



Canadian Tire Corporation Reports Second Quarter 2020 Results

Delivered Retail Sales Growth of 9.3% eCommerce Sales Surged 400%

Toronto, August 6, 2020 – Canadian Tire Corporation, Limited (TSX:CTC, TSX: CTC.A) today released its second quarter results for the period ended June 27, 2020.

“This quarter we drove extraordinary retail sales growth, particularly at our core Canadian Tire Retail (CTR) banner, further reinforcing the relevancy of our unique, multi-category assortment to our customers,” said Greg Hicks, President and CEO, Canadian Tire Corporation. “With a significant percentage of our store network closed for much of the quarter, customers turned to our online platforms and we saw eCommerce sales surge across all banners by 400%. Our strong results in CTR clearly demonstrate the advantage of our Dealer model and our ability to quickly adapt to local market and customer needs.”

“We continue to fulfill our deep-rooted purpose of being there for life in Canada, no matter what life may look like. I am incredibly proud of the contributions of our dedicated frontline store, distribution centre and contact centre employees, as well as our Associate Dealers, who place the customer at the heart of everything we do,” Hicks continued.

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*
 - o 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
 - o 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
 - o 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
- *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*
 - o Diluted EPS were \$(0.33) and normalized diluted EPS were \$(0.25), compared to normalized diluted EPS of \$2.97 in the prior year
 - o 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
- o 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
- *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*
 - o eCommerce sales grew 400% in the quarter, led by 500% growth at CTR
 - o eCommerce demand peaked in April and May during store closures. In June, new heightened levels relative to pre-COVID activity were established
 - o Digital traffic increased 75% across all banners and over 100% at CTR
- *In the quarter, CTC continued its actions to ensure a strong cash position and financial flexibility*
 - o Although not utilized, the Company secured an additional \$710 million credit facility from five Canadian financial institutions. This is in addition to the existing funding channels available to CTC and its related entities
 - o Continued to pause the repurchase of shares
 - o Prudently managed working capital, operating costs and capital expenditures across the enterprise
 - o As a result, the Company ended the quarter with \$2.3 billion in cash and marketable securities, including a \$700 million pre-emptive draw on the note purchase facility with Scotiabank

CONSOLIDATED OVERVIEW

- Consolidated retail sales increased \$72 million or 1.7% in the second quarter. Excluding Petroleum, consolidated retail sales were up \$346 million or 9.3% over the same period last year
- Consolidated revenue decreased \$524.8 million, or 14.2%. Excluding Petroleum, consolidated revenue decreased \$253.6 million, or 8.0% in the quarter, primarily due to store closures at SportChek, Mark's and Helly Hansen
- Diluted EPS were \$(0.33), normalized diluted EPS were \$(0.25), compared to normalized diluted EPS of \$2.97 in the prior year, due to COVID-19 and its effect on consumer purchasing behaviour and the global economy
- The Company remains committed to its Operational Efficiency program and continues to make progress towards its previously stated \$200+ million target in annualized savings by 2022
- Refer to the MD&A section 4.1.1 for information on normalizing items and to sections 3.0, 4.2.2 and 4.3.1 for information on 'Significant Events that Impacted the Company this Quarter' and the specific impacts to the Retail and Financial Services segments

RETAIL OVERVIEW

- The following financial results reflect Q2 2020 performance compared to Q2 2019:
 - o Retail segment revenue decreased 15.2%. Excluding Petroleum, Retail segment revenue decreased 8.4%, primarily due to store closures at SportChek, Mark's and Helly Hansen
 - o Canadian Tire retail sales increased 20.3%
 - o SportChek retail sales decreased 24.9%
 - o Mark's retail sales were down 36.4%
 - o Helly Hansen revenue in the quarter was \$68.9 million, a decrease of 21.4%. On a constant currency basis, Helly Hansen revenue decreased 12.6%
 - o Normalized income before income taxes decreased \$207.1 million, due to COVID-19 and its effect on consumer purchasing behaviour and the global economy
- Refer to the MD&A section 4.1.1 for information on normalizing items and to sections 3.0, 4.2.2 and 4.3.1 for information on 'Significant Events that Impacted the Company this Quarter' and the specific impacts to the Retail and Financial Services segments

CT REIT OVERVIEW

- As disclosed in the Q2 2020 CT REIT earnings release on August 4, 2020, CT REIT delivered 2.8% growth in AFFO per unit and invested \$36 million in previously disclosed investments that were completed in the second quarter
- CT REIT also announced an increase in the annual rate of distribution to \$0.06693 per unit, an increase of 2.0%, beginning in September 2020

FINANCIAL SERVICES OVERVIEW

- Financial Services is in a strong financial position. The business is well capitalized with access to multiple sources of liquidity and has an experienced Management Team and proven credit risk capabilities. The Bank remains comfortable with the level of risk in its portfolio
- In Q2, revenue decreased \$19.4 million or 5.9% over the prior year, due to lower credit charges resulting from a decline of 3.6% in gross average credit card receivables, reflecting lower credit card sales
- An increase, compared to last year, of \$27.4 million of net allowance for expected credit losses, reflecting Management's expectations of increases in future delinquencies and account defaults
- Income before income taxes decreased 46.6% in the second quarter to \$51.0 million
- Refer to the MD&A section 4.1.1 for information on normalizing items and to sections 3.0, 4.2.2 and 4.3.1 for information on 'Significant Events that Impacted the Company this Quarter' and the specific impacts to the Retail and Financial Services segments

CAPITAL EXPENDITURES

- Operating capital expenditures were \$52.0 million in the second quarter, down from \$116.1 million in the second quarter of 2019
- Total capital expenditures decreased \$55.1 million in Q2 2020, to \$71.4 million

QUARTERLY DIVIDEND

- The Company has declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of \$1.1375 per share payable on December 1, 2020 to shareholders of record as of October 31, 2020. The dividend is considered an "eligible dividend" for tax purposes.

SHARE REPURCHASE

- On November 7, 2019, the Company announced its intention to repurchase a further \$350 million of its Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes, by the end of fiscal 2020. Purchases of Class A Non-Voting Shares pursuant to the 2020 Share Repurchase Intention were paused after March 13, 2020 and continued to be paused during the second quarter.

FORWARD-LOOKING STATEMENTS

Certain statements made in this press release may constitute forward-looking information under applicable securities laws. These statements are being provided for the purposes of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of our anticipated financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes. Although CTC believes that the forward-looking information in this press release is based on information, assumptions and beliefs which are current, reasonable and complete,

this information is necessarily subject to a number of factors, risks and uncertainties, including as a result of the outbreak of COVID-19, that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking information. For more information on the risks, uncertainties and assumptions that could cause the CTC's actual results to differ from current expectations, refer to section 2.8 (Risk Factors) of our Annual Information Form for fiscal 2019 and to section 10 (Key Risks and Risk Management) of our Management's Discussion and Analysis for the quarters ended March 28, 2020 and June 27, 2020, as well as CTC's other public filings, available at www.sedar.com and at <https://investors.canadiantire.ca>. CTC does not undertake to update any forward-looking information, 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 is required by applicable securities laws.

CONFERENCE CALL

Canadian Tire will conduct a conference call to discuss information included in this news release and related matters at 8:00 a.m. ET on August 6, 2020. The conference call will be available simultaneously and in its entirety to all interested investors and the news media through a webcast at <https://investors.canadiantire.ca> and will be available through replay at this website for 12 months.

ABOUT CANADIAN TIRE CORPORATION

Canadian Tire Corporation, Limited, (TSX: CTC.A) (TSX: CTC) or "CTC", is a family of businesses that includes a Retail segment, a Financial Services division and CT REIT. Our retail business is led by Canadian Tire, which was founded in 1922 and provides Canadians with products for life in Canada across its Living, Playing, Fixing, Automotive and Seasonal & Gardening divisions. Party City, PartSource and Gas+ are key parts of the Canadian Tire network. The Retail segment also includes Mark's, a leading source for casual and industrial wear; Pro Hockey Life, a hockey specialty store catering to elite players; and SportChek, Hockey Experts, Sports Experts, National Sports, Intersport and Atmosphere, which offer the best active wear brands. The more than 1,740 retail and gasoline outlets are supported and strengthened by CTC's Financial Services division and the tens of thousands of people employed across Canada and around the world by CTC and its local dealers, franchisees and petroleum retailers. In addition, CTC owns and operates Helly Hansen, a leading global brand in sportswear and workwear based in Oslo, Norway. For more information, visit Corp.CanadianTire.ca.

FOR MORE INFORMATION

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