



DOLLARAMA INC. MANAGEMENT'S DISCUSSION AND ANALYSIS Third Quarter Ended October 29, 2023

December 13, 2023

The following management's discussion and analysis ("MD&A") dated December 13, 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 third quarter ended October 29, 2023. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended October 29, 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 third quarter ended October 29, 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 potential accretive effect of the normal course issuer bid and the impact of minimum wage increases on administrative and store operating expenses.

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.sedarplus.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 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 Dollarama'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 December 13, 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 Events

Offering of Fixed Rate Notes

On September 26, 2023, the Corporation issued the 5.533% Fixed Rate Notes (as hereinafter defined) by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 5.533% Fixed Rate Notes were issued at par for aggregate gross proceeds of \$500.0 million and bear interest at a fixed rate of 5.533% per annum, payable in semi-annual instalments, on March 26 and September 26 of each year until maturity on September 26, 2028. The 5.533% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited.

The Corporation used the net proceeds of this offering to repay, together with cash on hand, the \$500.0 million aggregate principal amount of the 3.550% Fixed Rate Notes (as hereinafter defined), matured on November 6, 2023 and for general corporate purposes.

Quarterly Cash Dividend

On December 13, 2023, the Corporation announced that its board of directors ("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 February 2, 2024 to shareholders of record at the close of business on January 5, 2024. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Overview

Our Business

As at October 29, 2023, the Corporation had 1,541 stores in Canada, including 16 net new stores opened during the third 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 rollout of new price points up to \$5.00, which began in Fiscal 2023, remains ongoing in stores throughout the course of 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 September 30, 2023, Dollarcity had a total of 480 stores with 287 locations in Colombia, 96 in Guatemala, 68 in El Salvador, and 29 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 Third Quarter of Fiscal 2024

Compared to the third quarter of Fiscal 2023:

- Sales increased by 14.6% to \$1,477.7 million;
- Comparable store sales⁽¹⁾ grew 11.1% over and above 10.8% growth the previous year;
- EBITDA⁽¹⁾ increased by 24.0% to \$478.8 million, or 32.4% of sales, compared to 29.9% of sales;
- Operating income increased by 27.8% to \$386.7 million, or 26.2% of sales, compared to 23.5% of sales;
- Diluted net earnings per common share increased by 31.4% to \$0.92 from \$0.70;
- 16 net new stores were opened, compared to 18 net new stores; and
- 1,740,514 common shares repurchased for cancellation for a total consideration of \$166.0 million.

Key Items in the First Nine Months of Fiscal 2024

Compared to the first nine months of Fiscal 2023:

- Sales increased by 18.1% to \$4,228.2 million;
- Comparable store sales increased by 14.4%, over and above a 10.5% growth in the prior year;
- EBITDA grew 23.4% to \$1,302.3 million, or 30.8% of sales, compared to 29.5% of sales;
- Operating income increased by 27.3% to \$1,031.0 million, or 24.4% of sales, compared to 22.6% of sales;
- Diluted net earnings per common share increased by 30.3%, to \$2.41 from \$1.85;
- A total of 55 net new stores were opened, compared to 41 net new stores; and
- A total of 4,598,674 common shares were repurchased for cancellation for a total consideration of \$414.1 million.

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 December 13, 2023 under the heading "Outlook". The press release is available on SEDAR+ at www.sedarplus.com and on the Corporation's website at www.dollarama.com.

⁽¹⁾ We refer the reader to the notes in the section entitled "Non-GAAP and Other Financial Measures" of this MD&A for the definition of these items and, where 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. In Fiscal 2023, inbound shipping costs were impacted by dynamics in the ocean shipping industry, which 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 costs, such as detention and demurrage, as well as longer lead times. Although market conditions have stabilized, the impact of higher costs was felt during Fiscal 2023 and the first half 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. 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 October 29, 2023 and October 30, 2022 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

	13-Week Periods Ended		39-Week Periods Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
	\$	\$	\$	\$
<i>(dollars and shares in thousands, except per share amounts)</i>				
Earnings Data				
Sales	1,477,692	1,289,574	4,228,177	3,579,518
Cost of sales	807,462	730,812	2,373,350	2,038,832
Gross profit	670,230	558,762	1,854,827	1,540,686
SG&A	213,766	181,754	607,724	510,703
Depreciation and amortization	87,797	83,563	258,545	245,514
Share of net earnings of equity-accounted investment	(17,989)	(9,210)	(42,485)	(25,627)
Operating income	386,656	302,655	1,031,043	810,096
Net financing costs	36,705	30,357	109,458	81,380
Earnings before income taxes	349,951	272,298	921,585	728,716
Income taxes	88,896	70,704	234,895	188,141
Net earnings	261,055	201,594	686,690	540,575
Basic net earnings per common share	\$0.92	\$0.70	\$2.42	\$1.86
Diluted net earnings per common share	\$0.92	\$0.70	\$2.41	\$1.85
Weighted average number of common shares outstanding:				
Basic	282,587	287,837	283,921	290,347
Diluted	283,595	289,636	285,059	292,105
Other Data				
Year-over-year sales growth	14.6%	14.9%	18.1%	15.3%
Comparable store sales growth ⁽¹⁾	11.1%	10.8%	14.4%	10.5%
Gross margin ⁽¹⁾	45.4%	43.3%	43.9%	43.0%
SG&A as a % of sales ⁽¹⁾	14.5%	14.1%	14.4%	14.3%
EBITDA ⁽¹⁾	478,803	386,218	1,302,265	1,055,610
Operating margin ⁽¹⁾	26.2%	23.5%	24.4%	22.6%
Capital expenditures ⁽²⁾	129,894	35,847	218,789	104,269
Number of stores ⁽³⁾	1,541	1,462	1,541	1,462
Average store size (gross square feet) ⁽³⁾	10,469	10,443	10,469	10,443
Declared dividends per common share	\$0.0708	\$0.0553	\$0.2124	\$0.1659

DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 13, 2023

(dollars in thousands)

	As at	
	October 29, 2023	January 29, 2023
	\$	\$
Statement of Financial Position Data		
Cash and cash equivalents	730,178	101,261
Inventories	940,313	957,172
Total current assets	1,734,547	1,156,947
Property, plant and equipment	926,646	802,750
Right-of-use assets	1,779,583	1,699,755
Total assets	5,674,945	4,819,656
Total current liabilities	1,151,616	1,162,874
Total non-current liabilities	4,197,358	3,628,372
Total debt ⁽¹⁾	2,760,827	2,251,903
Net debt ⁽¹⁾	2,030,649	2,150,642
Shareholders' equity	325,971	28,410

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

⁽²⁾ Includes the property acquisition, which closed on August 16, 2023 for a total capital cost of \$88.1 million.

⁽³⁾ At the end of the period.

Results of Operations

Analysis of Results for the Third Quarter of Fiscal 2024

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

Sales

Sales for the third quarter of Fiscal 2024 increased by 14.6% to \$1,477.7 million, compared to \$1,289.6 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 1,462 stores on October 30, 2022, to 1,541 stores on October 29, 2023) and increased comparable store sales.

Comparable store sales for the third quarter of Fiscal 2024 increased by 11.1%, consisting of a 10.4% increase in the number of transactions and a 0.6% increase in average transaction size, over and above comparable store sales growth of 10.8% in the corresponding period of the prior fiscal year. The increase in comparable store sales is primarily attributable to higher sales across all product categories, including continued higher than historical demand for consumables.

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, 82.6% of the Corporation's sales originated from products priced higher than \$1.25, compared to 80.4% in the corresponding quarter last year.

Gross Margin

Gross margin was 45.4% of sales in the third quarter of Fiscal 2024, compared to 43.3% of sales in the third quarter of Fiscal 2023. Gross margin as a percentage of sales was higher primarily as a result of lower inbound shipping costs and lower logistics costs.

SG&A

SG&A for the third quarter of Fiscal 2024 increased by 17.6% to \$213.8 million, compared to \$181.8 million for the third quarter of Fiscal 2023. SG&A represented 14.5% of sales for the third quarter of Fiscal 2024, compared to 14.1% of sales for the third quarter of Fiscal 2023. This variance reflects higher store labour costs and the timing of other operating costs.

Depreciation and Amortization

The depreciation and amortization expense increased by \$4.2 million, from \$83.6 million for the third quarter of Fiscal 2023 to \$87.8 million for the third quarter of Fiscal 2024. 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. In addition, \$4.3 million of depreciation expense relating to warehouses and the distribution centre is presented in cost of sales.

Share of Net Earnings of Equity-Accounted Investment

The Corporation's 50.1% share of Dollarcity's net earnings for the period from July 1, 2023 to September 30, 2023 was \$18.0 million, compared to \$9.2 million for the same period last year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Net Financing Costs

Net financing costs increased by \$6.3 million, from \$30.4 million for the third quarter of Fiscal 2023 to \$36.7 million for the third quarter of Fiscal 2024. The increase is mainly due to a higher average borrowing rate, as well as higher average debt levels from Fixed Rate Notes and lease liabilities.

Income Taxes

Income taxes increased by \$18.2 million, from \$70.7 million for the third quarter of Fiscal 2023 to \$88.9 million for the third quarter of Fiscal 2024. The statutory income tax rate for the third quarters of Fiscal 2024 and Fiscal 2023 was 26.5%. The Corporation's effective tax rates for the third quarters of Fiscal 2024 and Fiscal 2023 were 25.4% and 26.0%, respectively. The slight decrease in the effective tax rate for the third 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 third quarter of Fiscal 2024 than for the same period in Fiscal 2023, respectively at \$18.0 million and \$9.2 million) is computed net of taxes, already accounted for by Dollarcity.

Net Earnings

Net earnings were \$261.1 million, or \$0.92 per diluted common share, in the third quarter of Fiscal 2024, compared to \$201.6 million, or \$0.70 per diluted common share, in the third quarter of Fiscal 2023.

Analysis of Results for the First Nine Months of Fiscal 2024

The following section provides an overview of our financial performance during the first nine months of Fiscal 2024 compared to the first nine months of Fiscal 2023.

Sales

Sales for the first nine months of Fiscal 2024 increased by 18.1% to \$4,228.2 million, compared to \$3,579.5 million in the corresponding period of the prior fiscal year.

Comparable store sales increased 14.4% year over year, reflecting a 12.8% increase in the number of transactions and a 1.5% increase in average transaction size, compared to comparable store sales growth of 10.5% in the first nine months of Fiscal 2023. The increase is primarily attributable to strong demand across all of our product categories, namely consumables, seasonal items and general merchandise.

In the first nine months of Fiscal 2024, 82.2% of sales originated from products priced higher than \$1.25, compared to 78.6% in the corresponding period last year.

Gross Margin

Gross margin was \$1,854.8 million or 43.9% of sales in the first nine months of Fiscal 2024, compared to \$1,540.7 million or 43.0% of sales in the first nine months of Fiscal 2023. For the first nine months of Fiscal 2024, gross margin as a percentage of sales was slightly higher due to lower inbound shipping costs, partially offset by higher logistics costs in the first half of Fiscal 2024.

SG&A

SG&A for the first nine months of Fiscal 2024 was \$607.7 million, a 19.0% increase over \$510.7 million for the first nine months of Fiscal 2023. SG&A for the first nine months of Fiscal 2024 represented 14.4% of sales, compared to 14.3% of sales for the first nine months of Fiscal 2023. This variance mainly reflects higher store labour costs, partially offset by the continued positive impact of scaling.

Depreciation and Amortization

The depreciation and amortization expense increased by \$13.0 million, from \$245.5 million for the first nine months of Fiscal 2023 to \$258.5 million for the first nine months of Fiscal 2024. 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. In addition, \$12.7 million of depreciation expense relating to warehouses and the distribution centre is presented in cost of sales.

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 September 30, 2023 was \$42.5 million, compared to \$25.6 million for the same period last year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Net Financing Costs

Net financing costs increased by \$28.1 million, from \$81.4 million for the first nine months of Fiscal 2023 to \$109.5 million for the first nine months of Fiscal 2024. The increase is mainly due to a higher average borrowing rate, as well as higher average debt levels from Fixed Rate Notes and lease liabilities.

Income Taxes

Income taxes increased by \$46.8 million, from \$188.1 million for the first nine months of Fiscal 2023 to \$234.9 million for the first nine months of Fiscal 2024. The statutory income tax rates for the first nine months of Fiscal 2024 and Fiscal 2023 were 26.5%. The Corporation's effective tax rates for the first nine months of Fiscal 2024 and Fiscal 2023 were 25.5% and 25.8%, respectively. The decrease in the effective tax rate for the first nine months 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 nine months of Fiscal 2024 than for the same period in Fiscal 2023, respectively at \$42.5 million and at \$25.6 million) is computed net of taxes, already provisioned by Dollarcity.

Net Earnings

Net earnings increased to \$686.7 million, or \$2.41 per diluted common share, in the first nine months of Fiscal 2024, compared to \$540.6 million, or \$1.85 per diluted common share, in the first nine months of Fiscal 2023.

Summary of Consolidated Quarterly Results

	Fiscal 2024			Fiscal 2023				Fiscal 2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(dollars in thousands, except per share amounts)</i>								
Statement of Net Earnings Data	\$	\$	\$	\$	\$	\$	\$	\$
Sales	1,477,692	1,455,936	1,294,549	1,473,223	1,289,574	1,217,060	1,072,884	1,224,900
Net earnings	261,055	245,762	179,873	261,288	201,594	193,479	145,502	219,966
Net earnings per common share								
Basic	\$0.92	\$0.86	\$0.63	\$0.91	\$0.70	\$0.67	\$0.50	\$0.74
Diluted	\$0.92	\$0.86	\$0.63	\$0.91	\$0.70	\$0.66	\$0.49	\$0.74

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 sales 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.

Liquidity and Capital Resources

Cash Flows for the Third Quarter of Fiscal 2024

<i>(dollars in thousands)</i>	13-Week Periods Ended		
	October 29, 2023	October 30, 2022	Change
	\$	\$	\$
Cash flows from operating activities	369,640	138,483	231,157
Cash flows used in investing activities	(129,575)	(35,730)	(93,845)
Cash flows from financing activities	237,633	385,541	(147,908)
Net change in cash and cash equivalents	477,698	488,294	(10,596)

Cash Flows - Operating Activities

For the third quarter of Fiscal 2024, cash flows generated from operating activities totalled \$369.6 million, compared to \$138.5 million for the third quarter of Fiscal 2023. This increase is primarily attributable to higher net earnings and a lower use of working capital as result of lower inventory purchases in the third quarter of Fiscal 2024 compared to the third quarter of Fiscal 2023 when the Corporation was rebuilding its inventory position.

Cash Flows - Investing Activities

For the third quarter of Fiscal 2024, cash flows used in investing activities totalled \$129.6 million, compared to \$35.7 million for the third quarter of Fiscal 2023. This increase is mainly attributable to the previously announced acquisition of properties in the town of Mount Royal for a total cash consideration of \$88.1 million, which closed on August 16, 2023, and higher capital expenditures related to leasehold improvements for stores compared to the third quarter of Fiscal 2023.

Cash Flows - Financing Activities

For the third quarter of Fiscal 2024, cash flows generated from financing activities totalled \$237.6 million, compared to \$385.5 million for the third quarter of Fiscal 2023. This variance is mainly due to lower net proceeds on long-term debt in the third quarter of Fiscal 2024 as \$500 million of Notes were issued in the current period compared to \$700 million in the same period last year and an increase in the repurchase of common shares under the normal course issuer bid compared to the third quarter of Fiscal 2023, partially offset by a \$157 million net repayment of short-term borrowings in the third quarter of Fiscal 2023.

Cash Flows for the First Nine Months of Fiscal 2024

<i>(dollars in thousands)</i>	39-Week Periods Ended		
	October 29, 2023	October 30, 2022	Change
	\$	\$	\$
Cash flows from operating activities	1,052,821	441,198	611,623
Cash flows used in investing activities	(218,061)	(104,100)	(113,961)
Cash flows from (used in) financing activities	(205,843)	151,003	(356,846)
Net change in cash and cash equivalents	628,917	488,101	140,816

Cash Flows - Operating Activities

For the first nine months of Fiscal 2024, cash flows generated from operating activities totalled \$1,052.8 million, compared to \$441.2 million for the first nine months 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 nine months of Fiscal 2024 compared to the same period last year.

Cash Flows - Investing Activities

For the first nine months of Fiscal 2024, cash flows used in investing activities totalled \$218.1 million, compared to \$104.1 million for the first nine months of Fiscal 2023. This increase is mainly attributable to the previously announced acquisition of properties in the town of Mount Royal for a total cash consideration of \$88.1 million, which closed on August 16, 2023, and higher capital expenditures related to leasehold improvements for stores compared to the first nine months of Fiscal 2023.

Cash Flows - Financing Activities

For the first nine months of Fiscal 2024, cash flows used in financing activities totalled \$205.8 million, compared to \$151.0 million generated in the first nine months of Fiscal 2023. This variance reflects the lower proceeds received from short-term borrowings and Fixed Rate Notes in the first nine months of Fiscal 2024 compared to the same period in Fiscal 2023.

Capital Expenditures

For the third quarter of Fiscal 2024, capital expenditures totalled \$129.9 million, compared to \$35.8 million for the third quarter of Fiscal 2023. This increase is mainly attributable to the previously announced acquisition of properties in the town of Mount Royal, Quebec which closed for a total cash consideration of \$88.1 million on August 16, 2023.

For the first nine months of Fiscal 2024, capital expenditures totalled \$218.8 million, compared to \$104.3 million for the first nine months of Fiscal 2023. This increase is mainly attributable to the previously announced acquisition of properties in the town of Mount Royal, which closed for a total cash consideration of \$88.1 million on August 16, 2023, and higher capital expenditures related to leasehold improvements for stores.

Capital Resources

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'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

(dollars in thousands)

	October 29, 2023	January 29, 2023
	\$	\$
Long-term debt outstanding consists of the following as at:		
Senior unsecured fixed rate notes (the "Fixed Rate 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 5.533% payable in equal semi-annual instalments, maturing September 26, 2028 (the "5.533% Fixed Rate Notes")	500,000	-
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, matured on November 6, 2023 (the "3.550% Fixed Rate Notes")	500,000	500,000
Unamortized debt issue costs, including \$1,465 (January 29, 2023 – \$1,609) for the credit facility	(9,668)	(9,107)
Accrued interest on the Fixed Rate Notes	20,767	17,177
Fair value hedge - basis adjustment on interest rate swap	(272)	(6,167)
	<u>2,760,827</u>	<u>2,251,903</u>
Current portion (includes unamortized debt issue costs, accrued interest on the Fixed Rate Notes, and the Fixed Rate Notes with a maturity date falling within the next 52-week period, when applicable)	<u>(520,475)</u>	<u>(510,315)</u>
	<u>2,240,352</u>	<u>1,741,588</u>

The table below provides the carrying values and fair values of the Fixed Rate Notes as at October 29, 2023 and January 29, 2023. The fair values of the Fixed Rate Notes were determined as a level 2 in the fair value hierarchy.

	October 29, 2023		January 29, 2023	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Fixed Rate Notes				
5.165% Fixed Rate Notes	448,281	439,884	453,969	465,107
2.443% Fixed Rate Notes	376,419	321,015	373,994	332,276
5.533% Fixed Rate Notes	500,128	502,650	-	-
1.505% Fixed Rate Notes	299,531	260,043	300,494	263,856
1.871% Fixed Rate Notes	376,233	342,360	374,251	345,536
5.084% Fixed Rate Notes	249,396	248,200	252,413	253,258
3.550% Fixed Rate Notes	512,576	499,765	504,558	494,545
	<u>2,762,564</u>	<u>2,613,917</u>	<u>2,259,679</u>	<u>2,154,578</u>

Fixed Rate Notes

On September 26, 2023, the Corporation issued the 5.533% Fixed Rate Notes by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 5.533% Fixed Rate Notes were issued at par for aggregate gross proceeds of \$500.0 million and bear interest at a fixed rate of 5.533% per annum, payable in semi-annual instalments, on March 26 and September 26 of each year until maturity on September 26, 2028. The 5.533% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited.

The Corporation used the net proceeds of this offering to repay, together with cash on hand, the \$500.0 million aggregate principal amount of 3.550% Fixed Rate Notes, matured on November 6, 2023 and for general corporate purposes. Considering the impact of hedging contracts previously entered into, the Corporation estimates that the effective blended interest rate of the 5.533% Fixed Rate Notes will correspond to approximately 4.90% per annum.

Credit Agreement

On July 5, 2023, the Corporation and the lenders entered into a sixth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, extend the terms of its revolving credit facilities (collectively, the "Credit Facility"). Specifically, (i) the term of Facility A in the amount of \$250.0 million, was extended from July 5, 2027 to July 5, 2028, (ii) the term of Facility B, in the amount of \$450.0 million, was extended from July 5, 2025 to July 6, 2026, (iii) the term of Facility C, in the amount of \$50.0 million, was extended from July 5, 2025 to July 6, 2026, and (iv) the term of Facility D, in the amount of \$300.0 million, was extended from July 5, 2023 to July 3, 2024.

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

The 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 October 29, 2023 and January 29, 2023, no amount was outstanding under the TARCA. As at October 29, 2023, \$1,048.6 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 \$1.4 million (January 29, 2023 – \$1.4 million). As at October 29, 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 October 29, 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 October 29, 2023. Accounts payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities created as a result of statutory requirements imposed by governments).

<i>(dollars in thousands)</i>	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	281,659	-	-	-	281,659
Dividend payable	20,033	-	-	-	20,033
Lease liabilities ⁽¹⁾	71,981	231,018	1,038,157	1,128,493	2,469,649
Principal repayment on:					
5.165% Fixed Rate Notes				450,000	450,000
2.443% Fixed Rate Notes	-	-	-	375,000	375,000
5.533% Fixed Rate Notes	-	-	500,000	-	500,000
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	-	11,621	104,591	34,864	151,076
2.443% Fixed Rate Notes	4,581	4,581	36,645	9,161	54,968
5.533% Fixed Rate Notes	-	27,665	110,660	-	138,325
1.505% Fixed Rate Notes	-	4,515	13,544	-	18,059
1.871% Fixed Rate Notes	3,508	3,508	14,033	-	21,049
5.084% Fixed Rate Notes	-	6,355	19,065	-	25,420
3.550% Fixed Rate Notes	8,875	-	-	-	8,875
	<u>890,637</u>	<u>289,263</u>	<u>2,761,695</u>	<u>1,997,518</u>	<u>5,939,113</u>

⁽¹⁾ Represent the basic annual rent and other charges paid to landlords that are fixed or that vary based on an index or a rate.

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, and commitments as at October 29, 2023.

<i>(dollars in thousands)</i>	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Letters of credit	1,144	71	155	-	1,370

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 6 and Note 9 of the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended October 29, 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 uses interest rate swap contracts to mitigate the risk associated with changes in the fair value of its Fixed Rate Notes due to changes in interest rates. These derivative financial instruments are used for risk management purposes and are designated as fair value hedges. Through the use of 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.

During the quarter, the bond forward contracts used as hedging instruments for the refinancing of the 3.550% Fixed Rate Notes generated a gain of \$13.8 million, which was considered effective, and recorded to other comprehensive income, in line with the Corporation's hedging strategy. The gain will be reclassified to net earnings over the same period as the interest payments on the newly issued 5.533% Fixed Rate Notes.

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 October 29, 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 October 29, 2023, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled \$17.9 million (January 29, 2023 – \$26.6 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled \$2.0 million and \$6.4 million for the 13-week and 39-week periods ended October 29, 2023, respectively (13-week and 39-week periods ended October 30, 2022 – \$1.6 million and \$5.2 million, respectively).

Renewals for the long-term lease agreements governing the Corporation's head office and five of its warehouses are currently being negotiated by the Corporation in advance of their expiration on November 30, 2024. It is expected that such negotiations will conclude over the coming months and will include, in respect of each lease, a long-term extension of the term as well as updated market terms.

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 enters into arrangements with Dollarcity for the sale of products to consumers located outside of Canada. 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. Refer to the section entitled "Factors Affecting Results of Operations – Sales" for additional details.

As at October 29, 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 \$23.8 million (January 29, 2023 – \$50.5 million), which amount is guaranteed by a letter of credit up to US\$20.0 million (\$27.7 million) (January 29, 2023 – US\$20.0 million (\$26.6 million)). For the 13-week and 39-week periods ended October 29, 2023, the sales to Dollarcity that were shipped directly from the Corporation's warehouses amounted to \$5.1 million and \$20.8 million, respectively (13-week and 39-week periods ended October 30, 2022 – \$15.2 million and \$35.6 million, respectively), 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 third 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. Management believes EBITDA represents a supplementary metric to assess profitability and measure the Corporation's underlying ability to generate liquidity through operating cash flows.

	13-Week Periods Ended		39-Week Periods Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<i>(dollars in thousands)</i>				
	\$	\$	\$	\$
A reconciliation of operating income to EBITDA is included below:				
Operating income	386,656	302,655	1,031,043	810,096
Add: Depreciation and amortization	92,147	83,563	271,222	245,514
EBITDA	478,803	386,218	1,302,265	1,055,610
A reconciliation of EBITDA to cash flows from operating activities is included below:				
EBITDA	478,803	386,218	1,302,265	1,055,610
Current income taxes	(98,581)	(70,704)	(244,445)	(192,962)
Share-based compensation	2,967	3,395	9,078	9,654
Share of net earnings of equity-accounted investment	(17,989)	(9,210)	(42,485)	(25,627)
Interest received	5,364	2,260	15,733	4,196
Other	615	1,067	2,122	67
	371,179	313,026	1,042,268	850,938
Changes in non-cash working capital components	(1,539)	(174,543)	10,553	(409,740)
Net cash generated from operating activities	369,640	138,483	1,052,821	441,198

Total debt

Total debt represents the sum of long-term debt (including unamortized debt issue costs, accrued interest and fair value hedge – basis adjustment), short-term borrowings under the US commercial paper program and other bank indebtedness (if any). Management believes Total debt is a measure that facilitates the understanding of the Corporation's corporate financial position in relation to its financing obligations.

(dollars in thousands)

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

Total long-term debt
 USCP Notes issued under US commercial paper program
Total debt

	As at	
	October 29, 2023	January 29, 2023
	\$	\$
	2,760,827	2,251,903
	-	-
	2,760,827	2,251,903

Net debt

Net debt represents total debt minus cash and cash equivalents. Management believes Net debt represents a measure to assess the financial position of the Corporation including all financing obligations, net of cash.

(dollars in thousands)

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

Total debt
 Cash and cash equivalents
Net debt

	As at	
	October 29, 2023	January 29, 2023
	\$	\$
	2,760,827	2,251,903
	(730,178)	(101,261)
	2,030,649	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 October 29, 2023 over (ii) the book value of those common shares.

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

Deficit
 Price paid in excess of book value of common shares repurchased under the NCIB
Adjusted retained earnings

	As at	
	October 29, 2023	January 29, 2023
	\$	\$
	(293,505)	(514,078)
	5,902,837	5,497,023
	5,609,332	4,982,945

The deficit as at October 29, 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 \$325.9 million as at October 29, 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 twelve months. Management uses this ratio to partially assess the financial condition of the Corporation. An increasing ratio would indicate that the Corporation is utilizing more debt per dollar of EBITDA generated.

(dollars in thousands)

	As at	
	October 29, 2023	January 29, 2023
	\$	\$
A calculation of adjusted net debt to EBITDA ratio is included below:		
Net debt	2,030,649	2,150,642
Lease liabilities	2,055,790	1,960,743
Unamortized debt issue costs, including \$1,465 (January 29, 2023 – \$1,609) for the Credit Facility	9,668	9,107
Fair value hedge - basis adjustment on interest rate swap	272	6,167
Adjusted net debt	4,096,379	4,126,659
EBITDA for the last twelve-month period	1,769,948	1,523,293
Adjusted net debt to EBITDA ratio	2.31x	2.71x

EBITDA margin

EBITDA margin represents EBITDA divided by sales. Management believes that EBITDA margin is useful in assessing the performance of ongoing operations and efficiency of operations relative to its sales.

	13-Week Periods Ended		39-Week Periods Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
	\$	\$	\$	\$
<i>(dollars in thousands)</i>				
A reconciliation of EBITDA to EBITDA margin is included below:				
EBITDA	478,803	386,218	1,302,265	1,055,610
Sales	1,477,692	1,289,574	4,228,177	3,579,518
EBITDA margin	32.4%	29.9%	30.8%	29.5%

(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, expressed as a percentage of sales.
SG&A as a % of sales	Represents SG&A divided by sales.
Comparable store sales	Represents 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.

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.sedarplus.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 July 31, 2023 and ended on October 29, 2023 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On December 13, 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 February 2, 2024 to shareholders of record at the close of business on January 5, 2024. 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, 2023, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 13,695,242 common shares, representing 4.8% of the 283,376,026 common shares issued and outstanding as at June 30, 2023, during the 12-month period from July 7, 2023 to July 6, 2024 (the "2023-2024 NCIB").

During the third quarter of Fiscal 2024, 1,740,514 common shares were repurchased for cancellation under the 2023-2024 NCIB, for a total cash consideration of \$166.0 million, at a weighted average price of \$95.40 per common share.

During the first nine months of Fiscal 2024, 4,598,674 common shares were repurchased for cancellation under the 2023-2024 NCIB and the normal course issuer bid previously in effect, for a total cash consideration of \$414.1 million, at a weighted average price of \$90.06 per common share.

Share Information

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

As at December 13, 2023, there were 281,241,629 common shares issued and outstanding. In addition, there were 2,143,547 options, each exercisable for one common share, issued and outstanding as at December 13, 2023. Assuming exercise of all outstanding options, there would have been 283,385,176 common shares issued and outstanding on a fully diluted basis as at December 13, 2023.

Additional Information

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