

Dollarama Inc.

Condensed Interim Consolidated Financial
Statements

**For the 13-week and 39-week periods ended
October 29, 2023 and October 30, 2022**

(Unaudited, expressed in thousands of
Canadian dollars, unless otherwise noted)

Dollarama Inc.

Interim Consolidated Statements of Financial Position as at
(Unaudited, expressed in thousands of Canadian dollars)

	Note	October 29, 2023	January 29, 2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		730,178	101,261
Accounts receivable		35,194	56,290
Prepaid expenses		12,799	23,462
Inventories		940,313	957,172
Derivative financial instruments	9	16,063	18,762
		<u>1,734,547</u>	<u>1,156,947</u>
Non-current assets			
Right-of-use assets	5	1,779,583	1,699,755
Property, plant and equipment		926,646	802,750
Intangible assets		164,894	164,654
Goodwill		727,782	727,782
Equity-accounted investment		341,493	267,768
		<u>5,674,945</u>	<u>4,819,656</u>
Total assets			
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		341,146	336,862
Dividend payable		20,033	15,828
Derivative financial instruments	9	272	8,490
Income taxes payable		35,990	72,572
Current portion of long-term debt	6	520,475	510,315
Current portion of lease liabilities	5	233,700	218,807
		<u>1,151,616</u>	<u>1,162,874</u>
Non-current liabilities			
Non-current portion of long-term debt	6	2,240,352	1,741,588
Non-current portion of lease liabilities	5	1,822,090	1,741,936
Deferred income taxes		134,916	144,848
		<u>5,348,974</u>	<u>4,791,246</u>
Total liabilities			
Shareholders' equity			
Share capital	7	526,445	488,074
Contributed surplus	7	43,166	42,678
Deficit		(293,505)	(514,078)
Accumulated other comprehensive income		49,865	11,736
		<u>325,971</u>	<u>28,410</u>
Total shareholders' equity			
Total liabilities and shareholders' equity			
		<u>5,674,945</u>	<u>4,819,656</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit) For the 39-week periods ended (Unaudited, expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income (loss) \$	Total \$
Balance – January 29, 2023	7	284,505,648	488,074	42,678	(514,078)	11,736	28,410
Net earnings		-	-	-	686,690	-	686,690
Other comprehensive income		-	-	-	-	55,951	55,951
Total comprehensive income		-	-	-	686,690	55,951	742,641
Transfer of realized cash flow hedge gains to inventory, net of taxes		-	-	-	-	(17,822)	(17,822)
Dividends declared		-	-	-	(60,303)	-	(60,303)
Repurchase and cancellation of common shares	7	(4,598,674)	(8,340)	-	(405,814)	-	(414,154)
Share-based compensation	7	-	-	9,078	-	-	9,078
Issuance of common shares	7	1,329,155	38,121	-	-	-	38,121
Reclassification for the exercise of share options	7	-	8,590	(8,590)	-	-	-
Balance – October 29, 2023		281,236,129	526,445	43,166	(293,505)	49,865	325,971
Balance – January 30, 2022	7	292,813,569	479,446	32,924	(578,079)	(325)	(66,034)
Net earnings		-	-	-	540,575	-	540,575
Other comprehensive income		-	-	-	-	61,747	61,747
Total comprehensive income		-	-	-	540,575	61,747	602,322
Transfer of realized cash flow hedge gains to inventory, net of taxes		-	-	-	-	(16,350)	(16,350)
Dividends declared		-	-	-	(48,085)	-	(48,085)
Repurchase and cancellation of common shares	7	(6,108,544)	(10,217)	-	(448,287)	-	(458,504)
Share-based compensation	7	-	-	9,654	-	-	9,654
Issuance of common shares	7	543,850	17,816	-	-	-	17,816
Reclassification for the exercise of share options	7	-	4,101	(4,101)	-	-	-
Balance – October 30, 2022		287,248,875	491,146	38,477	(533,876)	45,072	40,819

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Interim Consolidated Statements of Net Earnings and Comprehensive Income For the 13-week and 39-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	13-week periods ended		39-week periods ended	
		October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
		\$	\$	\$	\$
Sales		1,477,692	1,289,574	4,228,177	3,579,518
Cost of sales	12	807,462	730,812	2,373,350	2,038,832
Gross profit		670,230	558,762	1,854,827	1,540,686
General, administrative and store operating expenses		213,766	181,754	607,724	510,703
Depreciation and amortization	12	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	8	88,896	70,704	234,895	188,141
Net earnings		261,055	201,594	686,690	540,575
Other comprehensive income					
<i>Items that may be reclassified subsequently to net earnings</i>					
Realized gains on financial instruments not subject to basis adjustment		13,841	9,245	13,841	9,245
Reclassification of amortization of net gains on financial instruments not subject to basis adjustments		(854)	(154)	(2,053)	(420)
Foreign currency translation adjustments		16,045	16,507	14,627	17,186
Share of other comprehensive income of equity-accounted investment		5,631	1,238	14,826	2,509
Income tax expense relating to these items		(3,152)	(2,407)	(2,835)	(2,337)
<i>Items that will not be reclassified subsequently to net earnings</i>					
Unrealized gains on derivative financial instruments subject to basis adjustments		9,569	44,965	23,861	48,338
Income tax expense relating to these items		(2,536)	(11,992)	(6,316)	(12,774)
Total other comprehensive income, net of income taxes		38,544	57,402	55,951	61,747
Total comprehensive income		299,599	258,996	742,641	602,322
Earnings per common share					
Basic net earnings per common share	10	\$0.92	\$0.70	\$2.42	\$1.86
Diluted net earnings per common share	10	\$0.92	\$0.70	\$2.41	\$1.85
Weighted average number of common shares outstanding (thousands)	10	282,587	287,837	283,921	290,347
Weighted average number of diluted common shares outstanding (thousands)	10	283,595	289,636	285,059	292,105

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Interim Consolidated Statements of Cash Flows For the 13-week and 39-week periods ended (Unaudited, expressed in thousands of Canadian dollars)

	Note	13-week periods ended		39-week periods ended	
		October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
		\$	\$	\$	\$
Operating activities					
Net earnings		261,055	201,594	686,690	540,575
Adjustments to reconcile net earnings to net cash generated from operating activities:					
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	12	92,147	83,563	271,222	245,514
Share-based compensation	7	2,967	3,395	9,078	9,654
Net financing costs		36,705	30,357	109,458	81,380
Deferred income taxes		(9,685)	-	(9,550)	(4,821)
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
		<u>371,179</u>	<u>313,026</u>	<u>1,042,268</u>	<u>850,938</u>
Changes in non-cash working capital components	13	<u>(1,539)</u>	<u>(174,543)</u>	<u>10,553</u>	<u>(409,740)</u>
Net cash generated from operating activities		<u>369,640</u>	<u>138,483</u>	<u>1,052,821</u>	<u>441,198</u>
Investing activities					
Additions to property, plant and equipment		(125,392)	(31,370)	(201,448)	(89,683)
Additions to intangible assets		(4,501)	(4,477)	(17,341)	(14,586)
Proceeds from disposal of property, plant and equipment		318	117	728	169
Net cash used in investing activities		<u>(129,575)</u>	<u>(35,730)</u>	<u>(218,061)</u>	<u>(104,100)</u>
Financing activities					
Proceeds from long-term debt issued		500,000	700,000	500,000	700,000
Proceeds (repayments) from short-term borrowings		-	(156,984)	-	157,204
Interest paid on long-term debt and short-term borrowings	6	(25,970)	(9,551)	(74,533)	(35,584)
Payment of debt issue costs		(2,415)	(3,109)	(2,896)	(3,847)
Proceeds on bond forward settlement		13,841	10,416	13,841	10,416
Net payment of lease liabilities	5	(72,843)	(65,106)	(210,124)	(189,418)
Issuance of common shares	7	11,124	2,164	38,121	17,816
Dividends paid		(20,063)	(15,984)	(56,098)	(47,080)
Repurchase and cancellation of common shares	7	(166,041)	(76,305)	(414,154)	(458,504)
Net cash generated from (used in) financing activities		<u>237,633</u>	<u>385,541</u>	<u>(205,843)</u>	<u>151,003</u>
Change in cash and cash equivalents		<u>477,698</u>	<u>488,294</u>	<u>628,917</u>	<u>488,101</u>
Cash and cash equivalents – beginning of period		<u>252,480</u>	<u>70,865</u>	<u>101,261</u>	<u>71,058</u>
Cash and cash equivalents – end of period		<u>730,178</u>	<u>559,159</u>	<u>730,178</u>	<u>559,159</u>
Supplemental information					
Interest paid on lease liabilities	5	(16,940)	(13,166)	(48,838)	(37,733)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

October 29, 2023

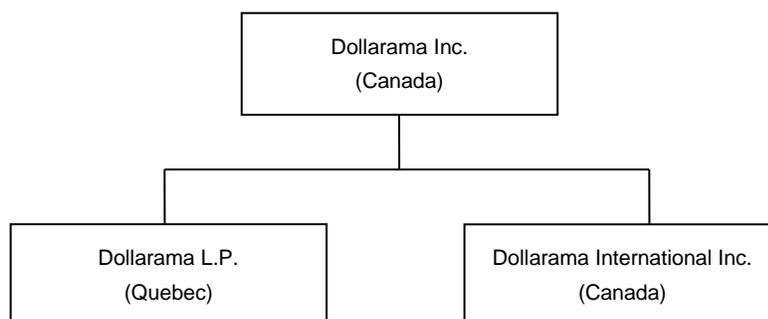
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the *Canada Business Corporations Act*. The Corporation offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to \$5.00 in-store and online in Canada. As at October 29, 2023, the Corporation maintains retail operations in every Canadian province as well as in the Yukon and Northwest Territories.

The Corporation’s head and registered office is located at 5805 Royalmount Avenue, Town of Mount Royal, Quebec, H4P 0A1. The Corporation’s warehousing and distribution operations are also located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOL”.

As at October 29, 2023, the significant entities within the legal structure of the Corporation are as follows:



Dollarama L.P. operates the chain of stores in Canada and performs related logistical and administrative support activities.

Dollarama International Inc. (“Dollarama International”) has retail operations in Latin America through its 50.1% equity investment in Dollarcity, a value retailer headquartered in Panama. Dollarcity offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to US\$4.00 (or the equivalent in local currency) in stores located in El Salvador, Guatemala, Colombia and Peru.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

October 29, 2023

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

2 Basis of preparation

The Corporation prepares its condensed interim consolidated financial statements 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”).

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”. In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation’s audited annual consolidated financial statements for the year ended January 29, 2023 (“Fiscal 2023”), which have been prepared in accordance with IFRS as issued by the IASB. In management’s opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

During Fiscal 2023, in order to continue providing relevant and reliable information to the users of these financial statements, the Corporation modified its policy in relation to the classification of net financing costs within the consolidated statements of cash flow, in line with other Canadian issuers. Interest paid has been reclassified from operating activities to financing activities. Consequently, some reclassifications in the presentation of the comparative information have been performed to ensure consistency with current period presentation. For the 13-week and 39-week periods ended on October 30, 2022, the cash inflow from operating activities increased respectively by \$12,301 and \$62,900 while the cash outflows from financing activities increased by the same amount.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Corporation (the “Board of Directors”) for issue on December 13, 2023.

Seasonality of operations

The Corporation’s sales generally increase ahead of major holidays, with December representing the highest proportion of sales, but otherwise experience limited seasonal fluctuations. However, the occurrence of certain events that are beyond the Corporation’s control, such as unusually adverse weather or an epidemic or pandemic outbreak, and that cause disruption in its operations could materially adversely affect the business and financial results of the Corporation. Consequently, results for the 13-week and 39-week periods ended October 29, 2023 may not be representative of results for subsequent quarters or for the full fiscal year.

3 Summary of significant accounting policies

These unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in Note 3 to the Fiscal 2023 audited consolidated financial statements.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

October 29, 2023

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

4 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.

These 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.

5 Leases

As at October 29, 2023, the Corporation owned one store, one distribution centre, one warehouse and leased 1,540 stores, its head office and six warehouses.

As at October 29, 2023, changes in right-of-use assets were as follows:

	October 29, 2023	October 30, 2022
	\$	\$
Balance, beginning of period	1,699,755	1,480,255
Additions	257,494	273,184
Terminations and other adjustments	(694)	(4,506)
Depreciation	(176,972)	(160,105)
Balance, end of period	1,779,583	1,588,828

As at October 29, 2023, changes in lease liabilities were as follows:

	October 29, 2023	October 30, 2022
	\$	\$
Balance, beginning of period	1,960,743	1,727,428
Additions	257,494	273,184
Interest expense on lease liabilities	48,838	37,733
Disposals and other adjustments	(1,161)	(5,785)
Net payment of lease liabilities	(210,124)	(189,418)
Balance, end of period	2,055,790	1,843,142
Current portion	233,700	210,469
Non-current portion	1,822,090	1,632,673

During the 13-week and 39-week periods ended October 29, 2023, the Corporation expensed \$27,460 and \$86,009 (13-week and 39-week periods ended October 30, 2022 – \$23,432 and \$74,604), respectively, of variable lease payments, which are not included in the lease liabilities. During the 13-week and 39-week periods ended October 29, 2023, the Corporation also expensed \$2,065 and \$8,475 (13-week and 39-week periods ended October 30, 2022 – \$3,594 and \$11,263), respectively, of lease payments relating to short-term leases or leases with underlying low-value asset for which the payments were not included in the lease liabilities.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

October 29, 2023

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

6 Debt

	October 29, 2023	January 29, 2023
	<u>\$</u>	<u>\$</u>
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
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
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>

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

October 29, 2023

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

6 Debt (cont'd)

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 \$500,000 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 \$500,000 aggregate principal amount of 3.550% Fixed Rate Notes, matured on November 6, 2023 and for general corporate purposes. During the period, the bond forward contracts used as hedging instruments for the refinancing of the 3.550% Fixed Rate Notes generated a net gain of \$13,841, 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, effectively reducing the interest rate.

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 \$250,000, was extended from July 5, 2027 to July 5, 2028, (ii) the term of Facility B, in the amount of \$450,000, was extended from July 5, 2025 to July 6, 2026, (iii) the term of Facility C, in the amount of \$50,000, was extended from July 5, 2025 to July 6, 2026, and (iv) the term of Facility D, in the amount of \$300,000, 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 \$1,500,000.

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, \$1,048,630 was available under its Credit Facility (January 29, 2023 – \$1,048,623) and there were letters of credit issued for the purchase of inventories which amounted to \$1,370 (January 29, 2023 – \$1,377). As at October 29, 2023, the Corporation was in compliance with all of its financial covenants.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

6 Debt (cont'd)

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\$500,000 to US\$700,000. The aggregate principal amount of USCP Notes outstanding at any one time under the US commercial paper program, as amended, may not exceed US\$700,000. 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).

7 Shareholders' equity

a) Share capital

Normal course issuer bid ("NCIB")

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 approximately 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.

Activities under the Corporation's NCIB during the periods were as follows:

	13-week periods ended		39-week periods ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Number of common shares repurchased under the NCIB programs	1,740,514	972,847	4,598,674	6,108,544
Cash consideration paid, allocated to:				
Share capital	\$3,178	\$1,657	\$8,340	\$10,217
Deficit	\$162,863	\$74,648	\$405,814	\$448,287
Total	\$166,041	\$76,305	\$414,154	\$458,504

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

October 29, 2023

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

7 Shareholders' equity (cont'd)

b) Contributed surplus

Share-based compensation

Performance share units (PSUs)

During the 13-week and 39-week periods ended October 29, 2023, the Corporation recognized a share-based compensation expense for PSUs of \$2,534 and \$5,647 (13-week and 39-week periods ended October 30, 2022 – \$2,033 and \$5,548), respectively.

Outstanding PSUs for the 39-week periods ended on the date indicated below are as follows:

	October 29, 2023	October 30, 2022
Outstanding – beginning of period	171,294	99,339
Granted	74,390	74,895
Vested ⁽¹⁾	-	-
Forfeited	(22,632)	(3,055)
Outstanding – end of period	<u>223,052</u>	<u>171,179</u>

⁽¹⁾ Vesting varies from 0% to 200% depending on performance against the criteria at the end of the three-year performance period.

Share options

During the 13-week and 39-week periods ended October 29, 2023, the Corporation recognized a share-based compensation expense for share options of \$433 and \$3,431, respectively (13-week and 39-week periods ended October 30, 2022 – \$1,362 and \$4,106, respectively).

Outstanding and exercisable share options for the 39-week periods ended on the dates indicated below are as follows:

	October 29, 2023		October 30, 2022	
	Number of share options	Weighted average exercise price (\$)	Number of share options	Weighted average exercise price (\$)
Outstanding – beginning of period	3,358,385	40.79	3,819,100	37.28
Granted	247,335	81.45	252,435	73.79
Exercised	(1,329,155)	28.68	(543,850)	32.76
Forfeited	(127,518)	62.28	(105,000)	45.57
Outstanding – end of period	<u>2,149,047</u>	<u>51.68</u>	<u>3,422,685</u>	<u>40.44</u>
Exercisable – end of period	<u>1,217,568</u>	<u>44.08</u>	<u>2,180,250</u>	<u>32.69</u>

8 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week and 39-week periods ended October 29, 2023 was 26.5% (October 30, 2022 – 26.5%). The Corporation's effective income tax rate for the 13-week and 39-week periods ended October 29, 2023 was 25.4% and 25.5%, respectively (13-week and 39-week periods ended October 30, 2022 – 26.0% and 25.8%, respectively).

Dollarama Inc.

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9 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.

A summary of the aggregate contractual nominal value, weighted average contract rate or interest rate, as applicable, statement of financial position location and estimated fair values of derivative financial instruments as at October 29, 2023 and January 29, 2023 is as follows:

	Contractual nominal value	Weighted average contract rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD	USD/CAD/ Interest rate	Location	Significant other observable inputs (Level 2)	Recurring
	\$			\$	
As at October 29, 2023					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	252,000	1.31	Current assets	16,063	Cash flow hedge
	<u>252,000</u>			<u>16,063</u>	
Hedging instruments for the fixed to floating interest rate notes					
CAD interest rate swap contracts	200,000	CDOR ⁽¹⁾ + 2.73%	Current liabilities	(272)	Fair value hedge
	<u>200,000</u>			<u>(272)</u>	
Total	<u>452,000</u>			<u>15,791</u>	
As at January 29, 2023					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	361,000	1.27	Current assets	18,762	Cash flow hedge
USD Foreign exchange forward contracts	110,000	1.35	Current liabilities	(2,323)	Cash flow hedge
	<u>471,000</u>			<u>16,439</u>	
Hedging instruments for the fixed to floating interest rate notes					
CAD interest rate swap contracts	200,000	CDOR ⁽¹⁾ + 2.73%	Current liabilities	(6,167)	Fair value hedge
	<u>200,000</u>			<u>(6,167)</u>	
Total	<u>671,000</u>			<u>10,272</u>	

⁽¹⁾ 3-month CDOR

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9 Financial instruments (cont'd)

For the 13-week and 39-week periods ended October 29, 2023, accumulated fair value gains of \$6,708 and \$30,796, respectively, (13-week and 39-week periods ended October 30, 2022 – accumulated fair value gains of \$6,679 and \$7,449, respectively) on USD foreign exchange forward contracts recorded in the carrying value of inventory were reclassified from inventory to the cost of sales in the condensed interim consolidated statement of net earnings and comprehensive income.

10 Earnings per common share

Diluted net earnings per common share for the 13-week and 39-week periods ended on the dates indicated below were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	13-week periods ended		39-week periods ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	\$261,055	\$201,594	\$686,690	\$540,575
Weighted average number of common shares outstanding during the period (thousands)	282,587	287,837	283,921	290,347
Dilutive effect of share options (thousands)	1,008	1,799	1,138	1,758
Weighted average number of common shares for diluted net earnings per common share (thousands)	283,595	289,636	285,059	292,105
Diluted net earnings per common share	\$0.92	\$0.70	\$2.41	\$1.85

As at October 29, 2023, 221,349 options (October 30, 2022 – 252,435) have an anti-dilutive effect since the average market price of the underlying shares was lower than the sum of the exercise price and the unearned share-based compensation of those share options under the treasury stock method.

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11 Related party transactions

a) Rossy family

As at October 29, 2023, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled \$17,893 (January 29, 2023 – \$26,635).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled \$2,036 and \$6,361 for the 13-week and 39-week periods ended October 29, 2023, respectively (13-week and 39-week periods ended October 30, 2022 – \$1,633 and \$5,242, respectively).

These transactions were measured at cost, which equals fair value, being the amount of consideration established at market terms.

b) Dollarcity

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.

As at October 29, 2023, the account receivable from Dollarcity for the goods sold and services provided under the sourcing agreement and service agreement, both entered into on February 4, 2022, totalled \$23,773 (January 29, 2023 – \$50,519), which amount is guaranteed by a letter of credit up to US\$20,000 (\$27,740) (January 29, 2023 – US\$20,000 (\$26,622)). 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 \$5,062 and \$20,825 respectively (13-week and 39-week periods ended October 30, 2022 – \$15,226 and \$35,589 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).

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. Under the Stockholders Agreement dated August 14, 2019, Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International purchase shares of Dollarcity held by them at fair market value. 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.

Dollarama Inc.

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12 Expenses by nature included in the condensed interim consolidated statement of net earnings and comprehensive income

	13-week periods ended		39-week periods ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
	\$	\$	\$	\$
Cost of sales				
Cost of goods sold, labour, transport and other costs	759,946	692,165	2,234,046	1,926,702
Occupancy costs	43,166	38,647	126,627	112,130
Depreciation of property, plant and equipment and right-of-use assets relating to warehouses and distribution center	4,350	-	12,677	-
Total cost of sales	807,462	730,812	2,373,350	2,038,832
Depreciation and amortization				
Depreciation of property, plant and equipment and right-of-use assets ⁽¹⁾	82,016	78,038	241,444	228,958
Amortization of intangible assets	5,781	5,525	17,101	16,556
Total depreciation and amortization	87,797	83,563	258,545	245,514
Employee benefits	166,841	145,987	463,399	397,335

⁽¹⁾ For the 13-week and 39-week periods ended October 30, 2022, includes depreciation expenses relating to the warehouses and distribution centre totalling \$3,140 and \$9,287, respectively.

13 Details of statement of cash flows

The changes in non-cash working capital components for the 13-week and 39-week periods ended on the dates indicated below are as follows:

	13-week periods ended		39-week periods ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
	\$	\$	\$	\$
Accounts receivable	4,375	(4,496)	24,593	(12,862)
Prepaid expenses	4,491	3,193	10,664	4,325
Inventories	(29,379)	(183,676)	16,861	(416,180)
Accounts payable and accrued liabilities	28,532	(22,616)	(1,898)	18,364
Income taxes payable	(9,558)	33,052	(39,667)	(3,387)
	(1,539)	(174,543)	10,553	(409,740)
Net cash paid for income taxes	107,929	37,647	283,907	196,347

Cash paid and received for income taxes are cash flows used in operating activities.

Dollarama Inc.

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14 Event after the reporting period

Quarterly cash 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.