



Canadian Tire Corporation

Q2 2020 Financial Results



Forward Looking Information

This document contains forward-looking statements that reflect Management's current expectations relating to matters such as future financial performance and operating results of the Company.

Forward-looking statements provide information about Management's current expectations and plans and allow investors and others to better understand the Company's anticipated financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Certain statements other than statements of historical facts included in this document may constitute forward-looking statements, including, but not limited to, statements concerning Management's current expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions and the economic and business outlook for the Company. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "estimate", "plan", "can", "could", "should", "would", "outlook", "forecast", "anticipate", "aspire", "foresee", "continue", "ongoing" or the negative of these terms or variations of them or similar terminology. Forward-looking statements are based on the reasonable assumptions, estimates, analyses, beliefs and opinions of Management, made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable at the date that such statements are made.

By their very nature, forward-looking statements require Management to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions, estimates, analyses, beliefs and opinions may not be correct and that the Company's expectations and plans will not be achieved. Examples of material assumptions and Management's beliefs, which may prove to be incorrect, include, but are not limited to, the length, duration and impact of COVID-19, including measures adopted by governmental or public authorities in response to the pandemic, the effectiveness of certain performance measures, current and future competitive conditions and the Company's position in the competitive environment, the Company's core capabilities, and expectations around the availability of sufficient liquidity to meet the Company's contractual obligations. Management's expectations with respect to the Operational Efficiency program are based on a number of assumptions relating to anticipated cost savings and operational efficiencies. Although the Company believes that the forward-looking information in this document is based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to a number of factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking statements. Some of the factors, many of which are beyond the Company's control and the effects of which can be difficult to predict, include: (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of the Company to attract and retain high-quality employees for all of its businesses, Dealers, Canadian Tire Petroleum retailers, and Mark's and SportChek franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at its stores or acquire the Company's consumer brands or its financial products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences and expectations related to eCommerce, online retailing and the introduction of new technologies; (f) the possible effects on our business from international conflicts, political conditions, and other developments including changes relating to or affecting economic or trade matters as well as the outbreak of contagions or pandemic diseases; (g) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, regulation, competition, seasonality, weather patterns, climate change, commodity prices and business disruption, the Company's relationships with suppliers, manufacturers, partners and other third parties, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by the Company and the cost of store network expansion and retrofits; (h) the Company's capital structure, funding strategy, cost management program, and share price; (i) the Company's ability to obtain all necessary regulatory approvals; (j) the Company's ability to complete any proposed acquisition; and (k) the Company's ability to realize the anticipated benefits or synergies from its acquisitions. With respect to the statements concerning the Company's Operational Efficiency program, such factors also include: (a) the possibility that the Company does not achieve the targeted annualized savings; (b) the possibility that the program results in unforeseen impacts to overall performance; (c) the possibility that the one-time costs and capital investments associated with the program are more significant than expected; and (d) the possibility that the Company does not achieve the expected payback during the anticipated timeframe for the severance, store closure and other related expenses recorded. Additional risks and uncertainties related to COVID-19 are discussed in the Company's Management's Discussion and Analysis for the quarter. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, refer to the Company's Management's Discussion and Analysis for the quarter. Also refer to section 2.8 (Risk Factors) of the Company's 2019 Annual Information Form, and all subsections thereunder, as well as the Company's other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com and at <https://investors.canadiantire.ca>.

The forward-looking information contained herein is based on certain factors and assumptions as of the date hereof and does not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.



Executive Participants



Greg Hicks
President &
Chief Executive Officer
Canadian Tire Corporation



Gregory Craig
Executive Vice President &
Chief Financial Officer
Canadian Tire Corporation



Q2 2020 Highlights

- **CTC delivered exceptional retail sales growth of 9.3% (excluding Petroleum) in the quarter, despite approximately 80% of its total store network operating under closures and restrictions for much of the quarter**
 - CTR delivered record performance of 20.3% retail sales growth, an increase of almost \$600 million, despite temporary store closures in Ontario, which account for 40% of the network.
 - Sales performance at CTR steadily improved throughout the quarter, moving from a decline of 1.8% in April, to growth of 25% in May and 38% in June.
 - In June, SportChek and Mark's experienced retail sales growth of 3.2% and 3.4%, respectively. Due to store closures, these banners saw retail sales declines of 24.9% and 36.4% in the quarter.
- **CTC continued to accelerate its digital and eCommerce efforts across all banners with eCommerce sales reaching \$600 million in the quarter, far exceeding full year eCommerce sales in 2019**
 - eCommerce sales grew 400% in the quarter, led by 500% growth at CTR.
 - eCommerce demand peaked in April and May during store closures. In June, new heightened levels relative to pre-COVID activity were established.
 - Digital traffic increased 75% across all banners and over 100% at CTR.



Q2 2020 Highlights

In the quarter, the Company's operations and diluted earnings per share (EPS) were impacted by COVID-19 and its effect on consumer purchasing behaviour and the global economy

- Diluted EPS were \$(0.33) and normalized diluted EPS were \$(0.25), compared to normalized diluted EPS of \$2.97 in the prior year

Performance in the quarter was impacted by the following factors:

- Decrease in revenue, compared to last year, of \$300 million, primarily at SportChek, Mark's and Helly Hansen banners due to store closures
- CTR revenue grew by 1.4%, however, it lagged retail sales growth. Revenue was negatively impacted by store closures in Ontario. In June, when full operations resumed, revenue grew 24% across the network.
- Revenue at Financial Services decreased 5.9% in the quarter due to lower cardholder spend, and net allowance for expected credit losses increased by \$27.4 million compared to last year.

Consolidated Earnings were negatively impacted by \$41.7 million or \$0.57 EPS, due to the following COVID-19 related items:

- \$41.2 million, or \$0.50 EPS of additional operating expenses, incurred as a result of the Company's COVID-19 actions, including a special support payment for active frontline employees and enhanced safety protocols for employees and customers.
- \$27.9 million, or \$0.36 EPS net expense due to impairment costs related to the Company's Musto sailing brand and select SportChek stores, reflecting the broader economic challenges COVID-19 is having on the timing of certain growth strategies and future cash flows.
- \$27.4 million, or \$0.29 EPS improvement in operating expenses due to the recovery in share price from the first quarter, resulting in a mark-to-market adjustment on the Company's equity hedges related to share-based compensation awards.



Consolidated Financial Results

Selected Normalized Metrics

(C\$ in millions, except where noted)	Q2 2020	Normalizing Items ¹	Normalized Q2 2020	Q2 2019	Normalizing Items ¹	Normalized Q2 2019	Change ²
Revenue	\$ 3,161.8	\$ —	\$ 3,161.8	\$ 3,686.6	\$ —	\$ 3,686.6	(14.2)%
Cost of producing revenue	2,221.1	—	2,221.1	2,542.7	—	2,542.7	(12.6)%
Gross margin	940.7	—	940.7	1,143.9	—	1,143.9	(17.8)%
Gross margin rate	29.8 %	—	29.8 %	31.0 %	—	31.0 %	(128) bps
Other expense (income)	32.8	—	32.8	(28.3)	—	(28.3)	NM ³
Selling, general and administrative expenses	830.2	(6.3)	823.9	848.6	(8.1)	840.5	(2.0)%
Net finance costs	69.4	—	69.4	62.3	—	62.3	11.4 %
Income before income taxes	\$ 8.3	6.3	\$ 14.6	\$ 261.3	8.1	\$ 269.4	(94.6)%
Income tax expense	6.0	1.7	7.7	57.5	2.2	59.7	(87.1)%
Net income	2.3	4.6	6.9	203.8	5.9	209.7	(96.7)%
Net (loss) income attributable to shareholders of CTC	(20.0)	4.6	(15.4)	177.4	5.9	183.3	(108.4)%
Diluted EPS	\$ (0.33)	\$ 0.08	\$ (0.25)	\$ 2.87	\$ 0.10	\$ 2.97	(108.4)%

¹ Key operating performance measures. Refer to section 4.1.1 of the Q2 2020 MD&A for additional information.

² Change is between normalized results.

³ Not meaningful



Retail Financial Results

Selected Normalized Metrics

(C\$ in millions, except where noted)	Q2 2020	Normalizing Items ¹	Normalized Q2 2020	Q2 2019	Normalizing Items ¹	Normalized Q2 2019	Change ²
Revenue	\$ 2,849.8	—	\$ 2,849.8	\$ 3,360.3	—	\$ 3,360.3	(15.2)%
Cost of producing revenue	2,056.1	—	2,056.1	2,405.6	—	2,405.6	(14.5)%
Gross margin	793.7	—	793.7	954.7	—	954.7	(16.9)%
Gross margin rate	27.9 %	—	27.9 %	28.4 %	—	28.4 %	(56) bps
Other loss (income)	1.1	—	1.1	(60.9)	—	(60.9)	(101.8)%
Selling, general and administrative expenses	800.1	(6.3)	793.8	819.8	(8.1)	811.7	(2.2)%
Net finance costs	58.7	—	58.7	56.7	—	56.7	3.5 %
(Loss) income before income taxes	\$ (66.2)	6.3	\$ (59.9)	\$ 139.1	8.1	\$ 147.2	(140.7)%

¹ Key operating performance measures. Refer to section 4.1.1 of the Q2 2020 MD&A for additional information.

² Change is between normalized results.



Financial Services Results

(C\$ in millions)	Q2 2020	Q2 2019	Change	2020	2019	Change
Revenue	\$ 309.9	\$ 329.3	(5.9)%	\$ 651.8	\$ 658.1	(0.9)%
Gross margin dollars	126.3	175.4	(28.0)%	271.5	362.0	(25.0)%
Gross margin as a % of revenue	40.7%	53.3 %	NM ¹	41.7 %	55.0 %	NM ¹
Other expense	0.5	0.8	(29.5)%	0.6	0.5	26.6 %
Selling, general and administrative expenses	75.2	79.4	(5.4)%	150.2	154.1	(2.5)%
Net finance (income)	(0.4)	(0.3)	65.5 %	(0.5)	(0.5)	9.5 %
Income before income taxes	\$ 51.0	\$ 95.5	(46.6)%	\$ 121.2	\$ 207.9	(41.7)%

¹ Not meaningful.





Thank You

For more information:
<http://investors.canadiantire.ca>