DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Second Quarter Ended July 28, 2024

September 11, 2024

The following management's discussion and analysis ("MD&A") dated September 11, 2024 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 second quarter ended July 28, 2024. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the second quarter ended July 28, 2024 and the audited annual consolidated financial statements and notes for Fiscal 2024 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's unaudited condensed interim consolidated financial statements for the second quarter ended July 28, 2024 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 as issued by the International Accounting Standards Board ("IFRS").

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 2023" are to the Corporation's fiscal year ended January 29, 2023; to "Fiscal 2024" are to the Corporation's fiscal year ended January 28, 2024; and to "Fiscal 2025" are to the Corporation's fiscal year ending February 2, 2025.

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 2024 was comprised of 52 weeks whereas Fiscal 2025 is 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: global supply chain challenges; the liquidity position of the Corporation; the potential accretive effect of the normal course issuer bid; the impact of minimum wage increases on administrative and store operating expenses; Dollarcity and certain terms and conditions of the Stockholders Agreement (as such terms are hereinafter defined).

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's annual MD&A for Fiscal 2024, available on SEDAR+ at www.sedarplus.com and on the Corporation's website at www.dollarama.com: future increases in operating costs (including increases in statutory minimum wages), future increases in merchandise costs (including as a result of rising raw material costs and tariff disputes), future increases in shipping, transportation and other logistics costs (including as a result of freight costs, fuel price increases and detention 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 global supply chain disruptions and the geopolitical instability triggered by the increased tensions between China and the Western countries), failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, inability to enter into or renew, as applicable, store and warehouse leases on favourable and competitive terms, inability to increase warehouse and distribution centre capacity in a timely manner, seasonality, market acceptance of private brands, failure to protect trademarks and other proprietary rights, foreign exchange rate fluctuations, potential losses associated with using derivative financial instruments, any exercise by Dollarcity's founding stockholders of their put right, level of indebtedness and inability to generate sufficient cash to service debt, changes in creditworthiness and credit rating and the potential increase in the cost of capital, interest rate risk associated with variable rate indebtedness, increases in taxes and changes in applicable tax laws or the interpretation thereof, competition in the retail industry (including from online retailers), 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 (including failure to identify and develop new growth opportunities), 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, class action lawsuits and other 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 September 11, 2024 and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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

Recent Events

Renewal of Normal Course Issuer Bid

On July 4, 2024, the Corporation announced the renewal of its normal course issuer bid and the approval from the Toronto Stock Exchange ("TSX") to repurchase up to 16,549,476 common shares, representing 6.0% of the Corporation's public float of 275,824,605 common shares as at June 28, 2024, during the 12-month period from July 7, 2024 to July 6, 2025.

Amendments to Credit Agreement

On June 28, 2024, the Corporation and the lenders entered into a seventh amending agreement to the TARCA (as hereinafter defined) in order to, among other things, extend the terms of its revolving credit facilities by one year so that the term now ends, for Facility A, on June 28, 2029, for Facility B and Facility C, on June 28, 2027, and for Facility D, on June 27, 2025.

Quarterly Cash Dividend

On September 11, 2024, the Corporation announced that its Board of Directors approved a quarterly cash dividend for holders of common shares of $0.0920 per common share. This dividend is payable on November 1, 2024 to shareholders of record at the close of business on October 4, 2024. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Overview

Our Business

As at July 28, 2024, the Corporation had 1,583 stores in Canada, including 14 net new stores opened during the second quarter of Fiscal 2025, and continues to expand its network across the country. Stores average 10,439 square feet and offer a broad assortment of consumable products, general merchandise and seasonal items, including private label and nationally branded products, all at compelling values. Merchandise is sold in individual or multiple units at select, fixed price points up to $5.00. 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 is also focused on supporting the growth of its operations in Latin America through its equity interest in Dollarcity, a Latin American value retailer headquartered in Panama in which the Corporation held a 60.1% equity interest as at July 28, 2024. Dollarcity offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US$4.00 (or the equivalent in local currency) in El Salvador, Guatemala, Colombia and Peru. As at June 30, 2024, Dollarcity had a total of 570 stores (compared to 458 stores as at June 30, 2023) with 338 locations in Colombia, 101 in Guatemala, 74 in El Salvador, and 57 in Peru. Refer to the sections entitled "Factors Affecting Results of Operations – Sales" and "Related Party Transactions – Dollarcity".

Key Items in the Second Quarter of Fiscal 2025

Compared to the second quarter of Fiscal 2024:

- Sales increased by 7.4% to $1,563.4 million, compared to $1,455.9 million
- Comparable store sales[(1)] increased by 4.7%, over and above 15.5% growth in the corresponding period of the previous year
- EBITDA[(1)] increased by 14.7% to $524.3 million, representing an EBITDA margin[(1)] of 33.5%, compared to 31.4%
- Operating income increased by 15.3% to $422.9 million, representing an operating margin[(1)] of 27.0%, compared to 25.2%
- Diluted net earnings per common share increased by 18.6% to $1.02, compared to $0.86
- 14 net new stores opened, compared to 18 net new stores
- 2,104,691 common shares repurchased for cancellation for $263.1 million

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

Key Items in the First Six Months of Fiscal 2025

Compared to the first six months of Fiscal 2024:

- Sales increased by 8.0% to $2,969.2 million, compared to $2,750.5 million
- Comparable store sales increased by 5.1%, over and above a 16.3% growth in the prior year
- EBITDA increased by 14.4% to $942.0 million, representing an EBITDA margin of 31.7%, compared to 29.9%
- Operating income increased by 15.6% to $744.9 million, representing an operating margin of 25.1%, compared to 23.4%
- Diluted net earnings per common share increased by 20.1% to $1.79, compared to $1.49
- 32 net new stores opened, compared to 39 net new stores
- 3,385,857 common shares repurchased for cancellation for $408.7 million

Outlook

A discussion of management's expectations as to the Corporation's outlook for Fiscal 2025 is contained in the Corporation's press release dated September 11, 2024 under the heading "Outlook". The press release is available on SEDAR+ at www.sedarplus.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 from 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.

Under the sourcing agreement and the services agreement entered into between Dollarama International Inc. ("Dollarama International"), the wholly-owned subsidiary through which the Corporation holds its equity interest in Central American Retail Sourcing, Inc. ("CARS"), the parent company of the entities operating the Dollarcity business, the Corporation recognizes revenue based on the amounts billed to Dollarcity when the Corporation acts as the principal. Otherwise, the Corporation recognizes the net amount that it retains as revenue. Refer to section entitled "Dollarcity" for additional details.

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 sales fluctuations and expect this trend to continue. That said, the occurrence of unusually adverse weather 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. Refer to the section of the annual MD&A for Fiscal 2024 entitled "Risks and Uncertainties" for a discussion on the risks associated with seasonality and business continuity.

Cost of Sales

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

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

Since the Corporation purchases goods in currencies other than the Canadian dollar, our cost of sales is affected by fluctuations in foreign currencies against the Canadian dollar. In particular, we mainly purchase 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 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 are also a significant component of our cost of sales.

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

We strive to maintain a sustainable gross margin, aimed at achieving a healthy balance between maximizing returns to shareholders and offering a compelling value to our customers. The gross margin varies on a quarterly basis as a result of fluctuations in product margins, product mix and/or fluctuations in logistics and transportation costs, among other factors. Our current target is to refresh approximately 25% to 30% of our offering on an annual basis.

General, Administrative and Store Operating Expenses

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

Economic or Industry-Wide Factors Affecting the Corporation

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

Selected Consolidated Financial Information

The following tables set out selected financial information for the periods indicated. The selected consolidated financial information set out below as at July 28, 2024 and July 30, 2023 has been derived from the Corporation's unaudited condensed interim consolidated financial statements and related notes.

	13-week periods ended		26-week periods ended	
(dollars and shares in thousands, except per share amounts)	**July 28, 2024 $**	**July 30, 2023 $**	**July 28, 2024 $**	**July 30, 2023 $**
Earnings Data				
Sales	1,563,384	1,455,936	2,969,156	2,750,485
Cost of sales	856,189	817,081	1,654,685	1,565,888
Gross profit	707,195	638,855	1,314,471	1,184,597
SG&A	212,946	198,360	430,112	393,958
Depreciation and amortization	94,091	85,110	184,253	170,748
Share of net earnings of equity-accounted investment	(22,698)	(11,371)	(44,788)	(24,496)
Operating income	422,856	366,756	744,894	644,387
Net financing costs	40,939	36,068	77,462	72,753
Earnings before income taxes	381,917	330,688	667,432	571,634
Income taxes	95,975	84,926	165,647	145,999
Net earnings	285,942	245,762	501,785	425,635
Basic net earnings per common share	$1.02	$0.86	$1.80	$1.50
Diluted net earnings per common share	$1.02	$0.86	$1.79	$1.49
Weighted average number of common shares outstanding:				
Basic	280,174	284,366	279,440	284,588
Diluted	281,149	285,243	280,427	285,789
Other Data				
Year-over-year sales growth	7.4%	19.6%	8.0%	20.1%
Comparable store sales growth (1)	4.7%	15.5%	5.1%	16.3%
Gross margin (1)	45.2%	43.9%	44.3%	43.1%
SG&A as a % of sales (1)	13.6%	13.6%	14.5%	14.3%
EBITDA (1)	524,305	457,193	942,048	823,462
Operating margin (1)	27.0%	25.2%	25.1%	23.4%
Capital expenditures	53,952	41,813	100,219	88,896
Number of stores (2)	1,583	1,525	1,583	1,525
Average store size (gross square feet) (2) (3)	10,439	10,420	10,439	10,420
Declared dividends per common share	$0.0920	$0.0708	$0.1840	$0.1416

(dollars in thousands)	As at July 28, 2024 $	As at January 28, 2024 $
Statement of Financial Position Data		
Cash and cash equivalents	271,460	313,915
Inventories	884,307	916,812
Total current assets	1,230,587	1,309,093
Property, plant and equipment	975,873	950,994
Right-of-use assets	2,066,650	1,788,550
Total assets	6,313,986	5,263,607
Total current liabilities	618,729	677,846
Total non-current liabilities	4,509,818	4,204,913
Total debt (1)	2,276,982	2,264,394
Net debt (1)	2,005,522	1,950,479
Shareholders' equity	1,185,439	380,848

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" of this MD&A for the definition of these items and, where applicable, their reconciliation with the most directly comparable GAAP measure.
(2) At the end of the period.
(3) The Corporation revised its prior years square footage information to align with its current and updated methodology.

Results of Operations

Analysis of Results for the Second Quarter of Fiscal 2025

The following section provides an overview of the Corporation's financial performance during the second quarter of Fiscal 2025 compared to the second quarter of Fiscal 2024.

Sales

Sales for the second quarter of Fiscal 2025 increased by 7.4% to $1,563.4 million, compared to $1,455.9 million in the corresponding period of the prior fiscal year. This increase was driven by growth in the total number of stores over the past 12 months (from 1,525 stores on July 30, 2023, to 1,583 stores on July 28, 2024) and increased comparable store sales.

Comparable store sales for the second quarter of Fiscal 2025 increased by 4.7%, consisting of a 7.0% increase in the number of transactions and a 2.2% decrease in average transaction size, over and above comparable store sales growth of 15.5% in the corresponding period of the prior fiscal year. The increase in comparable store sales reflects sustained customer demand for consumables offset by softer demand for spring-summer assortment, compared to the same period last year.

New stores, which are not yet comparable stores, reach annual sales of approximately $3.1 million within their first two years of operation, and achieve an average capital payback period of approximately two years.

Gross Margin

Gross margin reached 45.2% of sales in the second quarter of Fiscal 2025, compared to 43.9% of sales in the second quarter of Fiscal 2024. The increase is mainly due to the positive impact of lower contractual rates with carriers and lower logistics costs.

SG&A

SG&A for the second quarter of Fiscal 2025 increased by 7.3% to $212.9 million, compared to $198.4 million for the second quarter of Fiscal 2024. Despite an increase in store labour and operating costs, SG&A as a percentage of sales remained flat at 13.6% for the second quarter of Fiscal 2025, compared to the second quarter of Fiscal 2024.

EBITDA

EBITDA totalled $524.3 million, representing an EBITDA margin of 33.5%, for the second quarter of Fiscal 2025, compared to $457.2 million, or an EBITDA margin of 31.4%, in the second quarter of Fiscal 2024.

Depreciation and Amortization

The depreciation and amortization expense increased by $9.0 million, from $85.1 million for the second quarter of Fiscal 2024 to $94.1 million for the second quarter of Fiscal 2025. The increase is mainly attributable to additions to right-of-use assets and leasehold improvements on the opening of new stores.

Share of Net Earnings of Equity-Accounted Investment

The Corporation's 50.1% share of Dollarcity's net earnings for the period from April 1, 2024 to June 10, 2024 and its 60.1% share for the period from June 11, 2024 to June 30, 2024 amounted to $22.7 million. This compares to $11.4 million for the Corporation's 50.1% share during the same periods last year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Net Financing Costs

Net financing costs increased by $4.8 million, from $36.1 million for the second quarter of Fiscal 2024 to $40.9 million for the second quarter of Fiscal 2025. The increase is mainly due to a higher average borrowing rate on Fixed Rate Notes (as defined herein) and higher interest expense on lease obligations, partially offset by an increase in interest income resulting from higher invested capital.

Income Taxes

Income taxes increased by $11.1 million, from $84.9 million for the second quarter of Fiscal 2024 to $96.0 million for the second quarter of Fiscal 2025. The statutory income tax rate for the second quarter of Fiscal 2025 was 26.5%, unchanged from the corresponding quarter of Fiscal 2024. The Corporation's effective tax rates for the second quarters of Fiscal 2025 and Fiscal 2024 were 25.1% and 25.7%, respectively. The decrease in the effective tax rate for the second quarter of Fiscal 2025 is due to the Corporation's share of net earnings of its equity-accounted investment in Dollarcity (which was higher for the second quarter of Fiscal 2025 than for the same period in Fiscal 2024, respectively at $22.7 million and $11.4 million) which is computed net of taxes, already accounted for by Dollarcity.

Net Earnings

Net earnings increased by 16.3% to $285.9 million, or $1.02 per diluted common share, in the second quarter of Fiscal 2025, compared to $245.8 million, or $0.86 per diluted common share, in the second quarter of Fiscal 2024.

Analysis of Results for the First Six Months of Fiscal 2025

The following section provides an overview of our financial performance during the first six months of Fiscal 2025 compared to the first six months of Fiscal 2024.

Sales

Sales for the first six months of Fiscal 2025 increased by 8.0% to $2,969.2 million, compared to $2,750.5 million in the corresponding period of the prior fiscal year.

Comparable store sales increased 5.1% year over year, reflecting a 7.8% increase in the number of transactions and a 2.5% decrease in average transaction size, compared to comparable store sales growth of 14.1% in the first six months of Fiscal 2024. The increase in comparable store sales reflects sustained customer demand for consumables offset by softer demand for spring-summer assortment, compared to the same period last year.

Gross Margin

Gross margin reached $1,314.5 million or 44.3% of sales in the first six months of Fiscal 2025, compared to $1,184.6 million or 43.1% of sales in the first six months of Fiscal 2024. For the first six months of Fiscal 2025, gross margin as a percentage of sales was higher due to the positive impact of lower contractual rates with carriers and lower logistics costs relative to sales in comparison to the first six months of Fiscal 2024.

SG&A

SG&A for the first six months of Fiscal 2025 was $430.1 million, a 9.2% increase over $394.0 million for the first six months of Fiscal 2024. SG&A for the first six months of Fiscal 2025 represented 14.5% of sales, compared to 14.3% of sales for the first six months of Fiscal 2024. This variance mainly reflects higher store labour and operating costs.

EBITDA

EBITDA totalled $942.0 million, representing an EBITDA margin of 31.7%, for the second quarter of Fiscal 2025, compared to $823.5 million, or an EBITDA margin of 29.9%, in the second quarter of Fiscal 2024.

Depreciation and Amortization

The depreciation and amortization expense increased by $13.6 million, from $170.7 million for the first six months of Fiscal 2024 to $184.3 million for the first six months of Fiscal 2025. The increase is mainly attributable to additions to right-of-use assets and leasehold improvements on the opening of new stores.

Share of Net Earnings of Equity-Accounted Investment

The Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2024 to June 10, 2024 and its 60.1% share for the period from June 11, 2024 to June 30, 2024 was $44.8 million. This compares to $24.5 million for the Corporation's 50.1% share during the same periods last year. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Net Financing Costs

Net financing costs increased by $4.7 million, from $72.8 million for the first six months of Fiscal 2024 to $77.5 million for the first six months of Fiscal 2025. The increase is mainly due to a higher average borrowing rate on Fixed Rate Notes and higher interest expense on lease obligations, partially offset by an increase in interest income resulting from higher invested capital.

Income Taxes

Income taxes increased by $19.6 million, from $146.0 million for the first six months of Fiscal 2024 to $165.6 million for the first six months of Fiscal 2025. The statutory income tax rates for the first six months of Fiscal 2025 was 26.5%, unchanged from the corresponding period of Fiscal 2024. The Corporation's effective tax rates for the first six months of Fiscal 2025 and Fiscal 2024 were 24.8% and 25.5%, respectively. The decrease in the effective tax rate for the first six months of Fiscal 2025 is due to the Corporation's share of net earnings of its equity-accounted investment in Dollarcity (which was higher for the first six months of Fiscal 2025 than for the same period in Fiscal 2024, respectively at $44.8 million and at $24.5 million) which is computed net of taxes, already provisioned by Dollarcity.

Net Earnings

Net earnings increased by 17.9% to $501.8 million, or $1.79 per diluted common share, in the first six months of Fiscal 2025, compared to $425.6 million, or $1.49 per diluted common share, in the first six months of Fiscal 2024.

Summary of Consolidated Quarterly Results

	Fiscal 2025		Fiscal 2024				Fiscal 2023	
(*dollars in thousands, except per share amounts*)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Statement of Net Earnings Data	$	$	$	$	$	$	$	$
Sales	1,563,384	1,405,772	1,639,171	1,477,692	1,455,936	1,294,549	1,473,223	1,289,574
Net earnings	285.942	215,843	323,770	261,055	245,762	179,873	261,288	201,594
Net earnings per common share								
Basic	$1.02	$0.77	$1.15	$0.92	$0.86	$0.63	$0.91	$0.70
Diluted	$1.02	$0.77	$1.15	$0.92	$0.86	$0.63	$0.91	$0.70

Liquidity and Capital Resources

Cash Flows for the Second Quarter of Fiscal 2025

(dollars in thousands)	13-week periods ended July 28, 2024 $	July 30, 2023 $	Change $
Cash flows from operating activities	422,304	400,101	22,203
Cash flows used in investing activities	(59,229)	(41,560)	(17,669)
Cash flows used in financing activities	(384,217)	(358,124)	(26,093)
Net change in cash and cash equivalents	(21,142)	417	(21,559)

Cash Flows - Operating Activities

For the second quarter of Fiscal 2025, cash flows generated from operating activities totalled $422.3 million, compared to $400.1 million for the second quarter of Fiscal 2024. This increase is primarily attributable to higher net earnings and an increase in non-cash expenses, partially offset by a higher use of working capital as result of higher inventory purchases in the second quarter of Fiscal 2025 compared to the second quarter of Fiscal 2024.

Cash Flows - Investing Activities

For the second quarter of Fiscal 2025, cash flows used in investing activities totalled $59.2 million, compared to $41.6 million for the second quarter of Fiscal 2024. This increase is mainly attributable to higher capital expenditures related to store acquisition as well as transformation and information technology projects compared to the second quarter of Fiscal 2024, and one-time transaction costs incurred in relation to the acquisition of an additional 10.0% equity interest on June 11, 2024 (the "Dollarcity Transaction") in CARS, the parent company of the entities operating Dollarcity.

Cash Flows - Financing Activities

For the second quarter of Fiscal 2025, cash flows used in financing activities totalled $384.2 million, compared to $358.1 million for the second quarter of Fiscal 2024. This variance is mainly due to an increase in the repurchase of common shares under the normal course issuer bid as well as higher net payments of lease liabilities.

Cash Flows for the First Six Months of Fiscal 2025

(dollars in thousands)	26-week periods ended July 28, 2024 $	July 30, 2023 $	Change $
Cash flows from operating activities	704,268	683,181	21,087
Cash flows used in investing activities	(77,870)	(88,486)	10,616
Cash flows used in financing activities	(668,853)	(443,476)	(225,377)
Net change in cash and cash equivalents	(42,455)	151,219	(193,674)

Cash Flows - Operating Activities

For the first six months of Fiscal 2025, cash flows generated from operating activities totalled $704.3 million, compared to $683.2 million for the first six months of Fiscal 2024. This increase is primarily attributable to higher net earnings and an increase in non-cash expenses, partially offset by a higher use of working capital, reflecting the timing of income tax installments.

Cash Flows - Investing Activities

For the first six months of Fiscal 2025, cash flows used in investing activities totalled $77.9 million, compared to $88.5 million for the first six months of Fiscal 2024. This decrease is mainly attributable to cash proceeds of $27.4 million received from the Corporation's equity-accounted investment in Dollarcity, partially offset by higher capital expenditures related to stores as well as transformation and information technology projects compared to the first six months of Fiscal 2024, as well as one-time transaction costs incurred in relation to the Dollarcity Transaction.

Cash Flows - Financing Activities

For the first six months of Fiscal 2025, cash flows used in financing activities totalled $668.9 million, compared to $443.5 million generated in the first six months of Fiscal 2024. This variance reflects the increase in the repurchase of common shares under the normal course issuer bid, the settlement of performance share units as well as higher net payments of lease liabilities.

Capital Expenditures

Capital expenditures include additions to property, plant and equipment as well as intangible assets, which mainly relate to investments in information technology projects, transformation projects and new stores.

For the second quarter and first six months of Fiscal 2025, capital expenditures totalled $54.0 million and $100.2 million, respectively, compared to $41.8 million and $88.9 million for the second quarter and first six months of Fiscal 2024. The increase is mainly attributable to higher capital expenditures related to store acquisition and transformation and information technology projects compared to the second quarter and first six months of Fiscal 2024.

Capital Resources

As at July 28, 2024, the Corporation had $271.5 million of cash on hand and $1,048.7 million available under its Credit Facility (as hereinafter defined).

The Corporation expects that its cash flows from operating activities, together with its available liquidity, will be sufficient to meet its projected cash requirements in Fiscal 2025, including to fund its planned growth and capital expenditures, service its debt, pay its contractual obligations, repurchase common shares and make dividend payments to shareholders.

The Corporation's ability to pay the principal and interest on any portion of its debt, which consist mainly of Fixed Rate Notes as of the date hereof, to refinance or repay at maturity all or any portion thereof, or to generate sufficient funds to meet its future cash requirements will largely depend on its future performance, which to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond its control. As further described below, any exercise of the put right by Dollarcity's founding stockholders or any exercise by the Corporation of its Call Option (as defined herein) secured in connection with the Dollarcity Transaction could also impact the foregoing and the Corporation's capital allocation strategy. Refer to the section entitled "Dollarcity" for additional details on the Dollarcity Transaction.

The Corporation's assumptions with respect to future liquidity needs and refinancing opportunities may not be correct. Refer to the section of the annual MD&A for Fiscal 2024 entitled "Risks and Uncertainties" for a discussion on the risks associated with indebtedness, liquidity and changes in creditworthiness or credit rating.

Senior Unsecured Notes

(dollars in thousands) Long-term debt outstanding consists of the following as at:	July 28, 2024 $	January 28, 2024 $
Senior unsecured fixed rate notes (the "Fixed Rate Notes") bearing interest at:		
Fixed annual rate of 5.165% payable in equal semi-annual instalments, maturing April 26, 2030 (the "5.165% Fixed Rate Notes")	450,000	450,000
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029 (the "2.443% Fixed Rate Notes")	375,000	375,000
Fixed annual rate of 5.533% payable in equal semi-annual instalments, maturing September 26, 2028 (the "5.533% Fixed Rate Notes")	500,000	500,000
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	300,000
Fixed annual rate of 1.871% payable in equal semi-annual instalments, maturing July 8, 2026 (the "1.871% Fixed Rate Notes")	375,000	375,000
Fixed annual rate of 5.084% payable in equal semi-annual instalments, maturing October 27, 2025 (the "5.084% Fixed Rate Notes")	250,000	250,000
Unamortized debt issue costs, including $1,513 (January 28, 2024 – $1,320) for the Credit Facility (as defined herein)	(8,341)	(9,049)
Accrued interest on the Fixed Rate Notes	21,625	21,460
Long-term financing arrangements	7,045	-
Fair value hedge - basis adjustment on interest rate swap	6,653	1,983
	2,276,982	2,264,394
Current portion (includes unamortized debt issue costs, accrued interest on the Fixed Rate Notes, long-term financing arrangements and the Fixed Rate Notes with a maturity date falling within the next 53-week period, when applicable)	(22,776)	(21,460)
	2,254,206	2,242,934

The table below provides the carrying values and fair values of the Fixed Rate Notes as at July 28, 2024 and January 28, 2024. The fair values of the Fixed Rate Notes were determined as a level 2 in the fair value hierarchy.

	July 28, 2024		January 28, 2024	
(dollars in thousands)	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
5.165% Fixed Rate Notes	454,393	468,261	454,198	459,567
2.443% Fixed Rate Notes	374,376	345,941	374,184	335,561
5.533% Fixed Rate Notes	507,705	524,660	507,433	518,705
1.505% Fixed Rate Notes	300,825	277,635	300,714	270,105
1.871% Fixed Rate Notes	374,718	358,860	374,561	351,596
5.084% Fixed Rate Notes	252,780	251,780	252,641	250,798
	2,264,797	2,227,137	2,263,731	2,186,332

Credit Agreement

On June 28, 2024, the Corporation and the lenders entered into a seventh amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, (i) transition from the Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA), and (ii) extend the terms of its revolving credit facilities (collectively, the "Credit Facility"). Specifically, (i) the term of Facility A in the amount of $250.0 million, was extended from July 5, 2028 to June 28, 2029, (ii) the term of Facility B, in the amount of $450.0 million, was extended from July 6, 2026 to June 28, 2027, (iii) the term of Facility C, in the amount of $50.0 million, was extended from July 6, 2026 to June 28, 2027, and (iv) the term of Facility D, in the amount of $300.0 million, was extended from July 3, 2024 to June 27, 2025.

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

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

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

As at July 28, 2024 and January 28, 2024, no amount was outstanding under the TARCA. As at July 28, 2024, the Corporation had $1,048.7 million available under its Credit Facility (January 28, 2024 –$1,049.0 million) and letters of credit were issued for the purchase of inventories, which amounted to $1.3 million (January 28, 2024 – $1.0 million) and the Corporation was in compliance with all of its financial covenants under the TARCA.

Short-Term Borrowings

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

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

As at July 28, 2024, no amount was outstanding under the US commercial paper program (January 28, 2024 – nil).

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 July 28, 2024. Accounts payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities created as a result of statutory requirements imposed by governments).

(dollars in thousands)	**Less than 3 months** $	**3 months to 1 year** $	**1-5 years** $	**Over 5 years** $	**Total** $
Trade payable and accrued liabilities	298,092	-	-	-	298,092
Dividend payable	25,949	-	-	-	25,949
Lease liabilities [(1)]	75,863	275,503	1,132,127	1,425,585	2,909,078
Long-term financing arrangements	-	2,133	5,591	-	7,724
Principal repayment on:					
5.165% Fixed Rate Notes	-	-	-	450,000	450,000
2.443% Fixed Rate Notes	-	-	375.000	-	375,000
5.533% Fixed Rate Notes	-	-	500,000	-	500,000
1.505% Fixed Rate Notes	-	-	300,000	-	300,000
1.871% Fixed Rate Notes	-	-	375,000	-	375,000
5.084% Fixed Rate Notes	-	-	250,000	-	250,000
Interest payments on:					
5.165% Fixed Rate Notes	-	23,243	92,970	23,242	139,455
2.443% Fixed Rate Notes	-	9,161	36,645	-	45,806
5.533% Fixed Rate Notes	13,833	13,833	96,827	-	124,493
1.505% Fixed Rate Notes	2,258	2,258	11,287	-	15,803
1.871% Fixed Rate Notes	-	7,016	7,016	-	14,032
5.084% Fixed Rate Notes	-	12,710	6,355	-	19,065
	415,995	345,857	3,188,818	1,898,827	5,849,497

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

The following table summarizes the Corporation's off-balance sheet arrangements, letters of credit, and commitments as at July 28, 2024.

(dollars in thousands)	**Less than 3 months** $	**3 months to 1 year** $	**1-5 years** $	**Over 5 years** $	**Total** $
Letters of credit	1,096	57	155	-	1,308
Commitment to purchase capital assets	5,250	-	-	-	5,250
Total	6,346	57	155	-	6,558

Financial Instruments

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

For a description of the derivative financial instruments of the Corporation, refer to Note 11 of the Corporation's unaudited condensed interim consolidated financial statements for the second quarter ended July 28, 2024 and to Notes 3 and 15 of the Corporation's Fiscal 2024 annual audited consolidated financial statements.

Foreign Currency Exposure

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

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

Interest Rate Risk

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

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

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

Related Party Transactions

Property Leases

On April 3, 2024, the Corporation renewed its long-term lease agreements governing its head office and five of its warehouses, which are leased from entities related to the Corporation's Chief Executive Officer. With respect to each lease, the Corporation negotiated a long-term extension and updated terms which are considered to be no less favorable to the Corporation than those that could have been obtained from third parties based on, among other factors, a review completed with the assistance of counsel as well as rental rate comparison studies prepared by an independent third party.

As at July 28, 2024, the Corporation leased 19 stores, five warehouses and its head office from entities related to the Corporation's Chief Executive Officer 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 July 28, 2024, the outstanding balance of lease liabilities owed to entities related to the Corporation's Chief Executive Officer totalled $255.7 million (January 28, 2024 – $14.9 million), reflecting the lease liabilities increase following the renewal of the long-term lease agreements governing the Corporation's head office and five of its warehouses.

During the 13-week and 26-week periods ended July 28, 2024, the Corporation expensed $2,181 and $4,586 (13-week and 26-week periods ended July 30, 2023 – $1,942 and $4,325), respectively, of lease payments charged from entities related to the Corporation's Chief Executive Officer.

Dollarcity

On June 11, 2024, the Corporation completed the Dollarcity Transaction, thereby increasing its equity ownership to 60.1%. The consideration for the Dollarcity Transaction was satisfied by the issuance of 6,060,478 common shares of the Corporation, representing an implied total value of approximately US$553.6 million ($761.7 million) based on the closing price of Dollarama's common shares on the TSX on June 11, 2024. The Corporation has also secured an option (the "Call Option") to acquire, at any time on or before December 31, 2027, an additional 9.89% equity interest in CARS and a corresponding 4.945% equity interest in ICM (as herein defined).

In connection with the Dollarcity Transaction, Dollarama International and the Dollarcity founding stockholders established a new vehicle as part of the Dollarcity group, Inversiones Comerciales Mexicanas S.A ("ICM"), the parent company of the entities that will operate the Mexico portion of the business, in which the Corporation and the Dollarcity founding stockholders will indirectly have an 80.05% and 19.95% equity interest, respectively. In addition, the parties agreed on updated governance terms providing for the future expansion of the business into Mexico. Dollarcity intends to pilot its first store in Mexico in calendar 2026.

The Corporation continues to have joint control over Dollarcity (including CARS and ICM) and accounts for its investment as a joint arrangement using the equity method.

Under the terms of the stockholders agreement entered into among Dollarama International and Dollarcity's founding stockholders in August 2019, as amended and restated in connection with the Dollarcity Transaction (the "Stockholders Agreement"), Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International purchase shares of CARS held by them at fair market value. This right may be exercised in the ordinary course by Dollarcity's founding stockholders during specified periods, subject to certain transaction size thresholds, required ownership thresholds and freeze and notice periods, among other conditions and restrictions. The put 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. Any exercise of the put right by the Dollarcity founding stockholders must include their corresponding proportionate interests in ICM. The Stockholders Agreement, as amended in connection with the Dollarcity Transaction also includes drag-along and tag-along rights in respect of CARS and ICM. The Corporation cannot predict whether the put right will be exercised or, if exercised, when and to what extent it will be exercised (provided that, subject to limited exceptions, the put right can, prior to February 4, 2027, be exercised for up to 14.9% of all shares of CARS outstanding). In the event that the put is exercised, the consideration payable by the Corporation may, depending on various factors, including those discussed above, be paid using cash on hand or financed in full or in part and, depending on the circumstances, may temporarily impact the Corporation's capital allocation strategy. Refer to the section entitled "Liquidity and Capital Resources."

The business relationship of Dollarama International and Dollarcity is governed by a sourcing agreement and a services agreement entered into between the parties on February 4, 2022, each having an initial term of five years, subject to automatic renewal for successive one-year periods, unless terminated by either party at least 60 days before the close of the then-current term.

Under the sourcing agreement, Dollarcity purchases from the Corporation goods to be sold to customers in the normal course of business. The sales to Dollarcity that were shipped directly from the Corporation's warehouses, as well as the net consideration received for sales in which the Corporation acts as an intermediary, are included in the Corporation's consolidated sales.

Under the services agreement and other agreements in place, Dollarcity and the Corporation provide services to each other, including, but not limited to, administrative and corporate services, as well as diverse information technology related matters. Dollarcity also purchases various items from the Corporation such as racking, hardware and software licenses.

The 6,060,478 common shares of Dollarama issued in connection with the Dollarcity Transaction were issued by Dollarama on a private placement basis and are subject to a statutory hold period of four months as well as certain contractual transfer restrictions applicable for a 12-month period, subject to specified exceptions.

The carrying values of assets and liabilities resulting from transactions entered into with Dollarcity in connection with the aforementioned agreements are as follows:

(dollars in thousands)	**July 28, 2024** **$**	**January 28, 2024** **$**
Included in the Consolidated Statement of Financial Position		
Accounts receivable [(1)]	27,121	22,521
Distributions receivable from equity-accounted investment	-	26,906
Accounts payable and accrued liabilities	3,339	8,299

(1) The accounts receivable from Dollarcity is guaranteed by a letter of credit up to US$20,000 ($27,672) (January 28, 2024 – US$20,000 ($26,906)) and includes amounts outstanding under the sourcing and services agreements, as well as other agreements in place.

Transactions entered into with Dollarcity in connection with the aforementioned agreements during the 13-week and 26-week periods ended on the dates indicated below are as follows:

	13-week periods ended		**26-week periods ended**	
(dollars in thousands)	**July 28, 2024**	**July 30, 2023**	**July 28, 2024**	**July 30, 2023**
Included in the Consolidated Statement of Net Earnings and Comprehensive Income				
Sales[(2)]	2,871	6,080	8,277	15,763

(2) Includes the net consideration received for sales in which the Corporation acts as an intermediary, as well as gross proceeds generated from sales shipped directly from the Corporation's warehouses.

Critical Accounting Estimates and Judgments

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

The Corporation's unaudited condensed interim consolidated financial statements have been prepared using the critical accounting estimates and judgments as outlined in Note 5 to the Fiscal 2024 audited consolidated financial statements.

Non-GAAP and Other Financial Measures

The Corporation's unaudited condensed interim consolidated financial statements and notes for the second quarter of Fiscal 2025 have been prepared in accordance with GAAP. However, this MD&A also refers to certain non-GAAP and other financial measures.

We have included certain non-GAAP and other financial measurements in our financial documents to provide a better understanding of the Corporation's financial results. The Corporation uses the following non-GAAP and other financial measures and ratios: EBITDA, EBITDA margin, total debt, net debt, adjusted net debt to EBITDA ratio, gross margin, operating margin, SG&A as a percentage of sales, comparable store sales and comparable store sales growth. We believe that such measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP and other financial measures in the evaluation of issuers. Our management also uses non-GAAP and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

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

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

(A) Non-GAAP Financial Measures

EBITDA

EBITDA represents operating income plus depreciation and amortization and includes the Corporation's share of net earnings of its equity-accounted investment. Management believes EBITDA represents a useful supplemental metric to assess profitability and measure the Corporation's underlying ability to generate liquidity through operating cash flows.

	13-week periods ended		**26-week periods ended**	
(dollars in thousands)	**July 28, 2024 $**	**July 30, 2023 $**	**July 28, 2024 $**	**July 30, 2023 $**
A reconciliation of operating income to EBITDA is included below:				
Operating income	422,856	366,756	744,894	644,387
Add: Depreciation and amortization	101,449	90,437	197,154	179,075
EBITDA	**524,305**	**457,193**	**942,048**	**823,462**
A reconciliation of EBITDA to cash flows from operating activities is included below:				
EBITDA	524,305	457,193	942,048	823,462
Current income taxes	(89,198)	(84,791)	(161,397)	(145,864)
Share-based compensation	3,854	2,461	7,832	6,111
Share of net earnings of equity-accounted investment	(22,698)	(11,371)	(44,788)	(24,496)
Interest received	8,300	2,880	17,082	10,369
Other	761	554	1,060	1,507
	425,324	366,926	761,837	671,089
Changes in non-cash working capital components	(3,020)	33,175	(57,569)	12,092
Net cash generated from operating activities	**422,304**	**400,101**	**704,268**	**683,181**

Total debt

Total debt represents the sum of long-term debt (including unamortized debt issue costs, accrued interest and fair value hedge – basis adjustment), short-term borrowings under the US commercial paper program, long-term financing arrangements and other bank indebtedness (if any). Management believes Total debt is a measure that is useful to facilitate the understanding of the Corporation's corporate financial position in relation to its financing obligations.

(dollars in thousands)	As at	
A reconciliation of long-term debt to total debt is included below:	**July 28, 2024**	**January 28, 2024**
	$	**$**
Total long-term debt	2,276,982	2,264,394
USCP Notes issued under US commercial paper program	-	-
Total debt	**2,276,982**	**2,264,394**

Net debt

Net debt represents total debt minus cash and cash equivalents. Management believes Net debt represents a useful additional measure to assess the financial position of the Corporation by showing all of the Corporation's financing obligations, net of cash and cash equivalents.

(dollars in thousands)	As at	
	July 28, 2024	**January 28, 2024**
	$	**$**
A reconciliation of total debt to net debt is included below:		
Total debt	2,276,982	2,264,394
Cash and cash equivalents	(271,460)	(313,915)
Net debt	**2,005,522**	**1,950,479**

Adjusted retained earnings

Adjusted retained earnings represents deficit plus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through July 28, 2024 over (ii) the book value of those common shares.

(dollars in thousands)	As at	
A reconciliation of deficit to adjusted retained earnings is included below:	**July 28, 2024**	**January 28, 2024**
	$	**$**
Deficit	(190,104)	(226,547)
Price paid in excess of book value of common shares repurchased under the NCIB	6,546,413	6,139,822
Adjusted retained earnings	6,356,309	5,913,275

The deficit as at July 28, 2024 and January 28, 2024 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. Management believes that buying back shares remains an effective strategy to drive shareholder value and constitutes an appropriate use of the Corporation's funds. Management also believes that Adjusted retained earnings represents an additional metric that provides a better reflection of the Corporation's operating performance.

(B) Non-GAAP Ratios

Adjusted net debt to EBITDA ratio

Adjusted net debt to EBITDA ratio is a ratio calculated using adjusted net debt over consolidated EBITDA for the last 12 months. Management uses this ratio to partially assess the financial condition of the Corporation. An increasing ratio would indicate that the Corporation is utilizing more debt per dollar of EBITDA generated.

(dollars in thousands)	As at	
	July 28, 2024	**January 28, 2024**
	$	**$**
A calculation of adjusted net debt to EBITDA ratio is included below:		
Net debt	2,005,522	1,950,479
Lease liabilities	2,360,970	2,069,229
Unamortized debt issue costs, including $1,513 (January 28, 2024 – $1,320) for the Credit Facility	8,341	9,049
Fair value hedge - basis adjustment on interest rate swap	(6,653)	(1,983)
Adjusted net debt	**4,368,180**	**4,026,774**
EBITDA for the last twelve-month period	1,979,752	1,861,166
Adjusted net debt to EBITDA ratio	**2.21x**	**2.16x**

EBITDA margin

EBITDA margin represents EBITDA divided by sales. Management believes that EBITDA margin is useful in assessing the performance of ongoing operations and efficiency of operations relative to its sales.

	13-week periods ended		26-week periods ended	
(dollars in thousands)	**July 28, 2024**	**July 30, 2023**	**July 28, 2024**	**July 30, 2023**
	$	**$**	**$**	**$**
A reconciliation of EBITDA to EBITDA margin is included below:				
EBITDA	524,305	457,193	942,048	823,462
Sales	1,563,384	1,455,936	2,969,156	2,750,485
EBITDA margin	**33.5%**	**31.4%**	**31.7%**	**29.9%**

(C) Supplementary Financial Measures

Gross margin	Represents gross profit divided by sales, expressed as a percentage of sales.
Operating margin	Represents operating income divided by sales, expressed as a percentage of sales.
SG&A as a % of sales	Represents SG&A divided by sales.
Comparable store sales	Represents sales of Dollarama stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year.
Comparable store sales growth	Represents the percentage increase or decrease, as applicable, of comparable store sales relative to the same period in the prior fiscal year.

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 key risks and uncertainties identified by the Corporation that could materially adversely affect its future business results are described in the Corporation's annual MD&A for Fiscal 2024 (which is available on SEDAR+ at www.sedarplus.com and on the Corporation's website at www.dollarama.com) and are divided into the following categories:

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

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the period beginning on April 29, 2024 and ended on July 28, 2024 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Dividend

On September 11, 2024, the Corporation announced that its Board of Directors approved a quarterly cash dividend for holders of common shares of $0.0920 per common share. This dividend is payable on November 1, 2024 to shareholders of record at the close of business on October 4, 2024. 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 June 20, 2024, the Canadian government enacted legislation implementing a two percent tax on repurchases made on or after January 1, 2024. As a result, the Corporation has accrued a liability of $9.9 million of income taxes payable for share repurchases made during the period from January 1, 2024 to July 28, 2024, with a corresponding increase to deficit, of which $7.4 million relates to Fiscal 2025.

On July 4, 2024, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase up to 16,549,476 common shares, representing 6.0% of the Corporation's public float of 275,824,605 common shares as at June 28, 2024, during the 12-month period from July 7, 2024 to July 6, 2025 (the "2024-2025 NCIB"). All common shares purchased pursuant to the normal course issuer bid will either be cancelled or placed in trust to facilitate the holding and administering of common shares that may be purchased by the Corporation to hedge its exposure in respect of grants made under its performance share unit plan, including to settle the Corporation's obligations under such plan.

During the second quarter of Fiscal 2025, 2,104,691 common shares were repurchased for cancellation under the 2024-2025 NCIB and the normal course issuer bid previously in effect, for a total cash consideration of $263.1 million, excluding the tax on share repurchases, representing a weighted average price of $125.04 per share.

During the first six months of Fiscal 2025, 3,385,857 common shares were repurchased for cancellation under the 2024-2025 NCIB and the normal course issuer bid previously in effect, for a total cash consideration of $408.7 million, excluding the tax on share repurchases, representing a weighted average price of $120.71 per share.

Share Information

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

As at September 11, 2024, there were 281,776,729 common shares issued and outstanding. In addition, there were 1,918,018 options, each exercisable for one common share, issued and outstanding as at September 11, 2024. Assuming exercise of all outstanding options, there would have been 283,694,747 common shares issued and outstanding on a fully diluted basis as at September 11, 2024.

Additional Information

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