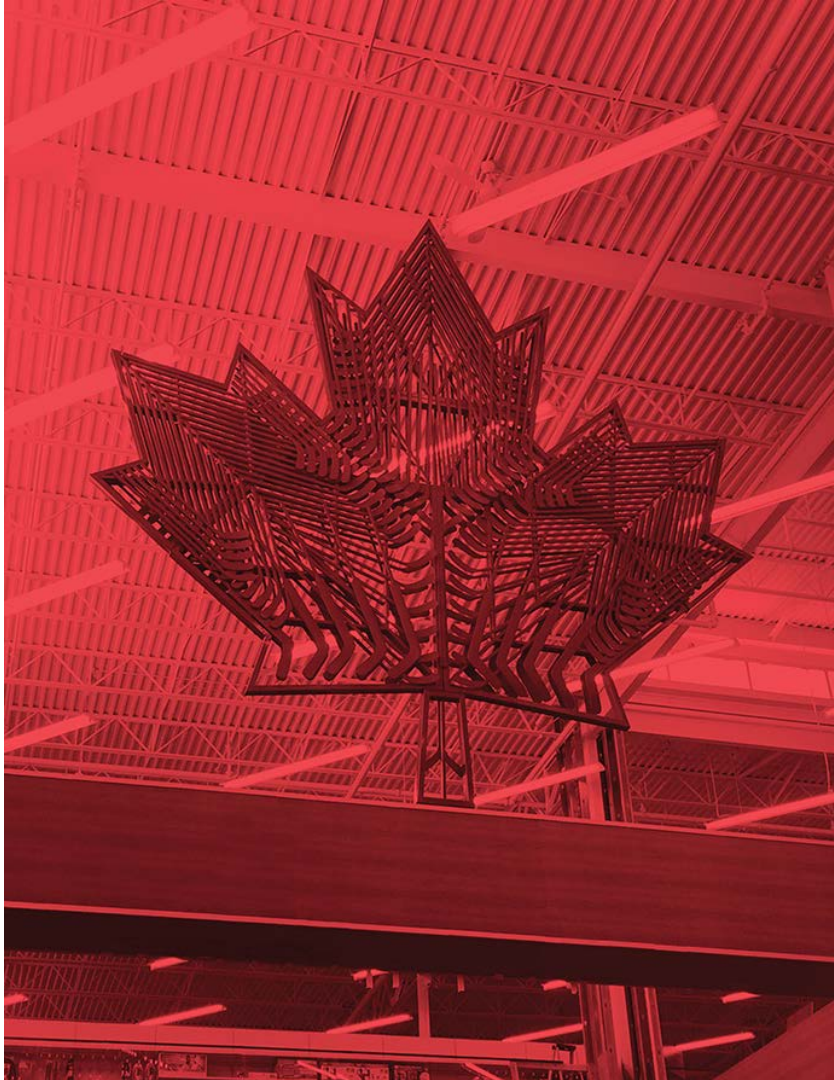
Canadian Tire Corporation

Third Quarter Financial Results| November 7, 2019



Forward Looking Information

This document contains forward-looking statements that reflect management's current expectations related 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 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. 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 developments including changes relating to or affecting economic or trade matters; (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. 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, please refer to section 5.1 (Three-Year (2018 to 2020) Financial Aspirations) and all subsections thereunder and section 12.0 (Risks and Risk Management) of the MD&A contained in the Company's 2018 Report to Shareholders. Please also refer to section 2.8 (Risk Factors) of the Company's Annual Information Form for fiscal 2018, 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

- Stephen Wetmore, President and CEO, Canadian Tire Corporation
- Dean McCann, Executive Vice President and Chief Financial Officer
- Allan MacDonald, Executive Vice President, Retail
- Mahes Wickramasinghe, Executive Vice President and Chief Corporate Officer
- Greg Hicks, President, Canadian Tire Retail
- TJ Flood, President, Sport Chek
- Gregory Craig, President and CEO, CTFS and CT Bank
- PJ Czank, President, Mark's

Third Quarter Highlights

DELIVERS STRONG Q3 RESULTS

- Diluted earnings per share (EPS) was $3.20, an increase of 1.5%, normalized diluted EPS was $3.46. Normalized diluted EPS growth was 10.2% when adjusted for accounting changes at Financial Services, totalling $36.4 million, in the prior year
- Dividend to be increased 9.6% to $4.55 per share
- Intention to repurchase a further $350 million of Class A Non-Voting Shares by the end of 2020

COMPARABLE SALES

- Consolidated comparable sales up 2.7% in the third quarter, 3.4% year to date:
  - Canadian Tire up 2.4%, 3.3% year to date
  - Sport Chek up 4.6%, 4.0% year to date
  - Mark's up 1.2%, 3.0% year to date

PERFORMANCE AT FINANCIAL SERVICES

- Financial Services gross average credit card receivables (GAAR) growth was up 7.0%
- Income before income taxes decreased 17.4% in the third quarter to $108.9 million, reflecting the impact of accounting changes at Financial Services, totalling $36.4 million, made in the prior year.
- Excluding the impact of these changes, Financial Services income before income taxes grew by 14.0%

Consolidated Financial Results

(C$ in millions, except where noted)	Q3 2019	Q3 2018	Change	YTD Q3 2019	YTD Q3 2018	Change
Retail sales[1]	**$ 3,904.3**	$ 3,865.3	1.0 %	**$ 11,040.8**	$ 10,857.0	1.7 %
Revenue	**$ 3,636.7**	$ 3,631.3	0.1 %	**$ 10,217.7**	$ 9,927.0	2.9 %
Gross margin dollars	**$ 1,228.6**	$ 1,222.8	0.5 %	**$ 3,370.8**	$ 3,293.3	2.4 %
Gross margin as a % of revenue	**33.8%**	33.7%	11 bps	**33.0%**	33.2%	(19) bps
Other expense (income)	**$ 17.9**	$ (4.7)	(481.7)%	**$ (15.4)**	$ (23.5)	(34.5)%
Selling, general and administrative expenses	**832.3**	870.9	(4.4)%	**2,493.8**	2,528.7	(1.4)%
Net finance costs	**71.5**	43.4	64.5 %	**200.8**	106.8	87.9 %
Income before income taxes	**$ 306.9**	$ 313.2	(2.0)%	**$ 691.6**	$ 681.3	1.5 %
Income taxes	**79.2**	81.9	(3.2)%	**162.7**	176.5	(7.8)%
Effective tax rate	**25.8%**	26.1%		**23.5%**	25.9%	
Net income	**$ 227.7**	$ 231.3	(1.6)%	**$ 528.9**	$ 504.8	4.8 %
Net income attributable to:						
Shareholders of Canadian Tire Corporation	**$ 197.2**	$ 203.8	(3.2)%	**$ 444.3**	$ 437.8	1.5 %
Non-controlling interests	**30.5**	27.5	10.3 %	**84.6**	67.0	26.1 %
	$ 227.7	$ 231.3	(1.6)%	**$ 528.9**	$ 504.8	4.8 %
Basic EPS	**$ 3.20**	$ 3.16	1.4 %	**$ 7.18**	$ 6.70	7.2 %
Diluted EPS	**$ 3.20**	$ 3.15	1.5 %	**$ 7.17**	$ 6.68	7.4 %
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	**61,619,653**	64,519,606	NM[2]	**61,861,892**	65,312,977	NM[2]
Diluted	**61,678,957**	64,683,997	NM[2]	**61,930,350**	65,514,421	NM[2]

[1] Key operating performance measures. Refer to section 8.3.1 of the Q3 2019 MD&A for additional information.
[2] Not meaningful.

In Q3, diluted EPS was $3.20 in the quarter, an increase of $0.05 per share, or 1.5%.

Normalized diluted EPS in the quarter was $3.46, an decrease of 0.3%. Normalized EPS growth was 10.2% when adjusted for accounting changes at Financial Services, totalling $36.4 million, in the prior year.

Normalizing Items

The table below summarizes the pre-tax amount for the listed normalizing items that were included in the results for the periods ended September 28, 2019 and September 29, 2018:

(C$ in millions)	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018
Financial Statement line item:				
Cost of producing revenue				
Inventory cost of sales	$ —	$ 5.0	$ —	$ 5.0
Selling, general and administrative expenses				
Personnel expenses	13.2	3.0	19.0	3.0
Other	8.9	14.4	11.2	37.0
	$ 22.1	$ 22.4	$ 30.2	$ 45.0

The results of operations include two normalizing items in the current year and two normalizing items in the prior year. These items include:

- Costs incurred of $2.3 million in Q3 2019 in relation to the acquisition of Party City in Canada;
- Costs incurred of $8.1 million in Q2 2019 and $19.8 million in Q3 2019 in relation to the Company's Operational Efficiency program for severance, store closure and other related expenses;
- One-time costs of $17.3 million incurred in Q2 2018 relating to the rollout of the Triangle Rewards program and associated credit cards; and
- Costs incurred in relation to the acquisition of Helly Hansen of $5.3 million in Q2 2018 and $22.4 million in Q3 2018.

Selected Normalized Metrics - Consolidated Financial Results

(C$ in millions, except per share amount)	Q3 2019	Q3 2018	Change	YTD Q3 2019	YTD Q3 2018	Change
Normalized cost of producing revenue	$ 2,408.1	$ 2,403.5	0.2 %	$ 6,846.9	$ 6,628.7	3.3 %
Normalized gross margin	1,228.6	1,227.8	0.1 %	3,370.8	3,298.3	2.2 %
Normalized gross margin rate	33.8%	33.8%	0 bps	33.0%	33.2%	(20 bps)
Normalized selling, general and administrative expenses	810.2	853.5	(5.1)%	2,463.6	2,488.7	(1.0)%
Normalized income before income taxes	329.0	335.6	(2.0)%	721.8	726.3	(0.6)%
Normalized net income	243.8	252.1	(3.3)%	550.9	542.2	1.6 %
Normalized net income attributable to shareholders of Canadian Tire Corporation	213.3	224.6	(5.0)%	466.3	473.2	(1.5)%
Normalized diluted EPS	3.46	3.47	(0.3)%	7.53	7.22	4.3 %

Consolidated Key Operating Performance Measures

(C$ in millions)	Q3 2019	Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Net income attributable to Shareholders of CTC	$ 197.2	$ 203.8	$ (6.6)	$ 3	$ (9.6)
Normalized[1] net income attributable to Shareholders of CTC	213.3	224.6	(11.3)	3	(14.3)
Normalized[1] EBITDA[2]	564.0	479.5	84.5	90	(5.5)
Normalized[1] EBITDA[2] as a % of revenue, excluding Petroleum[3]	16.5%	14.0%	250 bps	289 bps	(39 bps)

[1] Refer to section 4.1.1 of the Q3 2019 MD&A for additional information on normalizing items.
[2] EBITDA is a non-GAAP measure; refer to section 8.3.2 of the Q3 2019 MD&A for a reconciliation of EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.
[3] Revenue excludes Petroleum, EBITDA excludes Petroleum gross margin.

Retail Segment Results

(C$ in millions)	Q3 2019	Q3 2018	Change	YTD Q3 2019	YTD Q3 2018	Change
Retail sales[1]	**$ 3,904.3**	$ 3,865.3	1.0 %	**$ 11,040.8**	$ 10,857.0	1.7 %
Revenue	**$ 3,296.3**	$ 3,309.9	(0.4)%	**$ 9,220.6**	$ 8,996.6	2.5 %
Gross margin dollars	**$ 1,023.0**	$ 1,002.1	2.1 %	**$ 2,771.6**	$ 2,710.7	2.2 %
Gross margin as a % of revenue	**31.0%**	30.3%	76 bps	**30.1%**	30.1%	(7) bps
Other (income)	**$ (13.3)**	$ (38.1)	(64.8)%	**$ (110.5)**	$ (122.0)	(9.4)%
Selling, general and administrative expenses	**802.1**	868.6	(7.6)%	**2,403.6**	2,500.2	(3.9)%
Net finance costs (income)	**63.6**	4.9	NM[2]	**182.3**	(7.1)	NM[2]
Income before income taxes	**$ 170.6**	$ 166.7	2.3 %	**$ 296.2**	$ 339.6	(12.8)%

[1] Key operating performance measures. Refer to section 8.3.1 of the Q3 2019 MD&A for additional information.
[2] Not meaningful.

In Q3, consolidated retail sales grew 1.0%, including a 7.7% decline in Petroleum. Excluding Petroleum, retail sales increased 2.7%.

Income before income taxes increased $3.9 million, or 2.3%. Normalized income before income taxes increased $3.6 million, or 1.9%.
Income before income taxes benefited from:

- Strong shipments at Canadian Tire, sales growth at SportChek and Mark's.

This was offset by:

- Higher non-operational foreign exchange losses recognized in Helly Hansen in 2019; and
- The impact of IFRS 16.

Selected Normalized Metrics and Non-GAAP Measures:

Retail Segment Financial Results

(C$ in millions)	Q3 2019	Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Normalized[1] gross margin dollars	**$ 1,023.0**	$ 1,007.1	$ 15.9	$ (5)	$ 20.9
Normalized[1] gross margin as a % of revenue	**31.0%**	30.4%	60 bps	(15 bps)	75 bps
Normalized[1] selling, general and administrative expenses	**780.0**	851.2	(71.2)	(59)	(12.2)
Normalized[1] income before taxes	**192.7**	189.1	3.6	(4)	7.6
Normalized[1] EBITDA[2]	**459.8**	277.6	182.2	175	7.2
Normalized[1] EBITDA[2] as a % of revenue, excluding Petroleum[3]	**14.8%**	8.4%	640 bps	628 bps	12 bps
ROIC	**9.0%**	8.9%	10 bps	—	10 bps

[1] Refer to section 4.1.1 of the Q3 2019 MD&A for additional information on normalizing items.
[2] EBITDA is a non-GAAP measure; refer to section 8.3.2 of the Q3 2019 MD&A for a reconciliation of EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.
[3] Revenue excludes Petroleum, EBITDA excludes Petroleum gross margin.

Financial Services Segment Results and Selected Normalized Metrics

(C$ in millions)	Q3 2019	Q3 2018	Change	YTD Q3 2019	YTD Q3 2018	Change
Revenue	**$ 343.0**	$ 325.6	5.3 %	**$ 1,001.1**	$ 937.1	6.8 %
Gross margin dollars	**188.7**	209.8	(10.1)%	**550.7**	546.5	0.8 %
Gross margin (% of revenue)	**55.0%**	64.4%	(942) bps	**55.0%**	58.3%	(331) bps
Other expense (income)	**0.9**	(0.1)	NM[1]	**1.4**	(0.9)	NM[1]
Selling, general and administrative expenses	**79.1**	78.3	1.0 %	**233.2**	247.8	(5.9)%
Net finance (income)	**(0.2)**	(0.3)	(22.7)%	**(0.7)**	(0.8)	(9.7)%
Income before income taxes	**$ 108.9**	$ 131.9	(17.4)%	**$ 316.8**	$ 300.4	5.5 %

[1] Not meaningful.

Selected Normalized Metrics

	Q3 2019	Q3 2018	Change	YTD Q3 2019	YTD Q3 2018	Change
Normalized[1] selling, general and administrative expenses	**$ 79.1**	$ 78.3	1.0 %	**$ 233.2**	$ 234.3	(0.5)%
Normalized[1] income before income taxes	**108.9**	131.9	(17.4)%	**316.8**	313.9	0.9 %

[1] Refer to section 4.1.1 of the Q3 2019 MD&A for additional information

In Q3, revenue increased $17.4 million, or 5.3%, due to higher credit charges resulting from GAAR growth and higher interchange revenue.

Income before income taxes decreased $23.0 million, or 17.4% primarily due to the benefits recognized in 2018 of $21.4 million due to a change in Management's estimate of the present value of regular recoveries and $15.0 million due to a reduction in the incremental allowance for loans receivables, which were partially offset by an increase in revenue.

- Excluding these impacts, income before taxes increased by 14.0%.

CT REIT Segment Results

(C$ in millions)	Q3 2019	Q3 2018	Change	YTD Q3 2019	YTD Q3 2018	Change
Property revenue	**$ 121.7**	$ 117.7	3.5 %	**$ 365.3**	$ 353.2	3.4 %
Property expense	**24.2**	26.2	(7.5)%	**79.3**	81.8	(3.1)%
General and administrative expense	**3.0**	2.9	3.8 %	**10.7**	8.8	21.8 %
Net finance costs	**27.4**	26.3	4.3 %	**81.7**	78.3	4.4 %
Fair value (gain) adjustment	**(13.0)**	(16.8)	(22.9)%	**(36.7)**	(42.1)	(12.9)%
Income before income taxes	**$ 80.1**	$ 79.1	1.3 %	**$ 230.3**	$ 226.4	1.7 %

In Q3, income before income taxes increased $1.0 million, or 1.3%, primarily due to earnings attributable to the income generated from properties acquired and development and intensification activities completed during 2019 and 2018, partially offset by a decrease in the fair value gain on investment properties and an increase in interest expense.

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

Thank You