DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
First Quarter Ended May 3, 2020

June 10, 2020

The following management's discussion and analysis ("MD&A") dated June 10, 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 first quarter ended May 3, 2020. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the first quarter ended May 3, 2020 and the 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 unaudited condensed interim consolidated financial statements for the first quarter ended May 3, 2020 have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Corporation manages its business on the basis of one reportable segment. The functional and reporting currency of the Corporation is the Canadian dollar.

Accounting Periods

All references to "Fiscal 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.

Forward-Looking Statements

This MD&A contains certain forward-looking statements about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or other future events or developments. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the potential adverse impact of the COVID-19 pandemic on the operating and financial results of Dollarama and Dollarcity;
- targeted borrowings under the US Commercial Paper Program (as hereinafter defined);
- expectations on 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;
- the estimated purchase price to be paid by the Corporation for a 50.1% interest in Dollarcity; and
- expectations on additional capital contributions by stockholders of 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 the Corporation's annual MD&A and annual information form for Fiscal 2020, both available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com: future increases in operating costs (including increases in statutory minimum wages), future increases in merchandise costs (including as a result of 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 June 10, 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 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 unaudited condensed interim consolidated financial statements and notes for the first quarter ended May 3, 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), short-term borrowings under the US Commercial Paper Program 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 May 3, 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 May 3, 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 June 10, 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 August 7, 2020 to shareholders of record at the close of business on July 10, 2020 and is designated as an "eligible dividend" for Canadian tax purposes.

Additional Investment in Dollarcity

On May 8, 2020, the Corporation, through Dollarama International Inc. ("Dollarama International"), and Dollarcity's founding stockholders, each made a capital contribution to Dollarcity to cover their pro rata share of the costs associated with a series of transactions aimed at bringing real estate assets into the Dollarcity group, eliminating related-party transactions and insourcing some logistics activities. The Corporation's capital contribution amounted to US$20.04 million ($28.0 million) and has been added to the equity-accounted investment of the Corporation in Dollarcity. Transactions include the purchase of a newly built warehouse in Guatemala and the purchase of a land parcel for the construction of a warehouse in Colombia. The purchase price for assets was determined based on appraisals conducted by a recognized independent firm. The balance of the capital contribution will be used to finance in part the construction of the warehouse in Colombia. No further capital contributions are expected to be required from stockholders in the foreseeable future.

Revised Estimated Purchase Price for 50.1% Interest in Dollarcity

On August 14, 2019, the Corporation acquired, through Dollarama International, a 50.1% interest in Latin American value retailer Dollarcity and made a cash payment of US$40.0 million ($52.8 million). The total estimated purchase price represents 50.1% of a five times multiple of Dollarcity's estimated EBITDA for the 12-month period ending June 30, 2020, minus net debt and subject to other adjustments. The purchase price estimate is based on financial projections, whereas the final purchase price will be based on audited financial statements.

Based on the latest financial projections, the estimated purchase price has been adjusted to US$80.4 million ($109.8 million) from the previously reported estimate of US$92.7 million as at February 2, 2020. The adjustment is reflected in the cost of the equity-accounted investment on the statement of financial position. As such, the estimated balance of the purchase price is US$40.4 million ($57.0 million). It is recorded in accounts payable and accrued liabilities, and will be due, subject to final adjustments, in the third quarter of the Corporation's fiscal year ending January 31, 2021. The decrease in the estimated purchase price is attributed to the adverse impact of the COVID-19 pandemic on the sales and operating results of Dollarcity as a result of strict measures put in place by governments in El Salvador, Guatemala and Colombia, including curfews and other measures impacting store hours and customer traffic.

COVID-19 Operational Procedures and Cost Impact

Results for the first quarter ended May 3, 2020 reflect the effects of the COVID-19 pandemic. Dollarama was included on provincial lists of essential businesses across Canada, allowing for mostly uninterrupted operations albeit under challenging conditions. In response to the pandemic, the Corporation implemented wide-ranging measures to sustain operations, with a focus on supporting employees and promoting the health and safety of employees and customers.

Direct costs related to COVID-19 measures implemented by Dollarama in the second half of the quarter are estimated at approximately $15.0 million. These are comprised of approximately $14.0 million in general, administrative and store operating expenses ("SG&A") and approximately $1.0 million in cost of goods sold. These amounts do not reflect any indirect costs related to COVID-19 such as lost sales and changes in the sales mix.

Measures implemented include, but are not limited to:

- A temporary 10% wage increase for all store, distribution centre and warehouse employees and equivalent pay premiums for distribution centre and warehouse agency workers;
- In-store health and safety measures to prevent the spread of COVID-19 and minimize risk to employees and customers such as: implementation of recommended hygiene, respiratory and self-isolation practices; distribution of personal protective equipment such as gloves, masks and face shields to all employees; installation of plexiglass shields at all cash counters; installation of distancing markers in queue lines and directional arrows in aisles; limiting the number of customers and members of the same household in a store at one time; in-store signage and broadcasting of safety and physical distancing measures applicable to customers and employees; and a comprehensive and robust set of store cleaning and sanitization protocols to be completed throughout the day, among other measures;
- Strict protocols to minimize risk to employees and customers in any proven or probable case of COVID-19, including cleaning protocols, self-solation directions and financial support for directly or indirectly impacted employees. Up to June 8, 2020, we have had a total of 20 COVID-19 store employee cases;
- The addition of approximately 450,000 employee hours in stores, including the equivalent of an additional shift in each store to staff a dedicated position responsible for crowd control and to ensure the implementation of additional cleaning and physical distancing measures outlined above;
- Reduced opening hours to allow for re-stocking shelves without customers in store;
- Equivalent health and safety measures implemented at the distribution centre and warehouses to prevent the spread of COVID-19 such as: temperature and health checks at the beginning of every shift; distribution of personal protective equipment such as face shields, masks and gloves to all workers; installation of disinfectant stations throughout the premises; reduced capacity and shift sizes to allow physical distancing; sanitization of equipment used by workers before the start of each shift; and staggered lunch breaks and shift start and end times, among other measures.

Overview

Our Business

As at May 3, 2020, the Corporation had 1,301 stores in Canada, including 10 net new stores opened during the first quarter of Fiscal 2021. Of that total number, 104 were temporarily closed at the end of the quarter as a result of the COVID-19 pandemic. The vast majority of store closures were in enclosed malls, primarily in the province of Quebec. Stores average 10,276 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.

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). At its latest quarter ended March 31, 2020, Dollar City had 232 stores with 121 locations in Colombia, 48 in El Salvador and 63 in Guatemala. This compares to a total of 228 stores as at December 31, 2019. As at May 3, 2020, Dollarcity had 227 stores open and 5 stores temporarily closed, compared to 40 temporary closures in mid-March 2020. While all other Dollarcity stores were open, strict government COVID-19 measures remained in place in El Salvador, Guatemala and Colombia, including curfews and other measures impacting store hours of operation and customer traffic. As at June 8, 2020, 3 Dollarcity stores in El Salvador remained temporarily closed.

Key Items in the First Quarter of Fiscal 2021

Comparable Store Sales

- Excluding temporarily closed stores, comparable store sales[1] grew 0.7% in the first quarter of Fiscal 2021;
- Including temporarily closed stores, comparable store sales[1] decreased by 2.4% in the first quarter of Fiscal 2021.

Compared to the first quarter of Fiscal 2020:

- Sales increased by 2.0% to $844.8 million;
- Gross margin[1] was 41.3% of sales, compared to 42.1% of sales;
- EBITDA[1] decreased by 5.8% to $213.7 million, or 25.3% of sales, compared to 27.4% of sales;
- Operating income decreased by 11.2% to $149.7 million, or 17.7% of sales, compared to 20.4% of sales; and
- Diluted net earnings per common share decreased by 15.2%, to $0.28 from $0.33.

During the first quarter of Fiscal 2021, the Corporation opened 10 net new stores, compared to 11 net new stores during the corresponding period last year.

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

Factors Affecting Results of Operations

Sales

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

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

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, 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 the annual MD&A dated April 1, 2020 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, direct overseas sourcing accounted for 53% of our purchases. 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. 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. Presently, it is too early to determine the impact of the COVID-19 pandemic on commercial real estate rates. Typically, store leases are signed with base terms of ten years and one or more renewal options of five years each.

We strive to maintain a sustainable gross margin, 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.

Since the beginning of Fiscal 2021, given the impact of the COVID-19 pandemic and the prevailing retail environment in Canada, management maintained the decision to minimize price increases in order to provide Canadian consumers with affordable everyday products. Management intends to continue to invest in the value proposition to consumers to stimulate sales growth, both in terms of number of units per transaction and number of transactions.

General, Administrative and Store Operating Expenses

SG&A expenses 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 early 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.

In addition, in the first quarter of Fiscal 2021, in the context of the COVID-19 pandemic, Dollarama implemented a 10% pay increase, effective March 23, 2020, through July 1, 2020, for all store-level employees as well as hourly distribution centre and warehouse employees, and added approximately 450,000 employee hours in stores, including the equivalent of an additional shift in each store to staff a dedicated position responsible for crowd control and to ensure the implementation of its COVID-19 operational procedures. These measures are temporary but they do create an upward pressure on SG&A expenses, and the exact duration of some of these measures, adopted in response to government-mandated requirements, remains unknown at the moment.

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 been recognized as an essential business in its Canadian and Latin American markets and is committed to maintaining its stores well-stocked with affordable everyday products and offering the same compelling value proposition to its customers.

From the outset of the COVID-19 outbreak, the Corporation implemented mitigation strategies, contingency plans and several preventive measures to protect the health and safety of its employees and customers. Also, the Corporation is continuously monitoring the impact of the pandemic on its local and global supply chains and its operations in Canada and Latin America. Measures adopted by the Corporation in response to COVID-19 as well as measures implemented by different levels of governments, and their impact on operations, operating costs, customer traffic and labour productivity and availability could materially adversely affect the Corporation's financial results. Supply shortages, temporary closures of facilities, and increased government regulation could also negatively affect operations and financial results.

As at June 9, 2020, a gradual restart of economic activity can be observed in most markets in which the Corporation operates, and Dollarama and Dollarcity stores that were temporarily closed at the height of the pandemic are either reopened or preparing for a reopening. However, store traffic continues to be adversely impacted by physical distancing measures in place.

The deterioration of economic conditions to date has resulted in a surge in unemployment 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.

It remains impossible to reliably estimate the duration, severity and extent of public health and economic impacts of the COVID-19 pandemic on the operations and financial results of the Corporation, both in the short term and in the long term. A second wave of COVID-19 infections could force governments to reverse reopening plans and impose stricter restrictions.

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 May 3, 2020 and May 5, 2019 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

(dollars and shares in thousands, except per share amounts)	13-Week Periods Ended	
	May 3, 2020	**May 5, 2019**
	$	**$**
Earnings Data		
Sales	844,798	828,036
Cost of sales	495,747	479,145
Gross profit	349,051	348,891
SG&A	137,738	122,123
Depreciation and amortization	63,975	58,199
Share of net earnings of equity-accounted investment	(2,374)	-
Operating income	149,712	168,569
Financing costs	27,202	25,558
Earnings before income taxes	122,510	143,011
Income taxes	36,431	39,499
Net earnings	86,079	103,512
Basic net earnings per common share	$0.28	$0.33
Diluted net earnings per common share	$0.28	$0.33
Weighted average number of common shares outstanding:		
Basic	310,281	314,701
Diluted	312,074	317,863
Other Data		
Year-over-year sales growth	2.0%	9.5%
Comparable store sales growth (1)	0.7%	5.8%
Gross margin (2)	41.3%	42.1%
SG&A as a % of sales (2)	16.3%	14.7%
EBITDA (3)	213,687	226,768
Operating margin (2)	17.7%	20.4%
Capital expenditures	47,998	30,680
Number of stores (4)	1,301	1,236
Average store size (gross square feet) (4)	10,276	10,247
Declared dividends per common share	$0.044	$0.044

(dollars in thousands)	13-Week Periods Ended May 3, 2020 $	May 5, 2019 $
A reconciliation of operating income to EBITDA is included below:		
Operating income	149,712	168,569
Add: Depreciation and amortization	63,975	58,199
EBITDA	**213,687**	**226,768**
EBITDA margin (3)	25.3%	27.4%
A reconciliation of EBITDA to cash flows from operating activities is included below:		
EBITDA	213,687	226,768
Financing costs (net of amortization of debt issue costs)	(19,990)	(16,040)
Recognition of gains and losses on bond lock and bond forward contracts	(95)	(95)
Current income taxes	(37,632)	(33,919)
Share-based compensation	1,180	1,415
Gain on disposal of assets	(1,064)	(504)
Share of net earnings of equity-accounted investment	(2,374)	-
	153,712	177,625
Changes in non-cash working capital components	30,820	(83,311)
Net cash generated from operating activities	**184,532**	**94,314**

	As at May 3, 2020 $	February 2, 2020 $
Statement of Financial Position Data		
Cash	522,644	90,464
Inventories	608,331	623,490
Total current assets	1,214,344	764,497
Property, plant and equipment	670,088	644,011
Right-of-use assets	1,278,504	1,283,778
Total assets	4,177,887	3,716,456
Total current liabilities	1,175,980	1,092,484
Total non-current liabilities	2,991,573	2,716,168
Total debt (5)	2,252,484	1,883,407
Net debt (6)	1,729,840	1,792,943
Shareholders' equity (deficit)	10,334	(92,196)

(dollars in thousands)

A reconciliation of long-term debt to total debt is included below:	**As at** **May 3, 2020** **$**	**February 2, 2020** **$**
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 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
Unsecured revolving credit facilities	277,500	-
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, "Senior Unsecured Notes")	14,513	8,407
Total long-term debt	1,867,013	1,883,407
USCP Notes issued under US Commercial Paper Program	385,471	-
Total debt	**2,252,484**	**1,883,407**

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

Total debt	2,252,484	1,883,407
Cash	(522,644)	(90,464)
Net debt (6)	**1,729,840**	**1,792,943**

A reconciliation of deficit to adjusted retained earnings is included below:	**As at**	
	May 3, 2020	**February 2, 2020**
	$	**$**
Deficit	(501,690)	(574,110)
Price paid in excess of book value of common shares repurchased under the NCIB	3,707,976	3,707,976
Adjusted retained earnings (7)	**3,206,286**	**3,133,866**

The deficit as at May 3, 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' equity for accounting purposes was $10.3 million at May 3, 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) 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. For the first quarter of Fiscal 2021, comparable store sales growth excludes temporarily closed stores.
(2) 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.
(3) EBITDA, a non-GAAP measure, represents operating income plus depreciation and amortization. EBITDA margin represents EBITDA divided by sales.
(4) At the end of the period.
(5) Total debt, a non-GAAP measure, represents the sum of long-term debt (including accrued interest as current portion), short-term borrowings under the US Commercial Paper Program and other bank indebtedness (if any).
(6) Net debt, a non-GAAP measure, represents total debt minus cash.
(7) 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 May 3, 2020 over (ii) the book value of those common shares.

Results of Operations

Analysis of Results for the First Quarter of Fiscal 2021

The following section provides an overview of the Corporation's financial performance during the first quarter of Fiscal 2021 compared to the first quarter of Fiscal 2020.

Sales

After a solid start to the first quarter of Fiscal 2021, the Corporation experienced a surge in traffic in early March as customers purchased higher volumes of consumables than historically during the same period. This was followed by a sharp decline in in-store traffic as a result of increasingly strict measures imposed by public health authorities across Canada to curb the spread of COVID-19, with customers making fewer trips but spending more on each visit. Toward the end of the first quarter, the situation began to stabilize although in-store traffic continued to be adversely impacted by physical distancing measures in place.

Sales for the first quarter of Fiscal 2021 increased by 2.0% to $844.8 million, compared to $828.0 million in the corresponding period of the prior fiscal year. The increase in sales is attributable to the growth in the total number of stores over the past twelve months, from 1,236 stores on May 5, 2019 to 1,301 stores on May 3, 2020, and to a modest comparable store sales growth in open stores, driven by higher sales of consumables, including household and cleaning products, health and hygiene essentials and food products. This positive effect was partially offset by lower in-store traffic, a reduction in demand for certain product categories, such as seasonal, including Easter and spring-summer goods, party supplies and greeting cards, as well as reduced store hours and temporary store closures due to COVID-19.

Comparable store sales, excluding temporarily closed stores, grew 0.7% in the first quarter of Fiscal 2021. This growth consisted of a 22.6% increase in average transaction size and a 17.9% decrease in the number of transactions as customers reduced the frequency of store visits but purchased larger quantities of goods at one time. The low traffic in mall stores that remained open across the country negatively impacted comparable store sales growth for the quarter. Comparable store sales, including closed stores, decreased by 2.4% compared to the corresponding quarter of the previous fiscal year. This is compared to strong comparable store sales growth of 5.8% recorded in the same quarter a year ago.

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, 71.8% of the Corporation's sales originated from products priced higher than $1.25, compared to 69.0% in the corresponding quarter last year.

Gross Margin

Gross margin was 41.3% of sales in the first quarter of Fiscal 2021, compared to 42.1% of sales in the first quarter of Fiscal 2020. Gross margin was lower due to negative scaling on lower sales per store, higher sales of lower margin consumable products and incremental direct costs related to COVID-19 measures implemented in the second half of the quarter, which had a 10 basis-point impact.

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

SG&A for the first quarter of Fiscal 2021 increased by 12.8% to $137.7 million, compared to $122.1 million for the first quarter of Fiscal 2020. SG&A for the first quarter of Fiscal 2021 represented 16.3% of sales, compared to 14.7% of sales for the first quarter of Fiscal 2020. This 1.6% variance mainly reflects the costs of incremental cleaning and sanitization measures taken to protect the health and safety of customers and employees, and temporary wage increases, all amounting to approximately $14.0 million.

Depreciation and Amortization

The depreciation and amortization expense increased by $5.8 million, from $58.2 million for the first quarter of Fiscal 2020 to $64.0 million for the first quarter of Fiscal 2021. The increase is mainly explained by the depreciation of new stores, right-of-use assets and the distribution centre expansion completed in the last quarter of Fiscal 2020.

Share of Net Earnings of Equity-Accounted Investment

For the first quarter of Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2020 to March 31, 2020, was $2.4 million. Dollarcity results were impacted by strict COVID-19 government measures as of mid-March 2020 in all three countries of operation. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs increased by $1.6 million, from $25.6 million for the first quarter of Fiscal 2020 to $27.2 million for the first quarter of Fiscal 2021. The increase is mainly due to increased borrowings as the Corporation made the prudent decision to draw down on its committed revolving credit facilities and issued notes under its recently implemented US Commercial Paper Program in order to improve its liquidity position during the COVID-19 pandemic.

Income Taxes

Income taxes decreased by $3.1 million, from $39.5 million for the first quarter of Fiscal 2020 to $36.4 million for the first quarter of Fiscal 2021, as a result of lower taxable earnings. The statutory income tax rate for the first quarter of Fiscal 2021 was 26.7% compared to 27.0% in the corresponding quarter of Fiscal 2020. The Corporation's effective tax rates for the first quarters of Fiscal 2021 and Fiscal 2020 were 29.7% and 27.6%, respectively. The increase in the effective tax rate for the first quarter of Fiscal 2021 is due to the inclusion of taxes payable on the call option gain following the adjustment to the Dollarcity estimated purchase price, which is partially offset by the tax impact on the Corporation's share of net earnings of its equity-accounted investment, computed net of taxes provisioned by Dollarcity.

Net Earnings

Net earnings decreased to $86.1 million, or $0.28 per diluted common share, in the first quarter of Fiscal 2021, compared to $103.5 million, or $0.33 per diluted common share, in the first quarter of Fiscal 2020. This decrease in net earnings is mainly the result of the impact of the COVID-19 pandemic on in-store traffic, sales and gross margins as well as additional SG&A expenses incurred.

Summary of Consolidated Quarterly Results

	Fiscal 2021	Fiscal 2020				Fiscal 2019		
(dollars in thousands, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Statement of Net Earnings Data	$	$	$	$	$	$	$	$
Sales	844,798	1,065,201	947,649	946,405	828,036	1,059,714	864,267	868,453
Net earnings	86,079	178,717	138,627	143,183	103,512	171,006	132,093	140,350
Net earnings per common share								
Basic	$0.28	$0.57	$0.44	$0.45	$0.33	$0.54	$0.41	$0.43
Diluted	$0.28	$0.57	$0.44	$0.45	$0.33	$0.53	$0.40	$0.42

Historically, our lowest sales results have occurred during the first quarter whereas our highest sales results have occurred during the fourth quarter, with December representing the highest proportion of sales. Our sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but we otherwise experience limited seasonal fluctuations and expect this trend to continue. The occurrence of unusually adverse weather or an outbreak like the COVID-19 pandemic causing disruption in our business activities or operations during a peak season such as the winter holidays or around other major holidays and celebrations or for a prolonged period of time could have an adverse effect on our distribution network and on store traffic, which could materially adversely affect our business and financial results. Results for the first quarter of Fiscal 2021 may not be representative of results for other quarters or for the full fiscal year.

Liquidity and Capital Resources

Cash Flows for the First Quarter of Fiscal 2021

(dollars in thousands)	13-Week Periods Ended May 3, 2020 $	13-Week Periods Ended May 5, 2019 $	Change $
Cash flows from operating activities	184,532	94,314	90,218
Cash flows used in investing activities	(47,892)	(30,329)	(17,563)
Cash flows from (used in) financing activities	295,540	(59,058)	354,598
Net change in cash	432,180	4,927	427,253

Cash Flows - Operating Activities

For the first quarter of Fiscal 2021, cash flows generated from operating activities totaled $184.5 million, compared to $94.3 million for the first quarter of Fiscal 2020, despite lower earnings from operations. This increase is attributable to lower use of working capital resulting mainly from a deferral of tax installments and sales tax remittances allowed by Canadian tax authorities in the context of the COVID-19 pandemic.

Cash Flows - Investing Activities

For the first quarter of Fiscal 2021, cash flows used in investing activities totaled $47.9 million, compared to $30.3 million for the first quarter of Fiscal 2020. The increase of $17.6 million represents additional store-related transformational capital expenditures, including but not limited to, the purchase of additional self-checkout machines for certain high-traffic locations across the network, the continued roll-out of security cameras, and other store optimization projects.

Cash Flows - Financing Activities

For the first quarter of Fiscal 2021, cash flows from financing activities totaled $295.5 million, compared to a use of $59.1 million for the first quarter of Fiscal 2020. This increase is mainly due to increased borrowings as the Corporation made the prudent decision to draw down on its committed revolving credit facilities and issued notes under its recently implemented US Commercial Paper Program during the quarter in order to improve its liquidity position to weather the COVID-19 crisis. The increase was partly offset by the repayment of the Series 2 Floating Rate Notes.

Capital Expenditures

Now that the expansion of the distribution centre is completed, capital expenditures mainly relate to investments in information technology projects and new stores.

Capital expenditures increased by $17.3 million, from $30.7 million for the first quarter of Fiscal 2020 to $48.0 million for the first quarter of Fiscal 2021. This increase reflects additional store-related transformational capital expenditures, including but not limited to, the purchase of additional self-checkout machines for certain high-traffic locations across the network, the continued roll-out of security cameras, and other store optimization projects.

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 May 3, 2020, the Corporation had $522.6 million of cash on hand and $521.5 million undrawn under its Credit Facility (defined hereinafter) of which $385.0 million was reserved to serve as a back-stop for outstanding amounts under the US Commercial Paper Program.

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.

The Corporation is not eligible for any federal or provincial government support programs launched in the context of the COVID-19 pandemic. In Canada, the Corporation paid rent due to landlords, in full and in a timely manner, for all stores (including those temporarily closed), warehouses and its head office.

Barring further extraordinary circumstances arising from the COVID-19 pandemic, based upon the current strength of earnings, management believes that cash flows from operating activities, together with cash on hand and credit available under the Credit Facility, will be adequate to meet future operating cash needs.

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

Senior Unsecured Notes

Long-term debt outstanding consists of the following as at:	**May 3, 2020 $**	**February 2, 2020 $**
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
Unsecured revolving credit facilities	277,500	-
Less: Unamortized debt issue costs	(6,264)	(6,624)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	14,513	8,407
	1,860,749	1,876,783
Current portion (includes the Series 3 Floating Rate Notes maturing February 1, 2021, unamortized debt issue costs and accrued interest on the Senior Unsecured Notes)	(314,234)	(606,494)
	1,546,515	1,270,289

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

	May 3, 2020		February 2, 2020	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
3.55% Fixed Rate Notes	505,522	530,050	500,874	523,480
2.203% Fixed Rate Notes	252,090	254,300	250,664	250,958
2.337% Fixed Rate Notes	527,854	531,032	524,686	527,678
Floating Rate Notes				
Series 3 Floating Rate Notes	299,448	298,653	301,302	300,204
Series 2 Floating Rate Notes	-	-	300,754	300,156
	1,584,914	1,614,035	1,878,280	1,902,476

Credit Facility

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, to the three existing facilities (all four facilities being collectively referred to as the "Credit Facility"). 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 (defined hereinafter) from time to time under the US Commercial Paper Program (defined hereinafter).

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, representing $200.0 million and $50.0 million respectively, from September 29, 2021 to September 29, 2022. Facility A, in the amount of $250.0 million, is available until September 27, 2024.

Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to the Credit Facility up to an aggregate amount, together with all then-existing commitments, of $1.5 billion.

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

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

As at May 3, 2020, an amount of $277.5 million was outstanding under the Credit Facility, in addition to letters of credit issued for the purchase of inventories which amounted to $1.0 million. As at May 3, 2020, the Corporation was in compliance with all of its financial covenants.

Short Term Borrowings

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 Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars, and uses those proceeds for general corporate purposes.

The USCP Notes are direct unsecured obligations of the Corporation and rank equally with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation.

The USCP Notes had carrying values that approximated their fair values as at May 3, 2020 and their fair value was determined using Level 2 inputs. As at May 3, 2020, the amount outstanding under the US Commercial Paper Program was US$274.0 million ($385.5 million).

Contractual Obligations, Off-Balance Sheet Arrangements and Commitments

The table below analyzes the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at May 3, 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	231,410	-	-	-	231,410
Dividend payable	13,659	-	-	-	13,659
Lease liabilities [1]	66,509	163,825	787,671	804,303	1,822,308
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
USCP Notes	385,471	-	-	-	385,471
Credit Facility	-	-	277,500	-	277,500
Interest payments on:					
3.55% Fixed Rate Notes	8,875	8,875	53,250	-	71,000
2.203% Fixed Rate Notes	2,754	2,754	11,015	-	16,523
2.337% Fixed Rate Notes	6,135	6,135	6,135	-	18,405
Credit Facility and Floating Rate Notes [2]	1,985	5,303	18,168	-	25,456
	716,798	486,892	2,428,739	804,303	4,436,732

(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 May 3, 2020.

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, and commitments as at May 3, 2020.

(dollars in thousands)	Less than 3 months $	3 months to 1 year $	1-5 years $	Over 5 years $	Total $
Letters of credit	1,033	-	-	-	1,033

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 or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US Commercial Paper Program.

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.

With the introduction of the US Commercial Paper Program, the Corporation reassessed the nature of the risks arising from derivatives and related risk management during the first quarter of Fiscal 2021, and concluded that there were no material changes.

For a description of the derivative financial instruments of the Corporation, refer to Note 7 of the Corporation's unaudited condensed interim consolidated financial statements for first quarter ended May 3, 2020 and to Note 3 and Note 15 of the Corporation's Fiscal 2020 audited consolidated financial statements.

Related Party Transactions

Property Leases

As at May 3, 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 May 3, 2020, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totaled $50.1 million (February 2, 2020 – $52.4 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totaled $1.7 million for the first quarter ended May 3, 2020 (May 5, 2019 – $2.1 million).

Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into the LSA with Dollarcity. As at May 3, 2020, the account receivable from Dollarcity for the goods sold, assets licensed and services provided under the LSA totaled US$17.0 million ($23.9 million), which amount is guaranteed by a letter of credit up to US$10.0 million ($14.1 million). For the first quarter May 3, 2020, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to US$3.4 million ($4.7 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 Corporation's unaudited condensed interim consolidated financial statements have been prepared using the critical accounting estimates and judgments as outlined in Note 4 to the Fiscal 2020 audited consolidated financial statements.

Significant Standards and Interpretations

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Effective February 3, 2020, the Corporation adopted the "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7" (the "Reform"). The amendments were meant to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the Reform which affects the application of hedge accounting requirements of IFRS 9. There is no impact as a result of the adoption of these amendments since the hedges the Corporation contracted are not subject to an interest rate benchmark that is scheduled for replacement.

Risks and Uncertainties

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

The major risks and uncertainties that could materially affect the Corporation's future business results are described in the Corporation's annual MD&A and annual information form for Fiscal 2020 (which are available on SEDAR at www.sedar.com) and are divided into the following categories:

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

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

Controls and Procedures and Internal Controls over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the period beginning on February 3, 2020 and ended on May 3, 2020 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On June 10, 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 August 7, 2020 to shareholders of record at the close of business on July 10, 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 first quarter of Fiscal 2021, no common shares were repurchased for cancellation under the 2019-2020 normal course issuer bid as the Corporation chose to preserve liquidity as a result of the uncertainty related to the COVID-19 pandemic.

Share Information

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

As at June 8, 2020, there were 310,421,537 common shares issued and outstanding. In addition, there were 4,893,200 options, each exercisable for one common share, issued and outstanding as at June 8, 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 June 8, 2020.

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".