its reconciliation with the most directly comparable GAAP measure.