



DOLLARAMA INC. MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended January 29, 2023

March 29, 2023

The following management's discussion and analysis ("MD&A") dated March 29, 2023 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the fourth quarter and fiscal year ended January 29, 2023. This MD&A should be read in conjunction with the Corporation's audited annual consolidated financial statements and notes for Fiscal 2023 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's audited annual consolidated financial statements for Fiscal 2023 (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").

The Corporation manages its business on the basis of one reportable segment. The functional and reporting currency of the Corporation is the Canadian dollar. Through a wholly-owned subsidiary, the Corporation holds a 50.1% interest in Dollarcity (as hereinafter defined). Refer to section entitled "Dollarcity" for additional details. Dollarcity is treated as an equity accounted investment, and the Corporation is accounting for this investment as a joint arrangement using the equity method.

Accounting Periods

All references to "Fiscal 2021" are to the Corporation's fiscal year ended January 31, 2021; to "Fiscal 2022" are to the Corporation's fiscal year ended January 30, 2022; to "Fiscal 2023" are to the Corporation's fiscal year ended January 29, 2023; and to "Fiscal 2024" are to the Corporation's fiscal year ending January 28, 2024.

The Corporation's fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks.

Forward-Looking Statements

This MD&A contains certain forward-looking statements about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or other future events or developments. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: global supply chain challenges, whether or not caused by the COVID-19 pandemic, including container shipping rates and lead times; the long-term store potential for Dollarama stores in Canada; the liquidity position of the Corporation; the refinancing of the 3.550% Fixed Rate Notes (defined hereinafter) maturing November 6, 2023; and the planned expansion of the Corporation's logistics operations in support of its future logistics needs.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A: future increases in operating costs (including increases in statutory minimum wages), future increases in merchandise costs (including as a result of rising raw material costs and tariff disputes), future increases in shipping and transportation costs (including as a result of freight costs and fuel price increases), inability to sustain assortment and replenishment of merchandise, increase in the cost or a disruption in the flow of imported goods (including as a result of global supply chain disruptions and the geopolitical instability triggered by the conflict between Russia and Ukraine, or the increased tensions between China and the Western countries), failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, inability to enter into or renew, as applicable, store, warehouse and head office leases on favourable and competitive terms, inability to increase warehouse and distribution centre capacity in a timely manner, seasonality, market acceptance of private brands, failure to protect trademarks and other proprietary rights, foreign exchange rate fluctuations, potential losses associated with using derivative financial instruments, any exercise by Dollarcity's founding stockholders of their put right, level of indebtedness and inability to generate sufficient cash to service debt, changes in creditworthiness and credit rating and the potential increase in the cost of capital, interest rate risk associated with variable rate indebtedness, competition in the retail industry, disruptive technologies, general economic conditions, departure of senior executives, failure to attract and retain quality employees, disruption in information technology systems, inability to protect systems against cyber attacks, unsuccessful execution of the growth strategy, holding company structure, adverse weather, pandemic or epidemic outbreaks, earthquakes and other natural disasters, climate change, geopolitical events and political unrest in foreign countries, unexpected costs associated with current insurance programs, product liability claims and product recalls, litigation, regulatory and environmental compliance and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect the Corporation; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Corporation's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at March 29, 2023 and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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

Recent Events

Dividend

On March 29, 2023, the Corporation announced that its board of directors had approved a 28% increase of the quarterly cash dividend for holders of common shares, from \$0.0553 to \$0.0708 per common share. This dividend is payable on May 5, 2023 to shareholders of record at the close of business on April 14, 2023. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Appointment of New Director

On March 29, 2023, the Corporation announced the appointment of Thecla Sweeney as independent director, effective immediately.

Fourth Quarter of Fiscal 2023 Developments

Warehousing Capacity Expansion

On December 23, 2022, the Corporation took possession of a new 500,000 square foot built-to-suit facility located in Laval, Quebec, which increases its warehousing capacity for the near term. As announced on March 30, 2022, the Corporation entered into a long-term lease for this seventh warehouse.

Acquisition of Properties Strategically Located Near Logistics Operations

On December 7, 2022, the Corporation announced that it had entered into an agreement to acquire three contiguous industrial properties in the Town of Mount Royal, Quebec, for a total cash consideration of \$87.3 million, subject to customary closing adjustments. The transaction remains subject to customary closing conditions and is expected to close during the first half of Fiscal 2024.

Overview

Our Business

As at January 29, 2023, the Corporation had 1,486 stores in Canada, including 65 net new stores opened during Fiscal 2023, and continues to expand its network across the country. Stores average 10,452 square feet and offer a broad assortment of consumable products, general merchandise and seasonal items, including private label and nationally branded products, all at compelling values. Merchandise is sold in individual or multiple units at select, fixed price points up to \$5.00. The introduction of new price points up to \$5.00, consistent with the Corporation's multi-price point strategy in place since 2009, was announced on March 30, 2022 and the rollout has been ongoing in stores throughout the course of Fiscal 2023 and Fiscal 2024. All stores are corporately operated, providing a consistent shopping experience, and many are located in high-traffic areas in metropolitan areas, mid-sized cities and small towns.

The Corporation's strategy is to grow sales, operating income, net earnings, earnings per share and cash flows by expanding its Canadian store network and by offering a compelling value proposition on a wide variety of merchandise to a broad base of customers. The Corporation continually strives to maintain and improve the efficiency of its operations.

The Corporation has an online store to provide additional convenience to its Canadian customers—individuals and businesses alike—who wish to buy products in large quantities that may not be available in-store. A selection of products from the broader consumable, general merchandise and seasonal offering are available for purchase through the online store by the full case only.

The Corporation also has operations in Latin America through its 50.1% equity interest in Dollarcity, a Latin American value retailer headquartered in Panama. Dollarcity offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US\$4.00 (or the equivalent in local currency) in El Salvador, Guatemala, Colombia and Peru. As at December 31, 2022, Dollarcity had a total of 440 stores with 261 locations in Colombia, 89 in Guatemala, 66 in El Salvador, and 24 in Peru. Refer to the sections entitled "Factors Affecting Results of Operations – Sales" and "Related Party Transactions – Dollarcity" for additional details.

Key Items in the Fourth Quarter of Fiscal 2023

Compared to the fourth quarter of Fiscal 2022:

- Sales increased by 20.3% to \$1,473.2 million;
- Comparable store sales⁽¹⁾ grew 15.9%;
- Gross margin⁽¹⁾ was 44.6% of sales, compared to 45.2% of sales;
- EBITDA⁽¹⁾ increased by 18.8% to \$467.7 million, representing 31.7% of sales, compared to 32.1% of sales;
- Operating income increased by 20.8% to \$381.4 million, representing 25.9% of sales, compared to 25.8% of sales;
- Diluted net earnings per common share increased by 23.0% from \$0.74 to \$0.91;
- 24 net new stores opened, same as prior year; and
- 2,807,527 common shares were repurchased for cancellation for \$230.5 million.

Key Items in Fiscal 2023

Compared to Fiscal 2022:

- Sales increased by 16.7% to \$5,052.7 million;
- Comparable store sales⁽¹⁾ grew 12.0%;
- Gross margin⁽¹⁾ was 43.5% of sales, compared to 43.9% of sales;
- EBITDA⁽¹⁾ increased by 18.8% to \$1,523.3 million, representing 30.1% of sales, compared to 29.6%;
- Operating income increased by 21.0% to \$1,191.5 million, representing 23.6% of sales, compared to 22.7%;
- Diluted net earnings per common share increased by 26.6% from \$2.18 to \$2.76;
- 65 net new stores opened, same as prior year, bringing total store count to 1,486; and
- 8,916,071 common shares were repurchased for cancellation for \$689.0 million.

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

Outlook

A discussion of management's expectations as to the Corporation's outlook for Fiscal 2024 as well as a summary of how the Corporation performed against Fiscal 2023 guidance are contained in the Corporation's press release dated March 29, 2023 under the heading "Outlook". The press release is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

Factors Affecting Results of Operations

Sales

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

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

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

Comparable store sales represent sales 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.

Since 2013, a wholly-owned subsidiary of the Corporation, Dollarama International Inc. ("Dollarama International"), enters into arrangements with Dollarcity for the sale of products to consumers located outside of Canada. When the Corporation acts as the principal in these arrangements, it recognizes revenue based on the amounts billed to Dollarcity. Otherwise, the Corporation recognizes the net amount that it retains as revenue.

When the licensing and services agreement entered into in 2013 expired on February 4, 2022, Dollarama International entered into a new sourcing agreement and a new services agreement with Dollarcity, each having an initial term of five years, subject to automatic renewal for successive one-year periods, unless terminated by either party at least 60 days before the close of the then-current term. Dollarama International continues to act as Dollarcity's primary supplier of products, either as principal or as intermediary. Changes were made to reflect the new relationship between the parties following the acquisition by Dollarama International of a 50.1% interest in Dollarcity on August 14, 2019, but the overall net economic and operational impact of these new agreements for Dollarama International remains generally unchanged.

Historically, the Corporation's highest sales results have occurred in the fourth quarter, with December representing the highest proportion of sales. Sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but the Corporation otherwise experiences limited seasonal fluctuations in sales in the normal course of business. Restrictions imposed by provincial authorities on retailers in Fiscal 2022 in reaction to successive waves of COVID-19 cases across the country negatively impacted in-store traffic and sales. Refer to the section of this MD&A entitled "Risks and Uncertainties" for a discussion on the risks associated with seasonality and business continuity.

Cost of Sales

Our cost of sales consists mainly of inventory purchased, the variable and non-indexed portion of store occupancy costs that are excluded from the lease liability under IFRS 16, shipping and transportation costs (which are largely variable and proportional to our sales volume) as well as warehouse and distribution centre occupancy costs. We record vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts can reasonably be estimated. The rebates are recorded as a reduction of inventory purchases or, if the related inventory has been sold, as a reduction of the cost of sales.

Although cost increases, including raw material costs, can negatively affect our business, our multiple price point product offering provides some flexibility to react to and offset, at least partially, those cost increases.

Since the Corporation purchases goods in currencies other than the Canadian dollar, our cost of sales is affected by fluctuations in foreign currencies against the Canadian dollar. In particular, we purchase a vast majority of our imported merchandise from suppliers in China with U.S. dollars. Therefore, our cost of sales is impacted indirectly by the fluctuation of the Chinese renminbi against the U.S. dollar and directly by the fluctuation of the U.S. dollar against the Canadian dollar.

While we enter into foreign exchange forward contracts and zero cost collar contracts to hedge a significant portion of our exposure to fluctuations in the value of the U.S. dollar against the Canadian dollar (generally nine to twelve months in advance), we do not hedge our exposure to fluctuations in the value of the Chinese renminbi against the U.S. dollar.

Shipping and transportation costs, including surcharges on transportation costs, are also a significant component of our cost of sales. Inbound shipping costs were impacted by dynamics in the ocean shipping industry triggered by the COVID-19 pandemic, which dynamics had a significant impact on shipping capacity, prevailing rates and lead times. As a result, the Corporation experienced increased pressure on container shipping costs and longer lead times in Fiscal 2022 and in the first nine months of Fiscal 2023. Although market conditions stabilized in the final months of Fiscal 2023, the impact of higher costs was felt through the remainder of Fiscal 2023. In addition, an increase in fuel costs results in an increase in shipping and transportation costs, as carriers generally pass these increases on to their customers.

The occupancy costs included in our cost of sales are mainly comprised of variable and non-indexed rental expenses for our stores that are excluded from the lease liability under IFRS 16. Fixed and indexed rental payments are recognized as a lease liability under IFRS 16. Occupancy costs have generally increased over the years. Management believes that it is generally able to negotiate leases at competitive market rates and does not anticipate material rate increases in the short to medium term. Typically, store leases are signed with base terms of ten years and one or more renewal options of five years each.

We strive to maintain a sustainable gross margin, aimed at achieving a healthy balance between maximizing returns to shareholders and offering a compelling value to our customers. The gross margin varies on a quarterly basis as a result of fluctuations in product margins, product mix and/or fluctuations in logistics and transportation costs, among other factors. We target to refresh approximately 35% to 40% of our offering on an annual basis. However, the actual percentage was lower in Fiscal 2023 as a result of consequential effects of the COVID pandemic, including travel restrictions, supply chain disruptions, and a general reduction in product innovation and diversification in global manufacturing.

General, Administrative and Store Operating Expenses

General, administrative and store operating expenses ("SG&A") consist of store labour, which is primarily variable and proportional to our sales volume, as well as general store maintenance costs, salaries and related benefits of corporate and field management team members, administrative office expenses, professional fees, and other related expenses, all of which are primarily fixed. Although our average store hourly wage rate is higher than the statutory minimum wage, a significant increase in the statutory minimum wage would significantly increase our payroll costs unless we realize offsetting productivity improvements and other store cost reductions.

Economic or Industry-Wide Factors Affecting the Corporation

The Corporation operates in the value retail industry, which is highly competitive with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. In addition to the competition from other dollar stores, the Corporation faces competition to an even greater extent from variety and discount stores, convenience stores and mass merchants operating in Canada, many of which operate stores in the areas where the Corporation operates, offer products substantially similar to those offered by Dollarama and engage in extensive advertising and marketing efforts. Moreover, as a result of the Corporation's broad offering of general merchandise, consumable products and seasonal items, it faces competition from various speciality retailers, including in the stationery, hardware, household ware, grocery, health and beauty and arts and crafts categories, whose product offerings overlap with a subset of the Corporation's product offering. Additionally, the Corporation competes with a number of companies for prime retail site locations in Canada and for the recruitment and retention of qualified employees.

Selected Consolidated Financial Information

The following tables set out selected financial information for the periods indicated. The selected consolidated financial information set out below as at January 29, 2023, January 30, 2022 and January 31, 2021 has been derived from the Corporation's audited annual consolidated financial statements and notes for Fiscal 2023, Fiscal 2022 and Fiscal 2021.

<i>(dollars and shares in thousands, except per share amounts)</i>	13-Week		52-Week		
	Periods Ended		Years Ended		
	January 29, 2023	January 30, 2022	January 29, 2023	January 30, 2022	January 31, 2021
	\$	\$	\$	\$	\$
Earnings Data					
Sales	1,473,223	1,224,900	5,052,741	4,330,761	4,026,259
Cost of sales	815,703	671,562	2,854,535	2,428,536	2,261,248
Gross profit	657,520	553,338	2,198,206	1,902,225	1,765,011
SG&A	209,609	177,991	720,312	652,832	654,032
Depreciation and amortization	86,278	77,998	331,792	297,960	269,633
Share of net earnings of equity-accounted investment	(19,772)	(18,370)	(45,399)	(33,184)	(19,654)
Operating income	381,405	315,719	1,191,501	984,617	861,000
Financing costs	34,014	23,160	115,394	91,216	95,646
Earnings before income taxes	347,391	292,559	1,076,107	893,401	765,354
Income taxes	86,103	72,593	274,244	230,232	201,006
Net earnings	261,288	219,966	801,863	663,169	564,348
Basic net earnings per common share	\$0.91	\$0.74	\$2.77	\$2.19	\$1.82
Diluted net earnings per common share	\$0.91	\$0.74	\$2.76	\$2.18	\$1.81
Weighted average number of common shares outstanding:					
Basic	286,928	296,535	289,412	302,963	310,738
Diluted	288,548	298,015	291,005	304,416	312,455
Other Data					
Year-over-year sales growth	20.3%	11.0%	16.7%	7.6%	6.3%
Comparable store sales growth ⁽¹⁾	15.9%	5.7%	12.0%	1.7%	3.2%
Gross margin ⁽¹⁾	44.6%	45.2%	43.5%	43.9%	43.8%
SG&A as a % of sales ⁽¹⁾	14.2%	14.5%	14.3%	15.1%	16.2%
Incremental direct costs related to COVID-19 ⁽¹⁾	-	4,430	1,591	35,512	84,020
EBITDA ⁽¹⁾	467,683	393,717	1,523,293	1,282,577	1,130,633
Operating margin ⁽¹⁾	25.9%	25.8%	23.6%	22.7%	21.4%
Capital expenditures	52,558	49,233	156,827	159,512	167,837
Number of stores ⁽²⁾	1,486	1,421	1,486	1,421	1,356
Average store size (gross square feet) ⁽²⁾	10,452	10,381	10,452	10,381	10,325
Declared dividends per common share	\$0.0553	\$0.0503	\$0.2212	\$0.2012	\$0.179

	As at		
	January 29, 2023 \$	January 30, 2022 \$	January 31, 2021 \$
Statement of Financial Position Data			
Cash	101,261	71,058	439,144
Inventories	957,172	590,927	630,655
Total current assets	1,156,947	717,367	1,100,362
Property, plant and equipment	802,750	761,876	709,469
Right-of-use assets	1,699,755	1,480,255	1,344,639
Total assets	4,819,656	4,063,562	4,223,746
Total current liabilities	1,162,874	911,891	1,321,165
Total non-current liabilities	3,628,372	3,217,705	2,567,727
Total debt ⁽¹⁾	2,251,903	1,886,300	1,876,900
Net debt ⁽¹⁾	2,150,642	1,815,242	1,437,756
Shareholders' equity (deficit)	28,410	(66,034)	334,854

- ⁽¹⁾ Refer to the section entitled "Non-GAAP and Other Financial Measures" of this MD&A for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure
- ⁽²⁾ At the end of the period.

Results of Operations

Analysis of Results for the Fourth Quarter of Fiscal 2023

The following section provides an overview of the Corporation's financial performance during the fourth quarter of Fiscal 2023 compared to the fourth quarter of Fiscal 2022.

Sales

Sales for the fourth quarter of Fiscal 2023 increased by 20.3% to \$1,473.2 million, compared to \$1,224.9 million for the fourth quarter of Fiscal 2022. This increase was driven by growth in the total number of stores over the past twelve months (from 1,421 stores on January 30, 2022 to 1,486 stores on January 29, 2023) and in comparable store sales.

Comparable store sales for the fourth quarter of Fiscal 2023 increased by 15.9%, consisting of a 14.1% increase in the number of transactions and a 1.6% increase in average transaction size, compared to comparable store sales growth of 5.7% for the fourth quarter of Fiscal 2022. The introduction of additional price points up to \$5.00, strong demand for consumable products, seasonal items and general merchandise, as well as the continued refresh of our product offering, all contributed to comparable store sales growth.

New stores, which are not yet comparable stores, reach annual sales of approximately \$2.6 million within their first two years of operation, and achieve an average capital payback period of approximately two years.

In this quarter, 82.0% of the Corporation's sales originated from products priced higher than \$1.25, compared to 75.5% in the corresponding quarter last year.

Gross Margin

Gross margin was 44.6% of sales in the fourth quarter of Fiscal 2023, compared to 45.2% of sales in the fourth quarter of Fiscal 2022, mainly due to a change in sales mix with stronger sales of consumable products and higher logistics costs.

SG&A

SG&A for the fourth quarter of Fiscal 2023 increased by 17.8% to \$209.6 million, compared to \$178.0 million for the fourth quarter of Fiscal 2022. SG&A represented 14.2% of sales for the fourth quarter of Fiscal 2023, compared to 14.5% of sales for the fourth quarter of Fiscal 2022. This improvement is primarily attributable to there being no incremental direct costs related to COVID-19 measures recorded in the fourth quarter of Fiscal 2023, compared to \$4.4 million, representing 0.4% of sales, in the same period last year.

Depreciation and Amortization

The depreciation and amortization expense increased by \$8.3 million, from \$78.0 million for the fourth quarter of Fiscal 2022 to \$86.3 million for the fourth quarter of Fiscal 2023. The increase is mainly attributable to additions to right-of-use assets and leasehold improvements on the opening of new stores, and investments in information technology projects.

Share of Net Earnings of Equity-Accounted Investment

The Corporation's 50.1% share of Dollarcity's net earnings for the period from October 1, 2022, to December 31, 2022, was \$19.8 million, compared to \$18.4 million for the same period last year.

Financing Costs

Financing costs increased by \$10.8 million, from \$23.2 million for the fourth quarter of Fiscal 2022 to \$34.0 million for the fourth quarter of Fiscal 2023, mainly due to higher average borrowing rates and higher average debt.

Income Taxes

Income taxes increased by \$13.5 million, from \$72.6 million for the fourth quarter of Fiscal 2022 to \$86.1 million for the fourth quarter of Fiscal 2023. The statutory income tax rate for the fourth quarter of Fiscal 2023 was 26.5% compared to 26.5% for the corresponding quarter of Fiscal 2022. The Corporation's effective tax rates for the fourth quarters of Fiscal 2023 and Fiscal 2022 were 24.8% and 24.8%, respectively.

Net Earnings

Net earnings were \$261.3 million, or \$0.91 per diluted common share, in the fourth quarter of Fiscal 2023, compared to \$220.0 million, or \$0.74 per diluted common share, in the fourth quarter of Fiscal 2022.

Analysis of Results for Fiscal 2023

The following section provides an overview of the Corporation's financial performance during Fiscal 2023 compared to Fiscal 2022.

Sales

Sales in Fiscal 2023 increased by 16.7% to \$5,052.7 million, compared to \$4,330.8 million in Fiscal 2022. This increase was driven by growth in the total number of stores over the past twelve months and in comparable store sales.

Comparable store sales increased 12.0% year over year for Fiscal 2023, consisting of a 14.6% increase in the number of transactions and a 2.2% decrease in average transaction size. Strong comparable store sales reflect the positive impact of additional price points, strong demand across all product categories and the continued refresh of our product offering, in addition to the absence of COVID-19 related measures restricting consumer traffic and/or the purchase of non-essential goods. This is compared to comparable store sales growth of 1.7% for Fiscal 2022, which was notably impacted by the timing and length of the COVID-19-related ban on the sale of non-essential goods in Ontario.

In Fiscal 2023, 79.6% of sales originated from products priced higher than \$1.25, compared to 75.3% in Fiscal 2022.

Gross Margin

Gross margin was 43.5% of sales in Fiscal 2023, compared to 43.9% of sales in Fiscal 2022. The decrease in gross margin as a percentage of sales is due to a change in the sales mix with stronger sales of lower margin consumable products as well as higher logistics and freight costs.

SG&A

SG&A for Fiscal 2023 totalled \$720.3 million, a 10.3% increase from \$652.8 million for Fiscal 2022. SG&A for Fiscal 2023 represented 14.3% of sales, compared to 15.1% of sales for Fiscal 2022. This variance is attributable to lower incremental direct costs related to COVID-19 measures recorded in Fiscal 2023 which amounted to \$1.6 million, representing less than 0.1% of sales, compared to \$35.5 million in the prior year, representing 0.8% of sales.

Depreciation and Amortization

The depreciation and amortization expense increased by \$33.8 million, from \$298.0 million for Fiscal 2022 to \$331.8 million for Fiscal 2023. The increase is mainly attributable to additions to right-of-use assets and leasehold improvements on the opening of new stores and investments in information technology projects.

Share of Net Earnings of Equity-Accounted Investment

The Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2022 to December 31, 2022 was \$45.4 million, compared to \$33.2 million for the same period last year, reflecting a strong financial and operational performance by Dollarcity.

Financing Costs

Financing costs increased by \$24.2 million, from \$91.2 million for Fiscal 2022 to \$115.4 million for Fiscal 2023. The increase is mainly due to a higher average borrowing rate as well as higher average debt outstanding as a result of higher US commercial paper activities and the issuance of additional Senior Unsecured Notes (as defined below).

Income Taxes

Income taxes increased by \$44.0 million, from \$230.2 million for Fiscal 2022 to \$274.2 million for Fiscal 2023. The statutory income tax rates for Fiscal 2023 and Fiscal 2022 were 26.5% and 26.5%, respectively. The Corporation's effective income tax rates for Fiscal 2023 and Fiscal 2022 were 25.5% and 25.8%, respectively. The decrease in the effective tax rate for Fiscal 2023 is the result of the fact that the Corporation's share of net earnings of its equity-accounted investment in Dollarcity (which was higher for Fiscal 2023 than Fiscal 2022, respectively at \$45.4 million and at \$33.2 million) is computed net of taxes, already accounted for by Dollarcity.

Net Earnings

Net earnings totalled \$801.9 million, or \$2.76 per diluted common share, for Fiscal 2023, compared to \$663.2 million, or \$2.18 per diluted common share, for Fiscal 2022.

Summary of Consolidated Quarterly Results

	Fiscal 2023				Fiscal 2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>(dollars in thousands, except per share amounts)</i>								
Statement of Net Earnings Data	\$	\$	\$	\$	\$	\$	\$	\$
Sales	1,473,223	1,289,574	1,217,060	1,072,884	1,224,900	1,122,267	1,029,348	954,246
Net earnings	261,288	201,594	193,479	145,502	219,966	183,401	146,228	113,574
Net earnings per common share								
Basic	\$0.91	\$0.70	\$0.67	\$0.50	\$0.74	\$0.61	\$0.48	\$0.37
Diluted	\$0.91	\$0.70	\$0.66	\$0.49	\$0.74	\$0.61	\$0.48	\$0.37

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.

Inventory

Inventory increased to \$957.2 million as at January 29, 2023 from \$590.9 million as at January 30, 2022. The year-over-year increase is primarily attributable to the rebuilding of inventory levels that had been reduced due to supply chain issues in late Fiscal 2022 and early Fiscal 2023, as well as store network growth and higher comparable store sales.

Liquidity and Capital Resources

Cash Flows for the Fourth Quarter of Fiscal 2023

<i>(dollars in thousands)</i>	Periods Ended		Change \$
	January 29, 2023	January 30, 2022	
	\$	\$	
Cash flows from operating activities	426,525	346,409	80,116
Cash flows used in investing activities	(52,449)	(48,966)	(3,483)
Cash flows used in financing activities	(831,974)	(323,384)	(508,590)
Net change in cash	(457,898)	(25,941)	(431,957)

Cash Flows - Operating Activities

For the fourth quarter of Fiscal 2023, cash flows generated from operating activities totalled \$426.5 million, compared to \$346.4 million for the fourth quarter of Fiscal 2022. This increase is attributable to higher net earnings and a lower use of working capital in the fourth quarter of Fiscal 2023 compared to the fourth quarter of Fiscal 2022.

Cash Flows - Investing Activities

For the fourth quarter of Fiscal 2023, cash flows used in investing activities totalled \$52.4 million, compared to \$49.0 million for the fourth quarter of Fiscal 2022. This increase is primarily attributable to higher capital expenditures in transformation and information technology projects compared to the fourth quarter of Fiscal 2022.

Cash Flows - Financing Activities

For the fourth quarter of Fiscal 2023, cash flows used in financing activities totalled \$832.0 million, compared to \$323.4 million for the fourth quarter of Fiscal 2022. This increased use of funds is attributable to the repayment of \$250.0 million of the 2.203% Fixed Rate Notes, a higher net repayment of \$333.9 million of short-term borrowings, partially offset by a \$88.0 million reduction in the volume of repurchases of common shares under the normal course issuer bid compared to the same period last year.

Cash Flows for Fiscal 2023

<i>(dollars in thousands)</i>	Years Ended		Change \$
	January 29, 2023	January 30, 2022	
	\$	\$	
Cash flows from operating activities	869,043	1,159,218	(290,175)
Cash flows used in investing activities	(156,549)	(158,673)	2,124
Cash flows used in financing activities	(682,291)	(1,368,631)	686,340
Net change in cash	30,203	(368,086)	398,289

Cash Flows - Operating Activities

For Fiscal 2023, cash flows generated from operating activities totalled \$869.0 million, compared to \$1,159.2 million for Fiscal 2022. This decrease is primarily attributable to a higher use of working capital for the purchase of inventory in Fiscal 2023 compared to Fiscal 2022 as the Corporation rebuilt its inventory levels, partially offset by higher earnings in Fiscal 2023 compared to Fiscal 2022.

Cash Flows - Investing Activities

For Fiscal 2023, cash flows used in investing activities totalled \$156.5 million, compared to \$158.7 million for Fiscal 2022. This slight decrease is attributable to lower capital expenditures related transformation and information technology projects compared to Fiscal 2022.

Cash Flows - Financing Activities

For Fiscal 2023, cash flows used in financing activities totalled \$682.3 million, compared to \$1,368.6 million for Fiscal 2022. This decreased use of funds is mainly explained by \$486.6 million from lower repayments of Fixed Rate Notes and short-term borrowings, \$370.9 million due to a lower volume of repurchases of common shares under the normal course issuer bid compared to the same period last year, offset by \$138.4 million from lower proceeds from Fixed Rate Notes and short-term borrowings.

Capital Expenditures

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

For the fourth quarter of Fiscal 2023, capital expenditures totalled \$52.6 million, compared to \$49.2 million for the fourth quarter of Fiscal 2022.

For Fiscal 2023, capital expenditures totalled \$156.8 million, compared to \$159.5 million for Fiscal 2022.

For both periods, the variance in capital expenditures is due to the timing of expenses from store-related transformational capital projects.

Capital Resources

As at January 29, 2023, the Corporation had \$101.3 million of cash on hand and \$1,048.6 million available under its Credit Facility (as hereinafter defined), none of which was reserved to serve as a backstop for outstanding amounts under the US commercial paper program.

The Corporation expects that its cash flows from operating activities, together with its available liquidity, will be sufficient to meet its cash requirements in Fiscal 2024, including to fund its planned growth and capital expenditures, service, refinance or repay at maturity its debt, pay its contractual obligations, repurchase common shares and make dividend payments to shareholders.

The Corporation's ability to pay the principal and interest on any portion of its debt, which consist mainly of Fixed Rate Notes as of the date hereof, to refinance or repay at maturity all or any portion thereof, or to generate sufficient funds to meet its future cash requirements will largely depend on its future performance, which to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond its control.

The Corporation had a negative working capital of \$5.9 million as at January 29, 2023, compared to a negative working capital of \$194.5 million as at January 30, 2022 as a result of higher inventory levels, partially offset by the inclusion in current liabilities of the Senior Unsecured Notes due in the next 12 months. The Corporation expects to refinance the 3.550% Fixed Rate Notes due November 6, 2023 through the issuance of new long-term notes before the maturity date. The Corporation is in good standing with rating agencies. The Corporation's assumptions with respect to future liquidity needs and refinancing opportunities may not be correct.

Senior Unsecured Notes

Long-term debt outstanding consists of the following as at:	January 29, 2023	January 30, 2022
	\$	\$
Senior unsecured notes (the "Senior Unsecured Notes") bearing interest at:		
Fixed annual rate of 5.165% payable in equal semi-annual instalments, maturing April 26, 2030 (the "5.165% Fixed Rate Notes")	450,000	-
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029 (the "2.443% Fixed Rate Notes")	375,000	375,000
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	300,000
Fixed annual rate of 1.871% payable in equal semi-annual instalments, maturing July 8, 2026 (the "1.871% Fixed Rate Notes")	375,000	375,000
Fixed annual rate of 5.084% payable in equal semi-annual instalments, maturing October 27, 2025 (the "5.084% Fixed Rate Notes")	250,000	-
Fixed annual rate of 3.550% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.550% Fixed Rate Notes")	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, matured November 10, 2022 (the "2.203% Fixed Rate Notes")	-	250,000
Less: Unamortized debt issue costs, including \$1,609 (January 30, 2022 – \$1,632) for the credit facility	(9,107)	(8,009)
Accrued interest on the Senior Unsecured Notes	17,177	7,850
Fair value hedge - basis adjustment on interest rate swap	(6,167)	(2,927)
	<u>2,251,903</u>	<u>1,796,914</u>
Current portion (includes unamortized debt issue costs, accrued interest on the Senior Unsecured Notes, and the Senior Unsecured Notes with a maturity date falling within the next 52-week period, when applicable)	<u>(510,315)</u>	<u>(257,674)</u>
	<u>1,741,588</u>	<u>1,539,240</u>

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at January 29, 2023 and January 30, 2022.

	<u>January 29, 2023</u>		<u>January 30, 2022</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Fixed Rate Notes				
5.165% Fixed Rate Notes	453,969	465,107	-	-
2.443% Fixed Rate Notes	373,994	332,276	373,809	361,913
1.505% Fixed Rate Notes	300,494	263,856	300,277	280,650
1.871% Fixed Rate Notes	374,251	345,536	373,948	363,675
5.084% Fixed Rate Notes	252,413	253,258	-	-
3.550% Fixed Rate Notes	504,558	494,545	502,387	512,950
2.203% Fixed Rate Notes	-	-	251,052	251,600
	<u>2,259,679</u>	<u>2,154,578</u>	<u>1,801,473</u>	<u>1,770,788</u>

Fixed Rate Notes

On October 4, 2022, the Corporation issued the 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes by way of private placement in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 5.165% Fixed Rate Notes were issued at par for aggregate gross proceeds of \$450.0 million and bear interest at a fixed rate of 5.165% per annum, payable in semi-annual instalments, on April 26 and October 26 of each year until maturity on April 26, 2030. The 5.084% Fixed Rate Notes were issued at par for aggregate gross proceeds of \$250.0 million and bear interest at a fixed rate of 5.084% per annum, payable in semi-annual instalments, on April 27 and October 27 of each year, until maturity on October 27, 2025.

The 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Morningstar.

The Corporation used the net proceeds of these offerings to repay the \$250.0 million aggregate principal amount of 2.203% Fixed Rate Notes matured on November 10, 2022, to repay a portion of its outstanding USCP Notes and for general corporate purposes. Considering the impact of hedging contracts previously entered into, the Corporation estimates that the effective blended interest rate of the 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes will correspond to approximately 4.83% per annum, on a combined basis.

Credit Agreement

On July 5, 2022, the Corporation and the lenders entered into a fifth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, (i) convert the syndicated credit facilities to sustainability-linked credit facilities (collectively, the "Credit Facility"), (ii) increase the size of Facility B by \$250.0 million for a total amount of \$450.0 million, bringing the total credit available under the Credit Facility up from \$800.0 million to \$1,050.0 million and (iii) extend the term of Facility A in the amount of \$250.0 million from July 6, 2026 to July 5, 2027, extend the term of Facility B, in the amount of \$450.0 million, from July 5, 2024 to July 5, 2025, extend the term of Facility C, in the amount of \$50.0 million, from July 5, 2024 to July 5, 2025, and extend the term of Facility D, in the amount of \$300.0 million, from July 6, 2022 to July 5, 2023.

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

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

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

As at January 29, 2023 and January 30, 2022, no amount was outstanding under the TARCA. As at January 29, 2023, the Corporation had \$1,048.6 million available under its Credit Facility (January 30, 2022 – \$798.7 million), none of which was reserved to serve as a backstop for outstanding amounts under the US commercial paper program (January 30, 2022 – \$89.4 million). As at January 29, 2023, there were letters of credit issued for the purchase of inventories which amounted to \$1.4 million (January 30, 2022 – \$1.3 million) and the Corporation was in compliance with all of its financial covenants.

Short-Term Borrowings

Under the terms of its US commercial paper program, initially launched in February 2020, the Corporation may issue, from time to time, on a private placement basis in reliance upon exemptions from registration and prospectus requirements under applicable securities legislation, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). On July 7, 2022, the USCP Notes program was increased from US\$500.0 million to US\$700.0 million. The aggregate principal amount of USCP Notes outstanding at any one time under the US commercial paper program, as amended, may not exceed US\$700.0 million. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars and uses those proceeds for general corporate purposes.

The USCP Notes are direct unsecured obligations of the Corporation and rank equally and *pari passu* with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation. The Corporation's Credit Facility serves as a liquidity backstop for the repayment of the USCP Notes.

As at January 29, 2023, the amount outstanding under the US commercial paper program was nil (January 30, 2022 – US\$70.0 million (\$89.4 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 January 29, 2023. Trade payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities created as a result of statutory requirements imposed by governments).

<i>(dollars in thousands)</i>	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Trade payable and accrued liabilities	283,210	-	-	-	283,210
Dividend payable	15,828	-	-	-	15,828
Lease liabilities ⁽¹⁾	61,676	215,004	977,114	1,068,158	2,321,952
Principal repayment on:					
5.165% Fixed Rate Notes	-	-	-	450,000	450,000
2.443% Fixed Rate Notes	-	-	-	375,000	375,000
1.505% Fixed Rate Notes	-	-	300,000	-	300,000
1.871% Fixed Rate Notes	-	-	375,000	-	375,000
5.084% Fixed Rate Notes	-	-	250,000	-	250,000
3.550% Fixed Rate Notes	-	500,000	-	-	500,000
Interest payments on:					
5.165% Fixed Rate Notes	11,621	11,621	92,970	58,106	174,318
2.443% Fixed Rate Notes	-	9,161	36,645	13,742	59,548
1.505% Fixed Rate Notes	2,258	2,258	18,059	-	22,575
1.871% Fixed Rate Notes	-	7,016	17,541	-	24,557
5.084% Fixed Rate Notes	6,390	6,355	25,420	-	38,165
3.550% Fixed Rate Notes	-	17,750	-	-	17,750
	<u>380,983</u>	<u>769,165</u>	<u>2,092,749</u>	<u>1,965,006</u>	<u>5,207,903</u>

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

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

<i>(dollars in thousands)</i>	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Over 5 years \$	Total \$
Letters of credit	1,228	-	149	-	1,377

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

Financial Instruments

The Corporation uses derivative financial instruments in the management of its foreign currency and interest rate exposure. The Corporation documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. Derivative financial instruments designated as hedging instruments are recorded at fair value, determined using market prices and other observable inputs.

For a description of the derivative financial instruments of the Corporation, refer to Notes 3 and 14 of the Corporation's Fiscal 2023 annual audited consolidated financial statements.

Foreign Currency Exposure

The Corporation uses foreign exchange forward contracts and zero cost collar contracts to mitigate the risk associated with fluctuations in the U.S. dollar against the Canadian dollar. These derivative financial instruments are used for risk management purposes and are designated as hedges of future forecasted purchases of merchandise or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program. Foreign exchange forward contracts and zero cost collar contracts are designated as hedging instruments and are recorded at fair value, determined using market prices and other observable inputs.

Currency hedging entails a risk of illiquidity and, to the extent that the U.S. dollar depreciates against the Canadian dollar, hedging arrangements may have the effect of limiting or reducing the total returns to the Corporation if purchases at hedged rates result in lower margins than otherwise earned if purchases had been made at spot rates.

Interest Rate Risk

The Corporation uses interest rate swap contracts to mitigate the risk associated with changes in the fair value of the issued 3.550% Fixed Rates Notes maturing November 6, 2023 due to changes in interest rates. These derivative financial instruments are used for risk management purposes and are designated as fair value hedges. Under interest rates swaps, the Corporation receives a fixed rate of interest and pays interest at a variable rate on the notional amount. These derivatives are designated as hedging instruments and are recorded on the consolidated statement of financial position at fair value.

During Fiscal 2023, the bond forward contracts used as hedging instruments for the refinancing of the 2.203% Fixed Rate Notes generated a net gain of \$10.4 million, of which \$9.2 million was considered effective and recorded to other comprehensive income in line with the Corporation's hedging strategy. The gain will be reclassified to net earnings over the same period as the interest payments on the newly issued 5.165% Fixed Rate Notes.

Interest rate hedging also entails a risk of illiquidity and, to the extent that interest rates fluctuate, hedging arrangements may have the effect of limiting or reducing the total returns to the Corporation if the issuance of notes at hedged rates results in lower profitability than otherwise earned if notes had been issued at spot rates.

The Corporation reassessed the nature of the risks arising from derivative financial instruments and related risk management and concluded that there were no material changes.

Related Party Transactions

Property Leases

As at January 29, 2023, the Corporation leased 19 stores, five warehouses and its head office from entities controlled by the Rossy family pursuant to long-term lease agreements. Rental payments associated with these related-party leases are measured at cost, which equals fair value, being the amount of consideration established at market terms.

As at January 29, 2023, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled \$26.6 million (January 30, 2022 – \$34.7 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled \$7.5 million for the fiscal year ended January 29, 2023 (January 30, 2022 – \$6.3 million).

Dollarcity

Dollarama International, a wholly-owned subsidiary of the Corporation, holds a 50.1% interest in Central American Retail Sourcing, Inc. ("CARS"), the parent company of the entities that operate the Dollarcity business ("Dollarcity"), since August 14, 2019. Under the terms of the stockholders agreement (the "Stockholders Agreement") entered into among Dollarama International and Dollarcity's founding stockholders, Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International purchase shares of Dollarcity held by them at fair market value. Since October 1, 2022, this right may be exercised in the ordinary course by Dollarcity's founding stockholders during specified periods, subject to certain transaction size thresholds, required ownership thresholds and freeze periods, among other conditions and restrictions. This right may also be exercised upon the occurrence of certain extraordinary events, including a change in control of the Corporation and a sale of Dollarcity. The Corporation cannot predict whether the put right will be exercised or, if exercised, when and to what extent it will be exercised. In the event that the put is exercised, the consideration payable by the Corporation may, depending on various factors, including those discussed above, be paid using cash on hand or financed in full or in part and, depending on the circumstances, may temporarily impact the Corporation's capital allocation strategy. Refer to the section entitled "Liquidity and Capital Resources."

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

As at January 29, 2023, the account receivable from Dollarcity for the goods sold and services provided under the sourcing agreement and services agreement, both entered into on February 4, 2022, totalled \$50.5 million (January 30, 2022 – \$16.0 million under the 2013 licensing and services agreement), which amount is partly guaranteed by a letter of credit up to US\$20.0 million (\$26.6 million) (January 30, 2022 – US\$10.0 million (\$12.8 million)). For the year ended January 29, 2023, the sales to Dollarcity that were shipped directly from the Corporation's warehouses amounted to \$48,823 (January 30, 2022 – \$36,644), including net consideration received for sales in which the Corporation is acting as an intermediary (representing approximately 1% of the Corporation's total consolidated sales).

Critical Accounting Estimates and Judgments

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

The 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 2023.

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 especially 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 not be 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. Also, under IFRS 16, estimates due to the incremental borrowing rate are used for measurement of the lease liabilities.

New Accounting Standards

New Accounting Standards Announced but not yet Adopted

A number of new standards and amendments to standards and interpretations are effective for the fiscal year beginning in 2022 or after. None of these new standards or amendments are expected to have a significant impact on the consolidated financial statements of the Corporation.

Comparative Figures

In order to continue providing relevant and reliable information to the users of these financial statements, the Corporation modified its policy in relation to the classification of financing costs within the consolidated statements of cash flow, in line with other Canadian issuers. Interest paid has been reclassified from operating activities to financing activities. Consequently, some reclassifications in the presentation of the comparative information have been performed to ensure consistency with current period presentation. For the year ended on January 30, 2022, the cash inflow from operating activities increased by \$93.3 million while the cash outflows from financing activities increased by the same amount.

Non-GAAP and Other Financial Measures

The Corporation's audited annual consolidated financial statements and notes for Fiscal 2023 have been prepared in accordance with GAAP. However, this MD&A also refers to certain non-GAAP and other financial measures.

We have included non-GAAP and other financial measures to provide investors with supplemental measures of our operating and financial performance. We believe that those measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP and other financial measures in the evaluation of issuers. Our management also uses non-GAAP and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

The majority of these measures are used to bridge differences between external reporting under GAAP and external reporting that is tailored to the retail industry, and should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with GAAP.

The below-described non-GAAP and other financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Refer to the section below for the definitions and other required information regarding each of the following measures which are presented in accordance with (A) non-GAAP financial measures, (B) non-GAAP ratios, and (C) other financial measures under National Instrument 52-112, *Non-GAAP and Other Financial Measures* ("NI 52-112").

(A) Non-GAAP Financial Measures

EBITDA

EBITDA represents operating income plus depreciation and amortization and includes the Corporation's share of net earnings of its equity-accounted investment.

<i>(dollars in thousands)</i>	13-week Periods Ended		52-week Periods Ended		
	January 29, 2023	January 30, 2022	January 29, 2023	January 30, 2022	January 31, 2021
	\$	\$	\$	\$	\$
A reconciliation of operating income to EBITDA is included below:					
Operating income	381,405	315,719	1,191,501	984,617	861,000
Add: Depreciation and amortization	86,278	77,998	331,792	297,960	269,633
EBITDA	467,683	393,717	1,523,293	1,282,577	1,130,633
A reconciliation of EBITDA to cash flows from operating activities is included below:					
EBITDA	467,683	393,717	1,523,293	1,282,577	1,130,633
Current income taxes	(88,770)	(68,770)	(281,732)	(210,703)	(185,163)
Share-based compensation	4,533	2,155	14,187	8,617	6,240
Share of net earnings of equity-accounted investment	(19,772)	(18,370)	(45,399)	(33,184)	(19,654)
Other	5,755	(66)	9,912	1,711	(550)
	369,429	308,666	1,220,261	1,049,018	931,506
Changes in non-cash working capital components	57,096	37,743	(351,218)	110,200	54,868
Net cash generated from operating activities	426,525	346,409	869,043	1,159,218	986,374

Management uses total debt, net debt, adjusted net debt and adjusted net debt to EBITDA ratio 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 January 29, 2023 over (ii) the book value of those common shares. The Corporation believes that securities analysts, investors and other interested parties frequently use non-GAAP and other financial measures in the evaluation of issuers.

Total debt

Total debt represents the sum of long-term debt (including accrued interest and fair value hedge – basis adjustment), short-term borrowings under the US commercial paper program and other bank indebtedness (if any).

(dollars in thousands)

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

	As at		
	January 29, 2023	January 30, 2022	January 31, 2021
	\$	\$	\$
Total long-term debt	2,251,903	1,796,914	1,876,900
USCP Notes issued under US commercial paper program	-	89,386	-
Total debt	2,251,903	1,886,300	1,876,900

Net debt

Net debt represents total debt minus cash.

(dollars in thousands)

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

	As at		
	January 29, 2023	January 30, 2022	January 31, 2021
	\$	\$	\$
Total debt	2,251,903	1,886,300	1,876,900
Cash	(101,261)	(71,058)	(439,144)
Net debt	2,150,642	1,815,242	1,437,756

Adjusted retained earnings

Adjusted retained earnings represents deficit plus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through January 29, 2023 over (ii) the book value of those common shares.

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

	As at		
	January 29, 2023	January 30, 2022	January 31, 2021
	\$	\$	\$
Deficit	(514,078)	(578,079)	(149,983)
Price paid in excess of book value of common shares repurchased under the NCIB	5,497,023	4,823,074	3,792,581
Adjusted retained earnings	4,982,945	4,244,995	3,642,598

The deficit as at January 29, 2023, January 30, 2022 or January 31, 2021 is not a reflection of poor operating performance. It results from the fact that a significant portion of the cash consideration for the repurchase of shares under the Corporation's normal course issuer bid is accounted for as a reduction of retained earnings and that the market price at which shares are repurchased significantly exceeds the book value of those shares. As a result, the Corporation's shareholders' equity for accounting purposes was \$28.4 million as at January 29, 2023. Management believes that buying back shares remains an effective strategy to drive shareholder value and constitutes an appropriate use of the Corporation's funds.

(B) Non-GAAP Ratios

Adjusted net debt to EBITDA ratio

Adjusted net debt to EBITDA ratio is a ratio calculated using adjusted net debt over consolidated EBITDA for the last 12 months.

(dollars in thousands)

	As at		
	January 29, 2023	January 30, 2022	January 31, 2021
	\$	\$	\$
A calculation of adjusted net debt to EBITDA ratio is included below:			
Net debt	2,150,642	1,815,242	1,437,756
Lease liabilities	1,960,743	1,727,428	1,583,662
Unamortized debt issue costs, including \$1,609 (January 30, 2022 – \$1,632, January 31, 2021 – \$1,453) for the Credit Facility	9,107	8,009	6,151
Fair value hedge - basis adjustment on interest rate swap	6,167	2,927	-
Adjusted net debt	4,126,659	3,553,606	3,027,569
EBITDA for the last 12 month period	1,523,293	1,282,577	1,130,633
Adjusted net debt to EBITDA ratio	2.71x	2.77x	2.68x

EBITDA margin

EBITDA margin represents EBITDA divided by sales.

	13-week Periods Ended		52-week Periods Ended		
	January 29, 2023	January 30, 2022	January 29, 2023	January 30, 2022	January 31, 2021
	\$	\$	\$	\$	\$
A calculation of EBITDA to EBITDA margin is included below:					
EBITDA	467,683	393,717	1,523,293	1,282,577	1,130,633
Sales	1,473,223	1,224,900	5,052,741	4,330,761	4,026,259
EBITDA margin	31.7%	32.1%	30.1%	29.6%	28.1%

(C) Supplementary Financial Measures

Gross margin	Represents gross profit divided by sales, expressed as a percentage of sales.
Operating margin	Represents operating income divided by sales.
SG&A as a % of sales	Represents SG&A divided by sales.
Comparable store sales	Represents sales of Dollarama stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year.
Comparable store sales growth	Represents the percentage increase or decrease, as applicable, of comparable store sales relative to the same period in the prior fiscal year. For Fiscal 2023, the calculation of comparable store sales growth excludes stores that were temporarily closed, either in Fiscal 2023 or in the same period in the prior fiscal year, in the context of the COVID-19 pandemic.
Incremental direct costs related to COVID-19	Represent costs incurred for the implementation and execution of health and safety measures in stores and in logistic operations in response to the pandemic, including costs associated with additional labour hours for the execution of sanitization and crowd control protocols and with the procurement of personal protection equipment for employees and cleaning supplies and equipment.

Risks and Uncertainties

Monitoring and improving its operations are constant concerns of the Corporation. In view of this, understanding and managing risks are important parts of the Corporation's strategic planning process.

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

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

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

Risks Related to Business Operations

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, shipping costs, 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 implemented in recent years and/or are expected to implement in Fiscal 2024 notable increases in the statutory minimum wage. 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 may 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 Dollararcy carries on its 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/or 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, either because it wishes to maintain the compelling value of its product offering relative to competitors or because of its capped price point structure.

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, labour 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 COVID-19), political unrest in foreign countries and international conflicts, including the current conflict between Russia and Ukraine, or the increased tensions between China and the Western countries; (b) further consolidation in the shipping industry, which could lead to even tighter shipping capacity and steeper 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 increase as a result of prolonged or repeated increases in the prices of certain raw materials, foreign exchange rate fluctuations, or changes in the economic, geopolitical 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 across the Corporation's supply chain 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 such as forced labour, 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.

Also, there is a risk that the significant inflationary pressures that the Corporation, and the retail industry as a whole will continue to face in Fiscal 2024 may have negative implications on brand perception. Those pressures are expected to be more acute for an import-based business focusing on goods sold at low, fixed price points, and price increases required to maintain margins on select products may not be well received by consumers, which could materially adversely affect the Corporation's business and financial results.

Moreover, increasing governmental and public awareness and concern about ESG matters, notably climate change, waste reduction, sustainability, responsible sourcing and procurement, and human rights, could result in enhanced legal requirements or public expectations, in each case, that aim or require to expand the nature, scope and complexity of matters that the Corporation is required to control, assess, comply with or report. The Corporation's inability to meet evolving requirements and/or expectations could materially adversely affect the Corporation's brand image and reputation, which could in turn materially adversely affect its business and financial results. The Corporation's access to capital could also be negatively affected if financial institutions, rating agencies and/or lenders adopt more restrictive ESG policies that the Corporation may not be able to meet. Additionally, the Corporation has set a number of specific ESG targets for key ESG initiatives, which are subject to ongoing disclosure by the Corporation. Achieving these targets is subject to several risks and uncertainties, and there can be no certainty that the Corporation will achieve these targets within the stated timeframe, or that achieving any of these targets will meet all of the expectations of its stakeholders or applicable legal requirements. Also, the implementation of these objectives may expose it to certain additional heightened financial and operational risks, and is expected to require additional costs, which may be higher than anticipated. If the Corporation is unable to achieve its ESG targets or satisfy the expectations of its stakeholders, its reputation could be adversely affected.

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.

In Fiscal 2023, the Corporation entered into an agreement to acquire three contiguous industrial properties in the Town of Mount Royal, Quebec, located near the Corporation's centralized logistics operations and adjacent to its distribution centre. The planned acquisition, which is expected to close in the first half of Fiscal 2024 subject to the satisfaction of closing conditions, will increase warehousing capacity and support future logistics need of the Corporation. However, even if the Corporation can complete the acquisition and do so within the expected timeframe, there is no assurance that the Corporation will realize, in full or in part, the anticipated benefits from the acquisition. In addition, over the longer term, the Corporation will eventually need additional warehousing 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.

In the meantime, as the Corporation relies on a single distribution centre located in the Town of Mount Royal (Quebec), any disruption at that facility, for example as a result of a COVID-19 outbreak or an adverse weather event, would materially impact the flow of goods to stores and, in turn, could potentially impact sales and the Corporation's financial results.

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 six of its seven warehouses (the warehouse in Lachine, Quebec is 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.

Inventory Shrinkage

The Corporation is subject to the risk of inventory loss and administrative or operator errors, including mislabelling, 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.

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, and during the summer season. Failure to adequately prepare for the holiday sales or summer season demand 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, customer perception and timely development and introduction of new products. If the Corporation does not achieve or maintain expected sales for private brands, if it fails to successfully protect its proprietary rights in those brands or avoid claims related to the proprietary rights of third parties, or if it is faced with product liability claims and product recalls on these private brand offerings, its reputation, 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

Through its 50.1% equity interest in Dollarcity, the Corporation has international operations in El Salvador, Guatemala, Colombia, Peru and Panama (where Dollarcity is headquartered). 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;
- 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;
- 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.

These factors may increase in importance as Dollarcity expands its store network in Latin America and could adversely affect the growth strategy 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 appreciates against the U.S. dollar, the cost of merchandise purchased in China is likely to increase. Similarly, and to an even greater extent, when the U.S. dollar appreciates against the Canadian dollar, it has a negative impact on margins, profitability and cash flows.

The Corporation uses foreign exchange forward contracts and zero cost collar contracts to mitigate the foreign currency risk associated with the vast majority of forecasted U.S. dollar merchandise purchases, as well as the hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program. 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 January 29, 2023, the outstanding principal on the Corporation's long-term debt amounted to \$2,250.0 million and no amount was outstanding under the US commercial paper program. 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 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 and fluctuations, notably under the Credit Facility, the US commercial paper program and interest rate swap contracts. 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.

Under the terms of the Stockholders Agreement entered into among Dollarama International Inc. and Dollarcity's founding stockholders, who retained 49.9% interest in CARS, Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International Inc. purchase shares of CARS held by them at fair market value. Since October 1, 2022, this right may be exercised in the ordinary course by Dollarcity's founding stockholders during specified periods, subject to certain transaction size thresholds, required ownership thresholds and freeze periods, among other conditions and restrictions. This right may also be exercised upon the occurrence of certain extraordinary events, including a change in control of the Corporation and a sale of Dollarcity. The Corporation cannot predict whether the put right will be exercised or, if exercised, when and to what extent it will be exercised. In the event that the put is exercised, the consideration payable by the Corporation may, depending on various factors, including those discussed above, be paid using cash on hand or financed in full or in part and, depending on the circumstances, may temporarily impact the Corporation's capital allocation strategy.

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 launch of the US commercial paper

program. 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 could 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 combined with the impact of the current inflationary environment on costs may also affect margins and financial performance.

The Corporation 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 an online store offering select products by the full case, which drove increased traffic and generated higher sales since the beginning of the COVID-19 pandemic, the Corporation faces stronger than ever competition from online retailers, especially as the pandemic pushed more consumers to shop online. Aggressive growth of e-commerce competitors and changing consumer habits 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 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. In addition, 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.

As the Corporation's activities continue to grow, it must also continue to hire additional highly qualified individuals at corporate level, including key procurement, replenishment, project management, IT, finance, legal, and technical personnel, and to manage its growing network of stores. There can be no assurance that the Corporation will be able to attract or retain such qualified personnel in the future, which would 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, changing demographics, 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). More specifically, in the event of a labour shortage affecting the Corporation's warehouse and distribution centre staffing needs, the Corporation could experience difficulty delivering its products to stores in a timely manner and could be forced to increase wages and benefits in order to attract and retain workers, which would result in higher operating costs and reduced profitability.

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. In addition, should any portion of the Corporation's employee base become subject to a collective bargaining agreement, the Corporation may be required to make targeted adjustments to its business model. Protracted and extensive work stoppages or labour disruptions resulting from any portion of the Corporation's employee base becoming subject to a collective bargaining agreement, 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, computer and telecommunication failures, computer viruses, worms, other malicious computer programs, denial-of-service attacks, security incidents and breaches, global cyber-attacks, catastrophic events, usage errors by employees or contractors, civil or political unrest, or armed hostilities. The current geopolitical instability has exacerbated these threats, which might lead to increased risk, volume and frequency of cybersecurity incidents. 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, reputation 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, reputation 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.

Cybersecurity, Privacy and Data Breaches

Information security risks have increased in recent years due to the proliferation of new technologies and the growing sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. They can be orchestrated by malevolent actors within or outside an organisation or can be the result of human error. Cyber-threats in particular vary in technique and sources, are persistent, and are increasingly more frequent, 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 or its third-party service providers' 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 ransomware or 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.

In addition to technological risks, the Corporation has increasingly demanding compliance obligations with respect to personal information protection legislation. In the last several years, Canada and Quebec have introduced requirements around breach reporting. As of September 2023, the bulk of the amendments to Quebec's public and private sector personal information protection laws will take effect requiring substantial operational changes, including personal information protection governance structures, new data-subject rights, and substantial penalties for non-compliance. Canada has also introduced Bill C-27 with the aim of overhauling its federal legislation, the *Personal Information Protection and Electronic Documents Act*. 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 now stores 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, attract investigations by government bodies and materially impact its business and financial results.

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. Given the unforeseeability of these events and, increased remediation costs, 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. As well, given the integration of the Corporation's systems with those of many third party service providers, a cyber-incident suffered by them may also affect the Corporation.

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 Quebec, 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 no or a 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 CARS, the parent company of Dollarcity, and established a second growth platform in Latin America. Dollarcity, which is headquartered in Panama, currently operates stores in El Salvador, Guatemala, Colombia and Peru. The Corporation's ability to further develop this growth platform depends largely on the ability of Dollarcity to successfully expand its store network within such territories and the other territories mutually agreed upon between the parties (comprised of Honduras, Costa Rica, Nicaragua, Panama and Ecuador), which, in turn, depends 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.

As per the terms of the Stockholders Agreement entered into among Dollarama International Inc. and Dollarcity's founding stockholders, who retained 49.9% interest in CARS, while the Corporation has a majority interest in Dollarcity, certain strategic and operational decisions are subject to the approval of all stockholders. These include, but are not limited to, decisions related to capital structure, nature of the business, merger and acquisition activities, executive officer appointments and remuneration, approval of annual budget and business plan, and any entry into a new country. 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 which could in turn materially adversely affect the Corporation's business and financial results. 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. Refer to "Financial Risks – Liquidity" for a description of additional risks related to the put right pursuant to which Dollarcity's founding stockholders can require, in certain circumstances, that Dollarama International Inc. purchase shares of CARS held by them at fair market value.

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, Wars and Acts of Terrorism, 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 (including new outbreaks of COVID-19), prolonged IT system failures, boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located or in which the Corporation, including through Dollarcity, operates, war, violence, or disruptive global political events (for example, the current conflict between Russia and Ukraine, or the increased tensions between China and the Western countries), 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, or the complete loss of, 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.

For example, the COVID-19 pandemic has had a significant impact on global economic activity and the Corporation's business since its outset in 2020, and some of the impacts from the pandemic (including increased labour shortages and changes in consumers' spending habits) are still ongoing. There continues to be uncertainty surrounding the COVID-19 pandemic, and the full extent to which COVID-19 (including as a result of the effect of new variants of the virus in the future) may impact the Corporation's and Dollarcity's business and financial results, including as a result of uncertain economic conditions, volatile debt and equity markets, and impacts on their workforce, supply chain, and distribution channels that affect the products and services they are able to offer and/or their ability to engage in cross-border commerce.

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, anti-trust and competition, bribery, corruption and climate change.

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. For example, since December 20, 2022, the *Single-use Plastics Prohibition Regulations* prohibits the manufacture and import for sale in Canada of checkout bags, cutlery, foodservice ware, stir sticks and straws (i.e., straight straws) and required the Corporation to refresh its product assortment. There is no assurance that the Corporation will be able to continuously offer sustainable alternatives, particularly reusable options, to maintain sales levels or that it will be able to do so while preserving product margins.

Climate Change

Climate change is an international concern that is receiving increasing attention worldwide. The Corporation recognizes that physical risks (such as extreme weather conditions, drought, and rising sea levels) resulting from climate change, either event-driven or longer-term shifts in climate patterns, as well as transition risks (such as regulatory or technology changes), may have operational, financial and reputational impacts on its business and activities and throughout its supply chain. These events and their effects on the Corporation's business and activities may have a material adverse effect on its business, financial results and reputation.

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 January 29, 2023, 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 January 29, 2023, 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 January 29, 2023. 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).

There were no changes in internal control over financial reporting that occurred during the period beginning on January 31, 2022 and ended on January 29, 2023 that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On March 29, 2023, the Corporation announced that its board of directors had approved a 28% increase of the quarterly cash dividend for holders of common shares, from \$0.0553 to \$0.0708 per common share. This dividend is payable on May 5, 2023 to shareholders of record at the close of business on April 14, 2023. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

The payment of each quarterly dividend remains subject to the declaration of that dividend by the board of directors. The actual amount of each quarterly dividend, as well as each declaration date, record date and payment date are subject to the discretion of the board of directors.

Normal Course Issuer Bid

On July 5, 2022, the Corporation announced the renewal of its normal course issuer bid and the approval from the Toronto Stock Exchange (the "TSX") to repurchase for cancellation up to 18,713,765 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2022, during the 12-month period from July 7, 2022 to July 6, 2023 (the "2022-2023 NCIB").

During Fiscal 2023, the total number of common shares repurchased for cancellation under the 2022-2023 NCIB and the normal course issuer bid previously in effect amounted to 8,916,071 common shares (January 30, 2022 – 18,176,760 common shares under the normal course issuer bids then in effect), for a total cash consideration of \$689.0 million (January 30, 2022 – \$1,060 million), at a weighted average price of \$77.28 per common share (January 30, 2022 – \$58.31 per common share).

As at January 29, 2023, the Corporation's adjusted net debt to EBITDA ratio was 2.71 times⁽¹⁾.

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

Share Information

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

As at March 28, 2023, there were 284,505,648 common shares issued and outstanding. In addition, there were 3,358,385 options, each exercisable for one common share, issued and outstanding as at March 28, 2023. Assuming exercise of all outstanding options, there would have been 287,864,033 common shares issued and outstanding on a fully diluted basis as at March 28, 2023. Refer to Note 12 of the Corporation's audited annual consolidated financial statements for Fiscal 2023 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".