



# Canadian Tire Corporation

Q3 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](http://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



# Q3 2020 Highlights

With strong in-store and eCommerce performance, CTC delivered exceptional comparable sales growth of 18.9% in the quarter

- CTR led the way in the quarter, delivering 25.1% comparable sales growth, reflecting strong demand across all product categories and compelling Owned Brands sales growth of 28%
- Existing Triangle members drove traffic and larger basket size both digitally and in-store, and approximately 400,000 new Triangle members were acquired in the quarter
- Mark's delivered solid comparable sales growth of 5.7%, driven primarily by growth in industrial wear. SportChek's comparable sales growth declined 1.4%

eCommerce sales reached \$1 billion year to date, an increase of \$700 million, or 211%, compared to 2019.

In the quarter:

- eCommerce sales grew 132%, led by CTR with 178% growth
- eCommerce penetration rates more than doubled 2019 levels
- Digital visits across all banners grew by over 40% to 200 million visits

The Company approved a 3.3% increase in its annual dividend from \$4.55 to \$4.70 per share, reflecting 11 years of consecutive increases



# Q3 2020 Highlights

Strong sales and Dealer demand contributed to significant improvement in EPS performance in the quarter

- Diluted EPS were \$4.84; normalized diluted EPS were \$4.93, a growth of 42.5% over the prior year
- The Retail segment delivered strong earnings with normalized income before taxes increasing by 73.2% in the quarter
  - At CTR, record-level shipments contributed to revenue growth of 28%
  - Operating expense leverage improved in the quarter, reflecting expense controls and operational efficiency benefits
- The Financial Services credit card portfolio continued to demonstrate strong operational metrics in the quarter

CTC is in a strong liquidity position and continues its focus on ensuring a strong cash position and financial flexibility.

In the quarter, the Company:

- Repaid the \$250 million Series E unsecured medium-term notes
- Continued to pause the repurchase of shares
- Prudently managed working capital, operating costs and capital expenditures across the enterprise
- In the quarter, within the Financial Services segment:
  - Repaid \$700 million under its Financial Services' note purchase facility with Scotiabank
  - Repaid \$500 million of term notes at maturity and issued \$480 million of term notes that have an expected repayment date of September 22, 2025
- As a result, the Company ended the quarter with \$1.7 billion in cash and marketable securities, and \$2.5 billion, \$2.3 billion and \$294 million in available committed credit at its Retail, Financial Services and CT REIT segments, respectively



# Consolidated Financial Results

## Selected Normalized Metrics

(C\$ in millions, except where noted)	Q3 2020	Normalizing Items <sup>1</sup>	Normalized Q3 2020	Q3 2019	Normalizing Items <sup>1</sup>	Normalized Q3 2019	Change <sup>2</sup>
Revenue	\$ 3,986.4	\$ —	\$ 3,986.4	\$ 3,636.7	\$ —	\$ 3,636.7	9.6%
Cost of producing revenue	2,639.6	—	2,639.6	2,408.1	—	2,408.1	9.6%
Gross margin	1,346.8	—	1,346.8	1,228.6	—	1,228.6	9.6%
Gross margin rate	33.8 %	—	33.8 %	33.8 %	—	33.8 %	— bps
Other expense	5.6	—	5.6	17.9	—	17.9	(69.0)%
Selling, general and administrative expenses	838.8	(7.6)	831.2	832.3	(22.1)	810.2	2.6%
Net finance costs	60.1	—	60.1	71.5	—	71.5	(15.9)%
Income before income taxes	\$ 442.3	7.6	\$ 449.9	\$ 306.9	22.1	\$ 329.0	36.7%
Income tax expense	116.0	2.0	118.0	79.2	6.0	85.2	38.5%
Net income	326.3	5.6	331.9	227.7	16.1	243.8	36.1%
Net income attributable to shareholders of CTC	296.3	5.6	301.9	197.2	16.1	213.3	41.5%
Diluted EPS	\$ 4.84	\$ 0.09	\$ 4.93	\$ 3.20	\$ 0.26	\$ 3.46	42.5%

<sup>1</sup> Key operating performance measures. Refer to section 4.1.1 of the Q3 2020 MD&A for additional information.

<sup>2</sup> Change is between normalized results.



# Retail Financial Results

## Selected Normalized Metrics

(C\$ in millions, except where noted)	Q3 2020	Normalizing Items <sup>1</sup>	Normalized Q3 2020	Q3 2019	Normalizing Items <sup>1</sup>	Normalized Q3 2019	Change <sup>2</sup>
Revenue	\$ 3,684.8	—	\$ 3,684.8	\$ 3,296.3	—	\$ 3,296.3	11.8%
Cost of producing revenue	2,523.4	—	2,523.4	2,273.3	—	2,273.3	11.0%
Gross margin	1,161.4	—	1,161.4	1,023.0	—	1,023.0	13.5%
Gross margin rate	31.5%	—	31.5%	31.0%	—	31.0%	48 bps
Other (income)	(26.2)	—	(26.2)	(13.3)	—	(13.3)	95.0%
Selling, general and administrative expenses	810.3	(7.6)	802.7	802.1	(22.1)	780.0	2.9%
Net finance costs	51.1	—	51.1	63.6	—	63.6	(19.6%)
<b>Income before income taxes</b>	<b>\$ 326.2</b>	<b>7.6</b>	<b>\$ 333.8</b>	<b>\$ 170.6</b>	<b>22.1</b>	<b>\$ 192.7</b>	<b>73.2%</b>

<sup>1</sup> Key operating performance measures. Refer to section 4.1.1 of the Q3 2020 MD&A for additional information.

<sup>2</sup> Change is between normalized results.



# Financial Services Results

(C\$ in millions)	Q3 2020	Q3 2019	Change	2020	2019	Change
Revenue	\$ 301.3	\$ 343.0	(12.2)%	\$ 953.1	\$ 1,001.1	(4.8)%
Gross margin dollars	167.6	188.7	(11.2)%	439.1	550.7	(20.3)%
Gross margin as a % of revenue	55.6%	55.0%	61 bps	46.1%	55.0%	(894) bps
Other expense	0.2	0.9	(88.2)%	0.8	1.4	(47.7)%
Selling, general and administrative expenses	77.5	79.1	(1.9)%	227.7	233.2	(2.3)%
Net finance (income)	(0.6)	(0.2)	167.6%	(1.1)	(0.7)	60.4%
Income before income taxes	\$ 90.5	\$ 108.9	(16.9)%	\$ 211.7	\$ 316.8	(33.2)%





Thank You

For more information:

<http://investors.canadiantire.ca>