DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Second Quarter Ended July 31, 2022

September 9, 2022

The following management's discussion and analysis ("MD&A") dated September 9, 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 second quarter ended July 31, 2022. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the second quarter ended July 31, 2022 and the 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 unaudited condensed interim consolidated financial statements for the second quarter ended July 31, 2022 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 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 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 Corporation's 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 the Corporation's annual MD&A for Fiscal 2022, available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com: future increases in operating costs (including increases in statutory minimum wages and incremental direct 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 September 9, 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

Renewal of Normal Course Issuer Bid

On July 5, 2022, the Corporation announced that it received approval from the Toronto Stock Exchange ("TSX") to renew its normal course issuer bid in order to purchase for cancellation up to 18,713,765 of its common shares, representing 7.5% of the public float of 249,516,878 common shares as at the close of markets on June 30, 2022, during the 12-month period starting on July 7, 2022 and ending no later than July 6, 2023.

Amendments to Credit Agreement

On July 5, 2022, the Corporation announced that it entered into a fifth amending agreement to the TARCA (as hereinafter defined) in order to, among other things, (i) convert the credit facilities to sustainability-linked credit facilities ("SLL") (ii) increase the available credit to $1,050 million from $800 million and (iii) extend the term of each tranche by one additional year. The SLL is tied to two specific sustainability performance targets related to the Corporation's overall Environmental, Social and Governance strategy and which are linked to incentive pricing terms, namely: 1) Climate Change and Energy Management: Reduction of Scope 1 and Scope 2 greenhouse gas emissions intensity; and 2) Diversity, Equity and Inclusion: Increase of female gender representation in management positions.

Upsize of US Commercial Paper Program

On July 7, 2022, the Corporation announced the upsize of its commercial paper program in the United States from US$500 million to US$700 million.

Quarterly Cash Dividend

On September 9, 2022, the Corporation announced that its board of directors (the "Board of Directors") had approved a quarterly cash dividend for holders of common shares of $0.0553 per common share. This dividend is payable on November 4, 2022 to shareholders of record at the close of business on October 7, 2022. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Overview

Our Business

As at July 31, 2022, the Corporation had 1,444 stores in Canada, including 13 net new stores opened during the second quarter of Fiscal 2023, and continues to expand its network across the country. Stores average 10,414 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 $5.00. The introduction of new price points up to $5.00, consistent with the Corporation's multi-price point strategy in place since 2009, was announced on March 30, 2022 and the rollout is gradually taking place in stores throughout the course of Fiscal 2023. 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 June 30, 2022, Dollarcity had a total of 377 stores with 222 locations in Colombia, 80 in Guatemala, 61 in El Salvador, and 14 in Peru.

Key Items in the Second Quarter of Fiscal 2023

Compared to the second quarter of Fiscal 2022:

- Sales increased by 18.2% to $1,217.1 million;
- Comparable store sales[(1)] grew by 13.2%, compared to a 5.1% decrease in the prior year;
- EBITDA[(1)] increased by 25.8% to $369.4 million, or 30.4% of sales, compared to 28.5% of sales;
- Operating income increased by 30.3% to $287.4 million, or 23.6% of sales, compared to 21.4% of sales;
- Diluted net earnings per common share increased by 37.5% to $0.66 from $0.48;
- A total of 13 net new stores were opened, compared to 13 net new stores; and
- A total of 3,690,894 common shares were repurchased for cancellation under the Corporation's normal course issuer bid, for a total consideration of $274.9 million.

Key Items in the First Six Months of Fiscal 2023

Compared to the first six months of Fiscal 2022:

- Sales increased by 15.4% to $2,289.9 million;
- Comparable store sales[(1)] grew by 10.3%, compared to a 0.1% decrease in the prior year;
- EBITDA[(1)] grew 23.6% to $669.4 million, or 29.2% of sales, compared to 27.3% of sales;
- Operating income increased by 27.7% to $507.4 million, or 22.2% of sales, compared to 20.0% of sales;
- Diluted net earnings per common share increased by 38.1%, to $1.16 from $0.84;
- A total of 23 net new stores were opened, compared to 25 net new stores; and
- A total of 5,135,697 common shares were repurchased for cancellation under the Corporation's normal course issuer bid, for a total consideration of $382.2 million.

Outlook

A discussion of management's expectations as to the Corporation's outlook for Fiscal 2023 is contained in the Corporation's press release dated September 9, 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.

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

Factors Affecting Results of Operations

Sales

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

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

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.

Since 2013, 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 Dollarcity. Otherwise, the Corporation recognizes the net amount that it retains as revenue.

When the licensing and services agreement entered into in 2013 expired on February 4, 2022, Dollarama International entered into a new sourcing agreement and a new services agreement with Dollarcity, each having an initial term of five years, subject to automatic renewal for successive one-year periods, unless terminated by either party at least 60 days before the close of the then-current term. Dollarama International continues to act as Dollarcity's primary supplier of products, either as principal or as intermediary. Changes were made to reflect the new relationship between the parties following the acquisition by Dollarama International of a 50.1% interest in Dollarcity on August 14, 2019, 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 the annual MD&A for Fiscal 2022 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 in the first half of Fiscal 2023. Although new contracts and rates have been negotiated with container shipping companies for Fiscal 2023, the Corporation expects continued pressures on inbound shipping costs and lead times due to volatility in the market. 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, product mix 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 and in the first half of Fiscal 2023 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.

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 July 31, 2022 and August 1, 2021 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

	13-Week Periods Ended		26-Week Periods Ended	
(dollars and shares in thousands, except per share amounts)	**July 31, 2022**	**August 1, 2021**	**July 31, 2022**	**August 1, 2021**
	$	**$**	**$**	**$**
Earnings Data				
Sales	1,217,060	1,029,348	2,289,944	1,983,594
Cost of sales	687,028	582,688	1,308,020	1,133,494
Gross profit	530,032	446,660	981,924	850,100
SG&A	168,324	157,093	328,949	315,765
Depreciation and amortization	81,979	73,185	161,951	144,587
Share of net earnings of equity-accounted investment	(7,680)	(4,100)	(16,417)	(7,503)
Operating income	287,409	220,482	507,441	397,251
Financing costs	26,668	22,856	51,023	45,002
Earnings before income taxes	260,741	197,626	456,418	352,249
Income taxes	67,262	51,398	117,437	92,447
Net earnings	193,479	146,228	338,981	259,802
Basic net earnings per common share	$0.67	$0.48	$1.16	$0.85
Diluted net earnings per common share	$0.66	$0.48	$1.16	$0.84
Weighted average number of common shares outstanding:				
Basic	290,482	304,779	291,602	307,090
Diluted	292,173	306,242	293,329	308,533
Other Data				
Year-over-year sales growth	18.2%	1.6%	15.4%	6.7%
Comparable store sales growth (1)	13.2%	(5.1%)	10.3%	(0.1%)
Gross margin (1)	43.6%	43.4%	42.9%	42.9%
SG&A as a % of sales (1)	13.8%	15.3%	14.4%	15.9%
Incremental direct costs related to COVID-19(1)	-	11,708	1,591	30,002
EBITDA (1)	369,388	293,667	669,392	541,838
Operating margin (1)	23.6%	21.4%	22.2%	20.0%
Capital expenditures	37,079	44,681	68,422	75,051
Number of stores (2)	1,444	1,381	1,444	1,381
Average store size (gross square feet) (2)	10,414	10,330	10,414	10,330
Declared dividends per common share	$0.0553	$0.0503	$0.1106	$0.1006

	As at	
	July 31, 2022 $	January 30, 2022 $
Statement of Financial Position Data		
Cash	70,865	71,058
Inventories	823,432	590,927
Total current assets	951,366	717,367
Property, plant and equipment	774,731	761,876
Right-of-use assets	1,549,724	1,480,255
Total assets	4,400,800	4,063,562
Total current liabilities	1,249,592	911,891
Total non-current liabilities	3,274,087	3,217,705
Total debt (1)	2,190,744	1,886,300
Net debt (1)	2,119,879	1,815,242
Shareholders' deficit	(122,879)	(66,034)

(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 Second Quarter of Fiscal 2023

The following section provides an overview of the Corporation's financial performance during the second quarter of Fiscal 2023 compared to the second quarter of Fiscal 2022.

Sales

Sales for the second quarter of Fiscal 2023 increased by 18.2% to $1,217.1 million, compared to $1,029.3 million in the corresponding period of the prior fiscal year. This increase was driven by growth in the total number of stores over the past 12 months (from 1,381 stores on August 1, 2021, to 1,444 stores on July 31, 2022) and in comparable store sales.

Comparable store sales for the second quarter of Fiscal 2023 increased by 13.2% consisting of a 20.2% increase in the number of transactions and a 5.8% decrease in average transaction size. The increase in comparable store sales is primarily attributable to higher sales of consumables, as well as seasonal products. Comparable store sales in the corresponding period of the prior fiscal year declined 5.1%, primarily as a result of the ban on the sale of non-essential goods in Ontario in place for the first 5.5 weeks of the quarter, where approximately 40% of the Corporation's stores are located.

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, 78.9% of the Corporation's sales originated from products priced higher than $1.25, compared to 76.0% in the corresponding quarter last year.

Gross Margin

Gross margin was 43.6% of sales in the second quarter of Fiscal 2023, compared to 43.4% of sales in the second quarter of Fiscal 2022. Gross margin was slightly higher due to significantly lower logistic costs, partially offsetting a change in the sales mix with stronger sales of consumables, and higher freight costs.

SG&A

SG&A for the second quarter of Fiscal 2023 increased by only 7.1% to $168.3 million, compared to $157.1 million for the second quarter of Fiscal 2022. SG&A represented 13.8% of sales for the second quarter of Fiscal 2023, compared to 15.3% of sales for the second quarter of Fiscal 2022. This improvement is primarily attributed to the fact that incremental direct costs related to COVID-19 measures for the second quarter of Fiscal 2023 were nil, compared to $11.7 million, representing a 115 basis-point impact, in the same period last year.

Depreciation and Amortization

The depreciation and amortization expense increased by $8.8 million, from $73.2 million for the second quarter of Fiscal 2022 to $82.0 million for the second quarter of Fiscal 2023. 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 April 1, 2022 to June 30, 2022 was $7.7 million, compared to $4.1 million for the same period last year, reflecting a strong financial and operational performance by Dollarcity. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs increased by $3.8 million, from $22.9 million for the second quarter of Fiscal 2022 to $26.7 million for the second quarter of Fiscal 2023. The increase is mainly due to higher average debt levels and a slightly higher average borrowing rate.

Income Taxes

Income taxes increased by $15.9 million, from $51.4 million for the second quarter of Fiscal 2022 to $67.3 million for the second quarter of Fiscal 2023. The statutory income tax rate for the second quarters of Fiscal 2023 and Fiscal 2022 was 26.5%. The Corporation's effective tax rates for the second quarters of Fiscal 2023 and Fiscal 2022 were 25.8% and 26.0%, respectively. The decrease in the effective tax rate for the second quarter of Fiscal 2023 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 second quarter of Fiscal 2023 than for the same period in Fiscal 2022, respectively at $7.7 million and $4.1 million) is computed net of taxes, already accounted for by Dollarcity.

Net Earnings

Net earnings were $193.5 million, or $0.66 per diluted common share, in the second quarter of Fiscal 2023, compared to $146.2 million, or $0.48 per diluted common share, in the second quarter of Fiscal 2022.

Analysis of Results for the First Six Months of Fiscal 2023

The following section provides an overview of our financial performance during the first six months of Fiscal 2023 compared to the first six months of Fiscal 2022.

Sales

Sales for the first six months of Fiscal 2023 increased by 15.4% to $2,289.9 million, compared to $1,983.6 million in the corresponding period of the prior fiscal year.

Comparable store sales increased 10.3% year over year compared to a 0.1% decrease in the first six months of fiscal 2022. The increase is primarily attributable to the length and timing of the ban on the sale of non-essential products in Ontario, Dollarama's largest market, where approximately 40% of stores are located. The ban was in place from April 8, 2021 to June 10, 2021, inclusively, or for 9 weeks of the first six months of Fiscal 2022, during a period historically representing a significant proportion of spring and garden seasonal sales. Comparable store sales for the first six months of Fiscal 2023 consisted of a 17.4% increase in the number of transactions and a 6.0% decrease in average transaction size.

In the first six months of Fiscal 2023, 77.6% of sales originated from products priced higher than $1.25, compared to 75.1% in the corresponding period last year.

Gross Margin

Gross margin was $981.9 million or 42.9% of sales in the first six months of Fiscal 2023, compared to $850.1 million or 42.9% of sales in the first six months of Fiscal 2022. For the first six months of Fiscal 2023, the lower logistic costs were offset by higher sales of lower margin consumable goods and higher freight costs.

Gross margin includes sales made by the Corporation to Dollarcity, as principal, which represent approximately 1% of the Corporation's total sales, and a nominal markup margin. Consequently, these sales had minimal impact on overall gross margin in either the current or prior year period.

SG&A

SG&A for the first six months of Fiscal 2023 was $328.9 million, a 4.1% increase over $315.8 million for the first six months of Fiscal 2022. SG&A for the first six months of Fiscal 2023 represented 14.4% of sales, compared to 15.9% of sales for the first six months of Fiscal 2022. This 1.5% variance reflects lower COVID-19 related costs recorded in the first six months of Fiscal 2023 compared to the prior year.

Depreciation and Amortization

The depreciation and amortization expense increased by $17.4 million, from $144.6 million for the first six months of Fiscal 2022 to $162.0 million for the first six months of Fiscal 2023. 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, 2022 to June 30, 2022 was $16.4 million, compared to $7.5 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 $6.0 million, from $45.0 million for the first six months of Fiscal 2022 to $51.0 million for the first six months of Fiscal 2023. The increase is mainly due to higher average debt levels and slightly higher average borrowing rate.

Income Taxes

Income taxes increased by $25.0 million, from $92.4 million for the first six months of Fiscal 2022 to $117.4 million for the first six months of Fiscal 2023. The statutory income tax rates for the first six months of Fiscal 2023 and Fiscal 2022 were 26.5%. The Corporation's effective tax rates for the first six months of Fiscal 2023 and Fiscal 2022 were 25.7% and 26.2%, respectively. The decrease in the effective tax rate for the first six months of Fiscal 2023 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 first six months of Fiscal 2023 than for the same period in Fiscal 2022, respectively at $16.4 million and at $7.5 million) is computed net of taxes, already provisioned by Dollarcity.

Net Earnings

Net earnings increased to $339.0 million, or $1.16 per diluted common share, in the first six months of Fiscal 2023, compared to $259.8 million, or $0.84 per diluted common share, in the first six months of Fiscal 2022.

Summary of Consolidated Quarterly Results

(*dollars in thousands, except per share amounts*)	Fiscal 2023		Fiscal 2022				Fiscal 2021	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Statement of Net Earnings Data	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	1,217,060	1,072,884	1,224,900	1,122,267	1,029,348	954,246	1,103,668	1,064,201
Net earnings	193,479	145,502	219,966	183,401	146,228	113,574	173,902	161,871
Net earnings per common share								
Basic	$0.67	$0.50	$0.74	$0.61	$0.48	$0.37	$0.56	$0.52
Diluted	$0.66	$0.49	$0.74	$0.61	$0.48	$0.37	$0.56	$0.52

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. As such, results for the second quarter of 2023 may not be representative of results for other quarters or for the full fiscal year.

Inventory

Inventory increased to $823.4 million as at July 31, 2022 from $586.3 million on August 1, 2021. The year-over-year increase is primarily attributable to higher in-transit inventory as the Corporation rebuilds its inventory to pre-pandemic levels and reflecting the purchasing of fall and winter seasonal goods earlier than historically in the context of global supply chain disruptions.

Liquidity and Capital Resources

Cash Flows for the Second Quarter of Fiscal 2023

(dollars in thousands)	13-Week Periods Ended July 31, 2022 $	August 1, 2021 $	Change $
Cash flows from operating activities	109,336	264,661	(155,325)
Cash flows used in investing activities	(37,045)	(44,483)	7,438
Cash flows used in financing activities	(73,000)	(137,798)	64,798
Net change in cash	(709)	82,380	(83,089)

Cash Flows - Operating Activities

For the second quarter of Fiscal 2023, cash flows generated from operating activities totalled $109.3 million, compared to $264.7 million for the second quarter of Fiscal 2022. This decrease is primarily attributable to a higher use of working capital for the purchase of inventory in the second quarter of Fiscal 2023 compared to the second quarter of Fiscal 2022.

Cash Flows - Investing Activities

For the second quarter of Fiscal 2023, cash flows used in investing activities totalled $37.0 million, compared to $44.5 million for the second quarter of Fiscal 2022. This decrease is primarily attributable to lower capital expenditures related to transformation and information technology projects compared to the second quarter of Fiscal 2022.

Cash Flows - Financing Activities

For the second quarter of Fiscal 2023, cash flows used in financing activities totalled $73.0 million, compared to $137.8 million for the second quarter of Fiscal 2022. This variance is mainly due to an increase of $181.0 million in the net proceeds on debt, offset by an increase of $111.3 million in the repurchase of common shares under the normal course issuer bid.

Cash Flows for the First Six Months of Fiscal 2023

(dollars in thousands)	26-Week Periods Ended July 31, 2022 $	August 1, 2021 $	Change $
Cash flows from operating activities	252,116	398,644	(146,528)
Cash flows used in investing activities	(68,370)	(74,680)	6,310
Cash flows used in financing activities	(183,939)	(631,628)	447,689
Net change in cash	(193)	(307,664)	307,471

Cash Flows - Operating Activities

For the first six months of Fiscal 2023, cash flows generated from operating activities totalled $252.1 million, compared to $398.6 million for the first six months of Fiscal 2022 This decrease is primarily attributable to a higher use of working capital for the purchase of inventory in the first six months of Fiscal 2023 compared to the first six months of Fiscal 2022.

Cash Flows - Investing Activities

For the first six months of Fiscal 2023, cash flows used in investing activities totalled $68.4 million, compared to $74.7 million for the first six months of Fiscal 2022. This decrease is mainly due to lower capital expenditures related to transformation and information technology projects compared to the first six months of Fiscal 2022.

Cash Flows - Financing Activities

For the first six months of Fiscal 2023, cash flows used in financing activities totalled $184.0 million, compared to $631.6 million for the first six months of Fiscal 2022. This decrease is mainly attributable to a higher net proceeds on debt for an amount of $389.2 million and a lower repurchase of shares under the normal course issuer bid for an amount of $64.7 million compared to Fiscal 2022.

Capital Expenditures

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

For the second quarter of Fiscal 2023, capital expenditures totalled $37.0 million, compared to $44.5 million for the second quarter of Fiscal 2022. This decrease is mainly attributable to lower transformational and information technology capital expenditures in the second quarter of Fiscal 2023, compared to the second quarter of Fiscal 2022.

For the first six months of Fiscal 2023, capital expenditures totalled $68.4 million, compared to $74.7 million for the first six months of Fiscal 2022. This decrease is mainly attributable to lower capital expenditures related to transformation and information technology compared to the second quarter of Fiscal 2022.

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 July 31, 2022, the Corporation had $70.9 million of cash on hand and $1,049.1 million available under its Credit Facility, of which $396.6 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.

Barring further extraordinary circumstances arising from the COVID-19 pandemic or other factors 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 $298.2 million as at July 31, 2022, compared to a negative working capital of $194.5 million as at January 30, 2022 as a result of the inclusion in current liabilities of the Senior Unsecured Notes due in the next twelve months and short-term borrowings. 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. Refer to the section of the annual MD&A for Fiscal 2022 entitled "Risks and Uncertainties" for a discussion on the risks associated with indebtedness, liquidity and changes in creditworthiness or credit rating.

Senior Unsecured Notes

Long-term debt outstanding consists of the following as at:	July 31, 2022 $	January 30, 2022 $
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	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	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", and collectively with the 2.443% Fixed Rate Notes, the 1.505% Fixed Rate Notes, the 1.871% Fixed Rate Notes, and the 3.55% Fixed Rate Notes, the "Senior Unsecured Notes")	250,000	250,000
Less: Unamortized debt issue costs, including $2,133 (January 30, 2022 – $1,632) for the credit facility	(7,564)	(8,009)
Accrued interest on the Senior Unsecured Notes	8,456	7,850
Fair value hedge - basis adjustment on interest rate swap	(6,706)	(2,927)
	1,794,186	1,796,914
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)	(258,392)	(257,674)
	1,535,794	1,539,240

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at July 31, 2022 and January 30, 2022. The fair values of the Senior Unsecured Notes were determined as a level 2 in the fair value hierarchy.

	July 31, 2022		January 30, 2022	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
2.443% Fixed Rate Notes	373,900	333,338	373,809	361,913
1.505% Fixed Rate Notes	300,385	263,700	300,277	280,650
1.871% Fixed Rate Notes	374,099	344,438	373,948	363,675
3.55% Fixed Rate Notes	503,489	496,650	502,387	512,950
2.203% Fixed Rate Notes	251,152	249,275	251,052	251,600
	1,803,025	1,687,401	1,801,473	1,770,788

Credit Agreement

On July 5, 2022, the Corporation and the lenders entered into a fifth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, (i) convert the credit facilities to sustainability-linked credit facilities ("SLL"), (ii) increase the size of Facility B by $250.0 million for a total amount of $450.0 million, bringing the total credit available under the facilities from $800.0 million to $1,050.0 million and (iii) extend the term of Facility A in the amount of $250.0 million from July 6, 2026 to July 5, 2027, extend the term of Facility B, in the amount of $ 450.0 million, from July 5, 2024 to July 5, 2025, extend the term of Facility C, in the amount of $50.0 million, from July 5, 2024 to July 5, 2025, and extend the term of Facility D, in the amount of $300.0 million, from July 6, 2022 to July 5, 2023.

The SLL is tied to two specific sustainability performance targets related to the Corporation's overall Environmental, Social and Governance strategy and which are linked to incentive pricing terms, namely: i) Climate Change and Energy Management: Reduction of Scope 1 and Scope 2 greenhouse gas emissions intensity; and ii) Diversity, Equity and Inclusion: Increase of female gender representation in management positions.

Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to committed facilities up to an aggregate amount, together with all then-existing commitments, of $1,500.0 million.

The 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 July 31, 2022 and January 30, 2022, no amount was outstanding under the TARCA. As at July 31, 2022, the Corporation had $1,049.1 million available under its Credit Facility (January 30, 2022 – $798.7 million), of which $396.6 million were reserved to serve as a backstop for outstanding amounts under the US commercial paper program (January 30, 2022 – $89.4 million). As at July 31, 2022, there were letters of credit issued for the purchase of inventories which amounted to $0.9 million (January 30, 2022 – $1.3 million) and the Corporation was in compliance with all of its financial covenants.

Short-Term Borrowings

Under the terms of its US commercial paper program, the Corporation may issue, from time to time, on a private placement basis, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). On July 7, 2022, the USCP Notes program was increased from US$500.0 million to US$700.0 million. The aggregate principal amount of USCP Notes outstanding at any one time under the US commercial paper program, as amended, may not exceed US$700.0 million. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars and uses those proceeds for general corporate purposes.

The USCP Notes are direct unsecured obligations of the Corporation and rank equally with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation. The Corporation's upsized TARCA credit facilities continues to serve as a liquidity backstop for the repayment of the USCP Notes.

As at July 31, 2022, the amount outstanding under the US commercial paper program was US$309.9 million ($396.6 million) (January 30, 2022 – US$70.0 million ($89.4 million)).

Contractual Obligations, Off-Balance Sheet Arrangements and Commitments

The table below analyzes the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at July 31, 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	286,972	-	-	-	286,972
Dividend payable	15,984	-	-	-	15,984
Lease liabilities [1]	57,209	199,804	924,322	879,483	2,060,818
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
USCP Notes	396,558	-	-	-	396,558
Interest payments on:					
2.443% Fixed Rate Notes	-	9,161	36,645	18,323	64,129
1.505% Fixed Rate Notes	2,258	2,258	18,060	2,257	24,833
1.871% Fixed Rate Notes	-	7,016	21,049	-	28,065
3.55% Fixed Rate Notes	-	17,750	8,875	-	26,625
2.203% Fixed Rate Notes	-	2,753	-	-	2,753
	758,981	488,742	1,883,951	1,575,063	4,706,737

[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 July 31, 2022.

(dollars in thousands)	Less than 3 months $	3 months to 1 year $	1-5 years $	Over 5 years $	Total $
Letters of credit	414	313	143	-	870

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 9 of the Corporation's unaudited condensed interim consolidated financial statements for the second quarter ended July 31, 2022 and to Note 3 and Note 14 of the Corporation's Fiscal 2022 annual audited consolidated financial statements.

Foreign Currency Risk 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 Risk 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 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.

The Corporation also uses bond forward contracts in advance of the refinancing of the 2.203% Fixed Rate Notes due November 10, 2022 as well as for the repayment of the short-term borrowings. These derivatives are designated as hedging instruments and are 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 is recorded to other comprehensive income and will be reclassified to net earnings over the same period as the hedged interest payments are recorded in earnings. The hedged risk is defined as the variability in cash flows associated with coupons paid on the debt to be issued attributable to movements in the CAD benchmark rate. The CAD benchmark rate consists of the interpolated yield of Government of Canada bond curve with a term corresponding to the expected debt. Cash flows related to the expected bond's credit spread over the CAD benchmark are not designated as part of the hedging relationship.

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 July 31, 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 July 31, 2022, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $29.5 million (January 30, 2022 – $34.7 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $1.5 million and $3.6 million for the 13-week and 26-week periods ended July 31, 2022, respectively (13-week and 26-week periods ended August 1, 2021 – $1.5 million and $3.3 million, respectively).

Dollarcity

As at July 31, 2022, the account receivable from Dollarcity for the goods sold and services provided under the sourcing agreement and service agreement, both entered into on February 4, 2022, totalled $29.3 million (January 30, 2022 – $16.0 million under the 2013 licensing and services agreement), which amount is partly guaranteed by a letter of credit up to US$10.0 million ($12.8 million) (January 30, 2022 – US$10.0 million ($12.8 million)). For the 13-week and 26-week periods ended July 31, 2022, the sales to Dollarcity amounted to $11.2 million and $20.4 million, respectively (13-week and 26-week periods ended August 1, 2021 – $9.3 million and $17.5 million, respectively), which represent approximately 1% of the Corporation's total consolidated sales.

Under the Stockholders Agreement dated August 14, 2019, Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International purchase shares of Dollarcity held by them at fair market value. This right is exercisable in the ordinary course commencing on October 1, 2022, and is subject to certain transaction size thresholds, required ownership thresholds and freeze periods, among other conditions and restrictions. This right may also be exercised upon the occurrence of certain extraordinary events, including a change in control of the Corporation and a sale of Dollarcity.

Critical Accounting Estimates and Judgments

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

The Corporation's unaudited condensed interim consolidated financial statements have been prepared using the critical accounting estimates and judgments as outlined in Note 5 to the Fiscal 2022 audited consolidated financial statements.

Non-GAAP and Other Financial Measures

The Corporation's unaudited condensed interim consolidated financial statements and notes for the second quarter of Fiscal 2023 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.

Refer to the section below for definitions of non-GAAP and other financial measures, as per National Instrument 52-112, *Non-GAAP and Other Financial Measures*, and 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.

(dollars in thousands)	13-Week Periods Ended		26-Week Periods Ended	
	July 31, 2022 $	August 1, 2021 $	July 31, 2022 $	August 1, 2021 $
A reconciliation of operating income to EBITDA is included below:				
Operating income	287,409	220,482	507,441	397,251
Add: Depreciation and amortization	81,979	73,185	161,951	144,587
EBITDA	**369,388**	**293,667**	**669,392**	**541,838**
A reconciliation of EBITDA to cash flows from operating activities is included below:				
EBITDA	369,388	293,667	669,392	541,838
Financing costs (net of amortization of debt issue costs)	(34,323)	(28,791)	(49,516)	(43,215)
Amortization of net gains on bond lock and bond forward contracts	(133)	(91)	(266)	(169)
Current income taxes	(67,621)	(47,143)	(122,258)	(87,068)
Share-based compensation	3,057	2,167	6,259	4,384
Gain on lease remeasurements	(367)	(432)	(995)	(1,284)
Share of net earnings of equity-accounted investment	(7,680)	(4,100)	(16,417)	(7,503)
	262,321	215,277	486,199	406,983
Changes in non-cash working capital components	(152,985)	49,384	(234,083)	(8,339)
Net cash generated from operating activities	**109,336**	**264,661**	**252,116**	**398,644**

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:	**July 31, 2022**	**January 30, 2022**
	$	**$**
Total long-term debt	1,794,186	1,796,914
USCP Notes issued under US commercial paper program	396,558	89,386
Total debt	**2,190,744**	**1,886,300**

Net debt

Net debt represents total debt minus cash.

(dollars in thousands)	As at	
	July 31, 2022	**January 30, 2022**
	$	**$**
A reconciliation of total debt to net debt is included below:		
Total debt	2,190,744	1,886,300
Cash	(70,865)	(71,058)
Net debt	**2,119,879**	**1,815,242**

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 July 31, 2022 over (ii) the book value of those common shares.

	As at	
A reconciliation of deficit to adjusted retained earnings is included below:	**July 31, 2022**	**January 30, 2022**
	$	**$**
Deficit	(644,927)	(578,079)
Price paid in excess of book value of common shares repurchased under the NCIB	5,196,709	4,823,071
Adjusted retained earnings	**4,551,782**	**4,244,992**

The deficit as at July 31, 2022 and January 30, 2022 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 $122.9 million as at July 31, 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	
	July 31, 2022	**January 30, 2022**
	$	**$**
A calculation of adjusted net debt to EBITDA ratio is included below:		
Net debt	2,119,879	1,815,242
Lease liabilities	1,801,671	1,727,428
Unamortized debt issue costs, including $2,133 (January 30, 2022 – $1,632) for the credit facility	7,564	8,009
Fair value hedge - basis adjustment on interest rate swap	6,706	2,927
Adjusted net debt	**3,935,820**	**3,553,606**
EBITDA for the last twelve-month period	1,410,131	1,282,577
Adjusted net debt to EBITDA ratio	**2.79x**	**2.77x**

EBITDA margin

EBITDA margin represents EBITDA divided by sales.

(dollars in thousands)	13-Week Periods Ended		26-Week Periods Ended	
	July 31, 2022	**August 1, 2021**	**July 31, 2022**	**August 1, 2021**
	$	**$**	**$**	**$**
A reconciliation of EBITDA to EBITDA margin is included below:				
EBITDA	369,388	293,667	669,392	541,838
Sales	1,217,060	1,029,348	2,289,944	1,983,594
EBITDA margin	**30.4%**	***28.5%***	**29.2%**	***27.3%***

(C) Supplementary Financial Measures

Gross margin	Represents gross profit divided by sales.
Operating margin	Represents operating income divided by sales.
SG&A as a % of sales	Represents SG&A 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 and second quarter of Fiscal 2022, the calculation of comparable store sales growth excludes stores that were temporarily closed, either in the first quarter of Fiscal 2022 or in the same period of 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 described in the Corporation's annual MD&A for Fiscal 2022 (which is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com) and are divided into the following categories:

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

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the period beginning on May 2, 2022 and ended on July 31, 2022 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On September 9, 2022, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of $0.0553 per common share. This dividend is payable on November 4, 2022 to shareholders of record at the close of business on October 7, 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, 2022, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 18,713,765 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2022, during the 12-month period from July 7, 2022 to July 6, 2023 (the "2022-2023 NCIB").

During the second quarter of Fiscal 2023, 3,690,894 common shares were repurchased for cancellation under the 2022-2023 NCIB and the normal course issuer bid previously in effect, for a total cash consideration of $274.9 million, at a weighted average price of $74.48 per common share.

During the first six months of Fiscal 2023, 5,135,697 common shares were repurchased for cancellation under the 2022-2023 NCIB and the normal course issuer bid previously in effect, for a total cash consideration of $382.2 million, at a weighted average price of $74.42 per common share.

Share Information

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

As at September 8, 2022, there were 288,190,422 common shares issued and outstanding. In addition, there were 3,507,085 options, each exercisable for one common share, issued and outstanding as at September 8, 2022. Assuming exercise of all outstanding options, there would have been 291,697,507 common shares issued and outstanding on a fully diluted basis as at September 8, 2022.

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".