

# **Dollarama Inc.**

Condensed Interim Consolidated Financial  
Statements

**For the 13-week periods ended May 1, 2022  
and May 2, 2021**

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

## Dollarama Inc.

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

	Note	May 1, 2022	January 30, 2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		71,574	71,058
Accounts receivable		32,658	26,260
Prepaid expenses		13,208	13,135
Inventories		646,713	590,927
Derivative financial instruments	9	22,607	15,987
		<u>786,760</u>	<u>717,367</u>
<b>Non-current assets</b>			
Right-of-use assets	5	1,523,226	1,480,255
Property, plant and equipment		766,175	761,876
Intangible assets		163,210	164,066
Derivative financial instruments	9	-	290
Goodwill		727,782	727,782
Equity-accounted investment		227,126	211,926
		<u>4,194,279</u>	<u>4,063,562</u>
<b>Liabilities and shareholders' deficit</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		292,814	283,125
Short-term borrowings	6	137,387	89,386
Dividend payable		16,206	14,891
Derivative financial instruments	9	6,668	3,435
Income taxes payable		35,242	62,516
Current portion of long-term debt	6	266,387	257,674
Current portion of lease liabilities	5	224,196	200,864
		<u>978,900</u>	<u>911,891</u>
<b>Non-current liabilities</b>			
Non-current portion of long-term debt	6	1,536,191	1,539,240
Non-current portion of lease liabilities	5	1,547,252	1,526,564
Deferred income taxes		149,065	151,901
		<u>4,211,408</u>	<u>4,129,596</u>
<b>Shareholders' deficit</b>			
Share capital	7	494,268	479,446
Contributed surplus	7	32,935	32,924
Deficit		(553,747)	(578,079)
Accumulated other comprehensive income (loss)		9,415	(325)
		<u>(17,129)</u>	<u>(66,034)</u>
<b>Total liabilities and shareholders' deficit</b>		<u>4,194,279</u>	<u>4,063,562</u>

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

## Dollarama Inc.

### Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit) For the 13-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 \$
<b>Balance – January 30, 2022</b>	7	292,813,569	479,446	32,924	(578,079)	(325)	(66,034)
Net earnings		-	-	-	145,502	-	145,502
Other comprehensive income		-	-	-	-	12,001	12,001
<b>Total comprehensive income</b>		-	-	-	145,502	12,001	157,503
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(2,261)	(2,261)
Dividends declared		-	-	-	(16,206)	-	(16,206)
Repurchase and cancellation of common shares	7	(1,444,803)	(2,374)	-	(104,964)	-	(107,338)
Share-based compensation	7	-	-	3,202	-	-	3,202
Issuance of common shares	7	439,900	14,005	-	-	-	14,005
Reclassification for the exercise of share options	7	-	3,191	(3,191)	-	-	-
<b>Balance – May 1, 2022</b>		<b>291,808,666</b>	<b>494,268</b>	<b>32,935</b>	<b>(553,747)</b>	<b>9,415</b>	<b>(17,129)</b>
<b>Balance – January 31, 2021</b>	7	310,266,429	485,487	28,527	(149,983)	(29,177)	334,854
Net earnings		-	-	-	113,574	-	113,574
Other comprehensive loss		-	-	-	-	(27,480)	(27,480)
<b>Total comprehensive income (loss)</b>		-	-	-	113,574	(27,480)	86,094
Transfer of realized cash flow hedge losses to inventory		-	-	-	-	9,009	9,009
Dividends declared		-	-	-	(15,501)	-	(15,501)
Repurchase and cancellation of common shares		(4,935,573)	(7,841)	-	(275,521)	-	(283,362)
Share-based compensation	7	-	-	2,217	-	-	2,217
Issuance of common shares	7	268,300	7,179	-	-	-	7,179
Reclassification for the exercise of share options	7	-	1,557	(1,557)	-	-	-
<b>Balance – May 2, 2021</b>		<b>305,599,156</b>	<b>486,382</b>	<b>29,187</b>	<b>(327,431)</b>	<b>(47,648)</b>	<b>140,490</b>

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

## Dollarama Inc.

### Interim Consolidated Statements of Net Earnings and Comprehensive Income For the 13-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	May 1, 2022 \$	May 2, 2021 \$
Sales		1,072,884	954,246
Cost of sales	12	620,992	550,806
<b>Gross profit</b>		451,892	403,440
General, administrative and store operating expenses		160,625	158,672
Depreciation and amortization	12	79,972	71,402
Share of net earnings of equity-accounted investment		(8,737)	(3,403)
<b>Operating income</b>		220,032	176,769
Financing costs		24,355	22,146
<b>Earnings before income taxes</b>		195,677	154,623
<b>Income taxes</b>	8	50,175	41,049
<b>Net earnings</b>		145,502	113,574
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to net earnings</i>			
Reclassification of amortization of net gains on financial instruments not subject to basis adjustments		(133)	(78)
Foreign currency translation adjustments		1,604	(7,310)
Share of other comprehensive income (loss) of equity-accounted investment		3,604	(447)
Income tax recovery relating to these items		35	24
<i>Items that will not be reclassified subsequently to net earnings</i>			
Unrealized gains (losses) on derivative financial instruments subject to basis adjustments		9,349	(26,746)
Income tax recovery (expense) relating to these items		(2,458)	7,077
<b>Total other comprehensive income (loss), net of income taxes</b>		12,001	(27,480)
<b>Total comprehensive income</b>		157,503	86,094
<b>Earnings per common share</b>			
Basic net earnings per common share	10	\$0.50	\$0.37
Diluted net earnings per common share	10	\$0.49	\$0.37
<b>Weighted average number of common shares outstanding</b> (thousands)	10	292,721	309,400
<b>Weighted average number of diluted common shares outstanding</b> (thousands)	10	294,477	310,742

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

## Dollarama Inc.

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

	Note	May 1, 2022 \$	May 2, 2021 \$
<b>Operating activities</b>			
Net earnings		145,502	113,574
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	12	79,972	71,402
Amortization of debt issue costs		556	594
Amortization of net gains on bond lock and bond forward contracts		(138)	(78)
Share-based compensation	7	3,202	2,217
Financing costs on short-term borrowings and long-term debt and realized gains on financial instruments		8,606	7,128
Deferred income taxes		(4,462)	1,124
Gain on lease remeasurements		(628)	(852)
Share of net earnings of equity-accounted investment		(8,737)	(3,403)
		<u>223,873</u>	<u>191,706</u>
Changes in non-cash working capital components	13	<u>(81,093)</u>	<u>(57,723)</u>
Net cash generated from operating activities		<u>142,780</u>	<u>133,983</u>
<b>Investing activities</b>			
Additions to property, plant and equipment		(26,713)	(26,071)
Additions to intangible assets		(4,630)	(4,299)
Proceeds from disposal of property, plant and equipment		18	173
Net cash used in investing activities		<u>(31,325)</u>	<u>(30,197)</u>
<b>Financing activities</b>			
Net proceeds from short-term borrowings	6	47,697	139,553
Repayment of the Series 3 Floating Rate Notes	6	-	(300,000)
Payment of debt issue costs		-	(178)
Principal elements of lease liabilities	5	(50,413)	(42,439)
Issuance of common shares	7	14,005	7,179
Dividends paid		(14,890)	(14,583)
Repurchase and cancellation of common shares	7	(107,338)	(283,362)
Net cash used in financing activities		<u>(110,939)</u>	<u>(493,830)</u>
<b>Change in cash</b>		516	(390,044)
<b>Cash – beginning of period</b>		<u>71,058</u>	<u>439,144</u>
<b>Cash – end of period</b>		<u>71,574</u>	<u>49,100</u>

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

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 1, 2022

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

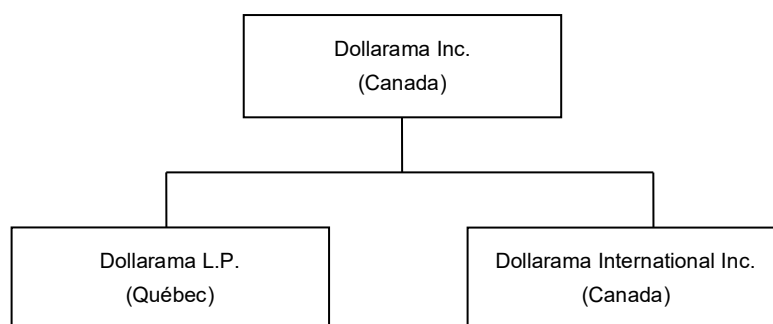
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#### 1 General information

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 \$5.00 in-store and online in Canada. As at May 1, 2022, the Corporation maintains retail operations in every Canadian province and in the Yukon.

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 May 1, 2022, the significant entities within the 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\$4.00 (or the equivalent in local currency) in stores located in El Salvador, Guatemala, Colombia and Peru. Dollarama International also sells merchandise and renders services to Dollarcity. For the 13-week periods ended May 1, 2022 and May 2, 2021, sales by Dollarama International to Dollarcity represented approximately 1% of the Corporation’s total consolidated sales.

## **Dollarama Inc.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**May 1, 2022**

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

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## **2 Basis of preparation**

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Corporation (the “Board of Directors”) for issue on June 8, 2022.

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 January 30, 2022 (“Fiscal 2022”), 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 period ended May 1, 2022 may not be representative of results for subsequent quarters or for the full fiscal year.

## **3 Summary of significant accounting policies**

These unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in Note 3 to the Fiscal 2022 audited consolidated financial statements.

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 1, 2022

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

#### 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 5 to the Fiscal 2022 audited consolidated financial statements.

#### 5 Leases

As at May 1, 2022, the Corporation owned one store, one distribution centre, one warehouse and leased 1,430 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 period ended May 1, 2022 amounted to \$96,780 (May 2, 2021 – \$71,388).

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

	May 1, 2022	May 2, 2021
	\$	\$
Depreciation of right-of-use assets	52,094	46,536
Gain on lease remeasurements	(632)	(943)
Interest on lease liabilities	12,021	11,491
Variable lease expenses not included in the measurement of the lease liabilities	22,199	23,628
Expenses relating to short-term leases	7,676	4,916

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

	May 1, 2022	May 2, 2021
	\$	\$
<b>Lease cash flows</b>		
Fixed payments	63,810	58,360
Variable payments	22,283	22,652
Short-term leases	7,676	4,916
Tenant incentives received	(1,376)	(4,430)
	<u>92,393</u>	<u>81,498</u>
<b>Principal elements of lease liabilities</b>		
Fixed payments	63,810	58,360
Tenant incentives received	(1,376)	(4,430)
Interest on lease liabilities	(12,021)	(11,491)
	<u>50,413</u>	<u>42,439</u>



## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 1, 2022

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

## 6 Debt

	May 1, 2022	January 30, 2022
	\$	\$
Long-term debt outstanding consists of the following as at:		
Senior unsecured notes bearing interest at:		
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 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", and collectively with the 2.443% Fixed Rate Notes, the 1.505% Fixed Rate Notes, the 1.871% Fixed Rate Notes and the 3.55% Fixed Rate Notes, the "Senior Unsecured Notes")	250,000	250,000
Less: Unamortized debt issue costs	(7,453)	(8,009)
Accrued interest on the Senior Unsecured Notes	16,506	7,850
Fair value hedge - basis adjustment on interest rate swap	(6,475)	(2,927)
	1,802,578	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)	(266,387)	(257,674)
	<u>1,536,191</u>	<u>1,539,240</u>

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 1, 2022

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

#### 6 Debt (cont'd)

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at May 1, 2022 and January 30, 2022. The fair values of the Senior Unsecured Notes were determined as a level 2 in the fair value hierarchy.

	May 1, 2022		January 30, 2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
<b>Fixed Rate Notes</b>				
2.443% Fixed Rate Notes	376,138	328,725	373,809	361,913
1.505% Fixed Rate Notes	299,203	261,240	300,277	280,650
1.871% Fixed Rate Notes	375,773	343,275	373,948	363,675
3.55% Fixed Rate Notes	506,998	499,800	502,387	512,950
2.203% Fixed Rate Notes	252,480	249,800	251,052	251,600
	<u>1,810,592</u>	<u>1,682,840</u>	<u>1,801,473</u>	<u>1,770,788</u>

#### Credit Agreement

On July 6, 2021, the Corporation and the lenders entered into a fourth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, extend (i) the term of Facility A in the amount of \$250,000 from September 27, 2024 to July 6, 2026, (ii) the term of Facility B, in the amount of \$200,000, from September 29, 2023 to July 5, 2024, (iii) the term of Facility C, in the amount of \$50,000, from September 29, 2023 to July 5, 2024, and (iv) the term of Facility D, in the amount of \$300,000, from September 20, 2021 to July 6, 2022.

Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to 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.

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.

## **Dollarama Inc.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**May 1, 2022**

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

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#### **6 Debt (cont'd)**

As at May 1, 2022 and January 30, 2022, no amount was outstanding under the TARCA. As at May 1, 2022, the Corporation had \$71,574 of cash on hand and \$798,896 available under its Credit Facility (January 30, 2022 – \$71,058 and \$798,730, respectively), of which \$137,387 were reserved to serve as a backstop for outstanding amounts under the US commercial paper program (January 30, 2022 – \$89,386). As at May 1, 2022, there were letters of credit issued for the purchase of inventories which amounted to \$1,104 (January 30, 2022 – \$1,270) and the Corporation was in compliance with all of its financial covenants.

##### **Short-term borrowings**

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.

As at May 1, 2022, the USCP Notes outstanding had carrying values that approximated their fair values, and their fair value was determined as a level 2 in the fair value hierarchy. As at May 1, 2022, the amount outstanding under the US commercial paper program was US\$106,932 (\$137,387) (January 30, 2022 – US\$70,000 (\$89,386)).

#### **7 Shareholders' deficit**

##### **a) Share capital**

###### **Normal course issuer bid**

On July 5, 2021, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 19,376,824 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2021, during the 12-month period from July 7, 2021 to July 6, 2022 (the “2021-2022 NCIB”).

The total number of common shares repurchased for cancellation under the 2021-2022 NCIB during the 13-week period ended May 1, 2022 amounted to 1,444,803 common shares (May 2, 2021 – 4,935,573 common shares repurchased under the normal course issuer bid then in effect), for a total cash consideration of \$107,338 (May 2, 2021 – \$283,362). For the 13-week period ended May 1, 2022, the Corporation's share capital was reduced by \$2,374 (May 2, 2021 – \$7,841) and the remaining \$104,964 (May 2, 2021 – \$275,521) was accounted for as an increase in deficit.

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 1, 2022

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

## 7 Shareholders' deficit (cont'd)

### b) Contributed surplus

#### Share-based compensation

##### *Performance share units*

During the 13-week period ended May 1, 2022, the Corporation recognized a share-based compensation expense for performance share units of \$1,482 (May 2, 2021 – \$165).

Outstanding performance share units for the 13-week period ended on the dates indicated below are as follows:

	<u>May 1, 2022</u>	<u>May 2, 2021</u>
<b>Outstanding – beginning of period</b>	103,953	-
Granted	74,564	103,953
Vested <sup>(1)</sup>	-	-
<b>Outstanding – end of period</b>	<u>178,517</u>	<u>103,953</u>

<sup>(1)</sup> Vesting at the end of the three-year performance period varies from 0% to 200% depending on performance achieved against the criteria set on the date of grant.

##### *Share options*

During the 13-week period ended May 1, 2022, the Corporation recognized a share-based compensation expense for share options of \$1,720 (May 2, 2021 – \$2,052).

Outstanding and exercisable share options for the 13-week periods ended on the dates indicated below are as follows:

	<u>May 1, 2022</u>		<u>May 2, 2021</u>	
	<u>Number of share options</u>	<u>Weighted average exercise price (\$)</u>	<u>Number of share options</u>	<u>Weighted average exercise price (\$)</u>
<b>Outstanding – beginning of period</b>	3,819,100	37,28	4,229,500	33.81
Granted	252,435	73,79	396,000	56.50
Exercised	(439,900)	31,84	(268,300)	26.76
<b>Outstanding – end of period</b>	<u>3,631,635</u>	<u>40,48</u>	<u>4,357,200</u>	<u>36.31</u>
<b>Exercisable – end of period</b>	<u>2,136,400</u>	<u>31,90</u>	<u>2,459,600</u>	<u>27.73</u>

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 1, 2022

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

## 7 Shareholders' deficit (cont'd)

Information relating to share options outstanding and exercisable as at May 1, 2022 is as follows:

Range of exercise prices	Share options outstanding			Share options exercisable		
	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 (\$)
\$12.02 - \$13.67	11	59,600	12.02	11	59,600	12.02
\$13.68 - \$18.72	23	544,600	14.80	23	544,600	14.80
\$18.73 - \$23.68	35	193,000	23.68	35	193,000	23.68
\$23.69 - \$30.20	47	291,000	30.20	47	291,000	30.20
\$30.21 - \$37.36	59	342,000	37.36	59	342,000	37.36
\$37.37 - \$56.50	91	1,949,000	47.95	83	706,200	47.08
\$56.51 - \$73.79	119	252,435	73.79	-	-	-
	72	3,631,635	40.48	53	2,136,400	31.90

The weighted average fair value of the share options granted during the 13-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:

	May 1, 2022	May 2, 2021
Exercise price per share	\$73.79	\$56.50
Dividend yield	0.3%	0.4%
Risk-free interest rate	2.4%	1.1%
Expected life	6.1 years	6.1 years
Expected volatility	25.7%	26.8%
Weighted average fair value of share options estimated at the grant date	\$21.72	\$15.30

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.

## 8 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 period ended May 1, 2022 was 26.5% (May 2, 2021 – 26.5%). The Corporation's effective income tax rate for the 13-week period ended May 1, 2022 was 25.6% (May 2, 2021 – 26.5%).

## **Dollarama Inc.**

### Notes to Condensed Interim Consolidated Financial Statements

**May 1, 2022**

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

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## **9 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.

### *Interest Rate Exposure*

The Corporation also uses bond forward contracts in advance of the refinancing of the 2.203% Fixed Rate Notes due November 10, 2022 through the issuance of new long-term notes before the maturity date. These derivatives are designated as hedging instruments and are recorded on the consolidated statement of financial position at fair value. The gain or loss related to the effective portion of the change in fair value of the derivatives is recorded to other comprehensive income and will be reclassified to net earnings over the same period as the hedged interest payments are recorded in earnings. The hedged risk is defined as the variability in cash flows associated with coupons paid on the debt to be issued attributable to movements in the CAD benchmark rate. The CAD benchmark rate consists of the interpolated yield of Government of Canada bond curve with a term corresponding to the expected debt. Cash flows related to the expected bond's credit spread over the CAD benchmark are not designated as part of the hedging relationship.

A summary of the aggregate contractual nominal value, weighted average contract rate or interest rate, as applicable, statement of financial position location and estimated fair values of derivative financial instruments as at May 1, 2022 and January 30, 2022 is as follows:

# Dollarama Inc.

## Notes to Condensed Interim Consolidated Financial Statements

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

	Contractual nominal value	Weighted average contract rate/Interest rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD \$	USD/CAD/ Interest rate	Location	Significant other observable inputs (Level 2) \$	Recurring
<b>As at May 1, 2022</b>					
<b>Hedging instruments for the forecasted U.S. dollar merchandise purchases</b>					
USD Foreign exchange forward contracts	595,000	1.26	Current assets	17,473	Cash flow hedge
USD Foreign exchange forward contracts	50,000	1.29	Current liabilities	(193)	Cash flow hedge
USD Zero cost collar contracts	30,000	1.23 <sup>(1)</sup> – 1.30 <sup>(2)</sup>	Current assets	404	Cash flow hedge
	<u>675,000</u>			<u>17,684</u>	
<b>Hedging instruments for the US commercial paper program</b>					
USD Foreign exchange forward contracts	107,000	1.27	Current assets	1,343	Cash flow hedge
	<u>107,000</u>			<u>1,343</u>	
<b>Hedging instruments for the fixed to floating interest rate notes</b>					
Interest rate swap contracts	200,000	CDOR <sup>(3)</sup> + 2.73%	Current liabilities	(6,475)	Fair value hedge
	<u>200,000</u>			<u>(6,475)</u>	
<b>Hedging instruments for the forecasted fixed rate note issuances</b>					
CAD Bond forward sale contracts	250,000	2.49%	Current assets	3,387	Cash flow hedge
	<u>250,000</u>			<u>3,387</u>	
<b>Total</b>	<u>1,232,000</u>			<u>15,939</u>	
<b>As at January 30, 2022</b>					
<b>Hedging instruments for the forecasted U.S. dollar merchandise purchases</b>					
USD Foreign exchange forward contracts	525,000	1.25	Current assets	14,544	Cash flow hedge
USD Foreign exchange forward contracts	10,000	1.25	Non-current assets	290	Cash flow hedge
USD Foreign exchange forward contracts	50,000	1.29	Current liabilities	(506)	Cash flow hedge
USD Zero cost collar contracts	40,000	1.22 <sup>(1)</sup> – 1.29 <sup>(2)</sup>	Current assets	450	Cash flow hedge
USD Zero cost collar contracts	5,000	1.25 <sup>(1)</sup> – 1.32 <sup>(2)</sup>	Current liabilities	(2)	Cash flow hedge
	<u>630,000</u>			<u>14,776</u>	
<b>Hedging instruments for the US commercial paper program</b>					
USD Foreign exchange forward contracts	70,000	1.26	Current assets	993	Cash flow hedge
	<u>70,000</u>			<u>993</u>	
<b>Hedging instruments for the fixed to floating interest rate notes</b>					
Interest rate swap contracts	200,000	CDOR <sup>(3)</sup> + 2.73%	Current liabilities	(2,927)	Fair value hedge
	<u>200,000</u>			<u>(2,927)</u>	
<b>Total</b>	<u>900,000</u>			<u>12,842</u>	

<sup>(1)</sup> Put strike

<sup>(2)</sup> Call strike

<sup>(3)</sup> 3-month CDOR

## Dollarama Inc.

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

#### 9 Financial instruments (cont'd)

For the 13-week period ended May 1, 2022, accumulated fair value losses of \$2,064 (May 2, 2021 –\$9,345) on USD foreign exchange forward contracts and USD zero cost collar contracts recorded in the carrying value of inventory were reclassified from inventory to the cost of sales in the condensed interim consolidated statement of net earnings and comprehensive income.

#### 10 Earnings per common share

Diluted net earnings per common share for the 13-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:

	May 1, 2022	May 2, 2021
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	\$145,502	\$113,574
Weighted average number of common shares outstanding during the period ( <i>thousands</i> )	292,721	309,400
Assumed share options exercised ( <i>thousands</i> )	1,756	1,342
Weighted average number of common shares for diluted net earnings per common share ( <i>thousands</i> )	294,477	310,742
Diluted net earnings per common share	\$0.49	\$0.37

As at May 1, 2022, 252,435 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 (May 2, 2021 – 1,726,000).

#### 11 Related party transactions

##### a) Rossy family

As at May 1, 2022, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled \$31,089 (January 30, 2022 – \$34,730).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled \$2,081 for the 13-week period ended May 1, 2022 (May 2, 2021 – \$1,762).

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



## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

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

#### 11 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"), which expired on February 4, 2022. Upon expiry of the LSA, 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.

As at May 1, 2022, the account receivable from Dollarcity for the goods sold and services provided under the new commercial agreements totalled \$26,217 (January 30, 2022 – \$15,965 under the LSA), which amount is partly guaranteed by a letter of credit up to US\$10,000 (\$12,848) (January 30, 2022 – US\$10,000 (\$12,770)). For the 13-week period ended May 1, 2022, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to \$9,151 (May 2, 2021 – \$8,193).

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.

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

	May 1, 2022	May 2, 2021
	\$	\$
<b>Cost of sales</b>		
Cost of goods sold, labour, transport and other costs	582,751	513,047
Occupancy costs	38,241	37,759
Total cost of sales	<u>620,992</u>	<u>550,806</u>
<b>Depreciation and amortization</b>		
Depreciation of property, plant and equipment and right-of-use assets <sup>(1)</sup>	74,486	66,481
Amortization of intangible assets	5,486	4,921
Total depreciation and amortization	<u>79,972</u>	<u>71,402</u>
<b>Employee benefits</b>	121,529	124,894

<sup>(1)</sup> Includes depreciation expenses relating to the warehouses and distribution center totalling \$3,062 (May 2, 2021 – \$2,799)

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 1, 2022

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

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#### 13 Details of statement of cash flows

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

	May 1, 2022	May 2, 2021
	\$	\$
Accounts receivable	(6,159)	(1,150)
Prepaid expenses	(73)	(1,605)
Prepaid income taxes	-	(16,790)
Inventories	(55,786)	1,279
Accounts payable and accrued liabilities	8,196	(26,482)
Income taxes payable	(27,271)	(12,975)
	<u>(81,093)</u>	<u>(57,723)</u>
Cash paid for income taxes	81,911	69,469
Cash paid for interest	15,425	15,121
Cash received for interest	1,007	1,289

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

#### 14 Event after the reporting period

##### Quarterly cash dividend

On June 8, 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 August 5, 2022 to shareholders of record at the close of business on July 8, 2022. The dividend is designated as an "eligible dividend" for Canadian tax purposes.