DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
First Quarter Ended April 30, 2023

June 7, 2023

The following management's discussion and analysis ("MD&A") dated June 7, 2023 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the first quarter ended April 30, 2023. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the first quarter ended April 30, 2023 and the audited annual consolidated financial statements and notes for Fiscal 2023 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's unaudited condensed interim consolidated financial statements for the first quarter ended April 30, 2023 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 2022" are to the Corporation's fiscal year ended January 30, 2022; to "Fiscal 2023" are to the Corporation's fiscal year ended January 29, 2023; and to "Fiscal 2024" are to the Corporation's fiscal year ending January 28, 2024.

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: global supply chain challenges, including container shipping rates and lead times; the liquidity position of the Corporation; the refinancing of the 3.550% Fixed Rate Notes (defined hereinafter) maturing November 6, 2023; the potential accretive effect of the normal course issuer bid; the impact of minimum wage increases on administrative and store operating expenses; and the planned expansion of the Corporation's logistics operations in support of its future logistics needs.

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 2023, 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), 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 global supply chain disruptions and the geopolitical instability triggered by the conflict between Russia and Ukraine, or the increased tensions between China and the Western countries), 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, any exercise by Dollarcity's founding stockholders of their put right, level of indebtedness and inability to generate sufficient cash to service debt, changes in creditworthiness and credit rating and the potential increase in the cost of capital, interest rate risk associated with variable rate indebtedness, competition in the retail industry, disruptive technologies, general economic conditions, departure of senior executives, failure to attract and retain quality employees, disruption in information technology systems, inability to protect systems against cyber attacks, unsuccessful execution of the growth strategy, holding company structure, adverse weather, pandemic or epidemic outbreaks, earthquakes and other natural disasters, climate change, geopolitical events and political unrest in foreign countries, unexpected costs associated with current insurance programs, product liability claims and product recalls, litigation, regulatory and environmental compliance and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect the Corporation; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Corporation's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at June 7, 2023 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 Event

Dividend

On June 7, 2023, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of $0.0708 per common share. This dividend is payable on August 4, 2023 to shareholders of record at the close of business on July 7, 2023. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Overview

Our Business

As at April 30, 2023, the Corporation had 1,507 stores in Canada, including 21 net new stores opened in the first quarter of Fiscal 2024, and continues to expand its network across the country. Stores average 10,469 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 in March 2022 and the rollout has been ongoing in stores throughout the course of Fiscal 2023 and Fiscal 2024. 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 March 31, 2023, Dollarcity had a total of 448 stores with 267 locations in Colombia, 91 in Guatemala, 66 in El Salvador, and 24 in Peru. Refer to the sections entitled "Factors Affecting Results of Operations – Sales" and "Related Party Transactions – Dollarcity" for additional details.

Key Items in the First Quarter of Fiscal 2024

Compared to the first quarter of Fiscal 2023:

- Sales increased by 20.7% to $1,294.5 million, compared to $1,072.9 million;
- Comparable store sales(1) grew 17.1%, over and above the 7.3% growth in the previous year;
- EBITDA(1) increased by 22.1% to $366.3 million, or 28.3% of sales, compared to 28.0% of sales;
- Operating income increased by 26.2% to $277.6 million, or 21.4% of sales, compared to 20.5% of sales;
- Diluted net earnings per share increased by 28.6% to $0.63, compared to $0.49;
- 21 net new stores opened, compared to 10 net new stores.

Outlook

A discussion of management's expectations as to the Corporation's outlook for Fiscal 2024 is contained in the Corporation's press release dated June 7, 2023 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 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.

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 from 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, a wholly-owned subsidiary of the Corporation, 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. Refer to the section of the annual MD&A for Fiscal 2023 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 can reasonably be estimated. 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 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. Inbound shipping costs were impacted by dynamics in the ocean shipping industry triggered by the COVID-19 pandemic, which dynamics had a significant impact on shipping capacity, prevailing rates and lead times. As a result, the Corporation experienced increased pressure on container shipping costs and other logistics cost as well as longer lead times in the first nine months of Fiscal 2023. Although market conditions stabilized in the final months of Fiscal 2023, the impact of higher costs was felt through the remainder of Fiscal 2023 and in the first quarter of Fiscal 2024.

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, aimed at achieving 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.

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 and retention of qualified 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 April 30, 2023 and May 1, 2022 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

(dollars and shares in thousands, except per share amounts)	13-Week Periods Ended	
	April 30, 2023 $	**May 1, 2022 $**
Earnings Data		
Sales	1,294,549	1,072,884
Cost of sales	748,807	620,992
Gross profit	545,742	451,892
SG&A	195,598	160,625
Depreciation and amortization	85,638	79,972
Share of net earnings of equity-accounted investment	(13,125)	(8,737)
Operating income	277,631	220,032
Financing costs	36,685	24,355
Earnings before income taxes	240,946	195,677
Income taxes	61,073	50,175
Net earnings	179,873	145,502
Basic net earnings per common share	$0.63	$0.50
Diluted net earnings per common share	$0.63	$0.49
Weighted average number of common shares outstanding:		
Basic	284,811	292,721
Diluted	286,179	294,477
Other Data		
Year-over-year sales growth	20.7%	12.4%
Comparable store sales growth (1)	17.1%	7.3%
Gross margin (1)	42.2%	42.1%
SG&A as a % of sales (1)	15.1%	15.0%
EBITDA (1)	366,269	300,004
Operating margin (1)	21.4%	20.5%
Capital expenditures	47,083	31,343
Number of stores (2)	1,507	1,431
Average store size (gross square feet) (2)	10,469	10,391
Declared dividends per common share	$0.0708	$0.0553

	As at	
	April 30, 2023	January 29, 2023
	$	$
Statement of Financial Position Data		
Cash and cash equivalents	252,063	101,261
Inventories	937,687	957,172
Total current assets	1,267,979	1,156,947
Property, plant and equipment	819,336	802,750
Right-of-use assets	1,727,024	1,699,755
Total assets	4,993,852	4,819,656
Total current liabilities	1,123,719	1,162,874
Total non-current liabilities	3,651,897	3,628,372
Total debt (1)	2,255,414	2,251,903
Net debt (1)	2,003,351	2,150,642
Shareholders' equity	218,236	28,410

(1) Refer to the section below entitled "Non-GAAP and Other Financial Measures" 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 First Quarter of Fiscal 2024

The following section provides an overview of the Corporation's financial performance during the first quarter of Fiscal 2024 compared to the first quarter of Fiscal 2023.

Sales

Sales for the first quarter of Fiscal 2024 increased by 20.7% to $1,294.5 million, compared to $1,072.9 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 1,431 stores on May 1, 2022, to 1,507 stores on April 30, 2023) and increased comparable store sales.

Comparable store sales for the first quarter of Fiscal 2024 increased by 17.1%, reflecting a 15.5% increase in the number of transactions and a 1.4% increase in average transaction size, compared to comparable store sales growth of 7.3% in the corresponding period of the previous fiscal year. The year-over-year increase in comparable store sales is primarily attributable to strong demand across our product categories, namely consumables, seasonal items and general merchandise.

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, 81.1% of the Corporation's sales originated from products priced higher than $1.25, compared to 76.1% in the corresponding quarter last year.

Gross Margin

Gross margin remained relatively flat year-over-year, coming in at 42.2% of sales in the first quarter of Fiscal 2024, compared to 42.1% of sales in the first quarter of Fiscal 2023.

SG&A

SG&A for the first quarter of Fiscal 2024 increased to $195.6 million, compared to $160.6 million for the first quarter of Fiscal 2023. SG&A represented 15.1% of sales, compared to 15.0% of sales for the first quarter of Fiscal 2023. This increase in costs is primarily attributed to higher store labour costs.

Depreciation and Amortization

The depreciation and amortization expense increased by $5.6 million, from $80.0 million for the first quarter of Fiscal 2023 to $85.6 million for the first quarter of Fiscal 2024. In addition, $3.0 million of depreciation expense relating to warehouses and the distribution centre is presented in cost of sales. The increase is mainly attributable to additions to right-of-use assets and leasehold improvements on the opening of new stores 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, 2023, to March 31, 2023, was $13.1 million, compared to $8.7 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 $12.3 million, from $24.4 million for the first quarter of Fiscal 2023 to $36.7 million for the first quarter of Fiscal 2024. The increase is mainly due to a higher average borrowing rate, as well as higher average debt levels.

Income Taxes

Income taxes increased by $10.9 million, from $50.2 million for the first quarter of Fiscal 2023 to $61.1 million for the first quarter of Fiscal 2024. The statutory income tax rate for the first quarters of Fiscal 2024 and Fiscal 2023 was 26.5%. The Corporation’s effective tax rate for the first quarters of Fiscal 2024 was 25.3%, compared to 25.6% for the first quarter of Fiscal 2023. The decrease in the effective tax rate for the first quarter of Fiscal 2024 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 quarter of Fiscal 2024 than for the same period in Fiscal 2023, respectively at $13.1 million and $8.7 million) is computed net of taxes, already accounted for by Dollarcity.

Net Earnings

Net earnings were $179.9 million, or $0.63 per diluted common share, in the first quarter of Fiscal 2024, compared to $145.5 million, or $0.49 per diluted common share, in the first quarter of Fiscal 2023.

Summary of Consolidated Quarterly Results

(*dollars in thousands, except per share amounts*)	Fiscal 2024	Fiscal 2023				Fiscal 2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Statement of Net Earnings Data	$	$	$	$	$	$	$	$
Sales	1,294,549	1,473,223	1,289,574	1,217,060	1,072,884	1,224,900	1,122,267	1,029,348
Net earnings	179,873	261,288	201,594	193,479	145,502	219,966	183,401	146,228
Net earnings per common share								
Basic	$0.63	$0.91	$0.70	$0.67	$0.50	$0.74	$0.61	$0.48
Diluted	$0.63	$0.91	$0.70	$0.66	$0.49	$0.74	$0.61	$0.48

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 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.

Inventory

Inventory increased to $937.7 million as at April 30, 2023 from $646.7 million on May 1, 2022. The year-over-year increase is primarily attributable to the rebuilding of inventory levels that had been reduced due to supply chain issues in early Fiscal 2023, as well as store network growth and higher store sales.

Liquidity and Capital Resources

Cash Flows for the First Quarter of Fiscal 2024

(*dollars in thousands*)	13-Week Periods Ended		
	April 30, 2023 $	May 1, 2022 $	Change $
Cash flows from operating activities	283,080	159,323	123,757
Cash flows used in investing activities	(46,926)	(31,325)	(15,601)
Cash flows used in financing activities	(85,352)	(127,482)	42,130
Net change in cash	150,802	516	150,286

Cash Flows - Operating Activities

For the first quarter of Fiscal 2024, cash flows generated from operating activities totalled $283.1 million, compared to $159.3 million for the first quarter of Fiscal 2023. This increase is primarily attributable to higher net earnings and a lower use of working capital as a result of lower inventory purchases in the first quarter of Fiscal 2024 compared to the first quarter of Fiscal 2023 when the Corporation was rebuilding its inventory position.

Cash Flows - Investing Activities

For the first quarter of Fiscal 2024, cash flows used in investing activities totalled $46.9 million, compared to $31.3 million for the first quarter of Fiscal 2023. This increase is primarily attributable to higher capital expenditures related to leasehold improvements for new stores, compared to the first quarter of Fiscal 2023, as well as racking for the new Laval, Quebec warehouse in the process of being installed.

Cash Flows - Financing Activities

For the first quarter of Fiscal 2024, cash flows used in financing activities totalled $85.4 million, compared to $127.5 million for the first quarter of Fiscal 2023. The lower outflow of cash reflects lower activity under the normal course issuer bid in the first quarter of Fiscal 2024, compared to the first quarter of Fiscal 2023, partially offset by net proceeds from short-term borrowings received in the first quarter of Fiscal 2023.

Capital Expenditures

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

For the first quarter of Fiscal 2024, capital expenditures totalled $47.1 million, compared to $31.3 million for the same period in Fiscal 2023. The increase in capital expenditures is due to higher capital expenditures related to leasehold improvements for new stores, compared to the first quarter of Fiscal 2023, as well as racking for the new Laval, Quebec warehouse in the process of being installed.

In Fiscal 2023, the Corporation entered into an agreement to acquire three contiguous industrial properties in the Town of Mount Royal, Quebec, for a total cash consideration of $87.3 million, subject to customary closing adjustments. The planned acquisition is expected to close in Fiscal 2024, subject to the satisfaction of closing conditions. The Corporation intends to fund the purchase price with cash on hand.

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.

The Corporation expects that its cash flows from operating activities, together with its available liquidity, will be sufficient to meet future operating cash needs, including the funding of planned growth and capital expenditures, the servicing, refinancing or repayment at maturity of its debt, payment of contractual obligations, repurchase of common shares and making dividend payments to shareholders.

The Corporation's ability to pay the principal and interest on any portion of its debt, which consist mainly of Fixed Rate Notes as of the date hereof, to refinance or repay at maturity all or any portion thereof, or to generate sufficient funds to meet its future cash requirements will largely 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 expects to refinance the 3.550% Fixed Rate Notes due November 6, 2023 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 2023 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:	April 30, 2023 $	January 29, 2023 $
Senior unsecured notes (the "Senior Unsecured Notes") bearing interest at:		
Fixed annual rate of 5.165% payable in equal semi-annual instalments, maturing April 26, 2030 (the "5.165% Fixed Rate Notes")	450,000	450,000
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 5.084% payable in equal semi-annual instalments, maturing October 27, 2025 (the "5.084% Fixed Rate Notes")	250,000	250,000
Fixed annual rate of 3.550% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.550% Fixed Rate Notes")	500,000	500,000
Less: Unamortized debt issue costs, including $1,347 (January 29, 2023 – $1,609) for the credit facility	(8,299)	(9,107)
Accrued interest on the Senior Unsecured Notes	18,041	17,177
Fair value hedge - basis adjustment on interest rate swap	(4,328)	(6,167)
	2,255,414	2,251,903
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)	(513,244)	(510,315)
	1,742,170	1,741,588

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at April 30, 2023 and January 29, 2023. The fair values of the Senior Unsecured Notes were determined as a level 2 in the fair value hierarchy.

	April 30, 2023		January 29, 2023	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
5.165% Fixed Rate Notes	448,198	446,535	453,969	465,107
2.443% Fixed Rate Notes	376,324	334,875	373,994	332,276
1.505% Fixed Rate Notes	299,421	265,470	300,494	263,856
1.871% Fixed Rate Notes	376,078	346,838	374,251	345,536
5.084% Fixed Rate Notes	249,265	252,850	252,413	253,258
3.550% Fixed Rate Notes	511,803	517,200	504,558	494,545
	2,261,089	2,163,768	2,259,679	2,154,578

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 syndicated credit facilities to sustainability-linked credit facilities (collectively, the "Credit Facility"), (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 Credit Facility up 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.

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 is 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, in certain circumstances, 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 April 30, 2023 and January 29, 2023, no amount was outstanding under the TARCA. As at April 30, 2023, $1,048.7 million was available under its Credit Facility (January 29, 2023 – $1,048.6 million) and there were letters of credit issued for the purchase of inventories which amounted to $1.3 million (January 29, 2023 – $1.4 million). As at April 30, 2023, the Corporation was in compliance with all of its financial covenants.

Short-Term Borrowings

Under the terms of its US commercial paper program initially launched in February 2020, the Corporation may issue, from time to time, on a private placement basis in reliance upon exemptions from registration and prospectus requirements under applicable securities legislation, 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 US commercial paper program was upsized 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 and *pari passu* 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 Credit Facility serves as a liquidity backstop for the repayment of the USCP Notes.

As at April 30, 2023, no amount was outstanding under the US commercial paper program (January 29, 2023 – nil).

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 April 30, 2023. 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	271,731	-	-	-	271,731
Dividend payable	20,206	-	-	-	20,206
Lease liabilities [(1)]	67,079	220,827	997,720	1,087,193	2,372,819
Principal repayment on:					
5.165% Fixed Rate Notes	-	-	-	450,000	450,000
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
5.084% Fixed Rate Notes	-	-	250,000	-	250,000
3.550% Fixed Rate Notes	-	500,000	-	-	500,000
Interest payments on:					
5.165% Fixed Rate Notes	-	23,243	92,970	46,485	162,698
2.443% Fixed Rate Notes	4,581	4,581	36,645	13,742	59,549
1.505% Fixed Rate Notes	-	4,515	15,803	-	20,318
1.871% Fixed Rate Notes	3,508	3,508	17,541	-	24,557
5.084% Fixed Rate Notes	-	12,710	19,065	-	31,775
3.550% Fixed Rate Notes	8,875	8,875	-	-	17,750
	375,980	778,259	2,104,744	1,972,420	5,231,403

(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 April 30, 2023.

(dollars in thousands)	**Less than 3 months** $	**3 months to 1 year** $	**1-5 years** $	**Over 5 years** $	**Total** $
Letters of credit	620	568	152	-	1,340
	620	568	152	-	1,340

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 Note 9 of the Corporation's unaudited condensed interim consolidated financial statements for first quarter ended April 30, 2023 and to Note 3 and Note 14 of the Corporation's Fiscal 2023 annual audited consolidated financial statements.

Foreign Currency Risk Exposure

The Corporation uses foreign exchange forward contracts to mitigate the risk associated with fluctuations in the U.S. dollar against the Canadian dollar. These derivative financial instruments are used for risk management purposes and are designated as hedges of future forecasted purchases of merchandise or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program. Foreign exchange forward 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 3.550% 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.

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 April 30, 2023, 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 April 30, 2023, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $23.8 million (January 29, 2023 – $26.6 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $2.4 million for the first quarter ended April 30, 2023 (May 1, 2022 – $2.1 million).

Dollarcity

Dollarama International, a wholly-owned subsidiary of the Corporation, holds a 50.1% interest in Central American Retail Sourcing, Inc. ("CARS"), the parent company of the entities that operate the Dollarcity business ("Dollarcity"), since August 14, 2019. Under the terms of the stockholders agreement (the "Stockholders Agreement") entered into among Dollarama International and Dollarcity's founding stockholders, 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. Since October 1, 2022, this right may be exercised in the ordinary course by Dollarcity's founding stockholders during specified periods, 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. The Corporation cannot predict whether the put right will be exercised or, if exercised, when and to what extent it will be exercised (provided that, subject to limited exceptions, the put right can, prior to February 4, 2027, be exercised for up to 24.9% of all shares of CARS outstanding). In the event that the put is exercised, the consideration payable by the Corporation may, depending on various factors, including those discussed above, be paid using cash on hand or financed in full or in part and, depending on the circumstances, may temporarily impact the Corporation's capital allocation strategy. Refer to the section entitled "Liquidity and Capital Resources."

Since 2013, Dollarama International also enters into arrangements with Dollarcity in the ordinary course of business for the sale of products to consumers located outside of Canada, which currently includes a sourcing agreement and a services agreement. Refer to the section entitled "Factors Affecting Results of Operations – Sales" for additional details.

As at April 30, 2023, the account receivable from Dollarcity for the goods sold and services provided under the sourcing agreement and services agreement, both entered into on February 4, 2022, totalled $40.0 million (January 29, 2023 – $50.5 million), which amount is partly guaranteed by a letter of credit up to US$20.0 million ($27.1 million) (January 29, 2023 – US$20.0 million ($26.6 million)). For the 13-week period ended April 30, 2023, the sales to Dollarcity that were shipped directly from the Corporation's warehouses amounted to $9.7 million (13-week period ended May 2, 2022 – $9.2 million), which also includes the net consideration received for sales in which the Corporation is acting as an intermediary (representing approximately 1% of the Corporation's total consolidated sales).

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 2023 audited consolidated financial statements.

Non-GAAP and Other Financial Measures

The Corporation's unaudited condensed interim consolidated financial statements and notes for the first quarter of Fiscal 2024 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 the definitions and other required information regarding each of the following measures which are presented in accordance with (A) non-GAAP financial measures, (B) non-GAAP ratios, and (C) other financial measures under National Instrument 52-112, *Non-GAAP and Other Financial 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 April 30, 2023 $	 May 1, 2022 $
A reconciliation of operating income to EBITDA is included below:		
Operating income	277,631	220,032
Add: Depreciation and amortization	88,638	79,972
EBITDA	**366,269**	**300,004**
A reconciliation of EBITDA to cash flows from operating activities is included below:		
EBITDA	366,269	300,004
Current income taxes	(61,073)	(54,637)
Share-based compensation	3,650	3,202
Share of net earnings of equity-accounted investment	(13,125)	(8,737)
Interest received	7,489	1,007
Other	953	(620)
	304,163	240,219
Changes in non-cash working capital components	(21,083)	(80,896)
Net cash generated from operating activities	283,080	159,323

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	
	April 30, 2023	**January 29, 2023**
	$	**$**
A reconciliation of long-term debt to total debt is included below:		
Total long-term debt	2,255,414	2,251,903
USCP Notes issued under US commercial paper program	-	-
Total debt	**2,255,414**	**2,251,903**

Net debt

Net debt represents total debt minus cash and cash equivalents.

(dollars in thousands)	As at	
	April 30, 2023	**January 29, 2023**
	$	**$**
A reconciliation of total debt to net debt is included below:		
Total debt	2,255,414	2,251,903
Cash and cash equivalents	(252,063)	(101,261)
Net debt	**2,003,351**	**2,150,642**

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 April 30, 2023 over (ii) the book value of those common shares.

(dollars in thousands)	As at	
	April 30, 2023	**January 29, 2023**
	$	**$**
A reconciliation of deficit to adjusted retained earnings is included below:		
Deficit	(354,411)	(514,078)
Price paid in excess of book value of common shares repurchased under the NCIB	5,497,023	5,497,023
Adjusted retained earnings	**5,142,612**	**4,982,945**

The deficit as at April 30, 2023 and January 29, 2023 is not a reflection of poor operating performance. It results from the fact that a significant portion of the cash consideration for the repurchase of shares under the Corporation's normal course issuer bid is accounted for as a reduction of retained earnings and that the market price at which shares are repurchased significantly exceeds the book value of those shares. As a result, the Corporation's shareholders' equity for accounting purposes was $218.2 million as at April 30, 2023. 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 12 months.

(dollars in thousands)	As at	
	April 30, 2023	January 29, 2023
	$	$
A calculation of adjusted net debt to EBITDA ratio is included below:		
Net debt	2,003,351	2,150,642
Lease liabilities	1,995,709	1,960,743
Unamortized debt issue costs, including $1,347 (January 29, 2023 – $1,609) for the Credit Facility	8,299	9,107
Fair value hedge - basis adjustment on interest rate swap	4,328	6,167
Adjusted net debt	**4,011,687**	**4,126,659**
EBITDA for the last twelve-month period	1,589,558	1,523,293
Adjusted net debt to EBITDA ratio	**2.52x**	**2.71x**

EBITDA margin

EBITDA margin represents EBITDA divided by sales.

(dollars in thousands)	13-week Periods Ended	
	April 30, 2023	May 1, 2022
	$	$
A reconciliation of EBITDA to EBITDA margin is included below:		
EBITDA	366,269	300,004
Sales	1,294,549	1,072,884
EBITDA margin	*28.3%*	*28.0%*

(C) Supplementary Financial Measures

Gross margin	Represents gross profit divided by sales, expressed as a percentage of sales.
Operating margin	Represents operating income divided by sales.
SG&A as a % of sales	Represents SG&A divided by sales.
Comparable store sales	Represents sales from 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.

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 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 2023 (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 impact, and the Corporation maintains cost-effective, comprehensive insurance coverage against most insurable events. The Corporation also gathers and analyzes economic, competitive and other financial and operational 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 January 30, 2023 and ended on April 30, 2023 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On June 7, 2023, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of $0.0708 per common share. This dividend is payable on August 4, 2023 to shareholders of record at the close of business on July 7, 2023. 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 Toronto Stock Exchange ("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 first quarter of Fiscal 2024, no common shares were repurchased for cancellation under the 2022-2023 NCIB.

Share Information

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

As at June 6, 2023, there were 285,406,418 common shares issued and outstanding. In addition, there were 2,692,304 options, each exercisable for one common share, issued and outstanding as at June 6, 2023. Assuming exercise of all outstanding options, there would have been 288,098,722 common shares issued and outstanding on a fully diluted basis as at June 6, 2023.

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".