



DOLLARAMA INC. MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended January 31, 2021

March 31, 2021

The following management's discussion and analysis ("MD&A") dated March 31, 2021 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the fourth quarter and fiscal year ended January 31, 2021. This MD&A should be read in conjunction with the Corporation's audited annual consolidated financial statements and notes for Fiscal 2021 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's audited annual consolidated financial statements for Fiscal 2021 (as hereinafter defined) have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

Accounting Periods

All references to "Fiscal 2019" are to the Corporation's fiscal year ended February 3, 2019; to "Fiscal 2020" are to the Corporation's fiscal year ended February 2, 2020; to "Fiscal 2021" are to the Corporation's fiscal year ended January 31, 2021; and to "Fiscal 2022" are to the Corporation's fiscal year ending January 30, 2022.

The Corporation's fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five or six years, a week is added to the fiscal year. Fiscal 2019 was comprised of 53 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 duration of the COVID-19 pandemic and its impact on the business, operations and financial condition of Dollarama and Dollarcity, as well as on consumer behaviour and the economy in general;
- the long-term store potential for Dollarama stores in Canada;
- the liquidity position of the Corporation;
- the refinancing of the 2.337% Fixed Rate Notes (defined hereinafter) maturing July 22, 2021;
- the potential accretive effect of the normal course issuer bid and the Corporation's intention to actively resume the repurchase of shares thereunder;
- the impact of the market consolidation of ocean carriers on shipping capacity and prevailing rates; and
- the expected opening of stores in Peru in 2021 by Dollarcity.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A: future increases in operating costs (including increases in statutory minimum wages and incremental costs associated with COVID-19 measures), future increases in merchandise costs (including as a result of tariff disputes), future increases in shipping and transportation costs, inability to sustain assortment and replenishment of merchandise, increase in the cost or a disruption in the flow of imported goods (including as a result of the global outbreak of COVID-19), failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, inability to renew store, warehouse and head office leases on favourable terms, inability to increase warehouse and distribution centre capacity in a timely manner, seasonality, market acceptance of private brands, failure to protect trademarks and other proprietary rights, foreign exchange rate fluctuations, potential losses associated with using derivative financial instruments, level of indebtedness and inability to generate sufficient cash to service debt, changes in creditworthiness and credit rating and the potential increase in the cost of capital, interest rate risk associated with variable rate indebtedness, competition in the retail industry, disruptive technologies, general economic conditions, departure of senior executives, failure to attract and retain quality employees, disruption in information technology systems, inability to protect systems against cyber-attacks, unsuccessful execution of the growth strategy, holding company structure, adverse weather, pandemic or epidemic outbreaks, earthquakes and other natural disasters, climate change, geopolitical events and political unrest in foreign countries, unexpected costs associated with current insurance programs, product liability claims and product recalls, litigation, regulatory and environmental compliance and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect the Corporation; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Corporation's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at March 31, 2021 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.

GAAP and Non-GAAP Measures

This MD&A as well as the Corporation's audited annual consolidated financial statements and notes for Fiscal 2021 have been prepared in accordance with GAAP. However, this MD&A also refers to certain non-GAAP measures. The non-GAAP measures used by the Corporation are as follows:

EBITDA	Represents operating income plus depreciation and amortization and includes share of net earnings of equity-accounted investment.
EBITDA margin	Represents EBITDA divided by sales.
Total debt	Represents the sum of long-term debt (including accrued interest and unamortized debt issue costs as current portion), short-term borrowings under the US Commercial Paper Program (defined hereinafter) and other bank indebtedness (if any).
Net debt	Represents total debt minus cash.
Adjusted retained earnings	Represents deficit plus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through January 31, 2021 over (ii) the book value of those common shares.

The above-described non-GAAP measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures provide investors with a supplemental measure of our operating performance and financial position and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. With the exception of adjusted retained earnings, these measures are used to bridge differences between external reporting under GAAP and external reporting that is tailored to the retail industry, and should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with GAAP. Management uses non-GAAP measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, to assess the Corporation's ability to meet future debt service, capital expenditure and working capital requirements, and to evaluate senior management's performance. Management uses total debt and net debt to calculate the Corporation's indebtedness level, cash position, future cash needs and financial leverage ratios. Adjusted retained earnings is a non-GAAP measure that shows retained earnings without the effect of the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through January 31, 2021 over (ii) the book value of those common shares. The Corporation believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Refer to the section entitled "Selected Consolidated Financial Information" of this MD&A for a reconciliation of the non-GAAP measures used and presented by the Corporation to the most directly comparable GAAP measures.

Recent Events

New Long-term Store Target

On March 31, 2021, following a careful evaluation of the market potential for Dollarama stores across Canada and the continued relevance of Dollarama's business model, management announced that it believes the Corporation can profitably grow its Canadian store network to approximately 2,000 stores over the next 10 years, or by 2031, with an average new store capital payback period of approximately two years. This is an increase from the Corporation's previously disclosed long-term store target of 1,700 stores in Canada by 2027.

Factors taken into consideration in the evaluation, among others, included census and household income data, the current competitive retail landscape, the real estate landscape, rates of per capita store penetration, historical performance of comparable and new stores, and the current real estate pipeline.

Quarterly Cash Dividend

On March 31, 2021, the Corporation announced that its Board of Directors had approved a 7.0% increase of the quarterly cash dividend for holders of common shares, from \$0.047 to \$0.0503 per common share. This dividend is payable on May 7, 2021 to shareholders of record at the close of business on April 16, 2021. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Amendments to Credit Agreement

On March 9, 2021, the Corporation and the lenders entered into a third amending agreement to the Third Amended and Restated Credit Agreement pursuant to which, among other things, the term for Facility B and Facility C was extended by one year to September 29, 2023.

COVID-19 Operational Procedures and Cost Impact

Dollarama continues to maintain wide-ranging measures to promote the health and safety of its employees across its operations and of its customers in-store. In addition to various cleaning, sanitization and physical distancing measures, strict protocols remain in place to minimize risk to employees and customers in any proven or probable case of COVID-19.

Direct costs related to COVID-19 measures implemented by Dollarama to support employees and protect the health and safety of customers and employees from the outset of the pandemic through to the end of Fiscal 2021 totaled approximately \$84.0 million, of which \$2.9 million relates to cost of sales and \$81.1 million to SG&A (defined hereinafter). Direct costs incurred in the fourth quarter of Fiscal 2021 totaled \$23.8 million, and the full amount is recorded in SG&A. These amounts do not reflect any indirect costs related to COVID-19 such as lost sales.

Overview

Our Business

As at January 31, 2021, the Corporation had 1,356 stores in Canada, including 65 net new stores opened during Fiscal 2021, and continues to expand its network across the country. Stores average 10,325 square feet and offer a broad assortment of consumable products, general merchandise and seasonal items, including private label and nationally branded products, all at compelling values. Merchandise is sold in individual or multiple units at select, fixed price points up to \$4.00. All stores are corporately operated, providing a consistent shopping experience, and many are located in high-traffic areas in metropolitan areas, mid-sized cities and small towns.

The Corporation has an online store to provide additional convenience to its Canadian customers—individuals and businesses alike—who wish to buy products in large quantities that may not be available in-store. 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's strategy is to grow sales, operating income, net earnings, earnings per share and cash flows by expanding its Canadian store network and by offering a compelling value proposition on a wide variety of merchandise to a broad base of customers. The Corporation continually strives to maintain and improve the efficiency of its operations.

The Corporation also has operations in Latin America through its 50.1% equity interest in Dollarcity, a Latin American value retailer headquartered in Panama. Dollarcity offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US\$3.00 (or the equivalent in local currency) in El Salvador and Guatemala and up to the equivalent of US\$4.00 in local currency in Colombia. As at December 31, 2020, Dollarcity had a total of 264 stores with 145 locations in Colombia, 52 in El Salvador and 67 in Guatemala. Dollarcity is expected to enter a fourth market in 2021 with the opening of stores in Peru.

Key Items in the Fourth Quarter of Fiscal 2021

Compared to the fourth quarter of Fiscal 2020:

- Sales increased by 3.6% to \$1,103.7 million;
- Comparable store sales⁽¹⁾ (excluding temporarily closed stores) decreased by 0.2%;
- Gross margin⁽¹⁾ was 45.5% of sales, compared to 44.7% of sales;
- EBITDA⁽¹⁾ decreased by 0.7% to \$326.9 million, or 29.6% of sales, compared to 30.9% of sales;
- Operating income decreased by 3.8% to \$256.1 million, or 23.2% of sales, compared to 25.0% of sales;
- Diluted net earnings per common share decreased by 1.8%, to \$0.56 from \$0.57; and
- The Corporation opened 23 net new stores, compared to 20 net new stores.

Key Items in Fiscal 2021

Compared to Fiscal 2020:

- Sales increased by 6.3% to \$4,026.3 million;
- Comparable store sales⁽¹⁾ (excluding temporarily closed stores) grew 3.2% over and above a 4.3% growth in the same period a year ago;
- Gross margin⁽¹⁾ was 43.8% of sales, compared to 43.6% of sales;
- EBITDA⁽¹⁾ increased by 1.8% to \$1,130.6 million, or 28.1% of sales, compared to 29.3% of sales;
- Operating income decreased by 0.8% to \$861.0 million, or 21.4% of sales, compared to 22.9% of sales;
- Diluted net earnings per common share increased by 1.7%, to \$1.81 from \$1.78; and
- The Corporation opened 65 net new stores, compared to 66 net new stores.

The total number of common shares repurchased for cancellation during Fiscal 2021 under the normal course issuer bid amounted to 1,621,708 common shares, at a weighted average price of \$53.67 per common share, for a total cash consideration of \$87.0 million.

⁽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.

Outlook

Due to the continued uncertainty related to the COVID-19 pandemic, the Corporation only provided limited guidance for Fiscal 2022. Management's expectations as to net new stores openings and capital expenditures for Fiscal 2022 are contained in the Corporation's press release dated March 31, 2021 under the heading "Outlook". The press release is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

Factors Affecting Results of Operations

Sales

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

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

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

Comparable store sales represent sales of Dollarama stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year. The primary drivers of comparable store sales performance are changes in the number of transactions and the average transaction size. To increase comparable store sales, the Corporation focuses on offering a wide selection of quality merchandise at attractive values in well-designed, consistent and convenient store formats.

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

Sales by Dollarama International to customers represent sales of merchandise to Dollarcity. Following the acquisition by Dollarama International of a 50.1% interest in Dollarcity on August 14, 2019, the Corporation continues, through Dollarama International, to share its business expertise, to provide various services and to act as Dollarcity's primary supplier of products, either as principal or as intermediary, pursuant to a licensing and services agreement (the "LSA") entered into between the parties in February 2013.

Historically, the Corporation's highest sales results have occurred in the fourth quarter, with December representing the highest proportion of sales. Sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but the Corporation otherwise experiences limited seasonal fluctuations in sales in the normal course of business. Restrictions imposed by provincial authorities on retailers starting in December 2020 in reaction to an increase in COVID-19 cases across the country negatively impacted in-store traffic and sales during this historically busy period, as further discussed below. Refer to the section of this MD&A entitled "Risks and Uncertainties" for a discussion about the risks associated with seasonality and business continuity.

Cost of Sales

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

Although cost increases can negatively affect our business, our multiple price point product offering provides some flexibility to react to cost increases on a timely basis. We have historically reduced our cost of sales by shifting most of our sourcing to low-cost foreign suppliers. For Fiscal 2021 and Fiscal 2020, direct overseas sourcing accounted for 53% of purchases. While we still source a majority of overseas products from China, we currently purchase products from over 25 different countries around the world.

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

While we enter into foreign exchange forward contracts 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, when fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on these cost changes to us. Due to the high volatility of fuel costs, it is difficult to forecast the fuel surcharges we may incur from our carriers. Also, inbound shipping costs are impacted by changing dynamics in the ocean shipping industry, most notably by the wave of market consolidation observed in container shipping in recent years, which continues to have an impact on shipping capacity and prevailing rates, especially in the context of the COVID-19 pandemic.

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. Presently, it is too early to determine the impact of the COVID-19 pandemic on commercial real estate rates. Typically, store leases are signed with base terms of ten years and one or more renewal options of five years each.

We strive to maintain a sustainable gross margin, where we believe we can achieve a healthy balance between maximizing returns to shareholders and offering a compelling value to our customers. The gross margin varies on a quarterly basis as a result of fluctuations in product margins, as we refresh approximately 25% to 30% of our offering on an annual basis, and/or fluctuations in logistics and transportation costs, among other factors. This fiscal year, the gross margin is also impacted by a shift in the sales mix in the COVID environment and by preventative measures implemented throughout Dollarama's operations, including its logistics chain.

In the context of the COVID-19 pandemic, management maintained the decision to minimize price increases in Fiscal 2021 in order to provide Canadian consumers with affordable everyday products.

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.

Certain Canadian provinces implemented notable increases in the statutory minimum wage in Fiscal 2021, and a few more adjustments are scheduled for the next fiscal year. Minimum wage adjustments that deviate from the formula based on the year-over-year change in the consumer price index (CPI) create unpredictability, resulting in additional challenges for retailers.

Economic or Industry-Wide Factors Affecting the Corporation

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

On March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus disease (COVID-19) outbreak a pandemic. Subsequently, all of the jurisdictions in which Dollarama operates imposed strict measures in an attempt to slow down the transmission of the virus in its first wave in the spring of 2020 and then again starting in December 2020 as Canada experienced a resurgence in COVID-19 infections brought on by a second wave and as fears of new variants of the disease being more transmissible grew. These measures included travel restrictions, self-isolation measures, temporary closures of non-essential services and businesses, temporary bans on the sale of non-essential items, curfews, in-store capacity limits and other physical distancing requirements. Similar measures have been taken in the countries of operation of Dollarcity. Traffic in Dollarama and Dollarcity stores continues to this date to be adversely impacted by physical distancing requirements.

Dollarama has been recognized as an essential business in Canada, and Dollarcity received the same recognition in El Salvador, Guatemala and Colombia. The Corporation remains committed to maintaining stores open and well-stocked with affordable everyday products and offering the same compelling value proposition to customers, all while ensuring appropriate measures are in place to protect the health and safety of its customers and employees.

From the outset of the COVID-19 outbreak, the Corporation implemented mitigation strategies, contingency plans and several preventive measures to protect the health and safety of its employees and customers. Also, the Corporation is continuously monitoring the impact of the pandemic on its local and global supply chains and its operations in Canada and Latin America. Measures adopted by the Corporation in response to COVID-19 as well as measures implemented by different levels of governments, which continue to evolve to this date, and their impact on operations, operating costs, customer traffic and labour productivity and availability could materially adversely affect the Corporation's financial results. Also, the deterioration of economic conditions may lead to a deterioration in consumer balance sheets, which may impact consumers' spending behaviour and could adversely affect the Corporation's financial performance.

It remains difficult to reliably estimate the duration, severity and extent of public health and economic impacts of the COVID-19 pandemic on the operations and financial results of the Corporation, both in the short term and in the long term. Another resurgence of COVID-19 infections across Canada could force governments to reverse reopening plans.

DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2021

Selected Consolidated Financial Information

The following tables set out selected financial information for the periods indicated. The selected consolidated financial information set out below as at January 31, 2021, February 2, 2020 and February 3, 2019 has been derived from the Corporation's audited annual consolidated financial statements and notes for Fiscal 2021, Fiscal 2020 and Fiscal 2019.

	13-Week		52-Week	52-Week	53-Week
	Unaudited				
	Periods Ended		Years Ended		
	January 31, 2021	February 2, 2020	January 31, 2021	February 2, 2020	February 3, 2019
(dollars and shares in thousands, except per share amounts)	\$	\$	\$	\$	\$
Earnings Data					
Sales	1,103,668	1,065,201	4,026,259	3,787,291	3,548,503
Cost of sales	601,204	588,739	2,261,248	2,134,933	1,964,516
Gross profit	502,464	476,462	1,765,011	1,652,358	1,583,987
SG&A	186,053	155,683	654,032	551,699	505,420
Depreciation and amortization	70,860	63,247	269,633	242,785	233,378
Share of net earnings of equity- accounted investment	(10,518)	(8,556)	(19,654)	(10,263)	-
Operating income	256,069	266,088	861,000	868,137	845,189
Financing costs	22,792	25,238	95,646	100,605	94,597
Other income	-	-	-	(2,835)	-
Earnings before income taxes	233,277	240,850	765,354	770,367	750,592
Income taxes	59,375	62,133	201,006	206,328	205,606
Net earnings	173,902	178,717	564,348	564,039	544,986
Basic net earnings per common share	\$0.56	\$0.57	\$1.82	\$1.80	\$1.68
Diluted net earnings per common share	\$0.56	\$0.57	\$1.81	\$1.78	\$1.66
Weighted average number of common shares outstanding:					
Basic	310,776	312,057	310,738	313,910	324,460
Diluted	312,289	314,750	312,455	317,185	328,404
Other Data					
Year-over-year sales growth	3.6%	0.5%	6.3%	6.7%	8.7%
Comparable store sales growth ⁽¹⁾	(0.2%)	2.0%	3.2%	4.3%	2.7%
Gross margin ⁽²⁾	45.5%	44.7%	43.8%	43.6%	44.6%
SG&A as a % of sales ⁽²⁾	16.9%	14.6%	16.2%	14.6%	14.2%
EBITDA ⁽³⁾	326,929	329,335	1,130,633	1,110,922	1,078,567
Operating margin ⁽²⁾	23.2%	25.0%	21.4%	22.9%	23.8%
Capital expenditures	51,735	39,813	167,837	140,622	180,807
Number of stores ⁽⁴⁾	1,356	1,291	1,356	1,291	1,225
Average store size (gross square feet) ⁽⁴⁾	10,325	10,277	10,325	10,277	10,217
Declared dividends per common share	\$0.047	\$0.044	\$0.179	\$0.176	\$0.16

DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021

	13-Week Unaudited		52-Week	52-Week	53-Week
	Periods Ended		Years Ended		
(dollars in thousands)	January 31, 2021	February 2, 2020	January 31, 2021	February 2, 2020	February 3, 2019
	\$	\$	\$	\$	\$
A reconciliation of operating income to EBITDA is included below:					
Operating income	256,069	266,088	861,000	868,137	845,189
Add: Depreciation and amortization	70,860	63,247	269,633	242,785	233,378
EBITDA	326,929	329,335	1,130,633	1,110,922	1,078,567
<i>EBITDA margin ⁽³⁾</i>	<i>29.6%</i>	<i>30.9%</i>	<i>28.1%</i>	<i>29.3%</i>	<i>30.4%</i>
A reconciliation of EBITDA to cash flows from operating activities is included below:					
EBITDA	326,929	329,335	1,130,633	1,110,922	1,078,567
Financing costs (net of amortization of debt issue costs)	(31,555)	(31,894)	(93,329)	(96,790)	(87,254)
Recognition of gains and losses on bond lock and bond forward contracts	(78)	(94)	(354)	(378)	177
Transfer of realized cash flow hedge losses to inventory	-	-	-	-	8,646
Current income taxes	(42,331)	(58,766)	(185,163)	(191,313)	(203,562)
Share-based compensation	1,930	1,303	6,240	5,448	6,466
Gain on lease modifications	(1,035)	(173)	(4,822)	(762)	(1,362)
Share of net earnings of equity-accounted investment	(10,518)	(8,556)	(19,654)	(10,263)	-
	243,342	231,155	833,551	816,864	801,678
Changes in non-cash working capital components	(22,473)	20,956	55,531	(84,356)	(115,724)
Net cash generated from operating activities	220,869	252,114	889,082	732,508	685,954

Statement of Financial Position Data

	As at		
	January 31, 2021	February 2, 2020	February 3, 2019
	\$	\$	
Cash	439,144	90,464	50,371
Inventories	630,655	623,490	581,241
Total current assets	1,100,362	764,497	688,520
Property, plant and equipment	709,469	644,011	586,027
Right-of-use assets	1,344,639	1,283,778	1,208,461
Total assets	4,223,746	3,716,456	3,359,669
Total current liabilities	1,321,165	1,092,484	443,234
Total non-current liabilities	2,567,727	2,716,168	3,233,819
Total debt ⁽⁵⁾	1,883,051	1,883,407	1,907,383
Net debt ⁽⁶⁾	1,443,907	1,792,943	1,857,012
Shareholders' equity (deficit)	334,854	(92,196)	(317,384)

DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2021

(dollars in thousands)

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

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")

Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.55% Fixed Rate Notes")

Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the "2.203% Fixed Rate Notes")

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")

Variable rate equal to 3 month bankers' acceptance rate (CDOR) plus 27 basis points payable quarterly, repaid on February 1, 2021 (the "Series 3 Floating Rate Notes")

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")

Unsecured revolving credit facilities (collectively the "Credit Facility")

Accrued interest on Fixed Rate Notes and Floating Rate Notes (collectively, "Senior Unsecured Notes")

Total debt

	As at		
	January 31, 2021	February 2, 2020	February 3, 2019
	\$	\$	\$
	300,000	-	-
	500,000	500,000	500,000
	250,000	250,000	250,000
	525,000	525,000	525,000
	300,000	300,000	300,000
	-	300,000	300,000
	-	-	25,000
	8,051	8,407	7,383
	1,883,051	1,883,407	1,907,383

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

Total debt

Cash

Net debt ⁽⁶⁾

1,883,051	1,883,407	1,907,383
(439,144)	(90,464)	(50,371)
1,443,907	1,792,943	1,857,012

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

	As at		
	January 31, 2021	February 2, 2020	February 3, 2019
	\$	\$	\$
Deficit	(149,983)	(574,110)	(765,202)
Price paid in excess of book value of common shares repurchased under the NCIB	3,792,581	3,707,976	3,390,260
Adjusted retained earnings ⁽⁷⁾	3,642,598	3,133,866	2,625,058

The deficit as at January 31, 2021 or February 2, 2020 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 \$334.9 million as at January 31, 2021. Management believes that buying back shares remains an effective strategy to drive shareholder value and constitutes an appropriate use of the Corporation's funds.

- (1) Comparable store sales growth is a measure of the percentage increase or decrease, as applicable, of the sales of stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year. For the first, second and fourth quarters of Fiscal 2021, comparable store sales growth excludes stores that were then temporarily closed.
- (2) Gross margin represents gross profit divided by sales. SG&A as a percentage of sales represents SG&A divided by sales. Operating margin represents operating income divided by sales.
- (3) EBITDA, a non-GAAP measure, represents operating income plus depreciation and amortization. EBITDA margin represents EBITDA divided by sales.
- (4) At the end of the period.
- (5) Total debt, a non-GAAP measure, represents the sum of long-term debt (including accrued interest as current portion), short-term borrowings under the US Commercial Paper Program (if any) and other bank indebtedness (if any).
- (6) Net debt, a non-GAAP measure, represents total debt minus cash.
- (7) Adjusted retained earnings, a non-GAAP measure, represents deficit plus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through January 31, 2021 over (ii) the book value of those common shares.

Results of Operations

Analysis of Results for the Fourth Quarter of Fiscal 2021

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

Sales

Sales in the fourth quarter of Fiscal 2021 increased by 3.6% to \$1,103.7 million, compared to \$1,065.2 million in the fourth quarter of Fiscal 2020. Sales growth was driven by growth in the total number of Dollarama stores over the past 12 months (from 1,291 stores on February 2, 2020 to 1,356 stores on January 31, 2021).

The ongoing COVID-19 pandemic continued to impact Dollarama's sales and consumer shopping patterns in the fourth quarter of Fiscal 2021. Historically, the Corporation's highest sales results occur during the fourth quarter, with December representing the highest proportion of sales. The Corporation entered the quarter with a strong momentum with comparable store sales of 7.0% for the five-week period ended December 6, 2020 compared to the corresponding period of the previous fiscal year. However, the introduction of more stringent measures by provincial authorities in the month of December, including lockdowns, stricter in-store capacity limits in Ontario, Quebec and Alberta, and the temporary ban on the sale of non-essential items in Quebec, where approximately 30% of the Corporation's stores are located, negatively impacted in-store traffic and sales for the remainder of the quarter or, in the case of the ban in Quebec, until such measure was lifted on February 8, 2021. This is despite a strong increase in the sale of seasonal products compared to the corresponding period of the previous fiscal year, the majority of which were recorded earlier in the quarter than historically.

Excluding temporarily closed stores, comparable store sales for the full fourth quarter of Fiscal 2021 declined by 0.2%, compared to the fourth quarter of Fiscal 2020, reflecting a 27.0% increase in average transaction size and a 21.4% decrease in the number of transactions.

New stores, which are not yet comparable stores, reach annual sales of approximately \$2.4 million within their first two years of operation, and achieve an average capital payback period of approximately two years.

In this quarter, 73.8% of the Corporation's sales originated from products priced higher than \$1.25, compared to 71.0% in the corresponding quarter last year.

Gross Margin

Gross margin was \$502.5 million or 45.5% of sales in the fourth quarter of Fiscal 2021, compared to \$476.5 million or 44.7% of sales in the fourth quarter of Fiscal 2020. Gross margin as a percentage of sales is higher primarily due to changes in the sales mix, including higher sales of higher margin items, such as seasonal products.

Gross margin includes sales made by the Corporation to Dollarcity, as principal, which represent approximately 1% of the Corporation's total sales, and a nominal markup margin. Consequently, these sales had minimal impact on overall gross margin in either the current or prior year quarter.

SG&A

SG&A for the fourth quarter of Fiscal 2021 totaled \$186.1 million, compared to \$155.7 million for the fourth quarter of Fiscal 2020. This increase reflects incremental costs of \$23.8 million, representing 215 basis points, primarily for additional in-store hours to ensure the execution of COVID-19 protocols and the one-time gratitude bonus paid to store employees in December 2020. SG&A for the fourth quarter of Fiscal 2021 represented 16.9% of sales, compared to 14.6% of sales for the fourth quarter of Fiscal 2020.

Depreciation and Amortization

The depreciation and amortization expense increased by \$7.7 million, from \$63.2 million for the fourth quarter of Fiscal 2020 to \$70.9 million for the fourth quarter of Fiscal 2021. The increase is mainly explained by the opening of new stores, right-of-use assets, computer software and the distribution centre expansion completed in Fiscal 2020.

Share of Net Earnings of Equity-Accounted Investment

For the fourth quarter of Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from October 1, 2020 to December 31, 2020, was \$10.5 million, compared to \$8.6 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 decreased by \$2.4 million, from \$25.2 million for the fourth quarter of Fiscal 2020 to \$22.8 million for the fourth quarter of Fiscal 2021, mainly due to a lower average borrowing rate on debt.

Income Taxes

Income taxes decreased by \$2.7 million, from \$62.1 million for the fourth quarter of Fiscal 2020 to \$59.4 million for the fourth quarter of Fiscal 2021. The statutory income tax rate for the fourth quarter of Fiscal 2021 was 26.6% compared to 26.9% for the corresponding quarter of Fiscal 2020. The Corporation's effective tax rates for the fourth quarters of Fiscal 2021 and Fiscal 2020 were 25.5% and 25.8%, respectively. The effective tax rate for the quarter ended January 31, 2021 is lower than the statutory tax rate as it excludes the tax impact on the Corporation's share of net earnings of its equity-accounted investment, which is already net of taxes provisioned by Dollarcity.

Net Earnings

Net earnings totaled \$173.9 million, or \$0.56 per diluted common share, in the fourth quarter of Fiscal 2021, compared to \$178.7 million, or \$0.57 per diluted common share, in the fourth quarter of Fiscal 2020. Earnings were adversely impacted by lower comparable store sales as a result of restrictions imposed by provincial governments on retailers, and by direct costs related to COVID 19 measures. These were partially offset by higher margins, lower financing costs and a higher equity pickup from Dollarcity's net earnings.

Analysis of Results for Fiscal 2021

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

Sales

Sales in Fiscal 2021 increased by 6.3% to \$4,026.3 million, compared to \$3,787.3 million in Fiscal 2020. Sales growth was driven by growth in comparable store sales and in the total number of Dollarama stores over the past 12 months (from 1,291 stores on February 2, 2020 to 1,356 stores on January 31, 2021). This is despite government-imposed restrictions on retailers, including some mandatory store closures in the first and second quarters of Fiscal 2021 and other measures impacting store traffic and operating hours to curb the spread of COVID-19.

Excluding stores temporarily closed in the context of the COVID 19 pandemic, comparable store sales grew 3.2% in Fiscal 2021, over and above a 4.3% growth in Fiscal 2020. Comparable store sales growth for Fiscal 2021 consisted of a 29.1% increase in average transaction size and a 20.1% decrease in the number of transactions. Comparable store sales growth was driven by increased demand for certain product categories, including certain seasonal product categories, household and cleaning products, health and hygiene essentials and food products, but this positive effect was partially offset by government-imposed restrictions on retailers, including the ban on the sale of non-essential items in Quebec during the fourth quarter of Fiscal 2021 as well as reduced operating hours and in-store capacity limits.

In Fiscal 2021, 73.7% of sales originated from products priced higher than \$1.25, compared to 70.9% in Fiscal 2020.

Gross Margin

Gross margin was \$1,765.0 million or 43.8% of sales in Fiscal 2021, compared to \$1,652.4 million or 43.6% of sales in Fiscal 2020. Gross margin is slightly higher due a change in sales mix, with higher sales of higher margin items, including seasonal products. Gross margin for Fiscal 2021 includes \$2.9 million incremental direct costs related to COVID-19 measures implemented throughout Dollarama's operations, including in its logistics chain. Gross margin includes sales made by the Corporation to Dollarcity, as principal, which represented approximately 1% of the Corporation's total sales in Fiscal 2021, and a nominal markup margin. Consequently, these sales had a minimal impact on gross margin in Fiscal 2021 and Fiscal 2020.

SG&A

SG&A for Fiscal 2021 totaled \$654.0 million, an 18.5% increase over \$551.7 million for Fiscal 2020. SG&A for Fiscal 2021 represented 16.2% of sales, compared to 14.6% of sales for Fiscal 2020. This increase reflects incremental costs of \$81.1 million, representing 200 basis points, for additional in-store hours to ensure the execution of COVID-19 protocols, temporary wage increases in place between March 23 and August 2, 2020 and the one-time gratitude bonus paid in December 2020. Incremental costs were partially offset by higher labour productivity in stores due to the processing of a lower number of larger transactions and less packaway of seasonal inventory as a result of stronger sales for summer, Halloween and Christmas products.

Depreciation and Amortization

The depreciation and amortization expense increased by \$26.8 million, from \$242.8 million for Fiscal 2020 to \$269.6 million for Fiscal 2021. The increase relates mainly to investments in information technology projects, new stores and the expansion of the distribution centre.

Share of Net Earnings of Equity-Accounted Investment

For Fiscal 2021, the Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2020 to December 31, 2020 (a 52-week period) was \$19.7 million. For Fiscal 2020, an amount of \$10.3 million was recorded as Dollarama's share of Dollarcity's net earnings for the period from August 14, 2019, the date of Dollarama's acquisition of its interest in Dollarcity, to December 31, 2019, the end date of Dollarcity's fiscal year (a 19.5-week period). The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing Costs

Financing costs decreased by \$5.0 million, from \$100.6 million for Fiscal 2020 to \$95.6 million for Fiscal 2021, due to a lower average borrowing rate on debt.

Other Income

Other income in Fiscal 2020 included a one-time, non-recurring gain of \$2.8 million, or \$2.1 million after tax, representing the difference between the fair value of the call option to purchase 50.1% of Dollarcity's issued and outstanding shares and the estimated purchase price of this investment as at August 14, 2019, the closing date of the acquisition. Other income in Fiscal 2021 was nil.

Income Taxes

Income taxes decreased by \$5.3 million, from \$206.3 million for Fiscal 2020 to \$201.0 million for Fiscal 2021. The statutory income tax rates for Fiscal 2021 and Fiscal 2020 were 26.6% and 26.9%, respectively. The Corporation's effective income tax rates for Fiscal 2021 and Fiscal 2020 were 26.3% and 26.8%, respectively.

Net Earnings

Net earnings totaled \$564.3 million, or \$1.81 per diluted common share, for Fiscal 2021, compared to \$564.0 million, or \$1.78 per diluted common share, for Fiscal 2020. Net earnings for Fiscal 2021 reflect higher sales, improved gross margin, lower financing costs and a higher equity pickup from Dollarcity's net earnings, this time for a full 12-month period, partially offset by incremental COVID-19 direct costs. Earnings per common share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid over the past 12 months.

Summary of Consolidated Quarterly Results

	Fiscal 2021				Fiscal 2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>(dollars in thousands, except per share amounts)</i>								
Statement of Net Earnings Data	\$	\$	\$	\$	\$	\$	\$	\$
Sales	1,103,668	1,064,201	1,013,592	844,798	1,065,201	947,649	946,405	828,036
Net earnings	<u>173,902</u>	<u>161,871</u>	<u>142,496</u>	<u>86,079</u>	<u>178,717</u>	<u>138,627</u>	<u>143,183</u>	<u>103,512</u>
Net earnings per common share								
Basic	\$0.56	\$0.52	\$0.46	\$0.28	\$0.57	\$0.44	\$0.45	\$0.33
Diluted	\$0.56	\$0.52	\$0.46	\$0.28	\$0.57	\$0.44	\$0.45	\$0.33

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.

Liquidity and Capital Resources

Cash Flows for the Fourth Quarter of Fiscal 2021

(dollars in thousands)	Periods Ended		Change \$
	January 31, 2021	February 2, 2020	
	\$	\$	
Cash flows from operating activities	220,869	252,114	(31,245)
Cash flows used in investing activities	(51,606)	(40,528)	(11,078)
Cash flows used in financing activities	(174,840)	(185,118)	10,278
Net change in cash	(5,577)	26,468	(32,045)

Cash Flows - Operating Activities

For the fourth quarter of Fiscal 2021, cash flows generated from operating activities totaled \$220.9 million, compared to \$252.1 million for the fourth quarter of Fiscal 2020. This decrease is attributable to a higher use of working capital related to the purchase of inventory in the fourth quarter of Fiscal 2021 compared to the fourth quarter of Fiscal 2020.

Cash Flows - Investing Activities

For the fourth quarter of Fiscal 2021, cash flows used in investing activities totaled \$51.6 million, compared to \$40.5 million for the fourth quarter of Fiscal 2020. This increase is attributable primarily to higher capital expenditures related to transformation projects in stores compared to the fourth quarter of Fiscal 2020.

Cash Flows - Financing Activities

For the fourth quarter of Fiscal 2021, cash flows used in financing activities totaled \$174.8 million, compared to \$185.1 million for the fourth quarter of Fiscal 2020. This decrease is mainly due to the Corporation repurchasing fewer shares under the normal course issuer bid in Fiscal 2021, partially offset by increased repayments on short-term borrowings and payments of lease liabilities.

Cash Flows for Fiscal 2021

(dollars in thousands)	Years Ended		Change \$
	January 31, 2021	February 2, 2020	
	\$	\$	
Cash flows from operating activities	889,082	732,508	156,574
Cash flows used in investing activities	(264,525)	(199,313)	(65,212)
Cash flows used in financing activities	(275,877)	(493,102)	217,225
Net change in cash	348,680	40,093	308,587

Cash Flows - Operating Activities

For Fiscal 2021, cash flows generated from operating activities totaled \$889.1 million, compared to \$732.5 million for Fiscal 2020. This increase is primarily attributable to an increase in cash flow from working capital explained by lower payments of income taxes and lower inventory purchases in Fiscal 2021 compared to Fiscal 2020.

Cash Flows - Investing Activities

For Fiscal 2021, cash flows used in investing activities totaled \$264.5 million, compared to \$199.3 million for Fiscal 2020. This increase includes the payment of the balance of purchase price of US\$52.7 million (\$69.3 million) for the 50.1% interest in Dollarcity, a US\$20.0 million (\$28.0 million) additional equity investment into Dollarcity to purchase real estate assets, as well as higher capital expenditures mainly related to store transformation projects.

Cash Flows - Financing Activities

For Fiscal 2021, cash flows used in financing activities totaled \$275.9 million, compared to \$493.1 million for Fiscal 2020. This decrease results primarily from the Corporation repurchasing fewer shares under the normal course issuer bid in Fiscal 2021.

Capital Expenditures

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

For the fourth quarter of Fiscal 2021, capital expenditures totaled \$51.7 million, compared to \$39.8 million for the fourth quarter of Fiscal 2020. This increase is mainly attributable to higher investments in transformation projects.

For Fiscal 2021, capital expenditures totaled \$167.8 million, compared to \$140.6 million for Fiscal 2020. This increase reflects additional store-related transformational capital expenditures, including but not limited to, the purchase of additional self-checkouts for certain high-traffic locations across the network, the continued roll-out of security cameras, and other store optimization projects.

Capital Resources

The Corporation generates sufficient cash flows from operating activities to fund its planned growth strategy in Canada and in Latin America, service its debt and make dividend payments to shareholders. As at January 31, 2021, the Corporation had \$439.1 million of cash on hand and \$798.9 million available under its Credit Facility.

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.

The Corporation is not eligible for any federal or provincial government support programs made available in the context of the COVID-19 pandemic. In Canada, the Corporation paid rent due to landlords, in full and in a timely manner, for all stores (including those that were temporarily closed in Fiscal 2021), warehouses and its head office.

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

The Corporation had a negative working capital of \$220.8 million as at January 31, 2021, compared to a negative working capital of \$328.0 million as at February 2, 2020 as a result of the inclusion in current liabilities of the Senior Unsecured Notes due in the next twelve months. The Corporation used the net proceeds from the issuance of the 1.505% Fixed Rate Notes on September 18, 2020 to repay the \$300.0 million aggregate principal amount of outstanding Series 3 Floating Rate Notes due February 1, 2021 and for general corporate purposes. In addition, the Corporation expects to refinance the 2.337% Fixed Rate Notes due July 22, 2021 through the issuance of new long-term notes before the maturity date. The Corporation is in good standing with rating agencies.

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

DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2021

Senior Unsecured Notes

	January 31, 2021 \$	February 2, 2020 \$
Long-term debt outstanding consists of the following as at:		
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, repaid on 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	(6,151)	(6,624)
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	8,051	8,407
	<u>1,876,900</u>	<u>1,876,783</u>
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)	(832,821)	(606,494)
	<u>1,044,079</u>	<u>1,270,289</u>

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at January 31, 2021 and February 2, 2020.

	January 31, 2021		February 2, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Fixed Rate Notes				
1.505% Fixed Rate Notes	300,089	300,660	-	-
3.55% Fixed Rate Notes	501,716	537,250	500,874	523,480
2.203% Fixed Rate Notes	250,856	257,000	250,664	250,958
2.337% Fixed Rate Notes	525,127	529,725	524,686	527,678
Floating Rate Notes				
Series 3 Floating Rate Notes	300,566	300,030	301,302	300,204
Series 2 Floating Rate Notes	-	-	300,754	300,156
	<u>1,878,354</u>	<u>1,924,665</u>	<u>1,878,280</u>	<u>1,902,476</u>

Fixed Rate Notes

On September 18, 2020, the Corporation issued the 1.505% Fixed Rate Notes at par, for aggregate gross proceeds of \$300 million, 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. The Corporation used the net proceeds from this issuance to repay the \$300.0 million aggregate principal amount of outstanding Series 3 Floating Rate Notes due February 1, 2021 and for general corporate purposes.

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 million to the three existing facilities (all four facilities being collectively referred to as the "Credit Facility"). This additional facility brings total commitments up from \$500 million to \$800 million, 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 million and \$50 million respectively, from September 29, 2021 to September 29, 2022.

On September 21, 2020, the Corporation and the lenders entered into a second amending agreement to the TARCA in order to extend the term of Facility D of \$300 million from February 12, 2021 to September 20, 2021.

On March 9, 2021, the Corporation and the lenders entered into a third amending agreement to the TARCA in order to extend further the term of each of Facility B and Facility C from September 29, 2022 to September 29, 2023. Facility A, in the amount of \$250 million, is available until September 27, 2024.

Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to committed facilities up to an aggregate amount, together with all then-existing commitments, of \$1,500 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 January 31, 2021, 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 \$1.1 million (February 2, 2020 – \$0.5 million). As at January 31, 2021, 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 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.

As at January 31, 2021, there was no amount outstanding under the US Commercial Paper Program.

Contractual Obligations, Off-Balance Sheet Arrangements and Commitments

The table below analyzes the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at January 31, 2021. Trade payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities created as a result of statutory requirements imposed by governments).

<i>(dollars in thousands)</i>	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Trade payable and accrued liabilities	213,883	-	-	-	213,883
Dividend payable	14,583	-	-	-	14,583
Lease liabilities ⁽¹⁾	71,662	152,558	795,704	796,396	1,816,320
Principal repayment on:					
1.505% Fixed Rate Notes	-	-	-	300,000	300,000
3.55% Fixed Rate Notes	-	-	500,000	-	500,000
2.203% Fixed Rate Notes	-	-	250,000	-	250,000
2.337% Fixed Rate Notes	-	525,000	-	-	525,000
Series 3 Floating Rate Notes	300,000	-	-	-	300,000
Interest payments on:					
1.505% Fixed Rate Notes	2,282	2,258	18,060	9,030	31,630
3.55% Fixed Rate Notes	-	17,750	35,500	-	53,250
2.203% Fixed Rate Notes	-	5,508	5,507	-	11,015
2.337% Fixed Rate Notes	-	6,135	-	-	6,135
Credit Facility and Floating Rate Notes ⁽²⁾	531	-	-	-	531
	602,941	709,209	1,604,771	1,105,426	4,022,347

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

⁽²⁾ Based on interest rates in effect as at January 31, 2021.

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, and commitments as at January 31, 2021.

<i>(dollars in thousands)</i>	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Over 5 years \$	Total \$
Letters of credit	766	339	-	-	1,105

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

Financial Instruments

The Corporation uses derivative financial instruments such as foreign exchange forward contracts 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.

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

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

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

For a description of the derivative financial instruments of the Corporation, refer to Note 3 and Note 14 of the Corporation's Fiscal 2021 audited annual consolidated financial statements.

Related Party Transactions

Property Leases

As at January 31, 2021, the Corporation leased 19 stores, five warehouses and its head office from entities controlled by the Rossy family pursuant to long-term lease agreements. Rental payments associated with these related-party leases are measured at cost, which equals fair value, being the amount of consideration established at market terms.

As at January 31, 2021, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled \$44.1 million (February 2, 2020 - \$52.4 million).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled \$6.4 million for the fiscal year ended January 31, 2021 (February 2, 2020 – \$7.0 million).

Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into the LSA. As at January 31, 2021, the account receivable from Dollarcity for the goods sold, assets licensed, and services provided under the LSA totaled \$14.8 million (February 2, 2020 – \$27.2 million), which amount is partly guaranteed by a letter of credit up to US\$10.0 million (\$12.8 million) (February 2, 2020 – US\$20.0 million (\$26.5 million)). For the year ended January 31, 2021, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to \$16.8 million (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 February 2, 2020 – \$9.3 million).

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

Critical Accounting Estimates and Judgments

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

The following discusses the most significant accounting judgments and estimates that the Corporation made in the preparation of the Corporation's audited annual consolidated financial statements for Fiscal 2021.

Valuation of Inventories

Estimate - Store inventories are valued at the lower of cost and net realizable value, with cost being determined by the retail inventory method. Under the retail inventory method, inventories are converted to a cost basis by applying an average cost-to-sell ratio. Inventories that are at the distribution centre or warehouses and inventories that are in transit from suppliers are measured at the lower of cost and net realizable value, with cost determined on a weighted average cost basis.

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow moving or carryover seasonal merchandise on hand, historical markdown statistics, future merchandising plans and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Historically, the Corporation has not experienced significant differences in its estimates of markdowns compared with actual results. Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Corporation.

Lease Term

Estimate - In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which

affects this assessment and that is within the control of the lessee. Also, under IFRS 16, estimates due to the incremental borrowing rate are used for measurement of the lease liabilities.

New Accounting Standards

New Accounting Policies Adopted in Fiscal 2021

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 Phase 1"). The amendments were meant to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the Reform Phase 1 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.

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 as no rent concession was received by the Corporation.

New Accounting Standards Announced but not yet Adopted

Libor Reform with Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform Phase 2 (the "Reform Phase 2"), which complemented the Reform Phase 1 and amended various standards requiring interest rates or interest rate calculations. The Reform Phase 2 provides guidance on the impacts on the financial statements after the London Inter-bank Offered Rate reform and its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. These amendments will not have a significant impact on the Corporation's financial statements.

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 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.

Risks Related to Business Operations

COVID-19 Pandemic

The COVID-19 pandemic has had a significant impact on global economic activity since March 2020 and remains ongoing.

The Corporation was recognized as an essential business in its Canadian markets at the outset of the pandemic. However, measures taken by Canadian public authorities to curb the spread of the virus have resulted in the temporary closure of a number of stores, most notably in shopping malls, strict in-store capacity limits and the temporary prohibition on the sale of non-essential items in Québec and Manitoba. If additional mitigation measures were implemented by public authorities in the event of a new surge in the number of COVID cases, there is no assurance that the Corporation will be able to retain its status as an essential business and maintain its operations. The loss of such status in Québec could lead to the closure of the Corporation's distribution centre and significantly hinder its ability to re-stock its stores across Canada. Furthermore, the COVID-19 emergency has caused a significant disruption in everyday life and in consumer habits in the Corporation's principal markets, and there is no assurance that the end of the pandemic will restore business as usual.

Similarly, in the Latin American markets in which Dollarcity operates (Colombia, El Salvador and Guatemala), the long-term impact of the COVID-19 pandemic remains difficult to forecast at this time. As the situation in these markets continues to evolve, Dollarcity could be impacted by factors beyond its control, including without limitation store closures, potential supply disruptions or other unforeseen circumstances.

Merchandise and Operating Costs

The Corporation's ability to provide quality merchandise at low price points is subject to a number of factors that are beyond its control, including merchandise costs, foreign exchange rate fluctuations, shipping costs, tariffs on imported goods, increases in labour costs (including any increases in the minimum wage), increases in rent and occupancy costs, fuel costs and inflation, all of which may reduce profitability and have an adverse impact on cash flows. Some of these factors are discussed immediately below while others are addressed under the headings "Imports and Supply Chain" and "Foreign Exchange Risk".

Labour costs are largely outside of the Corporation's control, driven by minimum wage legislation in each jurisdiction in which the Corporation has operations. Certain Canadian provinces implemented notable increases in the statutory minimum wage in Fiscal 2021, and a few more adjustments are scheduled for Fiscal 2022, in British Columbia and Nova Scotia. Minimum wage adjustments that deviate from the formula based on the year-over-year change in the consumer price index (CPI) create unpredictability, resulting in additional challenges for retailers. Productivity improvements from various operational initiatives may not be sufficient to offset those costs.

Rent and occupancy costs, while substantial, offer multi-year visibility due to the long term nature of leases. Historically, the Corporation has been able to negotiate leases on market terms and therefore benefits from a reasonable lead time to prepare for potential rent increases.

Inflation and adverse economic developments in Canada, where the Corporation both buys and sells merchandise, in China and other parts of Asia, where it buys a large portion of its imported merchandise, and in Latin America, where Dollarcity carries operations, could have a negative impact on margins, profitability and cash flows.

Fuel cost increases or surcharges could also increase transportation costs and therefore impact profitability.

If management is unable to predict and respond promptly to these or other similar events, the merchandise and operating costs may increase, and the Corporation's business and financial results could be materially adversely affected.

Generally, management believes that the multiple price point strategy provides some flexibility to address cost increases by allowing the Corporation to adjust the selling price on certain items. There is, however, no guarantee that the Corporation will continue to be successful in offsetting cost increases in a meaningful way, either because it wishes to maintain the compelling value of its product offering relative to competitors or because of its capped price point structure.

Merchandise Selection and Replenishment

The Corporation's success depends in large part on its ability to continually find, select and purchase quality merchandise at attractive prices in order to expand the assortment of products and replace underperforming goods to timely respond to evolving trends in demographics and consumer preferences, expectations and needs. The Corporation typically does not enter into long-term contracts for the purchase or development of merchandise and must continually seek out buying opportunities from both existing suppliers and new sources. Although management believes that the Corporation has strong and long-standing relationships with most of its suppliers, it may not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If the Corporation cannot find or purchase the necessary amount of competitively priced merchandise to maintain its compelling product offering or to replace goods that are outdated or unprofitable, business and financial results could be materially adversely affected.

Imports and Supply Chain

Following one of its key business strategies of sourcing merchandise directly from low cost suppliers, the Corporation relies heavily on imported goods, the majority of which are imported from China. Imported goods are generally less expensive than domestic goods and contribute significantly to favourable profit margins. Imported merchandise could become more expensive or unavailable, or deliveries could be subject to longer lead times, for a number of reasons, including: (a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages and strikes, suppliers going out of business, factory closures resulting from changes in the economic or regulatory landscape of the country of origin, inflation, natural disasters, unusually adverse weather, pandemic or epidemic outbreaks (such as COVID-19) and political unrest in foreign countries; (b) further consolidation in the shipping industry, which could lead to decreasing shipping capacity and rate increases, especially in the context of the COVID-19 pandemic; (c) economic instability and international disputes; (d) increases in the cost of purchasing or shipping foreign merchandise resulting from Canada's failure to maintain normal trade relationships with foreign countries; (e) increases in tariffs or the elimination of existing preferential tariffs on goods originating from certain countries, including China, restrictive changes to import quotas, and other adverse protectionist trade measures; and (f) changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect the Corporation's business and financial results.

If imported merchandise becomes more expensive, limited or unavailable, the Corporation may not be able to transition to alternative sources in time to meet the demand. Products from alternative sources may also be of lesser quality and/or more expensive than those currently imported. A disruption in the flow of imported merchandise or an increase in the cost of those goods due to these or other factors could significantly decrease sales and profits and have a material adverse impact on the Corporation's business and financial results.

Management believes that the Corporation has good relationships with suppliers and that it is generally able to obtain competitive pricing and other terms. However, products are bought on an order-by-order basis and the Corporation has very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If it fails to maintain good relationships with suppliers, or if suppliers' product costs are increased as a result of prolonged or repeated increases in the prices of certain raw materials, foreign exchange rate fluctuations, or changes in the economic or regulatory landscape of the country of origin, the Corporation may not be able to obtain attractive pricing. In addition, if it is unable to receive merchandise from suppliers on a timely basis because of interruptions in production or in shipping or other reasons that are beyond its control, the Corporation could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used, and business and financial results could be materially adversely affected.

Brand Image and Reputation

The Corporation has a well recognized brand that consumers associate with compelling value. Failure to maintain product safety and quality or ethical and socially responsible operations could materially adversely affect its brand image and reputation. Public concerns about the environmental impact of the Corporation's products and operations could also negatively impact consumers' perceptions of the Corporation's brand image. Any negative publicity about, or significant damage to, the Corporation's brand and reputation could have an adverse impact on customer perception and confidence, which could materially adversely affect the Corporation's business and financial results. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to its business practices and products.

Furthermore, as the Corporation's sourcing strategy relies heavily on directly imported merchandise from overseas, mainly from China, any unethical conduct by a supplier or any allegations, whether or not founded, of unfair or illegal business practices by a supplier, including production methods and labour practices, could also materially adversely affect the Corporation's brand image and reputation, which could in turn materially adversely affect its business and financial results. The Vendor Code of Conduct formalizes the Corporation's expectations with respect to suppliers' business standards. However, signed engagement forms do not constitute a guarantee that suppliers will uphold and adhere to the principles outlined in the Vendor Code of Conduct or that violations of the Vendor Code of Conduct will be reported to the Corporation in a timely manner.

Distribution and Warehousing Network

The Corporation must constantly replenish depleted inventory through deliveries of merchandise from suppliers to its warehouses, distribution centre and directly to stores by various means of transportation, including shipments by sea, train and truck. Also, as a result of its reliance on third-party carriers, the Corporation is subject to carrier disruptions and increased costs due to factors beyond its control. Disruptions in the distribution network or the national and international transportation infrastructure could lead to delays or interruptions of service which, in turn, could materially adversely affect the Corporation's business and financial results.

Over the longer term, the Corporation will eventually need additional warehouse and distribution centre capacity. If the Corporation does not plan efficiently for increased capacity, or is unable to locate new sites, either for sale or for rent, on favorable terms, or is unable to commission new warehousing or distribution operations on a timely basis, the Corporation may not be able to successfully execute its growth strategy or may incur additional costs, which could materially adversely affect its business and financial results.

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

Inventory Shrinkage

The Corporation is subject to the risk of inventory loss and administrative or operator errors, including mislabelling, as well as damage, theft and fraud. The Corporation experiences inventory shrinkage in the normal course of its business, and cannot ensure that incidences of inventory loss and theft will decrease in the future or that measures taken or initiatives implemented will effectively address inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if the Corporation were to experience higher rates of inventory shrinkage or were required to incur increased security costs to limit inventory theft, its business and financial results could be materially adversely affected.

Real Estate

All of the Corporation's stores are leased from unaffiliated third parties, except for one store that is owned by the Corporation and 19 stores that are leased from entities controlled by the Rossy family. In addition, the Corporation leases five of its six warehouses (the sixth one being owned by the Corporation) and its head office from entities controlled by the Rossy family pursuant to long-term leases expiring in November 2024.

Unless the terms of the Corporation's leases are extended, the properties, together with any improvements that were made, will revert to the property owners upon expiration of the lease terms. As the terms of those leases expire, the Corporation may not be able to renew leases or promptly find alternative locations that meet its needs on favourable terms, or at all. Also, breaching the terms of a lease may result in the Corporation incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. In the event that one or more of the foregoing risks materialize, the Corporation's business and financial results could be materially adversely affected.

Seasonality

Historically, the Corporation's highest sales have occurred in the fourth quarter, during the winter holidays selling season. Sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween. Failure to adequately prepare for the holiday sales demand and the timing of certain holidays and of new store openings could have material adverse effects on the Corporation's business and financial

results. In addition, the occurrence of unusually adverse weather, natural disasters, geopolitical events, pandemic or epidemic outbreaks or any other event beyond the Corporation's control and causing any disruption in its business activities or operations during a peak season could have an adverse effect on the distribution network and on store traffic, which could materially adversely affect its business and financial results.

Private Brands

The Corporation carries a substantial number of private brand items. Management believes that the Corporation's success in maintaining broad market acceptance of private brands depends on many factors, including pricing, quality and customer perception. If the Corporation does not achieve or maintain expected sales for private brands, or if it fails to successfully protect its proprietary rights in those brands or avoid claims related to the proprietary rights of third parties, its business and financial results could be materially adversely affected.

Intellectual Property

Management believes that trademarks and other proprietary rights are important to the Corporation's success and competitive position. Accordingly, the Corporation protects its trademarks and proprietary rights, in Canada and in other relevant markets. However, monitoring the unauthorized use of one's intellectual property is difficult, and violations may not always become immediately known. Furthermore, the steps generally taken to address such violations, including sending demand letters and taking actions against third parties, may be inadequate to prevent imitation of products and concepts by others or to prevent others from claiming violations of their trademarks and proprietary rights by the Corporation. In addition, the Corporation's intellectual property rights may not have the value that management believes they have. If the Corporation is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation against it relating to its intellectual property rights, the value of the brand could be diminished, causing customer confusion and materially adversely affecting the Corporation's business and financial results. In addition, the Corporation may incur significant costs if it is required to change certain aspects of its branding and business operations.

International Operations

The Corporation has international operations in El Salvador, Guatemala and Colombia through its 50.1% equity interest in Dollarcity. The Corporation's operations outside of Canada are exposed to risks inherent in foreign operations. These risks, which can vary substantially by market and jurisdiction, are described in many of the risk factors discussed in this section and also include the following:

- the adoption of laws, regulations and policies aimed at managing national economic conditions, such as increases in taxes, austerity measures that impact consumer spending, monetary policies that may impact inflation rates and currency fluctuations;
- the imposition of import restrictions or controls;
- the effects of legal and regulatory changes and the burdens and costs of compliance with a variety of foreign laws;
- changes in laws and policies that govern foreign investment and trade in the countries in which the Corporation operates;
- breaches or violations of Canadian and other foreign anti-corruption and anti-bribery laws, including by the Corporation's employees, suppliers, contractors, agents or representatives;
- risks and costs associated with political and economic instability, corruption, and social and ethnic unrest in the countries in which the Corporation operates;
- risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights; and
- risks arising from the significant and rapid fluctuations in currency exchange markets, and the impact of any decisions and positions taken to hedge such volatility.

These factors may increase in importance as Dollarcity expands its store network in Latin America and could adversely affect the growth strategy which, in turn, could adversely affect the Corporation's business and financial results.

Financial Risks

Foreign Exchange Risk

The Corporation's results of operations are impacted by foreign exchange rate fluctuations. While its sales are predominantly in Canadian dollars, the Corporation purchases a majority of its merchandise from overseas suppliers using U.S. dollars. If the Chinese renminbi appreciates against the U.S. dollar, the cost of merchandise purchased in China is likely to increase. Similarly, and to an even greater extent, when the U.S. dollar appreciates against the Canadian dollar, it has a negative impact on margins, profitability and cash flows.

The Corporation uses foreign exchange forward contracts and zero cost collar contracts to mitigate the foreign currency risk associated with the vast majority of forecasted U.S. dollar merchandise purchases. However, hedging arrangements may have the effect of limiting the total returns to the Corporation if purchases at hedged rates result in lower margins than otherwise earned if purchases had been made at spot rates.

Indebtedness

As at January 31, 2021, the outstanding principal on the Corporation's long-term debt amounted to \$1,875 million. The Corporation's indebtedness could have important consequences on its business and operations, including the following:

- a portion of cash flows from operations will be dedicated to the payment of interest on the indebtedness and other financial obligations and will not be available for other purposes, including funding the operations and capital expenditures and future business opportunities;
- the Corporation's ability to obtain additional financing for working capital and general corporate purposes may be limited;

- this debt level may limit the Corporation's flexibility to engage in specified types of transactions or in planning for, or reacting to, changes in the business and in the industry in general, placing the Corporation at a competitive disadvantage compared to competitors that have less debt; and
- the Corporation's leverage may make it vulnerable to a downturn in general economic conditions and adverse industry conditions.

Depending on the circumstances and the relative impact of the foregoing consequences, the level of indebtedness of the Corporation could materially adversely affect the Corporation's business and financial results.

Furthermore, the Credit Agreement and the trust indentures governing the Senior Unsecured Notes contain restrictive covenants that, subject to certain exceptions, limit the ability of the Credit Parties, to, among other things, make loans, incur, assume, or permit to exist additional secured indebtedness, guarantees or liens. The Credit Agreement also requires the Corporation to comply, on a quarterly and consolidated basis, with a minimum interest coverage ratio test and a maximum lease-adjusted leverage ratio test. This may prevent it from pursuing certain business opportunities or taking certain actions that may be in the best interest of the business, which could materially adversely affect the Corporation's business and financial results.

Interest Rates

Although a significant portion of the Corporation's indebtedness bears interest at fixed annual rates, the Corporation remains exposed from time to time to interest rate risk, notably under the Credit Facility as well as under the US Commercial Paper Program. If interest rates increase, debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and net income and cash flows would decrease, which could materially adversely affect the Corporation's business and financial results.

Liquidity

A portion of cash flows from operations is dedicated to the payment of interest on the Corporation's indebtedness and other financial obligations. The Corporation's ability to service its debt and other financial obligations depends on its financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond its control, including fluctuations in interest rates, market liquidity conditions, increased operating costs, and industry trends. If cash flows and capital resources are insufficient to meet debt service obligations, the Corporation may be forced to reduce the scope of, or delay, capital expenditures, new store openings and future business opportunities, sell assets, seek additional capital, or restructure or refinance its indebtedness.

Changes in Creditworthiness or Credit Rating

Changes in the perceived creditworthiness of the Corporation and in the credit rating of the Senior Unsecured Notes or the USCP Notes may affect not only the market value and the liquidity of those notes but also the cost at which the Corporation can access capital or credit markets, public or private. The Corporation received credit ratings in connection with the issuance of each series of Senior Unsecured Notes and the launch of the US Commercial Paper Program. Credit ratings are generally evaluated and determined by independent third parties and may be impacted by events outside of the Corporation's control as well as any other significant decisions made by it, including the entering into of any transaction. Credit rating agencies perform independent analysis when assigning credit ratings and such analysis includes a number of criteria, including various financial tests, business composition and market and operational risks. Those criteria are continually reviewed by credit rating agencies and are therefore subject to change from time to time. There is no assurance that any credit rating assigned to the Senior Unsecured Notes or the USCP Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. Any actual or anticipated lowering or withdrawal of a credit rating could have a material adverse effect not only on the market value of those notes but also on the market perceptions of the Corporation in general or its business and financial results.

Income Taxes

The Corporation's income tax provisions and income tax assets and liabilities are based on interpretations of applicable tax laws, including income tax treaties between the countries in which the Corporation operates (including countries in Latin America in the case of Dollarcity), as well as underlying rules and regulations with respect to transfer

pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Corporation is regularly subject to. New information may become available that causes the Corporation to change its judgment regarding the adequacy of existing income tax assets and liabilities; such changes will impact net earnings in the period that such a determination is made.

Market Risks

Retail Competition

The Corporation operates in the value retail industry, which is highly competitive with respect to, among other things, price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment could materially adversely affect the Corporation's business and financial results due to the lower prices, and thus lower margins, that could be required to maintain its competitive position. Companies operating in the value retail industry have limited ability to increase prices in response to increased costs. This limitation may also affect margins and financial performance.

The Corporation competes for customers, employees, store sites, products and services and in other important aspects of its business with many other local, regional and national retailers, including multi-price dollar stores, variety and discount stores and mass merchants. These retailers compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Management expects that the Corporation's expansion plans will increasingly bring it into direct competition with those other retailers.

Given the lack of significant economic barriers for other companies to open dollar stores or develop dollar store concepts within their existing retail operations, competition may also increase as a result of new value retailers entering into the markets in which the Corporation operates. If the Corporation fails to respond effectively to competitive pressures and changes in the retail markets, its business and financial results could be materially adversely affected.

E-Commerce and Disruptive Technologies

While the Corporation has an online store offering select products by the full case, which drove increased traffic and generated higher sales since the beginning of the COVID-19 pandemic, the Corporation faces stronger than ever competition from online retailers, especially as the pandemic pushed more consumers to shop online. Aggressive growth of e-commerce competitors and changing consumer habits could have a material adverse impact on the Corporation's business and financial results. As part of the Corporation's e-commerce initiative, customers expect innovative concepts and a positive customer experience, including a user-friendly website, reliable data, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Corporation is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems do not function effectively, the Corporation's ability to maintain and potentially grow its e-commerce business could be adversely affected.

Economic Conditions

Adverse global or Canadian economic conditions affecting disposable consumer income, employment levels, consumer debt levels, credit availability, business conditions, fuel and energy costs, rent, inflation, interest rates and tax rates could materially adversely affect the Corporation's business and financial results by reducing consumer spending or causing customers to shift their spending to other products the Corporation either does not sell or does not sell as profitably, which could translate into decreased sales volumes, slower inventory turnover and lower gross margin for the Corporation. In addition, similar adverse economic conditions could materially adversely affect the Corporation, its suppliers or other business partners by reducing access to liquid funds or credit, increasing the cost of credit, limiting the ability to manage interest rate risk, increasing the risk of insolvency or bankruptcy of suppliers, landlords or financial counterparties, increasing the cost of goods, and other impacts which cannot be fully anticipated.

Human Resources Risks

Reliance on Key Personnel

The Corporation's senior executives have extensive experience in the industry and with the business, suppliers, products and customers. The loss of management knowledge, expertise and technical proficiency as a result of the loss of one or more members of the core management team, could result in a diversion of management resources or a temporary executive gap, and negatively affect the Corporation's ability to develop and pursue other business strategies, which could materially adversely affect its business and financial results. In addition, the expertise pertaining to purchasing and import management, especially as it relates to the dollar store industry, is rare and the loss of key executives leading those functions could have a material adverse effect on the Corporation's ability to continue to offer a compelling product offering to its customers, which in turn could materially adversely affect its business and financial results.

As the Corporation's activities continue to grow, it must also continue to hire additional highly qualified individuals at corporate level, including key procurement, replenishment, project management, IT, finance, legal, and technical personnel. There can be no assurance that the Corporation will be able to attract or retain such qualified personnel in the future, which would adversely affect its business and financial results.

Recruitment, Retention and Management of Quality Employees

Future growth and performance depend, among other things, on the Corporation's ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. The Corporation's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). More specifically, in the event of a labour shortage affecting the Corporation's warehouse and distribution centre staffing needs, the Corporation could experience difficulty delivering its products to stores in a timely manner and could be forced to increase wages and benefits in order to attract and retain workers, which would result in higher operating costs and reduced profitability.

In addition, the Corporation must be able to successfully manage personnel throughout its vast, geographically dispersed network of stores.

The Corporation's employees are not unionized. Should any portion of its employee base attempt to unionize, the successful negotiation of a collective bargaining agreement cannot be assured. Protracted and extensive work stoppages or labour disruptions could materially adversely affect the Corporation's business and financial results.

Technology Risks

Information Technology Systems

The Corporation depends on its information technology systems for the efficient functioning of its business, including financial reporting and accounting, purchasing, inventory management and replenishment, labour forecasting and scheduling, payroll processing, data storage, customer transactions processing and store communications. Enterprise-wide software solutions enable management to efficiently conduct operations, and gather, analyze and assess information across all business functions and geographic locations.

Management believes that the Corporation's information technology architecture is resilient, relying on redundant material components to prevent material failures, redundant telecommunication links to prevent communication failures and a synchronous disaster recovery site to provide service continuity in the event of a server room disaster. However, systems may be subject to damage or interruption resulting from power outages, telecommunication failures, computer viruses, security breaches, cyber-attacks and catastrophic events. Difficulties with the hardware and software platform may require the Corporation to incur substantial costs to repair or replace it, could result in a loss of critical data or could disrupt operations, including the Corporation's ability to timely ship and track product orders, forecast inventory requirements, manage the supply chain, process customer transactions and otherwise adequately service customers, which, in each case, could have a material adverse effect on the Corporation's business and

financial results. Prolonged disruptions to information technology systems may reduce the efficiency of the Corporation's operations, which could materially adversely affect its business and financial results.

The Corporation relies heavily on information technology staff and consultants. Failure to meet staffing needs or to retain competent consultants may have an adverse effect on its ability to pursue technology-driven initiatives and to maintain and periodically upgrade many of its information systems and software programs, which could disrupt or reduce the efficiency of its operations and materially adversely affect its business and financial results.

The Corporation also depends on security measures that some of its third party service providers are taking to protect their own systems and infrastructure. For instances, the outsourcing of certain functions requires the Corporation to sometimes grant network access to third parties. If such third party service providers do not maintain adequate security measures in accordance with contractual requirements, the Corporation may experience operational difficulties and increased costs.

Data Security and Privacy Breaches

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber-threats in particular vary in technique and sources, are persistent, and are increasingly more targeted and difficult to detect and prevent.

Cyber-attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Corporation's information technology systems, networks and websites, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence. Cyber-attacks and security breaches could therefore materially adversely affect the Corporation's business and financial results.

At store level, the Corporation does not store customer data on its systems, such as card numbers and other customer personally identifiable information. However, since the launch of its online store, the Corporation now stores certain personally identifiable information of its online customers through its website, such as names and addresses, and through third party service providers, including cardholder data. Moreover, during the ordinary course of its business, the Corporation collects and maintains proprietary and confidential information related to its business and affairs, including its suppliers and employees. The Corporation stores and processes such internal data both at onsite facilities and at third-party owned facilities. Any fraudulent, malicious or accidental breach of data security could result in unintentional disclosure of, or unauthorized access to, customers, suppliers, employees or other confidential or sensitive data or information, which could potentially result in additional costs to the Corporation to enhance security or to respond to occurrences, violations of privacy or other laws or regulations, penalties or litigation. In addition, media or other reports of perceived security vulnerabilities of the Corporation's systems, even if no breach has been attempted or has occurred, could also adversely impact the Corporation's brand and reputation and materially impact its business and financial results.

While the Corporation has dedicated resources and utilizes third party technology products and services to help protect the Corporation's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber incidents, such measures may not be adequate or effective to prevent or identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could cause damage in excess of any available insurance, and could materially adversely affect its business and financial results.

Strategy and Corporate Structure Risks

Growth Strategy

The Corporation's ability to successfully execute its growth strategy will depend largely on its ability to successfully open and operate new stores, which, in turn, will depend on a number of operational, financial, and economic factors, including whether it can:

- locate, lease, build out, and open stores in suitable locations on a timely basis and on favourable economic terms;
- hire, train, and retain an increasing number of quality employees at competitive rates of compensation;
- supply an increasing number of stores with the proper mix and volume of merchandise;
- expand within the markets of Ontario and Québec, where it is already well established and where new stores may draw sales away from existing stores;
- expand into new geographic markets, including Latin America, where it has limited presence;
- procure efficient logistics and transportation services for those new markets;
- successfully compete against local competitors; and
- build, expand and upgrade warehousing and distribution facilities as well as store support systems in an efficient, timely and economical manner.

Any failure by the Corporation to achieve these goals could materially adversely affect its ability to continue to grow. In addition, if the expansion occurs as planned, the Corporation's store base will include a relatively high proportion of stores with a relatively short history of operations. If new stores on average fail to achieve results comparable to existing stores, the Corporation's business and financial results could be materially adversely affected.

On August 14, 2019, the Corporation acquired a 50.1% interest in Dollarcity and established a second growth platform in Latin America. The Corporation's ability to develop this new growth platform depends largely on the ability of Dollarcity to successfully expand its store network within the territory mutually agreed upon between the parties (comprised of El Salvador, Guatemala, Honduras, Costa Rica, Nicaragua, Panama, Colombia, Peru and Ecuador), which, in turn, depends on a number of operational and financial factors similar to those that the Corporation has to contend with in Canada, in addition to economic, social and geopolitical factors arising specifically in the countries where Dollarcity operates and the legal environment governing its Latin American operations.

Moreover, while the Corporation has a majority interest in Dollarcity, certain strategic and operational decisions are subject to the approval of all stockholders. Dollarcity's founding stockholders may in the future have interests that are different from the Corporation's interests, which may result in conflicting views as to the conduct of the business of Dollarcity. In the event of a disagreement regarding the resolution of any particular issue, or regarding the management or conduct of the business of Dollarcity, the Corporation may not be able to resolve such disagreement in its favor and such disagreement could have a material adverse effect on the Corporation's equity interest in Dollarcity or the business of Dollarcity in general. As a result, the Corporation's success in Latin America will also depend on the ability of Dollarcity's stockholders to reach agreements with respect to the strategic direction of Dollarcity and other important aspects of the Dollarcity business in the future.

Corporate Structure

Dollarama Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, the Corporation is subject to the risks attributable to Dollarama Inc.'s subsidiaries. As a holding company, Dollarama Inc. conducts substantially all of its business through its subsidiaries, which generate substantially all of Dollarama Inc.'s revenues. Consequently, Dollarama Inc.'s cash flows, and its ability to meet financial obligations and to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Dollarama Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and may potentially be constrained by various contractual restrictions. Dollarama Inc.'s subsidiaries are distinct legal entities and have no obligation to make funds available to Dollarama Inc. or any of its creditors, except in certain circumstances and subject to certain terms and conditions in the case of a subsidiary that is a guarantor of Dollarama Inc.'s obligations. In the event of a bankruptcy liquidation of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Dollarama Inc.

Business Continuity Risks

Adverse Weather, Natural Disasters, Climate Change, Geopolitical Events, Pandemic and Epidemic Outbreaks

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather exacerbated by global climate change or otherwise, pandemic or epidemic outbreaks (including new outbreaks of COVID-19), boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located or in which the Corporation, including through Dollarcity, operates, and acts of terrorism, or similar disruptions could materially adversely affect the Corporation's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during a period of the year when sales generally increase, such as the winter holidays season or any other major holidays and celebrations.

These events could result in physical damage to one or more of the Corporation's or Dollarcity's properties, increases in fuel or other energy prices, disruption to information systems, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transportation of goods from overseas, delays in the delivery of goods to warehouses, distribution centres or stores, the temporary or permanent closure of one or more warehouses or distribution centre or of one or more stores, the temporary reduction in the availability of products in stores, delays in opening new stores, a temporary workforce unavailability in a market or a surge in unemployment, the temporary reduction of store traffic, significant disruption in everyday life and consumer spending habits in the markets in which the Corporation operates and/or the loss of sales. These factors could materially adversely affect the Corporation's business and financial results, for a short or long period, and there is no assurance that business will resume and reach historical levels after any such event.

Insurance

The Corporation's insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that management believes are reasonable based on the nature and size of the Corporation's operations. However, there are types of losses against which the Corporation cannot be insured or which management chose not to insure, in some cases because it believes it is not economically reasonable to do so, such as losses due to acts of war, nuclear disaster, pandemic, epidemic, reputational risks, supply chain issues, certain cyber risks, product recalls, employee turnover, strikes and some natural disasters. If the Corporation incurs these losses and they are material, its business and financial results could be materially adversely affected. In addition, certain material events may result in sizable losses for the insurance industry and materially adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, the Corporation may elect to increase its level of self-insurance, accept higher deductibles or reduce the amount of coverage in response to these market changes. Although it continues to maintain property insurance for catastrophic events, the Corporation is effectively self-insured for property losses up to the amount of its deductibles. If it experiences a greater number of these losses than anticipated, the Corporation's business and financial results could be materially adversely affected.

Legal and Regulatory Risks

Product Liability Claims and Product Recalls

The Corporation sells products manufactured by unaffiliated third parties. Manufacturers might not adhere to product safety requirements or quality control standards, and the Corporation might not identify the deficiency before merchandise is shipped to stores and sold to customers. As a result, the products sold by the Corporation may expose it to product liability claims relating to personal injury, death or property damage, and may require the Corporation to take actions or act as a defendant in a litigation. In addition, if suppliers are unable or unwilling to recall products failing to meet quality standards, the Corporation may be required to remove merchandise from the shelves or recall those products at a substantial cost. Product liability claims and product recalls may affect customers' perception of the business or the brand and harm the Corporation's reputation, which may materially adversely affect its business and financial results. Although the Corporation maintains liability insurance to mitigate potential claims, it cannot be certain that coverage will be adequate or sufficient to cover for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

Litigation

The Corporation's business is subject to the risk of litigation by employees, customers, consumers, product suppliers, service providers, other business partners, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including, in the case of administrative proceedings, as a result of reviews by taxation authorities. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. In addition, certain of these lawsuits or claims, if decided adversely to the Corporation or settled by it, may result in liability material to its financial statements as a whole or may negatively affect operating results if changes to business operations are required. In addition, in connection with its business activities, the Corporation is subject to reviews by taxation authorities. There is no assurance that any such reviews will not result in taxation authorities challenging any of its tax filings.

The cost to defend litigation may be significant. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect customer perception of the business or the brand, regardless of whether the allegations are valid or whether the Corporation is ultimately found liable. As a result, litigation could materially adversely affect the Corporation's business and financial results.

Regulatory Environment

The Corporation is subject to many laws and regulations, including laws and regulations related to, among other things, permits and licences, product safety, labour practices, health and safety, merchandise quality, labelling, intellectual property, data privacy, environmental levies, trade and customs, bribery and corruption.

Compliance with existing or new laws and regulations, or changes in the interpretation, implementation or enforcement of any laws and regulations, could require the Corporation to make significant system or operating changes or require it to make significant expenditures or incur substantial costs, all of which could materially adversely affect its business and financial results. In addition, untimely compliance or non-compliance with any laws and regulations could trigger litigation or governmental enforcement action, or require the payment of any fines or penalties, and harm the Corporation's reputation, which could materially adversely affect the Corporation's business and financial results.

Furthermore, as the Corporation's sourcing strategy relies heavily on directly imported merchandise from overseas, mainly from China, any violation of applicable local laws and regulations by one or more suppliers, including laws and regulations related to, among other things, labour practices, health and safety, and environmental protection, could also materially adversely affect the Corporation's brand image and reputation.

In addition, the Corporation and its representatives are subject to anti-corruption and anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities, or persons defined in those anti-corruption and anti-bribery laws, in order to obtain business or other improper advantages in the conduct of business. Failure by the Corporation or any of its employees, subcontractors, suppliers, agents, and/or representatives to comply with anti-corruption and anti-bribery laws could result in criminal, civil and administrative legal sanctions and negative publicity, and could materially adversely affect the Corporation's business and financial results as well as its brand image and reputation.

Environmental Compliance

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

Certain of the facilities that the Corporation occupies have been in operation for many years and, over such time, the Corporation and the prior owners or occupants of such properties may have generated and disposed of materials, which are or may be considered hazardous. Accordingly, it is possible that environmental liabilities may arise in the future as a result of any generation and disposal of such hazardous materials. Although it has not been notified of, and management is not aware of, any current material environmental liability, claim, or non-compliance, the

Corporation could incur costs in the future related to its properties in order to comply with, or address any violations under, environmental laws and regulations.

In the ordinary course of business, the Corporation sometimes uses, stores, handles or disposes of household products and cleaning supplies that are classified as hazardous materials under various environmental laws and regulations. Also, products sold by the Corporation may be subject to environmental regulations prohibiting or restricting the use of certain toxic substances in the manufacturing process.

The Corporation cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures or impose fines or penalties, which could vary substantially from those currently anticipated and could materially adversely affect the Corporation's business and financial results.

Climate Change

Climate change is an international concern that is receiving increasing attention worldwide. As a result, in addition to the physical risks associated with climate change, there is the risk that the government introduces climate change legislation and treaties that could result in increased costs, and therefore, decreased profitability of the Corporation's operations.

The Canadian government has established a number of policy measures in response to concerns relating to climate change. While the impact of these measures cannot be quantified at this time, the likely effect will be to increase costs for fuels, electricity and transportation; restrict industrial emission levels; impose added costs for emissions in excess of permitted levels; and increase costs for monitoring and reporting. Compliance with these initiatives could require the Corporation to make significant system or operating changes or require it to make significant expenditures or incur substantial costs, all of which could materially adversely affect its business and financial results.

Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas (GHG) emissions. GHG regulations could require the Corporation to purchase allowances to offset the Corporation's own emissions or result in an overall increase in costs or operating expenses, any of which could materially adversely affect the Corporation's business and financial results. While additional regulation of emissions in the future appears likely, it is too early to predict whether this regulation could ultimately have a material adverse effect on the Corporation's business or financial results.

Shareholder Activism

The Corporation may be subject to legal and business challenges in the operation of its business due to actions instituted by activist shareholders or others. Responding to such actions can be costly and time-consuming, disrupting business operations and diverting the attention of management and employees. Such investor activism could result in uncertainty of the direction of the Corporation, substantial costs and diversion of management's attention and resources, which could harm the business, hinder execution of the business strategy and initiatives and create adverse volatility in the market price and trading volume of the Corporation's shares.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. The CEO and the CFO evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings. They concluded that, as at January 31, 2021, the Corporation's design and operation of its disclosure controls and procedures was effective in providing reasonable assurance that material information regarding this MD&A, the consolidated financial statements and other disclosures was made known to them on a timely basis.

Management has developed a system for internal controls over financial reporting in order to provide reasonable assurance about the reliability of the financial information published and the preparation of the financial statements in accordance with GAAP. Furthermore, internal controls over financial reporting design provides reasonable assurance that the Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing information, in accordance with GAAP. The CEO and the CFO are responsible for developing internal controls over financial reporting or the supervision of their development.

As at January 31, 2021, the CEO and the CFO evaluated the effectiveness of both disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the CEO and the CFO concluded that disclosure controls and procedures and internal control over financial reporting were effective as at January 31, 2021. In making the evaluation of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control - Integrated Framework* (commonly referred to as the 2013 COSO Framework).

There were no changes in internal control over financial reporting that occurred during the period beginning on February 3, 2020 and ended on January 31, 2021 that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On March 31, 2021, the Corporation announced that its Board of Directors had approved a 7.0% increase of the quarterly cash dividend for holders of common shares, from \$0.047 to \$0.0503 per common share. This dividend is payable on May 7, 2021 to shareholders of record at the close of business on April 16, 2021. 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 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.

No common shares were repurchased for cancellation under the normal course issuer bid during the first three quarters of Fiscal 2021 as the Corporation chose to preserve liquidity due to the uncertainty related to the COVID-19 pandemic. In the fourth quarter of Fiscal 2021, the Corporation repurchased 1,621,708 common shares at a weighted average price of \$53.67 per common share, for a total cash consideration of \$87.0 million.

The table below summarizes all purchases of common shares under each of the 2019-2020 NCIB and the 2020-2021 NCIB up to January 31, 2021, the last day of Fiscal 2021.

NCIB	Period of Coverage	Number of Common Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Common Share \$	Value of Common Shares Repurchased for Cancellation ('000s) \$
2019-2020 NCIB	July 5, 2019 to July 4, 2020	7,089	46.15	327,155
2020-2021 NCIB	July 7, 2020 to January 31, 2021 ⁽¹⁾	1,622	53.67	87,042
		8,711	47.55	414,197

⁽¹⁾ The 2020-2021 NCIB is set to expire on July 6, 2021.

The table below summarizes all purchases of common shares during Fiscal 2020 and Fiscal 2021.

Period of Coverage	Number of Common Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Common Share \$	Value of Common Shares Repurchased for Cancellation ('000s) \$
Fiscal 2020	7,089	46.15	327,155
Fiscal 2021	1,622	53.67	87,042
	8,711	47.55	414,197

Share Information

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

As at March 30, 2021, there were 310,266,429 common shares issued and outstanding. In addition, there were 4,229,500 options, each exercisable for one common share, issued and outstanding as at March 30, 2021. Assuming exercise of all outstanding options, there would have been 314,495,929 common shares issued and outstanding on a fully diluted basis as at March 30, 2021. Refer to Note 12 of the Corporation's audited annual consolidated financial statements for Fiscal 2021 for additional information.

Additional Information

Additional information relating to the Corporation, including the Corporation's current annual information form, is available on SEDAR at www.sedar.com. The Corporation is a publicly traded company listed on the TSX under the symbol "DOL".