DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Third Quarter Ended October 30, 2022

December 7, 2022

The following management's discussion and analysis ("MD&A") dated December 7, 2022 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the third quarter ended October 30, 2022. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended October 30, 2022 and the audited annual consolidated financial statements and notes for Fiscal 2022 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended October 30, 2022 have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

Accounting Periods

All references to "Fiscal 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 ending 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:

- the continuing adverse effects of the COVID-19 pandemic on the global economy and on the business, operations and financial condition of Dollarama and Dollarcity (as hereinafter defined);
- global supply chain challenges, whether or not caused by the COVID 19 pandemic, including container shipping rates and lead times; and
- the liquidity position of the Corporation.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's annual MD&A for Fiscal 2022, available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com: future increases in operating costs (including increases in statutory minimum wages and incremental direct costs associated with COVID 19 measures), 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 the COVID-19 pandemic, global supply chain disruptions and the geopolitical instability triggered by the conflict between Russia and Ukraine), 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 December 7, 2022 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

Offerings of Senior Unsecured Notes

On October 4, 2022, the Corporation issued the 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes (each, as hereinafter defined) by way of private placement, 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 Limited.

The Corporation used the net proceeds of these offerings to repay the $250.0 million aggregate principal amount of 2.203% Fixed Rate Notes (as hereinafter defined) matured on November 10, 2022, to repay a portion of its outstanding USCP Notes (as hereinafter defined) and for general corporate purposes.

Quarterly Cash Dividend

On December 7, 2022, the Corporation announced that its board of directors (the "Board of Directors") had approved a quarterly cash dividend for holders of common shares of $0.0553 per common share. This dividend is payable on February 3, 2023 to shareholders of record at the close of business on January 6, 2023. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Dollarama to Acquire Properties Strategically Located Near Logistics Operations

The Corporation has 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 properties are strategically situated near the Corporation's centralized logistics operations and adjacent to its distribution centre. Dollarama intends to redevelop the site to support future logistics needs as it pursues its previously disclosed network growth objective of 2,000 stores in Canada by 2031. Subject to the satisfaction of certain due diligence and other customary closing conditions, the transaction is expected to close in the first half of Fiscal 2024.

Overview

Our Business

As at October 30, 2022, the Corporation had 1,462 stores in Canada, including 18 net new stores opened during the third quarter of Fiscal 2023, and continues to expand its network across the country. Stores average 10,443 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 is gradually taking place in stores throughout the course of Fiscal 2023. Over time, this will enable the Corporation to maintain and enhance its broad product assortment and compelling value. All stores are corporately operated, providing a consistent shopping experience, and many are located in high-traffic areas in metropolitan areas, mid-sized cities and small towns.

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

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

The Corporation also has operations in Latin America through its 50.1% equity interest in Dollarcity, a Latin American value retailer headquartered in Panama. Dollarcity offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US$4.00 (or the equivalent in local currency) in El Salvador, Guatemala, Colombia and Peru. As at September 30, 2022, Dollarcity had a total of 395 stores with 234 locations in Colombia, 83 in Guatemala, 61 in El Salvador, and 17 in Peru. Refer to the sections entitled "Factors Affecting Results of Operations – Sales" and "Related Party Transactions – Dollarcity" for additional details.

Key Items in the Third Quarter of Fiscal 2023

Compared to the third quarter of Fiscal 2022:

- Sales increased by 14.9% to $1,289.6 million;
- Comparable store sales[(1)] grew by 10.8%, compared to a 0.8% increase in the prior year;
- EBITDA[(1)] increased by 11.3% to $386.2 million, or 29.9% of sales, compared to 30.9% of sales;
- Operating income increased by 11.5% to $302.7 million, or 23.5% of sales, compared to 24.2% of sales;
- Diluted net earnings per common share increased by 14.8% to $0.70 from $0.61;
- A total of 18 net new stores were opened, compared to 16 net new stores; and
- A total of 972,847 common shares were repurchased for cancellation under the Corporation's normal course issuer bid, for a total consideration of $76.3 million.

Key Items in the First Nine Months of Fiscal 2023

Compared to the first nine months of Fiscal 2022:

- Sales increased by 15.3% to $3,579.5 million;
- Comparable store sales[(1)] grew by 10.5%, compared to a 0.2% increase in the prior year;
- EBITDA[(1)] grew 18.8% to $1,055.6 million, or 29.5% of sales, compared to 28.6% of sales;
- Operating income increased by 21.1% to $810.1 million, or 22.6% of sales, compared to 21.5% of sales;
- Diluted net earnings per common share increased by 27.6%, to $1.85 from $1.45;
- A total of 41 net new stores were opened, compared to 41 net new stores; and
- A total of 6,108,544 common shares were repurchased for cancellation under the Corporation's normal course issuer bid, for a total consideration of $458.5 million.

Outlook

A discussion of management's expectations as to the Corporation's outlook for Fiscal 2023 is contained in the Corporation's press release dated December 7, 2022 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.

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

Factors Affecting Results of Operations

Sales

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

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

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 2021 and 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 the annual MD&A for Fiscal 2022 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 are reasonably estimable. The rebates are recorded as a reduction of inventory purchases or, if the related inventory has been sold, as a reduction of the cost of sales.

Although cost increases, 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. Firstly, inbound shipping costs are impacted by new dynamics in the ocean shipping industry triggered by the COVID-19 pandemic, which dynamics have a significant impact on shipping capacity, prevailing rates and lead times. The Corporation experienced increased pressure on container shipping costs in Fiscal 2022 and in the first nine months of Fiscal 2023 resulting in higher costs on inbound shipping and longer lead times due to volatility in the market. These market conditions are alleviating in the final months of Fiscal 2023, however the impact of higher costs will be felt through the remainder of Fiscal 2023. Also, when fuel costs increase, shipping and transportation costs increase because carriers generally pass on these increases 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, where we believe we can achieve a healthy balance between maximizing returns to shareholders and offering a compelling value to our customers. The gross margin varies on a quarterly basis as a result of fluctuations in product margins, product mix and/or fluctuations in logistics and transportation costs, among other factors. We target to refresh approximately 25% to 30% of our offering on an annual basis. However, the actual percentage was lower in Fiscal 2022 and in the first nine months of 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 of employees.

Selected Consolidated Financial Information

The following tables set out selected financial information for the periods indicated. The selected consolidated financial information set out below as at October 30, 2022 and October 31, 2021 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

	13-Week Periods Ended		39-Week Periods Ended	
(dollars and shares in thousands, except per share amounts)	October 30, 2022	October 31, 2021	October 30, 2022	October 31, 2021
	$	$	$	$
Earnings Data				
Sales	1,289,574	1,122,267	3,579,518	3,105,861
Cost of sales	730,812	623,480	2,038,832	1,756,974
Gross profit	558,762	498,787	1,540,686	1,348,887
SG&A	181,754	159,076	510,703	474,841
Depreciation and amortization	83,563	75,375	245,514	219,962
Share of net earnings of equity-accounted investment	(9,210)	(7,311)	(25,627)	(14,814)
Operating income	302,655	271,647	810,096	668,898
Financing costs	30,357	23,054	81,380	68,056
Earnings before income taxes	272,298	248,593	728,716	600,842
Income taxes	70,704	65,192	188,141	157,639
Net earnings	201,594	183,401	540,575	443,203
Basic net earnings per common share	$0.70	$0.61	$1.86	$1.45
Diluted net earnings per common share	$0.70	$0.61	$1.85	$1.45
Weighted average number of common shares outstanding:				
Basic	287,837	301,135	290,347	305,105
Diluted	289,636	302,573	292,105	306,544
Other Data				
Year-over-year sales growth	14.9%	5.5%	15.3%	6.3%
Comparable store sales growth (1)	10.8%	0.8%	10.5%	0.2%
Gross margin (1)	43.3%	44.4%	43.0%	43.4%
SG&A as a % of sales (1)	14.1%	14.2%	14.3%	15.3%
Incremental direct costs related to COVID-19 (1)	-	1,080	1,591	31,082
EBITDA (1)	386,218	347,022	1,055,610	888,860
Operating margin (1)	23.5%	24.2%	22.6%	21.5%
Capital expenditures	35,847	35,228	104,269	110,279
Number of stores (2)	1,462	1,397	1,462	1,397
Average store size (gross square feet) (2)	10,443	10,346	10,443	10,346
Declared dividends per common share	$0.0553	$0.0503	$0.1659	$0.1509

	As at	
	October 30, 2022 $	January 30, 2022 $
Statement of Financial Position Data		
Cash	559,159	71,058
Inventories	1,007,108	590,927
Total current assets	1,657,392	717,367
Property, plant and equipment	782,540	761,876
Right-of-use assets	1,588,828	1,480,255
Total assets	5,179,200	4,063,562
Total current liabilities	1,119,213	911,891
Total non-current liabilities	4,019,168	3,217,705
Total debt (1)	2,745,711	1,886,300
Net debt (1)	2,186,552	1,815,242
Shareholders' equity (deficit)	40,819	(66,034)

(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 Third Quarter of Fiscal 2023

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

Sales

Sales for the third quarter of Fiscal 2023 increased by 14.9% to $1,289.6 million, compared to $1,122.3 million in the corresponding period of the prior fiscal year. This increase was driven by growth in the total number of stores over the past 12 months (from 1,397 stores on October 31, 2021, to 1,462 stores on October 30, 2022) and in comparable store sales.

Comparable store sales for the third quarter of Fiscal 2023 increased by 10.8%, consisting of a 10.3% increase in the number of transactions and a 0.4% increase in average transaction size, compared to comparable store sales growth of 0.8% in the corresponding period of the previous fiscal year. The year-over-year increase in comparable store sales is primarily attributable to higher sales of consumable products.

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, 80.4% of the Corporation's sales originated from products priced higher than $1.25, compared to 75.3% in the corresponding quarter last year.

Gross Margin

Gross margin was 43.3% of sales in the third quarter of Fiscal 2023, compared to 44.4% of sales in the third quarter of Fiscal 2022. Gross margin was lower due to a change in the sales mix with stronger sales of lower margin consumable products and higher logistics and freight costs.

SG&A

SG&A for the third quarter of Fiscal 2023 increased by 14.3% to $181.8 million, compared to $159.1 million for the third quarter of Fiscal 2022. SG&A represented 14.1% of sales for the third quarter of Fiscal 2023, compared to 14.2% of sales for the third quarter of Fiscal 2022. This improvement is primarily attributable to the fact that incremental direct costs related to COVID-19 measures for the third quarter of Fiscal 2023 were nil, compared to $1.1 million, representing a 10 basis-point impact, in the same period last year.

Depreciation and Amortization

The depreciation and amortization expense increased by $8.2 million, from $75.4 million for the third quarter of Fiscal 2022 to $83.6 million for the third 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 July 1, 2022 to September 30, 2022 was $9.2 million, compared to $7.3 million for the same period last year, reflecting a strong financial and operational performance by Dollarcity. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs increased by $7.3 million, from $23.1 million for the third quarter of Fiscal 2022 to $30.4 million for the third quarter of Fiscal 2023. The increase is mainly due to a higher average borrowing rate, as well as higher average debt levels from higher US commercial paper activities and the issuance of additional Senior Unsecured Notes (as hereinafter defined).

Income Taxes

Income taxes increased by $5.5 million, from $65.2 million for the third quarter of Fiscal 2022 to $70.7 million for the third quarter of Fiscal 2023. The statutory income tax rate for the third quarters of Fiscal 2023 and Fiscal 2022 were 26.5% and 26.5%, respectively. The Corporation's effective tax rates for the third quarters of Fiscal 2023 and Fiscal 2022 were 26.0% and 26.2%, respectively. The decrease in the effective tax rate for the third quarter of 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 the third quarter of Fiscal 2023 than for the same period in Fiscal 2022, respectively at $9.2 million and $7.3 million) is computed net of taxes, already accounted for by Dollarcity.

Net Earnings

Net earnings were $201.6 million, or $0.70 per diluted common share, in the third quarter of Fiscal 2023, compared to $183.4 million, or $0.61 per diluted common share, in the third quarter of Fiscal 2022.

Analysis of Results for the First Nine Months of Fiscal 2023

The following section provides an overview of our financial performance during the first nine months of Fiscal 2023 compared to the first nine months of Fiscal 2022.

Sales

Sales for the first nine months of Fiscal 2023 increased by 15.3% to $3,579.5 million, compared to $3,105.9 million in the corresponding period of the prior fiscal year.

Comparable store sales increased 10.5% year over year compared to a 0.2% increase in the first nine months of Fiscal 2022. The increase is primarily attributable to the length and timing of the ban on the sale of non-essential products in Ontario, Dollarama's largest market, where approximately 40% of stores are located. The ban was in place from April 8, 2021 to June 10, 2021, inclusively, or for 9 weeks of the first nine months of Fiscal 2022, during a period historically representing a significant proportion of spring and garden seasonal sales. Comparable store sales for the first nine months of Fiscal 2023 consisted of a 14.8% increase in the number of transactions and a 3.7% decrease in average transaction size.

In the first nine months of Fiscal 2023, 78.6% of sales originated from products priced higher than $1.25, compared to 75.2% in the corresponding period last year.

Gross Margin

Gross margin was $1,540.7 million or 43.0% of sales in the first nine months of Fiscal 2023, compared to $1,348.9 million or 43.4% of sales in the first nine months of Fiscal 2022. The decrease in gross margin is due to a change in the sales mix with stronger sales of lower margin consumable products and higher logistics and freight costs.

SG&A

SG&A for the first nine months of Fiscal 2023 was $510.7 million, a 7.6% increase over $474.8 million for the first nine months of Fiscal 2022. SG&A for the first nine months of Fiscal 2023 represented 14.3% of sales, compared to 15.3% of sales for the first nine months of Fiscal 2022. This variance is attributable to lower COVID-19 related costs recorded in the first nine months of Fiscal 2023 which only amounted to $1.6 million, representing a 3 basis-point impact compared to the prior year, which amounted to $31.1 million, representing a 100 basis-point impact.

Depreciation and Amortization

The depreciation and amortization expense increased by $25.5 million, from $220.0 million for the first nine months of Fiscal 2022 to $245.5 million for the first nine months 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 January 1, 2022 to September 30, 2022 was $25.6 million, compared to $14.8 million for the same period last year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs increased by $13.3 million, from $68.1 million for the first nine months of Fiscal 2022 to $81.4 million for the first nine months of Fiscal 2023. The increase is mainly due to a higher average borrowing rate as well as higher average debt levels from higher US commercial paper activities and the issuance of additional Senior Unsecured Notes.

Income Taxes

Income taxes increased by $30.5 million, from $157.6 million for the first nine months of Fiscal 2022 to $188.1 million for the first nine months of Fiscal 2023. The statutory income tax rates for the first nine months of Fiscal 2023 and Fiscal 2022 were 26.5% and 26.5%, respectively. The Corporation's effective tax rates for the first nine months of Fiscal 2023 and Fiscal 2022 were 25.8% and 26.2%, respectively. The decrease in the effective tax rate for the first nine months of 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 the first nine months of Fiscal 2023 than for the same period in Fiscal 2022, respectively at $25.6 million and at $14.8 million) is computed net of taxes, already provisioned by Dollarcity.

Net Earnings

Net earnings increased to $540.6 million, or $1.85 per diluted common share, in the first nine months of Fiscal 2023, compared to $443.2 million, or $1.45 per diluted common share, in the first nine months of Fiscal 2022.

Summary of Consolidated Quarterly Results

	Fiscal 2023			Fiscal 2022				Fiscal 2021
(*dollars in thousands, except per share amounts*)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Statement of Net Earnings Data	$	$	$	$	$	$	$	$
Sales	1,289,574	1,217,060	1,072,884	1,224,900	1,122,267	1,029,348	954,246	1,103,668
Net earnings	201,594	193,479	145,502	219,966	183,401	146,228	113,574	173,902
Net earnings per common share								
Basic	$0.70	$0.67	$0.50	$0.74	$0.61	$0.48	$0.37	$0.56
Diluted	$0.70	$0.66	$0.49	$0.74	$0.61	$0.48	$0.37	$0.56

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. As such, results for the third quarter of Fiscal 2023 may not be representative of results for other quarters or for the full fiscal year.

Inventory

Inventory increased to $1,007.1 million as at October 30, 2022 from $599.2 million on October 31, 2021. The year-over-year increase is primarily attributable to higher in-transit inventory as the Corporation rebuilds its inventory, the purchasing of seasonal goods earlier than historically in the context of global supply chain disruptions, as well as store network growth and higher comparable store sales.

Liquidity and Capital Resources

Cash Flows for the Third Quarter of Fiscal 2023

(dollars in thousands)	13-Week Periods Ended		
	October 30, 2022 $	October 31, 2021 $	Change $
Cash flows from operating activities	126,182	353,511	(227,329)
Cash flows used in investing activities	(35,730)	(35,027)	(703)
Cash flows from (used in) financing activities	397,842	(352,965)	750,807
Net change in cash	488,294	(34,481)	522,775

Cash Flows - Operating Activities

For the third quarter of Fiscal 2023, cash flows generated from operating activities totalled $126.2 million, compared to $353.5 million for the third quarter of Fiscal 2022. This decrease is primarily attributable to a higher use of working capital for the purchase of inventory in the third quarter of Fiscal 2023 compared to the third quarter of Fiscal 2022.

Cash Flows - Investing Activities

For the third quarter of Fiscal 2023, cash flows used in investing activities totalled $35.7 million, compared to $35.0 million for the third quarter of Fiscal 2022. This slight increase is primarily attributable to higher capital expenditures related to transformation and information technology projects compared to the third quarter of Fiscal 2022.

Cash Flows - Financing Activities

For the third quarter of Fiscal 2023, cash flows from financing activities totalled $397.8 million, compared to cash flows of $353.0 million used in financing activities in the third quarter of Fiscal 2022. The higher inflow of cash is attributable to the net proceeds of $696.9 million from the issuance of the 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes, partially offset by a $218.2 million reduction in the volume of repurchases of common shares under the normal course issuer bid compared to the same period last year, and a higher net repayment of $157.0 million of short-term borrowings.

Cash Flows for the First Nine Months of Fiscal 2023

(dollars in thousands)	39-Week Periods Ended		
	October 30, 2022 $	October 31, 2021 $	Change $
Cash flows from operating activities	378,298	752,155	(373,857)
Cash flows used in investing activities	(104,100)	(109,707)	5,607
Cash flows from (used in) financing activities	213,903	(984,593)	1,198,496
Net change in cash	488,101	(342,145)	830,246

Cash Flows - Operating Activities

For the first nine months of Fiscal 2023, cash flows generated from operating activities totalled $378.3 million, compared to $752.2 million for the first nine months of Fiscal 2022. This decrease is primarily attributable to a higher use of working capital for the purchase of inventory in the first nine months of Fiscal 2023 compared to the first nine months of Fiscal 2022.

Cash Flows - Investing Activities

For the first nine months of Fiscal 2023, cash flows used in investing activities totalled $104.1 million, compared to $109.7 million for the first nine months of Fiscal 2022. This slight decrease is mainly due to lower capital expenditures related to transformation and information technology projects compared to the first nine months of Fiscal 2022.

Cash Flows - Financing Activities

For the first nine months of Fiscal 2023, cash flows from financing activities totalled $213.9 million, compared to cash flows of $984.6 million used in financing activities in the first nine months of Fiscal 2022. This variance is mainly explained by net proceeds of $696.9 million from the issuance of the 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes and $282.9 million due to a lower volume of repurchase of common shares under the normal course issuer bid compared to the same period last year, and a higher net proceeds of $157.2 million of short-term borrowings.

Capital Expenditures

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

For the third quarter of Fiscal 2023, capital expenditures totalled $35.8 million, compared to $35.2 million for the third quarter of Fiscal 2022. This slight increase is mainly attributable to higher transformational and information technology capital expenditures in the third quarter of Fiscal 2023, compared to the third quarter of Fiscal 2022.

For the first nine months of Fiscal 2023, capital expenditures totalled $104.3 million, compared to $110.3 million for the first nine months of Fiscal 2022. This decrease is mainly attributable to lower capital expenditures related to transformation and information technology within the first three quarters of Fiscal 2023 compared to Fiscal 2022.

Capital Resources

The Corporation generates sufficient cash flows from operating activities to fund its planned growth, service its debt and make dividend payments to shareholders. As at October 30, 2022, the Corporation had $559.2 million of cash on hand and $1,048.8 million available under its Credit Facility, of which $244.3 million were reserved to serve as a backstop for outstanding amounts under the US commercial paper program.

The Corporation's ability to pay the principal and interest on its debt, to refinance it, or to generate sufficient funds to pay for planned capital expenditures and investments will 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.

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

The Corporation's assumptions with respect to future liquidity needs and refinancing opportunities may not be correct. Refer to the section of the annual MD&A for Fiscal 2022 entitled "Risks and Uncertainties" for a discussion on the risks associated with indebtedness, liquidity and changes in creditworthiness or credit rating.

Senior Unsecured Notes

Long-term debt outstanding consists of the following as at:	October 30, 2022 $	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 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.55% Fixed Rate Notes")	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the "2.203% Fixed Rate Notes")	250,000	250,000
Less: Unamortized debt issue costs, including $1,872 (January 30, 2022 – $1,632) for the credit facility	(9,940)	(8,009)
Accrued interest on the Senior Unsecured Notes	18,815	7,850
Fair value hedge – basis adjustment on interest rate swap	(7,444)	(2,927)
	2,501,431	1,796,914
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)	(268,808)	(257,674)
	2,232,623	1,539,240

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at October 30, 2022 and January 30, 2022. The fair values of the Senior Unsecured Notes were determined as a level 2 in the fair value hierarchy.

	October 30, 2022		January 30, 2022	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
5.165% Fixed Rate Notes	448,118	447,800	-	-
2.443% Fixed Rate Notes	376,231	319,035	373,809	361,913
1.505% Fixed Rate Notes	299,312	254,427	300,277	280,650
1.871% Fixed Rate Notes	375,925	335,261	373,948	363,675
5.084% Fixed Rate Notes	249,172	249,668	-	-
3.55% Fixed Rate Notes	509,409	492,565	502,387	512,950
2.203% Fixed Rate Notes	252,580	249,873	251,052	251,600
	2,510,747	2,348,629	1,801,473	1,770,788

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 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 Limited.

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 credit facilities to sustainability-linked credit facilities ("SLL"), (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 facilities 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.

The SLL is tied to two specific sustainability performance targets related to the Corporation's overall Environmental, Social and Governance strategy and which are linked to incentive pricing terms, namely: i) Climate Change and Energy Management: Reduction of Scope 1 and Scope 2 greenhouse gas emissions intensity; and ii) Diversity, Equity and Inclusion: Increase of female gender representation in management positions

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

As at October 30, 2022 and January 30, 2022, no amount was outstanding under the TARCA. As at October 30, 2022, the Corporation had $1,048.8 million available under its Credit Facility (January 30, 2022 – $798.7 million), of which $244.3 million were reserved to serve as a backstop for outstanding amounts under the US commercial paper program (January 30, 2022 – $89.4 million). As at October 30, 2022, there were letters of credit issued for the purchase of inventories which amounted to $1.2 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, the Corporation may issue, from time to time, on a private placement basis, 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 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 upsized TARCA credit facilities continues to serve as a liquidity backstop for the repayment of the USCP Notes.

As at October 30, 2022, the amount outstanding under the US commercial paper program was US$180.3 million ($244.3 million) (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 October 30, 2022. Trade payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities created as a result of statutory requirements imposed by governments).

(dollars in thousands)	**Less than 3 months**	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Trade payable and accrued liabilities	261,198	-	-	-	261,198
Dividend payable	15,895	-	-	-	15,895
Lease liabilities [1]	56,657	205,235	935,475	928,042	2,125,409
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
3.55% Fixed Rate Notes	-	-	500,000	-	500,000
2.203% Fixed Rate Notes	250,000	-	-	-	250,000
USCP Notes	244,280	-	-	-	244,280
Interest payments on:					
5.165% Fixed Rate Notes	-	23,243	92,970	58,106	174,319
2.443% Fixed Rate Notes	4,581	4,581	36,644	18,323	64,129
1.505% Fixed Rate Notes	-	4,515	18,060	-	22,575
1.871% Fixed Rate Notes	3,508	3,508	21,049	-	28,065
5.084% Fixed Rate Notes	-	12,745	25,420	-	38,165
3.55% Fixed Rate Notes	8,875	8,875	8,875	-	26,625
2.203% Fixed Rate Notes	2,754	-	-	-	2,754
	847,748	262,702	2,563,493	1,829,471	5,503,414

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

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, and commitments as at October 30, 2022.

(dollars in thousands)	**Less than 3 months** **$**	**3 months to 1 year** **$**	**1-5 years** **$**	**Over 5 years** **$**	**Total** **$**
Letters of credit	922	108	152	-	1,182

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 9 of the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended October 30, 2022 and to Note 3 and Note 14 of the Corporation's Fiscal 2022 annual audited consolidated financial statements.

Foreign Currency Risk 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 Exposure

The Corporation also uses interest rate swap contracts to mitigate the risk associated with changes in the fair value of the issued 3.55% 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 the quarter, 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 October 30, 2022, the Corporation leased 19 stores, five warehouses and its head office from entities controlled by the Rossy family pursuant to long-term lease agreements. Rental payments associated with these related-party leases are measured at cost, which equals fair value, being the amount of consideration established at market terms.

As at October 30, 2022, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $29.3 million (January 30, 2022 – $34.7 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $1.6 million and $5.2 million for the 13-week and 39-week periods ended October 30, 2022, respectively (13-week and 39-week periods ended October 31,2021 – $1.4 million and $4.7 million, respectively).

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.

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 October 30, 2022, 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 $33.9 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$10.0 million ($13.6 million) (January 30, 2022 – US$10.0 million ($12.8 million)). For the 13-week and 39-week periods ended October 30, 2022, the sales to Dollarcity amounted to $15.2 million and $35.6 million, respectively (13-week and 39-week periods ended October 31, 2021 – $10.7 million and $28.3 million, respectively), which represents approximately 1% of the Corporation's total consolidated sales.

Critical Accounting Estimates and Judgments

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

The Corporation's unaudited condensed interim consolidated financial statements have been prepared using the critical accounting estimates and judgments as outlined in Note 5 to the Fiscal 2022 audited consolidated financial statements.

Non-GAAP and Other Financial Measures

The Corporation's unaudited condensed interim consolidated financial statements and notes for the third quarter of Fiscal 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 definitions of non-GAAP and other financial measures, as per National Instrument 52-112, *Non-GAAP and Other Financial Measures*, and for a reconciliation of the non-GAAP measures used and presented by the Corporation to the most directly comparable GAAP measures.

(A) Non-GAAP Financial Measures

EBITDA

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

(dollars in thousands)	**13-Week Periods Ended**		**39-Week Periods Ended**	
	October 30, 2022 $	**October 31, 2021 $**	**October 30, 2022 $**	**October 31, 2021 $**
A reconciliation of operating income to EBITDA is included below:				
Operating income	302,655	271,647	810,096	668,898
Add: Depreciation and amortization	83,563	75,375	245,514	219,962
EBITDA	**386,218**	**347,022**	**1,055,610**	**888,860**
A reconciliation of EBITDA to cash flows from operating activities is included below:				
EBITDA	386,218	347,022	1,055,610	888,860
Financing costs (net of amortization of debt issue costs)	(9,797)	(14,087)	(59,313)	(57,302)
Current income taxes	(70,704)	(54,865)	(192,962)	(141,933)
Share-based compensation	3,395	2,078	9,654	6,462
Share of net earnings of equity-accounted investment	(9,210)	(7,311)	(25,627)	(14,814)
Other	913	(806)	(348)	(2,259)
	300,815	272,031	787,014	679,014
Changes in non-cash working capital components	(174,633)	81,480	(408,716)	73,141
Net cash generated from operating activities	**126,182**	**353,511**	**378,298**	**752,155**

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)	As at	
A reconciliation of long-term debt to total debt is included below:	**October 30, 2022**	**January 30, 2022**
	$	**$**
Total long-term debt	2,501,431	1,796,914
USCP Notes issued under US commercial paper program	244,280	89,386
Total debt	**2,745,711**	**1,886,300**

Net debt

Net debt represents total debt minus cash.

(dollars in thousands)	As at	
	October 30, 2022	**January 30, 2022**
	$	**$**
A reconciliation of total debt to net debt is included below:		
Total debt	2,745,711	1,886,300
Cash	(559,159)	(71,058)
Net debt	**2,186,552**	**1,815,242**

Adjusted retained earnings

Adjusted retained earnings represents deficit plus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through October 30, 2022 over (ii) the book value of those common shares.

	As at	
A reconciliation of deficit to adjusted retained earnings is included below:	**October 30, 2022**	**January 30, 2022**
	$	**$**
Deficit	(533,876)	(578,079)
Price paid in excess of book value of common shares repurchased under the NCIB	5,271,358	4,823,071
Adjusted retained earnings	**4,737,482**	**4,244,992**

The deficit as at October 30, 2022 and January 30, 2022 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 $40.8 million as at October 30, 2022. Management believes that buying back shares remains an effective strategy to drive shareholder value and constitutes an appropriate use of the Corporation's funds.

(B) Non-GAAP Ratios

Adjusted net debt to EBITDA ratio

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

(dollars in thousands)	As at	
	October 30, 2022	January 30, 2022
	$	$
A calculation of adjusted net debt to EBITDA ratio is included below:		
Net debt	2,186,552	1,815,242
Lease liabilities	1,843,142	1,727,428
Unamortized debt issue costs, including $1,872 (January 30, 2022 – $1,632) for the credit facility	9,940	8,009
Fair value hedge - basis adjustment on interest rate swap	7,444	2,927
Adjusted net debt	**4,047,078**	**3,553,606**
EBITDA for the last twelve-month period	1,449,327	1,282,577
Adjusted net debt to EBITDA ratio	**2.79x**	**2.77x**

EBITDA margin

EBITDA margin represents EBITDA divided by sales.

(dollars in thousands)	13-Week Periods Ended		39-Week Periods Ended	
	October 30, 2022	October 31, 2021	October 30, 2022	October 31, 2021
	$	$	$	$
A reconciliation of EBITDA to EBITDA margin is included below:				
EBITDA	386,218	347,022	1,055,610	888,860
Sales	1,289,574	1,122,267	3,579,518	3,105,861
EBITDA margin	**29.9%**	**30.9%**	**29.5%**	**28.6%**

(C) Supplementary Financial Measures

Gross margin	Represents gross profit divided by sales.
Operating margin	Represents operating income divided by sales.
SG&A as a % of sales	Represents SG&A divided by sales.
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.
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 the first and second quarter of Fiscal 2022, the calculation of comparable store sales growth excludes stores that were temporarily closed, either in Fiscal 2022 or in the same period of 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 labor 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 Board of Directors requires that the Corporation's senior management identify and properly manage the principal risks related to the Corporation's business operations.

The major risks and uncertainties that could materially affect the Corporation's future business results are described in the Corporation's annual MD&A for Fiscal 2022 (which is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com) and are divided into the following categories:

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

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the period beginning on August 1, 2022 and ended on October 30, 2022 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On December 7, 2022, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of $0.0553 per common share. This dividend is payable on February 3, 2023, to shareholders of record at the close of business on January 6, 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 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 the third quarter of Fiscal 2023, 972,847 common shares were repurchased for cancellation under the 2022-2023 NCIB, for a total cash consideration of $76.3 million, at a weighted average price of $78.43 per common share.

During the first nine months of Fiscal 2023, 6,108,544 common shares were repurchased for cancellation under the 2022-2023 NCIB and the normal course issuer bid previously in effect, for a total cash consideration of $458.5 million, at a weighted average price of $75.06 per common share.

Share Information

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

As at December 6, 2022, there were 287,248,875 common shares issued and outstanding. In addition, there were 3,422,685 options, each exercisable for one common share, issued and outstanding as at December 6, 2022. Assuming exercise of all outstanding options, there would have been 290,671,560 common shares issued and outstanding on a fully diluted basis as at December 6, 2022.

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".