DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended February 2, 2020

April 1, 2020

The following management's discussion and analysis ("MD&A") dated April 1, 2020 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the fourth quarter and fiscal year ended February 2, 2020. This MD&A should be read in conjunction with the Corporation's audited annual consolidated financial statements and notes for Fiscal 2020 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's audited annual consolidated financial statements for Fiscal 2020 (as hereinafter defined) have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They reflect the adoption of IFRS 16, "Leases", on February 4, 2019, and all comparative figures of Fiscal 2019 have been restated.

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 2018" are to the Corporation's fiscal year ended January 28, 2018; to "Fiscal 2019" are to the Corporation's fiscal year ended February 3, 2019; to "Fiscal 2020" are to the Corporation's fiscal year ended February 2, 2020; and to "Fiscal 2021" are to the Corporation's fiscal year ending January 31, 2021.

The Corporation's fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five or six years, a week is added to the fiscal year. Fiscal 2019 was comprised of 53 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:

- targeted borrowings under the US Commercial Paper Program (as hereinafter defined);
- expectations warehousing and distribution capacity requirements and general capital expenditures;
- expectations on gross margin;
- the liquidity position of the Corporation;
- the potential accretive effect of the normal course issuer bid;
- the impact of minimum wage increases on administrative and store operating expenses; and
- the estimated purchase price to be paid by the Corporation for a 50.1% interest in Dollarcity.

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 conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A: future increases in operating costs (including increases in statutory minimum wages), future increases in merchandise costs (including as a result of tariff disputes), inability to sustain assortment and replenishment of merchandise, increase in the cost or a disruption in the flow of imported goods (including as a result of the global outbreak of COVID-19), failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, inability to renew store, warehouse and head office leases on favourable terms, inability to increase warehouse and distribution centre capacity in a timely manner, seasonality, market acceptance of private brands, failure to protect trademarks and other proprietary rights, foreign exchange rate fluctuations, potential losses associated with using derivative financial instruments, level of indebtedness and inability to generate sufficient cash to service debt, changes in creditworthiness and credit rating and the potential increase in the cost of capital, interest rate risk associated with variable rate indebtedness, competition in the retail industry, disruptive technologies, general economic conditions, departure of senior executives, failure to attract and retain quality employees, disruption in information technology systems, inability to protect systems against cyber-attacks, unsuccessful execution of the growth strategy, holding company structure, adverse weather, pandemic or epidemic outbreaks, 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 April 1, 2020 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.

The financial outlook for Dollarcity for the 12-month period ending June 30, 2020 used specifically to calculate the estimated purchase price for the Dollarcity transaction constitutes a forward-looking statement. It is based on financial projections and is subject to risks and uncertainties similar to those identified above.

All of the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

GAAP and Non-GAAP Measures

This MD&A as well as the Corporation's audited annual consolidated financial statements and notes for Fiscal 2020 have been prepared in accordance with GAAP. However, this MD&A also refers to certain non-GAAP measures. The non-GAAP measures used by the Corporation are as follows:

EBITDA	Represents operating income plus depreciation and amortization and includes share of net earnings of equity-accounted investment.
EBITDA margin	Represents EBITDA divided by sales.
Total debt	Represents the sum of long-term debt (including accrued interest and unamortized debt issue costs as current portion) and other bank indebtedness (if any).
Net debt	Represents total debt minus cash.
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 February 2, 2020 over (ii) the book value of those common shares.

The above-described non-GAAP measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures provide investors with a supplemental measure of our operating performance and financial position and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. With the exception of adjusted retained earnings, 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. Management uses non-GAAP measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, to assess the Corporation's ability to meet future debt service, capital expenditure and working capital requirements, and to evaluate senior management's performance. Management uses total debt and net debt to calculate the Corporation's indebtedness level, cash position, future cash needs and financial leverage ratios. Adjusted retained earnings is a non-GAAP measure that shows retained earnings without the effect of the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through February 2, 2020 over (ii) the book value of those common shares. The Corporation believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Refer to the section entitled "Selected Consolidated Financial Information" of this MD&A for a reconciliation of the non-GAAP measures used and presented by the Corporation to the most directly comparable GAAP measures.

Recent Events

Quarterly Cash Dividend

On April 1, 2020, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of common shares of $0.044 per common share. The Corporation's quarterly cash dividend will be paid on May 8, 2020 to shareholders of record at the close of business on April 17, 2020 and is designated as an "eligible dividend" for Canadian tax purposes.

US Commercial Paper Program

On February 18, 2020, the Corporation announced the establishment of a commercial paper program in the United States on a private placement basis, in reliance upon exemptions from registration and prospectus requirements under applicable securities legislation (the "US Commercial Paper Program").

Under the terms of the US Commercial Paper Program, the Corporation may issue, from time to time, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). The aggregate principal amount of USCP Notes outstanding at any one time under the US Commercial Paper Program may not exceed US$500.0 million. The USCP Notes are direct unsecured obligations of the Corporation and rank equally with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation.

The Corporation intends to borrow the US dollar equivalent of $250.0 million to $350.0 million under the US Commercial Paper Program and to use the proceeds from the issuance of USCP Notes for general corporate purposes.

Amendments to Credit Agreement

On February 14, 2020, the Corporation and the lenders entered into the Third Amended and Restated Credit Agreement reflecting a number of agreed upon amendments to the Second Amended and Restated Credit Agreement, including the addition of a new revolving credit facility, Facility D, in the amount of $300.0 million, which is available until February 12, 2021. This additional facility brings total commitments up from $500.0 million to $800.0 million and serves as a liquidity backstop for the repayment of the USCP Notes issued from time to time under the US Commercial Paper Program.

On March 13, 2020, the Corporation and the lenders entered into a first amending agreement to the Third Amended and Restated Credit Agreement in order to extend the term of Facility B and Facility C from September 29, 2021 to September 29, 2022.

Overview

Our Business

As at February 2, 2020, the Corporation operated 1,291 stores in Canada, including 66 net new stores opened during Fiscal 2020. Stores average 10,277 square feet and offer a broad assortment of consumable products, general merchandise and seasonal items, including private label and nationally branded products, all at compelling values. Merchandise is sold in individual or multiple units at select, fixed price points up to $4.00. All stores are corporately operated, providing a consistent shopping experience, and many are located in high-traffic areas such as strip malls and shopping centers in various locations, including metropolitan areas, mid-sized cities and small towns.

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. Approximately 1,000 products, selected from the broader consumable, general merchandise and seasonal offering, are available for purchase through the online store by the full case only. Online product pricing is the same as in-store and shipping fees apply to all online orders.

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 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$3.00 (or the equivalent in local currency). As at February 2, 2020, Dollarcity operated 118 stores in Colombia, 49 in El Salvador and 61 in Guatemala, for a total of 228 stores.

Key Items in the Fourth Quarter of Fiscal 2020

Compared to the fourth quarter of Fiscal 2019:

- Sales increased by 0.5% to $1,065.2 million (or by 6.3% on a comparable 13-week basis);
- Comparable store sales[(1)] (on a comparable 13-week basis) grew 2.0%;
- Gross margin[(1)] was 44.7% of sales, compared to 45.3%[(2)] of sales;
- EBITDA[(1)] increased by 0.9% to $329.3 million, or 30.9% of sales, compared to 30.8%[(2)] of sales;
- Operating income grew 1.4% to $266.1 million, or 25.0% of sales, compared to 24.8%[(2)] of sales; and
- Diluted net earnings per common share increased by 7.5%, to $0.57 from $0.53[(2)].

During the fourth quarter of Fiscal 2020, the Corporation opened 20 net new stores, compared to 33 net new stores during the corresponding period last year.

Key Items in Fiscal 2020

Compared to Fiscal 2019:

- Sales increased by 6.7% to $3,787.3 million (or by 8.5% on a comparable 52-week basis);
- Comparable store sales[(1)] (on a comparable 52-week basis) grew 4.3%;
- Gross margin [(1)] was 43.6% of sales, compared to 44.6%[(2)] of sales;
- EBITDA[(1)] increased by 3.0% to $1,110.9 million, or 29.3% of sales, compared to 30.4%[(2)] of sales;
- Operating income grew 2.7% to $868.1 million, or 22.9% of sales, compared to 23.8% [(2)] of sales; and
- Diluted net earnings per common share increased by 7.2%, to $1.78 from $1.66[(2)].

During Fiscal 2020, the Corporation opened 66 net new stores, compared to 65 net new stores during the previous fiscal year.

The total number of common shares repurchased for cancellation during Fiscal 2020 under the normal course issuer bid amounted to 7,089,040 common shares, at a weighted average price of $46.15 per common share, for a total cash consideration of $327.2 million.

(1) We refer the reader to the notes in the section entitled "Selected Consolidated Financial Information" of this MD&A for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure.
(2) Comparative financial information and ratios have been restated to reflect the full retrospective application of IFRS 16 for lease accounting.

Outlook

A summary of how the Corporation performed against Fiscal 2020 guidance and a discussion on management's decision to suspend guidance for Fiscal 2021 and withdraw previous guidance given with respect to Dollarcity for the calendar year 2020 is contained in the Corporation's press release dated April 1, 2020 under the heading "Fiscal 2021 Guidance and COVID-19 Impact". The press release is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

Factors Affecting Results of Operations

Sales

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

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

Our sales consist of comparable store sales and new store sales as well as sales to third parties.

Comparable store sales represent sales of Dollarama stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year. The primary drivers of comparable store sales performance are changes in the number of transactions and the average transaction size. To increase comparable store sales, the Corporation focuses on offering a wide selection of quality merchandise at attractive values in well-designed, consistent and convenient store formats.

The Corporation's wholly-owned subsidiary, Dollarama International Inc. ("Dollarama International"), may enter into arrangements with customers for the sale of products to consumers located outside of Canada. When the Corporation acts as the principal in these arrangements, it recognizes revenue based on the amounts billed to customers. Otherwise, the Corporation recognizes the net amount that it retains as revenue.

Sales by Dollarama International to customers represent sales of merchandise to Dollarcity. Following the acquisition by Dollarama International of a 50.1% interest in Dollarcity on August 14, 2019, the Corporation continues, through Dollarama International, to share its business expertise, to provide various services and to act as Dollarcity's primary supplier of products, either as principal or as intermediary, pursuant to a licensing and services agreement (the "LSA") entered into between the parties in February 2013.

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. The Corporation is currently monitoring the impact of the COVID-19 pandemic on its sales, as further discussed below. Refer to the section of this MD&A entitled "Risks and Uncertainties" for a discussion about 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, and transportation costs (which are largely variable and proportional to our sales volume) as well as warehouse and distribution centre occupancy costs. We record vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of inventory purchases or, if the related inventory has been sold, as a reduction of the cost of sales.

Although cost increases can negatively affect our business, our multiple price point product offering provides some flexibility to react to cost increases on a timely basis. We have historically reduced our cost of sales by shifting most of our sourcing to low-cost foreign suppliers. For Fiscal 2020 and Fiscal 2019, direct overseas sourcing accounted for 53% and 55% of our purchases, respectively. While we still source a majority of our overseas products from China, we currently purchase products from over 25 different countries around the world.

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. When fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on these cost changes to us. Because of the high volatility of fuel costs, it is difficult to forecast the fuel surcharges we may incur from our carriers.

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 capitalized as a lease liability under IFRS 16. Occupancy costs have generally increased over the years. While we continue to feel some pressure on lease rates in certain markets, where demand for prime locations is strong and/or vacancy rates are low, management believes that it is generally able to negotiate leases at competitive market rates and does not anticipate material rate increases in the short to medium term. Typically, store leases are signed with base terms of ten years and one or more renewal options of five years each.

We strive to maintain a sustainable gross margin, where we believe we can achieve a healthy balance between maximizing returns to shareholders and offering a compelling value to our customers. The gross margin varies on a quarterly basis as a result of fluctuations in product margins, as we refresh approximately 25% to 30% of our offering on an annual basis, and/or fluctuations in logistics and transportation costs, among other factors.

In Fiscal 2019, given the then prevailing retail environment in Canada, management made the decision to minimize price increases in order to invest in its value proposition to consumers to stimulate sales growth, both in terms of number of units per transaction and number of transactions. In Fiscal 2020, management stayed the course on its decision to minimize price increases.

General, Administrative and Store Operating Expenses

Our 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.

Certain Canadian provinces have recently announced notable increases in the statutory minimum wage, which are set to come into effect in Fiscal 2021 and beyond. Minimum wage adjustments that deviate from the formula based on the year-over-year change in the consumer price index (CPI) create unpredictability, resulting in additional challenges for retailers.

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, health and beauty, and arts and crafts categories, whose product offerings overlap with a subset of the Corporation's product offering. Additionally, the Corporation competes with a number of companies for prime retail site locations in Canada and for the recruitment of employees.

On March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus disease (COVID-19) outbreak a pandemic. Subsequently, all of the jurisdictions in which Dollarama operates imposed increasingly strict measures in an attempt to slow the transmission of the virus, including travel restrictions, self-isolation measures, mandatory closures of non-essential services and businesses, and physical distancing practices. Similar measures have been taken in the countries of operation of Dollarcity. The Corporation has implemented mitigation strategies and contingency plans in response to this rapidly-evolving situation and is closely monitoring the impact on its supply chain and operations in Canada and Latin America.

The Corporation has been recognized as an essential business in its Canadian markets and is committed to maintaining its stores well-stocked with affordable everyday products and offering the same compelling value proposition to its Canadian customers. The Corporation has implemented several preventive measures to protect the health and safety of its employees and customers, and continues to refine its work processes to adapt to these unprecedented circumstances.

It is impossible to forecast the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Corporation's business and operations, both in the short term and in the long term. The deterioration of economic conditions to date has resulted in a surge in unemployment in Canada and may lead to a deterioration in consumer balance sheets, all of which may impact consumers' spending behaviour and could adversely affect the Corporation's financial performance.

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 February 2, 2020, February 3, 2019 and January 28, 2018 has been derived from the Corporation's audited annual consolidated financial statements and notes for Fiscal 2020, Fiscal 2019 and Fiscal 2018.

	13-Week	14-Week	52-Week	53-Week	52-Week
	Unaudited				
	Periods Ended		Years Ended		
(dollars and shares in thousands, except per share amounts)	February 2, 2020	February 3, 2019	February 2, 2020	February 3, 2019	January 28, 2018
	$	$	$	$	$
		Restated [1]		Restated [1]	Not restated [9]
Earnings Data					
Sales	1,065,201	1,059,714	3,787,291	3,548,503	3,266,090
Cost of sales	588,739	579,925	2,134,933	1,964,516	1,965,171
Gross profit	476,462	479,789	1,652,358	1,583,987	1,300,919
SG&A	155,683	153,334	551,699	505,420	474,807
Depreciation and amortization	63,247	63,937	242,785	233,378	70,550
Share of net earnings of equity-accounted investment	(8,556)	-	(10,263)	-	
Operating income	266,088	262,518	868,137	845,189	755,562
Financing costs	25,238	26,878	100,605	94,597	39,877
Other income	-	-	(2,835)	-	
Earnings before income taxes	240,850	235,640	770,367	750,592	715,685
Income taxes	62,133	64,634	206,328	205,606	196,275
Net earnings	178,717	171,006	564,039	544,986	519,410
Basic net earnings per common share	$0.57	$0.54	$1.80	$1.68	$1.54
Diluted net earnings per common share	$0.57	$0.53	$1.78	$1.66	$1.52
Weighted average number of common shares outstanding:					
Basic	312,057	318,074	313,910	324,460	338,253
Diluted	314,750	321,032	317,185	328,404	342,519
Other Data					
Year-over-year sales growth	0.5%	13.0%	6.7%	8.7%	10.2%
Comparable store sales growth [2]	2.0%	2.6%	4.3%	2.7%	5.2%
Gross margin [3]	44.7%	45.3%	43.6%	44.6%	39.8%
SG&A as a % of sales [3]	14.6%	14.5%	14.6%	14.2%	14.5%
EBITDA [4]	329,335	326,455	1,110,922	1,078,567	826,112
Operating margin [3]	25.0%	24.8%	22.9%	23.8%	23.1%
Capital expenditures	39,813	56,729	140,622	180,807	131,920
Number of stores [5]	1,291	1,225	1,291	1,225	1,160
Average store size (gross square feet) [5]	10,277	10,217	10,277	10,217	10,120
Declared dividends per common share	$0.044	$0.040	$0.176	$0.16	$0.15

(dollars in thousands)	13-Week	14-Week	52-Week	53-Week	52-Week
	unaudited				
	Periods Ended		Years Ended		
	February 2, 2020 $	February 3, 2019 $ Restated [1]	February 2, 2020 $	February 3, 2019 $ Restated [1]	January 28, 2018 $ Not restated [9]
A reconciliation of operating income to EBITDA is included below:					
Operating income	266,088	262,518	868,137	845,189	755,562
Add: Depreciation and amortization	63,247	63,937	242,785	233,378	70,550
EBITDA	**329,335**	**326,455**	**1,110,922**	**1,078,567**	**826,112**
EBITDA margin [4]	*30.9%*	*30.8%*	*29.3%*	*30.4%*	*25.3%*
A reconciliation of EBITDA to cash flows from operating activities is included below:					
EBITDA	329,335	326,455	1,110,922	1,078,567	826,112
Financing costs (net of amortization of debt issue costs)	(31,894)	(30,285)	(96,790)	(87,254)	(36,312)
Recognition of gains and losses on bond lock and bond forward contracts	(94)	109	(378)	177	-
Transfer of realized cash flow hedge losses to inventory	-	-	-	8,646	-
Recognition of realized gains on foreign exchange contracts	-	-	-	-	3,851
Cash settlement of losses on foreign exchange contracts	-	-	-	-	(10,266)
Current income taxes	(58,766)	(67,387)	(191,313)	(203,562)	(189,978)
Deferred lease inducements	-	-	-	-	5,348
Deferred tenant allowances	-	-	-	-	10,607
Recognition of deferred tenant allowances and deferred leasing costs	-	-	-	-	(4,666)
Share-based compensation	1,303	1,746	5,448	6,466	6,559
Gain on lease modification	(173)	(796)	(762)	(1,362)	-
Loss on disposal of assets	-	-	-	-	207
Share of net earnings of equity-accounted investment	(8,556)	-	(10,263)	-	-
	231,155	229,842	816,864	801,678	611,462
Changes in non-cash working capital components	20,956	48,578	(84,356)	(115,724)	25,872
Net cash generated from operating activities	**252,114**	**278,420**	**732,508**	**685,954**	**637,334**

	As at		
	February 2, 2020 $	February 3, 2019 $ Restated[(1)]	January 29, 2018 $ Restated[(1)(10)]
Statement of Financial Position Data			
Cash	90,464	50,371	54,844
Inventories	623,490	581,241	490,927
Total current assets	764,497	688,520	564,725
Property, plant and equipment	644,011	586,027	490,988
Right-of-use assets	1,283,778	1,208,461	1,142,495
Total assets	3,716,456	3,359,669	3,069,036
Total current liabilities	1,092,484	443,234	860,518
Total non-current liabilities	2,716,168	3,233,819	2,540,276
Total debt [(6)]	1,883,407	1,907,383	1,671,192
Net debt [(7)]	1,792,943	1,857,012	1,616,348
Shareholders' deficit	(92,196)	(317,384)	(331,758)

(dollars in thousands)

A reconciliation of long-term debt to total debt is included below:	As at		
	February 2, 2020 $	February 3, 2019 $	January 29, 2018 $ [(10)]
Senior unsecured notes bearing interest at:			
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.55% Fixed Rate Notes")	500,000	500,000	-
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the "2.203% Fixed Rate Notes")	250,000	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the "2.337% Fixed Rate Notes")	525,000	525,000	525,000
Fixed annual rate of 3.095% payable in equal semi-annual instalments, repaid November 5, 2018 (the "3.095% Fixed Rate Notes", and collectively with the 3.55% Fixed Rate Notes, the 2.203% Fixed Rate Notes and the 2.337% Fixed Rate Notes, the "Fixed Rate Notes")	-	-	400,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021 (the "Series 3 Floating Rate Notes")	300,000	300,000	-
Variable rate equal to 3-month bankers' acceptance rate plus 59 basis points payable quarterly, repaid on March 16, 2020 (the "Series 2 Floating Rate Notes")	300,000	300,000	300,000
Unsecured revolving credit facilities (collectively the "Credit Facility")	-	25,000	191,000
Accrued interest on senior unsecured notes	8,407	7,383	5,192
Total debt	**1,883,407**	**1,907,383**	**1,671,192**

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

Total debt	1,883,407	1,907,383	1,671,192
Cash	(90,464)	(50,371)	(54,844)
Net debt [(7)]	**1,792,943**	**1,857,012**	**1,616,348**

A reconciliation of deficit to adjusted retained earnings is included below:	**As at**		
	February 2, 2020	**February 3, 2019**	**January 29, 2018**
	$	**$**	**$** [9]
Deficit	(574,110)	(765,202)	(742,821)
Price paid in excess of book value of common shares repurchased under the NCIB	3,707,976	3,390,260	2,874,638
Adjusted retained earnings [8]	**3,133,866**	**2,625,058**	**2,131,817**

The deficit as at February 2, 2020 is not a reflection of poor or deteriorating operating performance. It results from the fact that a significant portion of the cash consideration for the repurchase of shares under the Corporation's normal course issuer bid is accounted for as a reduction of retained earnings and that the market price at which shares are repurchased significantly exceeds the book value of those shares. As a result, the Corporation's shareholders' deficit for accounting purposes was $92.2 million at February 2, 2020. Management believes that buying back shares remains an effective strategy to drive shareholder value and constitutes an appropriate use of the Corporation's funds.

(1) The numbers presented above reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 3 and Note 6 to the audited annual consolidated financial statements for Fiscal 2020. Comparative figures have been restated.
(2) Comparable store sales growth is a measure of the percentage increase or decrease, as applicable, of the sales of stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year.
(3) Gross margin represents gross profit divided by sales. SG&A as a percentage of sales represents SG&A divided by sales. Operating margin represents operating income divided by sales.
(4) EBITDA, a non-GAAP measure, represents operating income plus depreciation and amortization. EBITDA margin represents EBITDA divided by sales.
(5) At the end of the period.
(6) Total debt, a non-GAAP measure, represents the sum of long-term debt (including accrued interest as current portion) and other bank indebtedness (if any).
(7) Net debt, a non-GAAP measure, represents total debt minus cash.
(8) Adjusted retained earnings, a non-GAAP measure, 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 February 2, 2020 over (ii) the book value of those common shares.
(9) The statement of net earnings and the statement of cash flows numbers presented for Fiscal 2018 have not been restated for IFRS 9 and IFRS 16, as further described in section "Significant Standards and Interpretations" which render comparisons to Fiscal 2019 and Fiscal 2020 not meaningful.
(10) January 29, 2018 represents the restated opening balance sheet of Fiscal 2019.

Results of Operations

Analysis of Results for the Fourth Quarter of Fiscal 2020

The following section provides an overview of the Corporation's financial performance during the fourth quarter of Fiscal 2020 compared to the fourth quarter of Fiscal 2019.

Sales

The fourth quarter of Fiscal 2020 was comprised of 13 weeks whereas the fourth quarter of Fiscal 2019 was comprised of 14 weeks. Sales in the fourth quarter of Fiscal 2020 increased by 0.5% to $1,065.2 million, compared to $1,059.7 million in the fourth quarter of Fiscal 2019. Excluding the additional sales week in the fourth quarter of Fiscal 2019, which amounted to $57.7 million, sales growth for the fourth quarter of Fiscal 2020 would have been 6.3%. Continued organic sales growth was fueled by balanced growth in both comparable store sales and in the total number of Dollarama stores over the past 12 months, from 1,225 stores on February 3, 2019 to 1,291 stores on February 2, 2020.

On a 13-week basis, comparable store sales grew 2.0%, over and above a 2.6% growth in the same quarter last year. Comparable store sales growth for the fourth quarter of Fiscal 2020 consisted of a 2.4% increase in average transaction size, including an increase in the number of units per basket, and a 0.4% decrease in the number of transactions. Comparable store sales growth in the quarter, specifically the number of transactions, was negatively impacted by the calendar shift caused by a 52-week fiscal year in Fiscal 2020 following a 53-week fiscal year in Fiscal 2019. For the purposes of a period-over-period comparison, the shift resulted in one less pre-holiday week in the fourth quarter of Fiscal 2020, a historically strong sales week, which was replaced by an additional week at the end of January, which is a historically low sales week. This is in addition to three less Halloween shopping days, which were recorded in the third quarter of Fiscal 2020, compared to the fourth quarter of Fiscal 2019. Excluding the impact of the calendar shift, comparable stores sales grew 3.8% year-over-year, including a 1.2% increase in the number of transactions.

New stores, which are not yet comparable stores, reach annual sales of approximately $2.3 million within their first two years of operation, and achieve an average capital payback period of approximately two years.

In this quarter, 71.0% of the Corporation's sales originated from products priced higher than $1.25, compared to 69.7% in the corresponding quarter last year.

Gross Margin

Gross margin was 44.7% of sales in the fourth quarter of Fiscal 2020, compared to 45.3% of sales in the fourth quarter of Fiscal 2019. Gross margin is lower primarily due to a slight decrease in product margins and higher sales of lower margin items, as well as a slight increase in logistics costs.

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

SG&A

General, administrative and store operating expenses ("SG&A") for the fourth quarter of Fiscal 2020 totaled $155.7 million, compared to $153.3 million for the fourth quarter of Fiscal 2019. This increase is primarily related to the continued growth in the total number of stores.

SG&A for the fourth quarter of Fiscal 2020 represented 14.6% of sales, compared to 14.5% of sales for the fourth quarter of Fiscal 2019. The 0.1% increase is mainly the result of an increase in labour costs due to wage increases.

Depreciation and Amortization

The depreciation and amortization expense decreased by $0.7 million, from $63.9 million for the fourth quarter of Fiscal 2019 to $63.2 million for the fourth quarter of Fiscal 2020. This decrease relates to an additional week of depreciation and amortization recorded in the fourth quarter of Fiscal 2019. Excluding this additional week, the depreciation and amortization expense would have been higher quarter over quarter in Fiscal 2020 mainly due to investments in information technology projects, new stores and buildings. This expense includes the depreciation of right-of-use assets related to leased stores and operating facilities as calculated under IFRS 16 for both periods.

Share of Net Earnings of Equity-Accounted Investment

For the fourth quarter of Fiscal 2020, the Corporation's 50.1% share of Dollarcity's net earnings for the period from October 1, 2019 to December 31, 2019, corresponding to Dollarcity's fourth quarter, was $8.6 million. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs decreased by $1.7 million, from $26.9 million for the fourth quarter of Fiscal 2019 to $25.2 million for the fourth quarter of Fiscal 2020. The decrease is mainly due to an additional week of financing costs recorded in the fourth quarter of Fiscal 2019. Financing costs include costs related to lease liabilities as calculated under IFRS 16 for both periods.

Income Taxes

Income taxes decreased by $2.5 million, from $64.6 million for the fourth quarter of Fiscal 2019 to $62.1 million for the fourth quarter of Fiscal 2020, as a result of one less week of taxable earnings. The statutory income tax rate for the fourth quarter of Fiscal 2020 was 26.9% compared to 27.0% in the corresponding quarter of Fiscal 2019. The Corporation's effective tax rates for the fourth quarters of Fiscal 2020 and Fiscal 2019 were 25.8% and 27.4%, respectively. The effective tax rate for the quarter ended February 2, 2020 is lower than the statutory tax rate as it excludes the tax impact on the Corporation's share of net earnings of its equity-accounted investment, which is already net of taxes provisioned by Dollarcity.

Net Earnings

Net earnings increased to $178.7 million, or $0.57 per diluted common share, in the fourth quarter of Fiscal 2020, compared to $171.0 million, or $0.53 per diluted common share, in the fourth quarter of Fiscal 2019. This increase in net earnings is mainly the result of the increase in sales, despite a 52-week fiscal year following a 53-week fiscal year, and of the inclusion of the Corporation's share of Dollarcity's net earnings, partially offset by slightly lower margins and higher SG&A as a percentage of sales. Earnings per common share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid over the past 12 months.

Analysis of Results for Fiscal 2020

The following section provides an overview of our financial performance during Fiscal 2020 compared to Fiscal 2019.

Sales

Fiscal 2020 was comprised of 52 weeks whereas Fiscal 2019 was comprised of 53 weeks. Sales in Fiscal 2020 increased by 6.7% to $3,787.3 million, compared to $3,548.5 million in Fiscal 2019. Excluding the additional sales week in Fiscal 2019, which amounted to $57.7 million, sales growth in Fiscal 2020 would have been 8.5%. Continued organic sales growth in Fiscal 2020 was fueled by balanced growth in both comparable store sales and in the total number of Dollarama stores over the past 12 months, from 1,225 stores on February 3, 2019 to 1,291 stores on February 2, 2020.

On a 52-week basis, comparable store sales grew 4.3% in Fiscal 2020, over and above a 2.7% growth in Fiscal 2019. Comparable store sales growth for Fiscal 2020 consisted of a 3.4% increase in average transaction size and a 0.9% increase in the number of transactions. The increase in the number of transactions is mainly driven by ongoing in-store merchandising initiatives.

In Fiscal 2020, 70.9% of sales originated from products priced higher than $1.25, compared to 69.7% in Fiscal 2019.

Gross Margin

Gross margin was 43.6% of sales in Fiscal 2020, compared to 44.6% of sales in Fiscal 2019. Gross margin is lower primarily due to a slight decrease in product margins and higher sales of lower margin items, as well as a slight increase in logistics costs. Gross margin includes sales made by the Corporation to Dollarcity, as principal, which represented approximately 1% of the Corporation's total sales in Fiscal 2020, and a nominal markup margin. Consequently, these sales had a minimal impact on gross margin in Fiscal 2020 and Fiscal 2019.

SG&A

SG&A for Fiscal 2020 totaled $551.7 million, a 9.2% increase over $505.4 million for Fiscal 2019. This increase is primarily related to the continued growth in the total number of stores, offset partly by costs associated with an additional week in Fiscal 2019. SG&A for Fiscal 2020 represented 14.6% of sales, compared to 14.2% of sales for Fiscal 2019. The 0.4% increase is mainly the result of a slight increase in labour costs due to wage increases and the timing of certain expenditures.

Depreciation and Amortization

The depreciation and amortization expense increased by $9.4 million, from $233.4 million for Fiscal 2019 to $242.8 million for Fiscal 2020. The increase relates mainly to investments in information technology projects, new stores and buildings, partially offset by the additional week of costs in Fiscal 2019.

Share of Net Earnings of Equity-Accounted Investment

For Fiscal 2020, the Corporation's 50.1% share of Dollarcity's net earnings for the period from August 14, 2019, the closing date of the acquisition, to December 31, 2019, the end date of Dollarcity's fiscal year, was $10.3 million.

Financing Costs

Financing costs increased by $6.0 million, from $94.6 million for Fiscal 2019 to $100.6 million for Fiscal 2020. The increase is mainly due to increased average borrowings on long-term debt and slightly higher interest rates on debt, partially offset by the additional week of financing costs recorded in Fiscal 2019.

Other Income

Other income for Fiscal 2020 includes a one-time, non-recurring gain of $2.8 million, or $2.1 million after tax, representing the difference between the fair value of the call option to purchase 50.1% of Dollarcity's issued and outstanding shares and the estimated purchase price of this investment as at August 14, 2019, the closing date of the acquisition.

Income Taxes

Income taxes increased by $0.7 million, from $205.6 million for Fiscal 2019 to $206.3 million for Fiscal 2020, as a result of higher pre-tax earnings. The statutory income tax rates for Fiscal 2020 and Fiscal 2019 were 26.9% and 27.0%, respectively. The Corporation's effective income tax rates for Fiscal 2020 and Fiscal 2019 were 26.8% and 27.4%, respectively.

Net Earnings

Net earnings increased to $564.0 million, or $1.78 per diluted common share, for Fiscal 2020, compared to $545.0 million, or $1.66 per diluted common share, for Fiscal 2019. The increase in net earnings is mainly the result of a 6.7% increase in sales, the inclusion of the Corporation's share of Dollarcity's net earnings and the one-time, non-recurring gain on the call option, partially offset by slightly lower margins and higher SG&A as a percentage of sales. Earnings per common share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid over the past 12 months.

Summary of Consolidated Quarterly Results

	Fiscal 2020				Fiscal 2019 [(1)]			
(*dollars in thousands, except per share amounts*)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**[(2)]
Statements of Net Earnings Data	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	1,065,201	947,649	946,405	828,036	1,059,714	864,267	868,453	756,069
Net earnings	178,717	138,627	143,183	103,512	171,006	132,093	140,350	101,537
Net earnings per common share								
Basic	$0.57	$0.44	$0.45	$0.33	$0.54	$0.41	$0.43	$0.31
Diluted	$0.57	$0.44	$0.45	$0.33	$0.53	$0.40	$0.42	$0.31

(1) The numbers presented reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 3 and Note 6 to the audited annual consolidated financial statements for Fiscal 2020. Comparative figures have been restated.
(2) Per share amounts for the first quarter of Fiscal 2019 reflect the retrospective application of the Share Split.

Historically, our lowest sales results have occurred during the first quarter whereas our highest sales results have occurred during the fourth quarter, with December representing the highest proportion of sales. Our sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but we otherwise experience limited seasonal fluctuations and expect this trend to continue. The occurrence of unusually adverse weather causing disruption in our business activities or operations during a peak season such as the winter holidays or around other major holidays and celebrations could have an adverse effect on our distribution network and on store traffic, which could materially adversely affect our business and financial results.

Liquidity and Capital Resources

Cash Flows for the Fourth Quarter of Fiscal 2020

(*dollars in thousands*)	**13-Week** Periods Ended **February 2, 2020**	**14-Week** Periods Ended **February 3, 2019**	**Change**
	$	**$** Restated [(1)]	**$**
Cash flows from operating activities	252,114	278,420	(26,306)
Cash flows used in investing activities	(40,528)	(56,598)	16,070
Cash flows used in financing activities	(185,118)	(250,294)	65,176
Net change in cash	26,468	(28,472)	54,940

(1) The numbers presented above reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 3 and Note 6 to the audited annual consolidated financial statements for Fiscal 2020. Comparative figures have been restated.

Cash Flows - Operating Activities

For the fourth quarter of Fiscal 2020, cash flows generated from operating activities totaled $252.1 million, compared to $278.4 million for the fourth quarter of Fiscal 2019. This decrease is attributable to a decrease in cash generated from working capital, partially offset by higher earnings in the fourth quarter of Fiscal 2020 compared to the fourth quarter of Fiscal 2019.

Cash Flows - Investing Activities

For the fourth quarter of Fiscal 2020, cash flows used in investing activities totaled $40.5 million, compared to $56.6 million for the fourth quarter of Fiscal 2019. This decrease relates primarily to lower capital expenditures resulting from a lower number of store openings in the fourth quarter of Fiscal 2020 compared to the corresponding period in the prior year and to lower capital expenditures in connection with the distribution centre expansion.

Cash Flows - Financing Activities

For the fourth quarter of Fiscal 2020, cash flows used in financing activities totaled $185.1 million, compared to $250.3 million for the fourth quarter of Fiscal 2019. This decrease is mainly due to the Corporation repurchasing fewer shares under the normal course issuer bid in Fiscal 2020 and lower reimbursement of liabilities compared to the prior year.

Cash Flows for Fiscal 2020

	52-Week	53-Week	
	Years Ended		
(dollars in thousands)	February 2, 2020 $	February 3, 2019 $ Restated [1]	Change $
Cash flows from operating activities	732,508	685,954	46,554
Cash flows used in investing activities	(199,313)	(179,512)	(19,801)
Cash flows used in financing activities	(493,102)	(510,915)	17,813
Net change in cash	40,093	(4,473)	44,566

[1] The numbers presented above reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 3 and Note 6 to the audited annual consolidated financial statements for Fiscal 2020. Comparative figures have been restated.

Cash Flows - Operating Activities

For Fiscal 2020, cash flows generated from operating activities totaled $732.5 million, compared to $686.0 million for Fiscal 2019. This increase is attributable to an increase in net earnings in Fiscal 2020 compared to the prior year and lower usage of working capital to purchase inventory.

Cash Flows - Investing Activities

For Fiscal 2020, cash flows used in investing activities totaled $199.3 million, compared to $179.5 million for Fiscal 2019. This increase relates primarily to the upfront payment of US$40.0 million ($52.8 million) for the acquisition of a 50.1% interest in Dollarcity, partially offset by lower capital expenditures as Fiscal 2019 was marked by the acquisition by the Corporation of the previously leased distribution centre for $39.0 million.

Cash Flows - Financing Activities

For Fiscal 2020, cash flows used in financing activities totaled $493.1 million, compared to $510.9 million for Fiscal 2019. This decrease results from the Corporation repurchasing fewer shares under the normal course issuer bid in Fiscal 2020 and lower reimbursement of liabilities compared to the prior year, partly offset by lower borrowings on long-term debt.

Capital Expenditures

Capital expenditures mainly relate to investments in information technology projects, new stores and the expansion of warehousing and distribution capacity.

For the fourth quarter of Fiscal 2020, capital expenditures totaled $39.8 million, compared to $56.7 million for the fourth quarter of Fiscal 2019. This decrease was mainly due to a lower number of store openings in the fourth quarter of Fiscal 2020 compared to the corresponding period in the prior year and to lower investments in connection with the distribution centre expansion.

For Fiscal 2020, capital expenditures totaled $140.6 million, compared to $180.8 million for Fiscal 2019. This decrease is mainly due to higher investments related to the distribution centre expansion incurred in Fiscal 2019, when the Corporation acquired the previously leased distribution centre from a related party for $39 million.

Capital Resources

The Corporation generates sufficient cash flows from operating activities to fund its planned growth strategy in Canada and in Latin America, service its debt and make dividend payments to shareholders. As at February 2, 2020, the Corporation had $90.5 million of cash on hand and $499.5 million available under its Credit Facility, and as at March 30, 2020, the Corporation had approximately $490.0 million of cash on hand and approximately $135.0 million available under its Credit Facility.

The Corporation's ability to pay the principal and interest on our debt, to refinance it, or to generate sufficient funds to pay for planned capital expenditures and investments will depend on our future performance, which to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond our control.

Barring further extraordinary circumstances arising from the COVID-19 pandemic, based upon the current strength of earnings, we believe that cash flows from operations, together with credit available under the Credit Facility, will be adequate to meet our future operating cash needs, including the payment of the estimated balance of the purchase price for the acquisition of a 50.1% interest in Dollarcity.

The Corporation reviews the estimated balance of the purchase price of its equity interest in Dollarcity every quarter.

The Corporation's assumptions with respect to future liquidity needs may not be correct and funds available to us from the sources described herein may not be sufficient to enable us to service our indebtedness or cover any shortfall in funding for any unanticipated expenses.

Senior Unsecured Notes

Long-term debt outstanding consists of the following as at:	February 2, 2020 $	February 3, 2019 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.55% Fixed Rate Notes")	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the "2.203% Fixed Rate Notes")	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the "2.337% Fixed Rate Notes", and collectively with the 3.55% Fixed Rate Notes and the 2.203% Fixed Rate Notes, the "Fixed Rate Notes")	525,000	525,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021 (the "Series 3 Floating Rate Notes")	300,000	300,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 59 basis points payable quarterly, repaid on March 16, 2020 (the "Series 2 Floating Rate Notes", and collectively with the Series 3 Floating Rate Notes, the "Floating Rate Notes")	300,000	300,000
Unsecured revolving credit facilities (collectively the "Credit Facility")	-	25,000
Less: Unamortized debt issue costs	(6,624)	(9,155)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	8,407	7,383
	1,876,783	1,898,228
Current portion (includes the Series 3 Floating Rate Notes and the Series 2 Floating Rate Notes maturing February 1, 2021 and March 16, 2020, respectively, unamortized debt issue costs and accrued interest on Senior Unsecured Notes)	(606,494)	(7,383)
	1,270,289	1,890,845

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at February 2, 2020 and February 3, 2019.

	February 2, 2020		February 3, 2019	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
3.55% Fixed Rate Notes	500,874	523,480	500,082	504,470
2.203% Fixed Rate Notes	250,664	250,958	250,477	241,543
2.337% Fixed Rate Notes	524,686	527,678	524,256	517,435
Floating Rate Notes				
Series 3 Floating Rate Notes	301,302	300,204	299,287	297,351
Series 2 Floating Rate Notes	300,754	300,156	300,707	300,180
	1,878,280	1,902,476	1,874,809	1,860,979

Credit Facility

As at February 2, 2020, the Corporation had access to three separate unsecured revolving credit facilities totaling $500.0 million (collectively, the "Credit Facility"), made available under the then existing Second Amended and Restated Credit Agreement entered into between the Corporation and the lenders (as amended, the "Credit Agreement"). As at February 2, 2020, Facility A in the amount of $250.0 million was available until September 27, 2024, whereas Facility B and Facility C, representing $200.0 millions and $50.0 million respectively, were available until September 29, 2021.

As at February 2, 2020, there was no amount outstanding under the Credit Facility, other than letters of credit issued for the purchase of inventories which amounted to $0.5 million. As at February 2, 2020, the Corporation was in compliance with all of its financial covenants.

On February 14, 2020, the Corporation and the lenders entered into the Third Amended and Restated Credit Agreement (the "TARCA") reflecting a number of agreed upon amendments to the Second Amended and Restated Credit Agreement, including the addition of a new revolving credit facility, Facility D, in the amount of $300.0 million, which is available until February 12, 2021. This additional facility brings total commitments up from $500.0 million to $800.0 million and serves as a liquidity backstop for the repayment of the USCP Notes issued from time to time under the US Commercial Paper Program.

On March 13, 2020, the Corporation and the lenders entered into a first amending agreement to the TARCA in order to extend the term of Facility B and Facility C from September 29, 2021 to September 29, 2022.

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 the Credit Facility up to an aggregate amount, together with all then-existing commitments, of $1.5 billion.

The TARCA requires the Corporation to continue to respect a minimum interest coverage ratio and a maximum lease-adjusted leverage ratio, each tested quarterly on a consolidated basis. The Corporation has the option to borrow in Canadian or U.S. dollars.

The Credit Facility remains guaranteed by Dollarama L.P. and Dollarama GP Inc. (collectively, with the Corporation, the "Credit Parties"). The TARCA contains restrictive covenants that, subject to certain exceptions, limit the ability of the Credit Parties to, among other things, incur, assume, or permit to exist senior ranking indebtedness or liens, engage in mergers, acquisitions, asset sales or sale-leaseback transactions, alter the nature of the business and engage in certain transactions with affiliates. The TARCA also limits the ability of the Corporation to make loans, declare dividends and make payments on, or redeem or repurchase equity interests if there exists a default or an event of default thereunder.

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 February 2, 2020. Trade payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities created as a result of statutory requirements imposed by governments).

(dollars in thousands)	Less than 3 months $	3 months to 1 year $	1-5 years $	Over 5 years $	Total $
Trade payable and accrued liabilities	174,254	69,316	-	-	243,570
Dividend payable	13,737	-	-	-	13,737
Lease liabilities [1]	65,205	162,515	758,100	772,738	1,758,558
Principal repayment on:					
3.55% Fixed Rate Notes	-	-	500,000	-	500,000
2.203% Fixed Rate Notes	-	-	250,000	-	250,000
2.337% Fixed Rate Notes	-	-	525,000	-	525,000
Series 3 Floating Rate Notes	-	300,000	-	-	300,000
Series 2 Floating Rate Notes	300,000	-	-	-	300,000
Credit Facility	-	-	-	-	-
Interest payments on:					
3.55% Fixed Rate Notes	-	17,750	53,250	-	71,000
2.203% Fixed Rate Notes	-	5,508	11,015	-	16,523
2.337% Fixed Rate Notes	-	12,269	6,135	-	18,404
Floating Rate Notes [2]	3,632	5,088	-	-	8,720
	556,828	572,446	2,103,500	772,738	4,005,512

(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.
(2) Based on interest rates in effect as at February 2, 2020.

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, and commitments as at February 2, 2020.

(dollars in thousands)	Less than 3 months $	3 months to 1 year $	1-5 years $	Over 5 years $	Total $
Letters of credit	230	239	-	-	469

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

Financial Instruments

The Corporation uses derivative financial instruments such as 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.

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.

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.

There were no material changes to the nature of risks arising from derivatives and related risk management in Fiscal 2020.

For a description of the derivative financial instruments of the Corporation, refer to Note 3 and Note 15 of the Corporation's Fiscal 2020 audited annual consolidated financial statements.

Related Party Transactions

Property Leases

As at February 2, 2020, 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 February 2, 2020, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $52.4 million (February 3, 2019 - $62.0 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totaled $1.7 million and $7.0 million for the 13-week and 52-week periods ended February 2, 2020, respectively (14-week and 53-week periods ended February 3, 2019 - $1.7 million and $6.9 million, respectively, the latter amount including charges related to the distribution centre until February 21, 2018, the date on which it was acquired by the Corporation).

Property

On February 21, 2018, the Corporation acquired its existing distribution centre, which was previously leased from an entity controlled by the Rossy family, for a total of $39.0 million of which $16.8 million accounted for land and $22.2 million for the building. This purchase was a related party transaction at fair value, being the amount of consideration established at market terms, based on an independent appraisal.

Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into the LSA with Dollarcity. As at February 2, 2020, the account receivable from Dollarcity for the goods sold, assets licensed and services provided under the LSA totaled US$20.6 million ($27.2 million), which amount is guaranteed by letters of credit up to US$20.0 million ($26.5 million). For the period from August 14, 2019 to February 2, 2020, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to US$7.1 million ($9.3 million).

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

Critical Accounting Estimates and Judgments

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

The following discusses the most significant accounting judgments and estimates that the Corporation made in the preparation of the Corporation's audited annual consolidated financial statements for Fiscal 2020.

Valuation of Inventories

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

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

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

Lease Term

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

Purchase Price for the Acquisition of a 50.1% Interest in Dollarcity

Estimate - In the computation of the balance payable on the purchase price for the acquisition of a 50.1% interest in Dollarcity, the Corporation makes judgments, assumptions and estimates in relation to the financial projections of Dollarcity and other adjustments. The purchase price estimate is based on financial projections, whereas the final purchase price will be based on audited financial statements.

Significant Standards and Interpretations

New and Amended Accounting Standards Adopted

Adoption of IFRS 16 – Leases

The Corporation adopted the requirements of IFRS 16, "Leases", on February 4, 2019, in replacement of IAS 17, "Leases". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Corporation had significant contractual obligations in the form of operating leases under IAS 17, there has been a material increase to both assets and liabilities upon adoption of IFRS 16, and changes in the timing of recognition of expenses associated with lease arrangements.

IFRS 16 has been applied to the consolidated financial statements discussed in this MD&A using the full retrospective approach and the Corporation has therefore restated comparative information for Fiscal 2019 and its opening balance sheet dated January 29, 2018, as if IFRS 16 had always been in effect.

Certain lease-related expenses previously recorded in occupancy costs are now recorded as a depreciation expense for right-of-use assets and as an interest expense for related lease liabilities. The depreciation expense is recognized on a straight-line basis over the term of the lease, while the interest expense declines over the life of the lease, as the liability is paid off.

Refer to Note 6 and Note 7 to the Corporation's audited annual consolidated financial statements for Fiscal 2020 for further details on these changes.

Equity Method of Accounting

The equity method of accounting is used by the Corporation to account for investments in affiliated companies when the Corporation has significant influence, but not control over the affiliated companies' operations.

Risks and Uncertainties

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

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

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

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

Risks Related to Business Operations

COVID-19 Pandemic Outbreak

The COVID-19 outbreak continues to spread and is having a significant impact on global economic activity. The measures imposed by public authorities worldwide, including in Canada, to slow the transmission of the virus have resulted in the closure of non-essential services and businesses in certain jurisdictions, among other consequences.

The Corporation has been recognized as an essential business in its Canadian markets. However, the measures put in place by Canadian public authorities have resulted in the forced temporary closure of a number of stores, most notably in shopping malls, and the Corporation may not be able to make up for lost sales, in its remaining locations or when such stores reopen. The Corporation may also voluntarily implement temporary store closures in the event an employee is diagnosed with COVID-19 and may be unable to reopen such locations promptly as a result of staff shortages or other factors. If additional mitigation measures are implemented by public authorities, there is no assurance that the Corporation will be able to retain its status as an essential business and maintain its operations. The loss of such status in Quebec could lead to the closure of the Corporation's distribution centre and significantly hinder its ability to re-stock its stores across Canada. Furthermore, the COVID-19 emergency has caused a significant disruption in everyday life and in consumer habits in the Corporation's principal markets, and there is no assurance that the end of the pandemic will restore business as usual.

Similarly, in the Latin American markets in which Dollarcity operates (Colombia, El Salvador and Guatemala), the long-term impact of the COVID-19 pandemic is impossible to forecast at this time. As the situation in these markets evolves, Dollarcity may continue to be impacted by factors beyond its control, including without limitation forced store closures, potential supply disruptions or other unforeseen circumstances.

Merchandise and Operating Costs

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

Labour costs are largely outside of the Corporation's control, driven by minimum wage legislation in each jurisdiction in which the Corporation has operations. Certain Canadian provinces have recently announced notable increases in the statutory minimum wage, which are set to come into effect in Fiscal 2021 and beyond. Minimum wage adjustments that deviate from the formula based on the year-over-year change in the consumer price index (CPI) create unpredictability, resulting in additional challenges for retailers. Productivity improvements from various operational initiatives will not be sufficient to offset those costs.

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

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

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

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

Merchandise Selection and Replenishment

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

Imports and Supply Chain

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

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

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

Brand Image and Reputation

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

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

Distribution and Warehousing Network

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

With the addition of a new 500,000 square foot warehouse in Fiscal 2017 and the expansion of the Montreal-area distribution centre to approximately 500,000 square foot in 2018-2019, management believes that the Corporation's facilities will provide the required capacity to cost-effectively support new store openings for the currently planned store expansion. However, over the longer term, the Corporation may need additional warehouse and distribution centre capacity. If the Corporation does not plan efficiently for increased capacity, or is unable to locate new sites, either for sale or for rent, on favorable terms, or is unable to commission new warehousing or distribution operations on a timely basis, the Corporation may not be able to successfully execute its growth strategy or may incur additional costs, which could materially adversely affect its business and financial results.

Inventory Shrinkage

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

Real Estate

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

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

Seasonality

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

Private Brands

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

Intellectual Property

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

International Operations

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

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

With respect to Dollarcity, these factors may increase in importance as it expands its store network in Latin America as part of its growth strategy and could adversely affect such growth which, in turn, could adversely affect the Corporation's business and financial results.

Financial Risks

Foreign Exchange Risk

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

The Corporation uses foreign exchange forward contracts to mitigate the foreign currency risk associated with the vast majority of forecasted U.S. dollar merchandise purchases. However, hedging arrangements may have the effect of limiting the total returns to the Corporation if purchases at hedged rates result in lower margins than otherwise earned if purchases had been made at spot rates.

Indebtedness

As at February 2, 2020, the outstanding principal on the Corporation's long-term debt amounted to $1,876.8 million. The Corporation's indebtedness could have important consequences on its business and operations, including the following:

- a portion of cash flows from operations will be dedicated to the payment of interest on the indebtedness and other financial obligations and will not be available for other purposes, including funding the operations and capital expenditures and future business opportunities;
- the Corporation's ability to obtain additional financing for working capital and general corporate or other purposes may be limited;
- this debt level may limit the Corporation's flexibility to engage in specified types of transactions or in planning for, or reacting to, changes in the business and in the industry in general, placing the Corporation at a competitive disadvantage compared to competitors that have less debt; and
- the Corporation's leverage may make it vulnerable to a downturn in general economic conditions and adverse industry conditions.

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

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

Interest Rates

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

Liquidity

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

Changes in Creditworthiness or Credit Rating

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

Income Taxes

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

Market Risks

Retail Competition

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

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

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

E-Commerce and Disruptive Technologies

While the Corporation has now begun to penetrate the online shopping market with the launch of its online store offering select products by the full case, the Corporation continues to face increased competition from the use of mobile and web-based technology that facilitates online shopping and real-time product and price comparisons. Failure to adequately assess and address this evolving retail trend could have a material adverse impact on the Corporation’s business and financial results.

As part of the Corporation’s e-commerce initiative, customers expect innovative concepts and a positive customer experience, including a user-friendly website, reliable data, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Corporation is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems do not function effectively, the Corporation’s ability to maintain and potentially grow its e-commerce business could be adversely affected.

Economic Conditions

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

Human Resources Risks

Reliance on Key Personnel

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

Recruitment, Retention and Management of Quality Employees

Future growth and performance depend, among other things, on the Corporation's ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. The Corporation's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). In addition, the Corporation must be able to successfully manage personnel throughout its vast, geographically dispersed network of stores.

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

Technology Risks

Information Technology Systems

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

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

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

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

Data Security and Privacy Breaches

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

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

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

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

Strategy and Corporate Structure Risks

Growth Strategy

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

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

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

On August 14, 2019, the Corporation acquired a 50.1% interest in Dollarcity and established a second growth platform in Latin America. The Corporation’s ability to develop this new growth platform will depend largely on the ability of Dollarcity to successfully expand its store network within the territory mutually agreed upon between the parties (comprised of El Salvador, Guatemala, Honduras, Costa Rica, Nicaragua, Panama, Colombia, Peru and Ecuador), which, in turn, will depend on a number of operational and financial factors similar to those that the Corporation has to contend with in Canada, in addition to economic, social and geopolitical factors arising specifically in the countries where Dollarcity operates and the legal environment governing its Latin American operations. Moreover, while the Corporation has a majority interest in Dollarcity, certain strategic and operational decisions are subject to the approval of all stockholders. Dollarcity’s founding stockholders may in the future have interests that are different from the Corporation’s interests, which may result in conflicting views as to the conduct of the business of Dollarcity. In the event of a disagreement regarding the resolution of any particular issue, or regarding the management or conduct of the business of Dollarcity, the Corporation may not be able to resolve such disagreement in its favor and such disagreement could have a material adverse effect on the Corporation’s equity interest in Dollarcity or the business of Dollarcity in general. As a result, the Corporation’s success in Latin America will also depend on the ability of Dollarcity’s stockholders to reach agreements with respect to the strategic direction of Dollarcity and other important aspects of the Dollarcity business in the future.

Corporate Structure

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

Business Continuity Risks

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

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

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

Insurance

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

Legal and Regulatory Risks

Product Liability Claims and Product Recalls

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

Litigation

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

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

Regulatory Environment

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

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

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

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

Environmental Compliance

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

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

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

The Corporation cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures or impose fines or penalties, which could vary substantially from those currently anticipated and could materially adversely affect the Corporation's business and financial results.

Climate Change

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

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

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

Shareholder Activism

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. The CEO and the CFO evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings. They concluded that, as at February 2, 2020, the Corporation's design and operation of its disclosure controls and procedures was effective in providing reasonable assurance that material information regarding this MD&A, the consolidated financial statements and other disclosures was made known to them on a timely basis.

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

As at February 2, 2020, the CEO and the CFO evaluated the effectiveness of both disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the CEO and the CFO concluded that disclosure controls and procedures and internal control over financial reporting were effective as at February 2, 2020. In making the evaluation of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control - Integrated Framework* (commonly referred to as the 2013 COSO Framework).

As a result of the adoption of IFRS 16, new internal controls were designed and implemented, including new processes to meet the disclosure requirements under the new standard. The Corporation also implemented a new IT solution for the recognition and measurement of lease obligations in scope for the accounting of leases under IFRS 16. Other than those new internal controls related to the adoption of IFRS 16, there were no changes in internal control over financial reporting that occurred during the period beginning on February 4, 2019 and ended on February 2, 2020 that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On April 1, 2020, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of common shares of $0.044 per common share. The Corporation's quarterly cash dividend will be paid on May 8, 2020 to shareholders of record at the close of business on April 17, 2020 and 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

During the 12-month period ended June 19, 2019, the Corporation was authorized to repurchase for cancellation up to 30,095,056 common shares, representing 10% of the public float as at the close of markets on June 6, 2018 (the "2018-2019 NCIB"). At the expiry of the 2018-2019 NCIB, the Corporation had repurchased for cancellation a total of 12,980,884 common shares, at a weighted average price of $37.88 per common share.

On July 3, 2019, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 15,737,468 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on July 2, 2019, during the 12-month period from July 5, 2019 to July 4, 2020 (the "2019-2020 NCIB").

The total number of common shares repurchased for cancellation under the 2019-2020 NCIB during Fiscal 2020 amounted to 7,089,040 common shares, at a weighted average price of $46.15 per common share, for a total cash consideration of $327.2 million. For Fiscal 2020, the Corporation's share capital was reduced by $9.4 million and the remaining $317.7 million was accounted for as an increase in deficit.

The table below summarizes all purchases of common shares under each of the 2018-2019 NCIB and the 2019-2020 NCIB up to February 2, 2020, the last day of Fiscal 2020.

NCIB	Period of Coverage	Number of Common Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Common Share $	Value of Common Shares Repurchased for Cancellation ('000s) $
2018-2019 NCIB	June 20, 2018 to June 19, 2019	12,981	37.88	491,754
2019-2020 NCIB	July 5, 2019 to February 2, 2020 [1]	7,089	46.15	327,155
		20,070	40.80	818,909

[1] The 2019-2020 NCIB is set to expire on July 4, 2020.

The table below summarizes all purchases of common shares during Fiscal 2019 and Fiscal 2020.

Period of Coverage	Number of Common Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Common Share $	Value of Common Shares Repurchased for Cancellation ('000s) $
Fiscal 2019	13,790	38.66	533,091
Fiscal 2020	7,089	46.15	327,155
	20,879	41.20	860,246

Share Information

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

As at March 31, 2020, there were 310,231,037 common shares issued and outstanding. In addition, there were 5,083,700 options, each exercisable for one common share, issued and outstanding as at March 31, 2020. Assuming exercise of all outstanding options, there would have been 315,314,737 common shares issued and outstanding on a fully diluted basis as at March 31, 2020. Refer to Note 13 of the Corporation's audited annual consolidated financial statements for Fiscal 2020 for additional information.

Additional Information

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