Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week and 39-week periods ended November 1, 2020 and November 3, 2019

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

Dollarama Inc.

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

	Note	November 1, 2020 $	February 2, 2020 $
Assets			
Current assets			
Cash		444,721	90,464
Accounts receivable		27,016	34,965
Prepaid expenses		8,794	9,935
Prepaid income taxes		-	1,767
Inventories		602,524	623,490
Derivative financial instruments	7	3,891	3,876
		1,086,946	764,497
Non-current assets			
Right-of-use assets	6	1,319,216	1,283,778
Property, plant and equipment		686,805	644,011
Intangible assets		158,282	152,967
Goodwill		727,782	727,782
Equity-accounted investment	5	175,125	143,421
Derivative financial instruments	7	109	-
Total assets		4,154,265	3,716,456
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities		256,354	289,254
Short-term borrowings	8	51,184	-
Dividend payable		13,691	13,737
Derivative financial instruments	7	11,662	267
Income taxes payable		8,202	-
Current portion of long-term debt	8	840,314	606,494
Current portion of lease liabilities	6	191,833	182,732
		1,373,240	1,092,484
Non-current liabilities			
Non-current portion of long-term debt	8	1,043,584	1,270,289
Non-current portion of lease liabilities	6	1,364,273	1,332,016
Deferred income taxes		110,807	113,863
Total liabilities		3,891,904	3,808,652
Shareholders' equity (deficit)			
Share capital	9	467,636	448,704
Contributed surplus	9	30,093	29,108
Deficit		(224,697)	(574,110)
Accumulated other comprehensive income (loss)		(10,671)	4,102
Total shareholders' equity (deficit)		262,361	(92,196)
Total liabilities and shareholders' equity (deficit)		4,154,265	3,716,456

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

Dollarama Inc.

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

	Note	Number of common shares	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – February 2, 2020	9	310,231,037	448,704	29,108	(574,110)	4,102	(92,196)
Net earnings		-	-	-	390,446	-	390,446
Other comprehensive loss		-	-	-	-	(5,945)	(5,945)
Total comprehensive income (loss)		-	-	-	390,446	(5,945)	384,501
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(8,828)	(8,828)
Dividends declared		-	-	-	(41,033)	-	(41,033)
Share-based compensation	9	-	-	4,310	-	-	4,310
Issuance of common shares	9	949,700	15,607	-	-	-	15,607
Reclassification for the exercise of share options	9	-	3,325	(3,325)	-	-	-
Balance – November 1, 2020		311,180,737	467,636	30,093	(224,697)	(10,671)	262,361
Balance – February 3, 2019	9	314,685,277	408,179	32,450	(765,202)	7,189	(317,384)
Net earnings					385,322	-	385,322
Other comprehensive income		-	-	-	-	3,695	3,695
Total comprehensive income		-	-	-	385,322	3,695	389,017
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(11,777)	(11,777)
Dividends declared		-	-	-	(41,494)	-	(41,494)
Repurchase and cancellation of common shares	9	(3,086,563)	(4,077)	-	(141,228)	-	(145,305)
Share-based compensation	9	-	-	4,145	-	-	4,145
Issuance of common shares	9	622,200	10,099	-	-	-	10,099
Reclassification for the exercise of share options	9	-	2,197	(2,197)	-	-	-
Balance – November 3, 2019		312,220,914	416,398	34,398	(562,602)	(893)	(112,699)

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

Dollarama Inc.

Interim Consolidated Statement of Net Earnings and Comprehensive Income
For the 13-week and 39-week periods ended
(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	13-week periods ended November 1, 2020	13-week periods ended November 3, 2019	39-week periods ended November 1, 2020	39-week periods ended November 3, 2019
		$	$	$	$
Sales		1,064,201	947,649	2,922,591	2,722,090
Cost of sales	13	595,455	533,887	1,660,044	1,546,194
Gross profit		468,746	413,762	1,262,547	1,175,896
General, administrative and store operating expenses		160,904	142,242	467,979	396,016
Depreciation and amortization	13	68,291	61,374	198,773	179,538
Share of net earnings of equity-accounted investment	5	(4,259)	(1,707)	(9,136)	(1,707)
Operating income		243,810	211,853	604,931	602,049
Financing costs		23,048	25,198	72,854	75,374
Other income		-	(2,842)	-	(2,842)
Earnings before income taxes		220,762	189,497	532,077	529,517
Income taxes	10	58,891	50,870	141,631	144,195
Net earnings		161,871	138,627	390,446	385,322
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net earnings					
Realized losses on financial instruments not subject to basis adjustment		(460)	-	(460)	-
Reclassification of losses on derivative financial instruments not subject to basis adjustments		(87)	(95)	(276)	(284)
Foreign currency translation adjustments		79	(1,326)	(321)	(1,326)
Share of other comprehensive loss of equity-accounted investment	5	(1,279)	(643)	(4,933)	(643)
Income tax recovery relating to these items		31	26	93	76
Items that will not be reclassified subsequently to net earnings					
Unrealized gain (loss) on derivative financial instruments subject to basis adjustments		(4,239)	(1,181)	(70)	8,007
Income tax recovery (expense) relating to these items		1,124	307	22	(2,135)
Total other comprehensive income (loss), net of income taxes		(4,831)	(2,912)	(5,945)	3,695
Total comprehensive income		157,040	135,715	384,501	389,017
Earnings per common share					
Basic net earnings per common share	11	$0.52	$0.44	$1.26	$1.23
Diluted net earnings per common share	11	$0.52	$0.44	$1.25	$1.21
Weighted average number of common shares outstanding (*thousands*)	11	311,146	314,125	310,725	314,528
Weighted average number of diluted common shares outstanding (*thousands*)	11	312,838	317,843	312,494	318,112

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

Dollarama Inc.

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

	Note	13-week periods ended		39-week periods ended	
		November 1, 2020	November 3, 2019	November 1, 2020	November 3, 2019
		$	$	$	$
Operating activities					
Net earnings		161,871	138,627	390,446	385,322
Adjustments to reconcile net earnings to net cash generated from operating activities:					
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	13	68,291	61,374	198,773	179,538
Amortization of debt issue costs		660	545	1,955	1,654
Recognition of gains on bond lock and bond forward contracts	7	(87)	(95)	(276)	(284)
Share-based compensation	9	1,812	1,430	4,310	4,145
Financing costs on long-term debt		9,399	8,800	7,360	8,824
Financing costs on short-term borrowings		412	-	1,765	-
Deferred income taxes		-	6,442	(1,201)	11,648
Gain on disposal of assets		(1,112)	(109)	(3,787)	(589)
Share of net earnings of equity-accounted investment	5	(4,259)	(1,707)	(9,136)	(1,707)
Other income		-	(2,842)	-	(2,842)
		236,987	212,465	590,209	585,709
Changes in non-cash working capital components	14	(35,571)	(9,149)	78,004	(105,315)
Net cash generated from operating activities		201,416	203,316	668,213	480,394
Investing activities					
Additions to equity-accounted investment	5	(69,279)	(58,693)	(97,281)	(58,693)
Additions to property, plant and equipment		(27,459)	(34,024)	(97,020)	(85,756)
Additions to intangible assets		(6,143)	(5,743)	(19,082)	(15,053)
Proceeds from disposal of property, plant and equipment		238	185	464	717
Net cash used in investing activities		(102,643)	(98,275)	(212,919)	(158,785)
Financing activities					
Proceeds from long-term debt issued (1.505% Fixed Rate Notes)	8	300,000	-	300,000	-
Net proceeds (repayments) of short-term borrowings	8	(116,329)	-	48,631	-
Net repayments of credit facilities	8	-	-	-	(25,000)
Repayment of Series 2 Floating Rate Notes	8	-	-	(300,000)	-
Payment of debt issue costs		(2,370)	-	(2,660)	(260)
Principal elements of lease liabilities	6	(40,957)	(39,369)	(121,536)	(107,164)
Issuance of common shares		930	2,928	15,607	10,099
Dividends paid		(13,683)	(13,856)	(41,079)	(40,354)
Repurchase and cancellation of common shares	9	-	(129,800)	-	(145,305)
Net cash generated (used) in financing activities		127,591	(180,097)	(101,037)	(307,984)
Change in cash		226,364	(75,056)	354,257	13,625
Cash – beginning of period		218,357	139,052	90,464	50,371
Cash – end of period		444,721	63,996	444,721	63,996

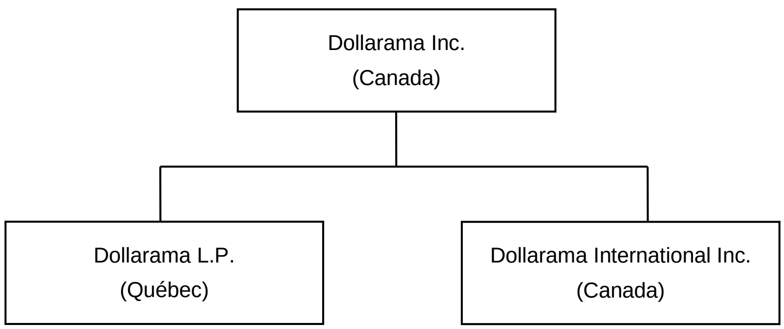
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to $4.00 in-store and online in Canada. As at November 1, 2020, the Corporation maintains retail operations in every Canadian province.

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

As at November 1, 2020, the significant entities within the legal structure of the Corporation are as follows:



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

Dollarama International Inc. (“Dollarama International”) has retail operations in Latin America through its 50.1% equity investment in Dollarcity, a value retailer headquartered in Panama. Dollarcity offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to US$3.00 (or the equivalent in local currency) in stores located in El Salvador and Guatemala and up to the equivalent of US$4.00 in local currency in stores located in Colombia. Dollarama International also sells merchandise and renders services to Dollarcity. For the 13-week and 39-week periods ended November 1, 2020 and November 3, 2019, sales by Dollarama International to Dollarcity represented approximately 1% of the Corporation’s total consolidated sales.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation for issue on December 9, 2020.

The Corporation prepares its condensed interim consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended February 2, 2020 ("Fiscal 2020"), which have been prepared in accordance with IFRS as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

Seasonality of operations

The Corporation's sales generally increase ahead of major holidays, with December representing the highest proportion of sales, but otherwise experience limited seasonal fluctuations. However, the occurrence of certain events that are beyond the Corporation's control, such as unusually adverse weather or an epidemic or pandemic outbreak (like the COVID-19 pandemic), and that cause disruption in its operations could materially adversely affect the business and financial results of the Corporation. Consequently, results for the 13-week and 39-week periods ended November 1, 2020 may not be representative of results for subsequent quarters or for the full fiscal year.

3 Summary of significant accounting policies

Except as described below, these unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in Note 3 to the Fiscal 2020 audited consolidated financial statements.

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

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

3 Summary of significant accounting policies (cont'd)

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

In May 2020, the IASB issued an amendment to IFRS 16, Leases, which provides lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification. The amendment is effective for annual and interim reporting periods beginning on or after June 1, 2020 with early application permitted. The Corporation has adopted the "COVID-19-Related Rent Concessions" amendment to IFRS 16. Early application by the Corporation of the practical expedient did not have an impact on the financial results.

4 Critical accounting estimates and judgments

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

These unaudited condensed interim consolidated financial statements have been prepared using the critical accounting estimates and judgments as outlined in Note 4 to the Fiscal 2020 audited consolidated financial statements.

5 Equity-accounted investment

On September 10, 2020, the balance of purchase price of US$52,700 ($69,279) for the Corporation's 50.1% equity interest in Dollarcity was paid. This is following a cash payment of US$40,000 ($52,800) made on August 14, 2019, when the Corporation closed the acquisition.

The final purchase price of US$92,700 ($122,079) was calculated using 50.1% of a five times multiple of Dollarcity's EBITDA for the 12-month period ended June 30, 2020, minus net debt and subject to other adjustments, following completion of the audit of Dollarcity's financial statements for the reference period.

On May 8, 2020, the Corporation, through Dollarama International, and Dollarcity's founding stockholders, each made a capital contribution to Dollarcity to cover their pro rata share of the costs associated with a series of transactions aimed at bringing real estate assets into the Dollarcity group, eliminating existing related-party transactions and insourcing some logistics activities. The Corporation's capital contribution amounted to US$20,040 ($28,002) and was added to the equity-accounted investment of the Corporation in Dollarcity.

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

6 Leases

As at November 1, 2020, the Corporation owned one store, one distribution centre, one warehouse and leased 1,332 stores, its head office, five warehouses and some equipment.

a) Additions to right-of-use assets

Additions to the right-of-use assets during the 13-week and 39-week periods ended November 1, 2020 amounted to $57,386 and $167,721, respectively (13-week and 39-week periods ended November 3, 2019 – $81,267 and $199,094, respectively).

b) Amounts recognized in the interim consolidated statement of net earnings

	13-week periods ended		39-week periods ended	
	November 1, 2020 $	November 3, 2019 $	November 1, 2020 $	November 3, 2019 $
Depreciation of right-of-use assets	44,359	41,823	131,308	122,688
Gain on lease remeasurements	(1,029)	(128)	(3,853)	(891)
Interest on lease liabilities	11,718	11,854	35,478	35,365
Variable lease expenses not included in the measurement of lease liabilities	21,392	20,699	69,091	65,224
Expenses relating to short-term leases	5,088	3,981	13,773	11,102

c) Amounts recognized in the interim consolidated statement of cash flows

	13-week periods ended		39-week periods ended	
	November 1, 2020 $	November 3, 2019 $	November 1, 2020 $	November 3, 2019 $
Lease cash flows				
Fixed payments	56,113	53,464	167,021	156,544
Variable payments	20,578	21,079	65,766	66,153
Short-term leases	5,088	3,981	13,773	11,102
Tenant incentives received	(3,438)	(2,241)	(10,007)	(14,015)
	78,341	76,283	236,553	219,784
Principal elements of lease liabilities				
Fixed payments	56,113	53,464	167,021	156,544
Tenant incentives received	(3,438)	(2,241)	(10,007)	(14,015)
Interest on lease liabilities	(11,718)	(11,854)	(35,478)	(35,365)
	40,957	39,369	121,536	107,164

7 Financial instruments

The Corporation uses derivative financial instruments such as foreign exchange forward contracts to mitigate the risk associated with fluctuations in the U.S. dollar against the Canadian dollar. These derivative financial instruments are used for risk management purposes and are designated as hedges of future forecasted purchases of merchandise or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US Commercial Paper Program. Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period, or non-current assets or liabilities if their maturity exceeds 12 months.

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

7 Financial instruments (cont'd)

A summary of the aggregate contractual nominal value, weighted average contract rate, statement of financial position location and estimated fair values of derivative financial instruments as at November 1, 2020 and February 2, 2020 is as follows:

	Contractual nominal value	Weighted average contract rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD	USD/CAD	Location	Significant other observable inputs (Level 2)	Recurring
	$			$	
As at November 1, 2020					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	203,500	1.32	Current assets	3,081	Cash flow hedge
USD Foreign exchange forward contracts	12,000	1.32	Non-current assets	109	Cash flow hedge
USD Foreign exchange forward contracts	278,000	1.37	Current liabilities	(11,662)	Cash flow hedge
	493,500			(8,472)	
Hedging instruments for the US commercial paper program					
USD Foreign exchange forward contracts	38,445	1.31	Current assets	810	Cash flow hedge
Total	531,945			(7,662)	
As at February 2, 2020					
Hedging instruments					
USD Foreign exchange forward contracts	410,000	1.31	Current assets	3,876	Cash flow hedge
USD Foreign exchange forward contracts	41,000	1.33	Current liabilities	(267)	Cash flow hedge
	451,000			3,609	

For the 39-week period ended November 1, 2020, accumulated fair value gains of $13,570 on foreign exchange forward contracts recorded in the carrying value of inventory were reclassified from inventory to the consolidated statement of net earnings and comprehensive income and recorded in the cost of sales.

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

8 Debt

Long-term debt outstanding consists of the following as at:	**November 1, 2020** **$**	**February 2, 2020** **$**
Senior unsecured notes bearing interest at:		
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	-
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
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the "2.337% Fixed Rate Notes", and collectively with the 1.505% Fixed Rate Notes, the 3.55% Fixed Rate Notes and the 2.203% Fixed Rate Notes, the "Fixed Rate Notes")	525,000	525,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021 (the "Series 3 Floating Rate Notes")	300,000	300,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 59 basis points payable quarterly, repaid on March 16, 2020 (the "Series 2 Floating Rate Notes", and collectively with the Series 3 Floating Rate Notes, the "Floating Rate Notes")	-	300,000
Less: Unamortized debt issue costs	(6,869)	(6,624)
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	15,767	8,407
	1,883,898	1,876,783
Current portion (includes the Series 3 Floating Rate Notes maturing February 1, 2021, the 2.337% Fixed Rate Notes maturing July 22, 2021, unamortized debt issue costs and accrued interest on the Senior Unsecured Notes)	(840,314)	(606,494)
	1,043,584	1,270,289

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

8 Debt (cont'd)

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at November 1, 2020 and February 2, 2020. The fair values of the Senior Unsecured Notes were determined using Level 2 inputs in the fair value hierarchy.

	November 1, 2020		February 2, 2020	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Fixed Rate Notes				
1.505% Fixed Rate Notes	298,908	297,330	-	-
3.55% Fixed Rate Notes	505,943	535,650	500,874	523,480
2.203% Fixed Rate Notes	252,186	256,500	250,664	250,958
2.337% Fixed Rate Notes	528,074	531,720	524,686	527,678
Floating Rate Notes				
Series 3 Floating Rate Notes	300,403	300,150	301,302	300,204
Series 2 Floating Rate Notes	-	-	300,754	300,156
	1,885,514	1,921,350	1,878,280	1,902,476

Fixed Rate Notes

On September 18, 2020, the Corporation issued the 1.505% Fixed Rate Notes at par, for aggregate gross proceeds of $300,000, by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 1.505% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited. The 1.505% Fixed Rate Notes bear interest at a rate of 1.505% per annum, payable in equal semi-annual instalments, in arrears, on March 20 and September 20 of each year until maturity on September 20, 2027.

Credit Agreement

On February 14, 2020, the Corporation and the lenders entered into the Third Amended and Restated Credit Agreement (the "TARCA") reflecting a number of agreed upon amendments to the Second Amended and Restated Credit Agreement (the "SARCA"), including the addition of a new revolving credit facility, Facility D, in the amount of $300,000. This additional facility brings total commitments up from $500,000 to $800,000 and the whole facility serves as a liquidity backstop for the repayment of the USCP Notes (defined hereinafter) issued from time to time under the US Commercial Paper Program (defined hereinafter).

On March 13, 2020, the Corporation and the lenders entered into a first amending agreement to the TARCA in order to extend the term of Facility B and Facility C, representing $200,000 and $50,000 respectively, from September 29, 2021 to September 29, 2022.

8 Debt (cont'd)

On September 21, 2020, the Corporation and the lenders entered into the second amending agreement to the TARCA in order to extend the term of Facility D of $300,000 from February 12, 2021 to September 20, 2021. Facility A, in the amount of $250,000, is available until September 27, 2024.

Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to committed facilities up to an aggregate amount, together with all then-existing commitments, of $1,500,000.

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

As at November 1, 2020, no amount was outstanding under the TARCA (February 2, 2020 – no amount outstanding under the SARCA), although there were letters of credit issued for the purchase of inventories which amounted to $1,249 (February 2, 2020 – $469). As at November 1, 2020, the Corporation was in compliance with all of its financial covenants.

Short-term borrowings

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

Under the terms of the US Commercial Paper Program, the Corporation may issue, from time to time, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). The aggregate principal amount of USCP Notes outstanding at any one time under the US Commercial Paper Program may not exceed US$500,000. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars, and uses those proceeds for general corporate purposes.

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

The USCP Notes had carrying values that approximated their fair values as at November 1, 2020 and their fair value was determined using Level 2 inputs. As at November 1, 2020, the amount outstanding under the US Commercial Paper Program was US$38,445 ($51,184).

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

9 Shareholders' equity (deficit)

a) Share capital

Normal course issuer bid

On July 3, 2020, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 15,548,326 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on June 30, 2020, during the 12-month period from July 7, 2020 to July 6, 2021.

During the 13-week and 39-week periods ended November 1, 2020, no common shares were repurchased for cancellation under the normal course issuer bid.

The total number of common shares repurchased for cancellation under the normal course issuer bid during the 13 week and 39-week periods ended November 3, 2019 amounted to 2,772,340 and 3,086,563 common shares, respectively, for a total cash consideration of $129,800 and $145,305, respectively. For the 13-week and 39-week periods ended November 3, 2019, the Corporation's share capital was reduced by $3,668 and $4,077, respectively, and the remaining $126,132 and $141,228 was accounted for as an increase in deficit, respectively.

b) Contributed surplus

Share-based compensation

During the 13-week and 39-week periods ended November 1, 2020, the Corporation recognized a share-based compensation expense of $1,812 and $4,310, respectively (13-week and 39-week periods ended November 3, 2019 – $1,430 and $4,145, respectively).

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

	November 1, 2020		November 3, 2019	
	Number of share options	**Weighted average exercise price ($)**	**Number of share options**	**Weighted average exercise price ($)**
Outstanding – beginning of period	5,083,700	26.99	7,249,600	22.07
Granted	748,000	46.80	583,500	38.47
Exercised	(949,700)	16.43	(622,200)	16.23
Forfeited	(20,100)	41.72	(88,800)	34.52
Outstanding – end of period	4,861,900	32.04	7,122,100	23.77
Exercisable – end of period	2,866,500	24.78	5,036,800	18.11

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

9 Shareholders' equity (deficit) (cont'd)

Information relating to share options outstanding and exercisable as at November 1, 2020 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	**Weighted average remaining life (in months)**	**Number of share options**	**Weighted average exercise price ($)**	**Weighted average remaining life (in months)**	**Number of share options**	**Weighted average exercise price ($)**
$6.30 - $9.90	14	75,600	7.03	14	75,600	7.03
$9.91 - $13.66	29	95,600	11.85	29	95,600	11.85
$13.67 - $18.72	41	1,026,800	14.82	41	1,026,800	14.82
$18.73 - $23.68	53	513,500	23.68	53	513,500	23.68
$23.69 - $30.20	65	798,000	30.20	65	573,000	30.20
$30.21 - $37.36	77	545,400	37.36	77	275,400	37.36
$37.37 - $51.25	103	1,807,000	45.52	93	306,600	46.97
	73	4,861,900	32.04	56	2,866,500	24.78

The weighted average fair value of the share options granted during the 39-week periods ended on the dates indicated below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	November 1, 2020	**November 3, 2019**
Exercise price per share	$46.80	$38.47
Dividend yield	0.4%	0.5%
Risk-free interest rate	0.5%	1.4%
Expected life	6.2 years	6.2 years
Expected volatility	27.8%	22.4%
Weighted average fair value of share options estimated at the grant date	$12.43	$9.16

The expected life is estimated using the average of the vesting period and the contractual life of the share options. Expected volatility is estimated based on weekly observations of the Corporation's publicly traded share price.

10 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week and 39-week periods ended November 1, 2020 was 26.6% (November 3, 2019 – 26.9%). The Corporation's effective income tax rate for the 13-week and 39-week periods ended November 1, 2020 was 26.7% and 26.6%, respectively (November 3, 2019 – 26.8% and 27.2%, respectively).

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

11 Earnings per common share

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

	13-week periods ended		**39-week periods ended**	
	November 1, 2020	**November 3, 2019**	**November 1, 2020**	**November 3, 2019**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$161,871	$138,627	$390,446	$385,322
Weighted average number of common shares outstanding during the period (*thousands*)	311,146	314,125	310,725	314,528
Assumed share options exercised (*thousands*)	1,692	3,718	1,769	3,584
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	312,838	317,843	312,494	318,112
Diluted net earnings per common share	$0.52	$0.44	$1.25	$1.21

As at November 1, 2020, 1,277,200 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the sum of the exercise price and the unearned shared-based compensation of those share options under the treasury stock method (November 3, 2019 – 1,094,700).

12 Related party transactions

a) Rossy family

As at November 1, 2020, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $45,484 (February 2, 2020 – $52,419).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $1,396 and $4,600 for the 13-week and 39-week periods ended November 1, 2020, respectively (13-week and 39-week periods ended November 3, 2019 – $1,457 and $5,292, respectively).

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

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

12 Related party transactions (cont'd)

b) Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into a licensing and services agreement with Dollarcity (the "LSA"). As at November 1, 2020, the account receivable from Dollarcity for the goods sold, assets licensed, and services provided under the LSA totalled $22,569 (November 3, 2019 – $34,037), which amount is partly guaranteed by a letter of credit up to US$10,000 ($13,321) (November 3, 2019 – US$20,000 ($26,284)). For the 13-week and 39-week periods ended November 1, 2020, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to $4,657 and $10,458 (for the period from August 14, 2019, the date on which Dollarcity became a related party to the Corporation as a result of the acquisition by the Corporation of a 50.1% interest in Dollarcity, to November 3, 2019 – $3,738), respectively.

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

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

	13-week periods ended		39-week periods ended	
	November 1, 2020 $	November 3, 2019 $	November 1, 2020 $	November 3, 2019 $
Cost of sales				
Cost of goods sold, labour, transport and other costs	558,762	499,560	1,551,766	1,447,853
Occupancy costs	36,693	34,327	108,278	98,341
Total cost of sales	595,455	533,887	1,660,044	1,546,194
Depreciation and amortization				
Depreciation of property, plant and equipment and right-of-use assets	63,352	57,312	185,005	167,846
Amortization of intangible assets	4,939	4,062	13,768	11,692
Total depreciation and amortization	68,291	61,374	198,773	179,538
Employee benefits	130,250	113,121	370,302	308,634

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

14 Details of statement of cash flows

Changes in non-cash working capital

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

	13-week periods ended		39-week periods ended	
	November 1, 2020	November 3, 2019	November 1, 2020	November 3, 2019
	$	$	$	$
Accounts receivable	(4,479)	1,376	9,055	(2,121)
Prepaid expenses	610	3,996	1,141	2,189
Prepaid income taxes	8	3,306	1,769	-
Inventories	(16,773)	(56,431)	20,966	(76,913)
Accounts payable and accrued liabilities	40,242	35,411[1]	35,445	2,939[1]
Income taxes payable	(55,179)	3,193	9,628	(31,409)
	(35,571)	(9,149)	78,004	(105,315)
Cash paid for income taxes	114,074	37,929	131,450	163,955
Cash paid for interest	13,277	15,844	63,217	65,792

(1) As at November 3, 2019, the estimated balance of purchase price for the acquisition of a 50.1% interest in Dollarcity of US$52,674 ($69,316) was recorded in accounts payable and accrued liabilities and was excluded from the change in non-cash working capital. See Note 5 for recent developments.

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

15 Event after the reporting period

Quarterly cash dividend

On December 9, 2020, the Corporation announced that its Board of Directors had approved an increase of the quarterly cash dividend for holders of common shares, from $0.044 to $0.047 per common share. This dividend is payable on February 5, 2021 to shareholders of record at the close of business on January 8, 2021. The dividend is designated as an “eligible dividend” for Canadian tax purposes.