



Canadian Tire Corporation Reports Second Quarter Results

Execution of Better Connected strategy drove customer engagement and growth across banners in Q2

Toronto, August 11, 2022 – Canadian Tire Corporation, Limited (TSX:CTC, TSX: CTC.A) today released its second quarter results for the period ended July 2, 2022.

- Consolidated Comparable sales (excluding Petroleum)¹ grew 5.0%
- Loyalty sales as a percentage of retail sales¹ on a rolling 12-month basis was 59.0%
- Diluted Earnings Per Share (EPS) was \$2.43; normalized diluted EPS¹ was \$3.11

“Our strong comparable sales growth clearly demonstrated that customer demand for CTC’s unique multi-category product assortment remained healthy in the second quarter,” said Greg Hicks, President and CEO, Canadian Tire Corporation.

“Our results reflect our continued ability to effectively navigate a challenging and dynamic environment. Our retail team’s outstanding focus on inventory and margin management have enabled us to continue to execute well and stay focused on the delivery of our *Better Connected* strategy,” continued Hicks. “Also, receivables and new account acquisitions at Canadian Tire Bank remained strong, in line with our expectations to drive long-term growth,” said Hicks.

SECOND QUARTER HIGHLIGHTS

- *Consolidated retail sales¹ were up 9.9% and consolidated comparable sales (excluding Petroleum) were up 5.0%, with growth benefiting from the breadth of our assortment and a higher mix of in-store shopping compared to the second quarter of 2021 when COVID-19 restrictions remained in place*
 - Canadian Tire Retail (CTR) comparable sales¹ grew 3.9%; performance in Automotive categories grew as customers returned to driving, and customers shopped across a broader set of categories, including in Living and Fixing, as they returned in-store
 - Mark’s had its eighth consecutive quarter of exceptional comparable sales growth¹, up 20.9% on demand for casualwear and industrial apparel
 - Team sports was the leading driver of 4.1% comparable sales growth¹ at SportChek; the Q1 2022 introduction of athleisure brand FWD (Forward with Design) also contributed to strong sales growth
 - eCommerce sales continue to run well above pre-pandemic levels

- *The Company made further progress in implementing the enablers of its Better Connected strategy and enhancing the customer experience*
 - Engaging Triangle members continued to be a focus across the company's banners, resulting in loyalty sales as a % of retail sales at 59.0% on a rolling twelve-month basis; credit and new member acquisition was also strong, with approximately 594,000 joining the program in the quarter
 - Owned brand sales¹ remained strong at 37.6% of sales in the quarter
 - Investment in enhancing the customer experience at CTR saw 12 stores refreshed, expanded or replaced in Q2
 - New digital and human capital platforms being rolled out, along with distribution centre investments aimed at longer term operational efficiency
- *Shareholders continued to benefit from strong returns, a key element of the Company's balanced capital allocation strategy*
 - As at July 2, 2022, returns to shareholders under the Company's existing \$400 million share repurchase commitment reached \$326.9 million
 - Dividends paid in the quarter were \$73.1 million, up 10.6% on a per share basis compared to the prior year
- *Diluted Earnings Per Share (EPS) was \$2.43; normalized diluted EPS was \$3.11*
 - Normalizations included one-time costs related to the exit of Helly Hansen operations in Russia, and operational efficiency program costs, which in total represented a \$46.2 million impact to income before income taxes, or around \$0.68 at the EPS level
- *Performance in the quarter also reflected:*
 - Strong Retail segment revenue and increased gross margin dollars, partially offset by higher expenses including foreign exchange, which resulted in Retail segment earnings below prior year but which remain significantly above pre-pandemic levels on a normalized basis
 - Financial Services revenue growth, up 15.0% driven by growth in receivables and growth in credit card sales, due to increased customer activity and new account acquisition
 - An increase in the incremental allowance for expected credit loss ("ECL") in the Financial Services segment, which resulted in a year-on-year variance to Q2 of 2021 of \$57.6 million in income before income taxes or (\$0.56) at the EPS level, due to the decrease in the allowance last year

CONSOLIDATED OVERVIEW

- Retail sales were \$5,363.8 million, up 9.9%, compared to the second quarter of 2021; consolidated comparable sales (excluding Petroleum) increased 5.0%
- Revenue increased \$485.5 million to \$4,404.0 million, up 12.4%; Revenue (excluding Petroleum)¹ increased 5.9% over the same period last year
- Consolidated income before income taxes (IBT) was \$238.1 million, down 33.4% compared to the second quarter of 2021; and \$284.3 million, down 22.0%, on a normalized¹ basis
- Normalized diluted EPS was \$3.11, compared to \$3.72 in the prior year. Q2 Diluted EPS was \$2.43 per share, compared to \$3.64 in the prior year
- Retail Return on Invested Capital (ROIC)¹ calculated on a trailing twelve-month basis, remained strong at 13.5% at the end of the second quarter, compared to 14.1% at the end of the second quarter of 2021
- Refer to the Company's Q2 2022 Management Discussion and Analysis (MD&A) section 4.1.1 for information on normalizing items and for additional details on events that have impacted the Company in the quarter

RETAIL SEGMENT OVERVIEW

- Retail revenue was \$4,067.2 million, an increase of \$444.0 million, or 12.3%, compared to the prior year. Excluding Petroleum, Retail revenue¹ increased 5.1%
- Retail sales (excluding Petroleum)¹ were up 4.6%
- CTR retail sales¹ increased 3.8% in the quarter, and comparable sales were up 3.9% over the same period last year
- SportChek retail sales¹ increased 0.6% in the quarter, and comparable sales were up 4.1% over the same period last year
- Mark's retail sales¹ increased 21.1% in the quarter, and comparable sales were up 20.9% over the same period last year
- Helly Hansen revenue was up 38.9% compared to the same period in 2021
- Retail Gross margin for the second quarter was up 5.9%, or 4.9% excluding Petroleum¹
- IBT was \$123.8 million, including the impact of costs related to the exit of Helly Hansen operations in Russia, compared to \$208.6 million in the prior year. Normalized income before income taxes was \$170.0 million, due to higher expenses, including foreign exchange costs, offsetting strong revenue growth and increased gross margin dollars.

- Refer to the Company's Q2 2022 MD&A section 4.1.1 for information on normalizing items and to sections 4.2.1 and 4.2.2 for additional details on events that have impacted the Company in the quarter

FINANCIAL SERVICES OVERVIEW

- Gross average accounts receivable ("GAAR")¹ was up 14.6% relative to prior year and average active accounts were up 7.6%, as customer activity increased and investments drove new card acquisition
- Credit card sales growth¹ was 25.4% in the quarter
- Gross margin was \$187.9 million, a decrease of \$25.2 million, or 11.8 percent compared to the prior year, mainly due to higher write-offs and net impairment losses, attributable to the increase in ECL allowance for loans receivable, compared to a reduction in the allowance in the prior year, which offset revenue growth of 15.0%
- Income before income taxes was \$90.0 million, down \$35.3 million compared to the prior year, due mainly to the impact of the year-on-year change in incremental allowance on the credit card portfolio
- Risk levels remain below historic levels
- Refer to the Company's Q2 2022 MD&A section 4.3.1 and 4.3.2 for additional details on events that have impacted the Company

CT REIT OVERVIEW

- CT REIT announced two new investments, which will require an estimated total investment of \$30 million to complete and which will add approximately 149,000 square feet of incremental gross leasable area to the portfolio, and completed \$111 million of previously announced investments
- CT REIT delivered 2.5% growth in Adjusted Funds From Operations (AFFO) per unit¹ on a diluted basis in the second quarter
- Distributions per unit were \$0.212, up 5.7% compared to the second quarter of 2021
- For further information, refer to the Q2 2022 CT REIT earnings release issued August 8, 2022

CAPITAL ALLOCATION

CAPITAL EXPENDITURES

- Operating capital expenditures¹ were \$168.8 million in the quarter, compared to \$160.0 million in the second quarter of 2021
- Total capital expenditures were \$188.2 million, compared to \$184.6 million in the second quarter of 2021

QUARTERLY DIVIDEND

- The Company has declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of \$1.625 per share payable on December 1, 2022 to shareholders of record as of October 31, 2022. The dividend is considered an “eligible dividend” for tax purposes.

SHARE PURCHASES

- On November 11, 2021, the Company announced its intention to purchase up to \$400 million of its Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes, by the end of fiscal 2022. As at July 2, 2022, the Company had purchased \$326.9 million (~82%) under the existing \$400 million program.

(1) NON-GAAP FINANCIAL MEASURES AND RATIOS AND SUPPLEMENTARY FINANCIAL MEASURES

This press release contains non-GAAP financial measures and ratios and supplementary financial measures. References below to the Q2 2022 MD&A mean the Company's Management's Discussion and Analysis for the Second Quarter 2022 for the 26 weeks ended July 2, 2022, which is available on SEDAR at www.sedar.com and is incorporated by reference herein. Non-GAAP measures and non-GAAP ratios have no standardized meanings under GAAP and may not be comparable to similar measures of other companies.

(A) Non-GAAP Financial Measures and Ratios

Normalized Diluted Earnings per Share (EPS)

Normalized diluted EPS, a non-GAAP ratio, is calculated by dividing Normalized Net Income Attributable to Shareholders, a non-GAAP financial measure, by total diluted shares of the Company. For information about these measures, see section 9.1 of the Company's Q2 2022 MD&A.

The following table is a reconciliation of normalized net income attributable to shareholders of the Company to the respective GAAP measures:

(C\$ in millions)	Q2 2022	Q2 2021	YTD Q2 2022	YTD Q2 2021
Net income	\$ 177.6	\$ 259.1	\$ 395.2	\$ 445.5
Net income attributable to shareholders	145.2	223.6	327.3	375.4
Add normalizing items:				
Operational Efficiency program	\$ 7.2	\$ 5.0	\$ 8.7	\$ 11.4
Helly Hansen Russia exit	33.4	—	33.4	—
Normalized net income	\$ 218.2	\$ 264.1	\$ 437.3	\$ 456.9
Normalized net income attributable to shareholders	\$ 185.8	\$ 228.6	\$ 369.4	\$ 386.8
Normalized diluted EPS	\$ 3.11	\$ 3.72	\$ 6.16	\$ 6.29

Consolidated Normalized Income Before Income Taxes and Retail Normalized Income Before Income Taxes

Consolidated Normalized Income Before Income Taxes and Retail Normalized Income before Income Taxes are non-GAAP financial measures. For information about these measures, see section 9.1 of the Company's Q2 2022 MD&A.

The following table reconciles Consolidated Normalized Income Before Income Taxes to Income Before Income Taxes:

(C\$ in millions)	Q2 2022	Q2 2021	YTD Q2 2022	YTD Q2 2021
Income before income taxes	\$ 238.1	\$ 357.5	\$ 533.0	\$ 612.0
Add normalizing items:				
Operational Efficiency program	9.7	6.8	11.8	15.5
Helly Hansen Russia exit	36.5	—	36.5	—
Normalized income before income taxes	\$ 284.3	\$ 364.3	\$ 581.3	\$ 627.5

The following table reconciles Retail Normalized Income Before Income Taxes to Retail Income Before Income Taxes:

(C\$ in millions)	Q2 2022	Q2 2021	YTD Q2 2022	YTD Q2 2021
Income before income taxes	\$ 238.1	\$ 357.5	\$ 533.0	\$ 612.0
Less: Other operating segments	114.3	148.9	260.4	300.9
Retail income before income taxes	\$ 123.8	\$ 208.6	\$ 272.6	\$ 311.1
Add normalizing items:				
Operational Efficiency program	9.7	6.8	11.8	15.5
Helly Hansen Russia exit	36.5	—	36.5	—
Retail normalized income before income taxes	\$ 170.0	\$ 215.4	\$ 320.9	\$ 326.6

Retail Return on Invested Capital

Retail Return on Invested Capital (ROIC) is calculated as Retail return divided by the Retail invested capital. Retail return is defined as trailing annual Retail after-tax earnings excluding interest expense, lease related depreciation expense, inter-segment earnings, and any normalizing items. Retail invested capital is defined as Retail segment total assets, less Retail segment trade payables and accrued liabilities and inter-segment balances based on an average of the trailing four quarters. Retail return and Retail invested capital are non-GAAP financial measures. For more information about these measures, see section 9.1 of the Company's Q2 2022 MD&A.

(C\$ in millions)	Rolling 12 months ended	
	Q2 2022	Q2 2021
Income before income taxes	\$ 1,622.8	\$ 1,772.9
Less: Other operating segments	485.6	557.8
Retail income before income taxes	\$ 1,137.2	\$ 1,215.1
Add normalizing items:		
Operational Efficiency program	37.1	58.4
Helly Hansen Russia exit	36.5	—
Retail normalized income before income taxes	\$ 1,210.8	\$ 1,273.5
Less:		
Retail intercompany adjustments ¹	199.6	192.5
Add:		
Retail interest expense ²	241.0	262.7
Retail depreciation of right-of-use assets	562.6	528.4
Retail effective tax rate	26.5 %	28.6 %
Add: Retail taxes	(480.7)	(534.6)
Retail return	\$ 1,334.1	\$ 1,337.5
Average total assets	\$21,470.6	\$20,610.7
Less: Average assets in other operating segments	4,822.1	4,681.3
Average Retail assets	\$16,648.5	\$15,929.4
Less:		
Average Retail intercompany adjustments ¹	3,481.0	3,405.2
Average Retail trade payables and accrued liabilities ³	2,712.7	2,461.7
Average Franchise Trust assets	456.1	542.4
Average Retail excess cash	114.4	67.1
Average Retail invested capital	\$ 9,884.3	\$ 9,453.0
Retail ROIC	13.5 %	14.1 %

¹ Intercompany adjustments include intercompany income received from CT REIT which is included in the Retail segment, and intercompany investments made by the Retail segment in CT REIT and CTFS.

² Excludes Franchise Trust.

³ Trade payables and accrued liabilities include trade and other payables, short-term derivative liabilities, short-term provisions and income tax payables.

CT REIT Adjusted Funds from Operations (AFFO) per unit

AFFO per unit is a non-GAAP ratio that is calculated by dividing AFFO by the weighted average number of units outstanding on a diluted basis. AFFO is a non-GAAP financial measure. For more information about these measures, see section 9.1 of the Company's Q2 2022 MD&A.

The following table reconciles Income before Income Taxes to AFFO:

(C\$ in millions)	Q2 2022	Q2 2021	YTD Q2 2022	YTD Q2 2021
Income before income taxes	\$ 238.1	\$ 357.5	\$ 533.0	\$ 612.0
Less: Other operating segments	158.3	178.9	360.1	358.8
CT REIT income before income taxes	\$ 79.8	\$ 178.6	\$ 172.9	\$ 253.2
Add:				
CT REIT fair value (gain) adjustment	(6.0)	(106.5)	(28.1)	(110.8)
CT REIT deferred taxes	—	(0.1)	0.6	0.5
CT REIT lease principal payments on right-of-use assets	(0.1)	(0.4)	(0.3)	(0.6)
CT REIT fair value of equity awards	(0.5)	0.1	(0.3)	0.4
CT REIT internal leasing expense	0.2	0.2	0.4	0.4
CT REIT funds from operations	\$ 73.4	\$ 71.9	\$ 145.2	\$ 143.1
Less:				
CT REIT properties straight-line rent adjustment	0.5	1.5	0.9	3.2
CT REIT capital expenditure reserve	6.3	6.2	12.6	12.4
CT REIT adjusted funds from operations	\$ 66.6	\$ 64.2	\$ 131.7	\$ 127.5

Operating Capital Expenditures

Operating capital expenditures is a non-GAAP financial measure. For more information about this measure, see section 9.2 of the Company's Q2 2022 MD&A.

The following table reconciles total additions from the Investing activities reported in the Consolidated Statement of Cash Flows to Operating capital expenditures:

(C\$ in millions)	YTD Q2 2022	YTD Q2 2021
Total additions ¹	\$ 280.6	\$ 275.7
Add: Accrued additions	61.9	(1.8)
Less:		
CT REIT acquisitions and developments excluding vend-ins from CTC	31.7	28.1
Operating capital expenditures	\$ 310.8	\$ 245.8

¹ This line appears on the Consolidated Statement of Cash Flows under Investing activities.

(B) Supplementary Financial Measures and Ratios

The measures below are supplementary financial measures. See Section 9.2 (Supplementary Financial Measures) of the Company's Q2 2022 MD&A for information on the composition of these measures.

- Consolidated retail sales
- Consolidated Comparable sales (excluding Petroleum)
- Revenue (excluding Petroleum)
- Retail revenue (excluding Petroleum)
- Retail sales and retail sales (excluding Petroleum)
- CTR comparable and retail sales
- Owned Brands sales

- SportChek comparable and retail sales
- Mark's comparable and retail sales
- Retail Gross Margin (excluding Petroleum)
- Gross Average Accounts Receivables (GAAR)
- Credit card sales growth
- Loyalty sales as a percentage of retail sales

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, 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 CTC's actual results to differ from current expectations, refer to section 10.0 (Key Risks and Risk Management) of the Company's Q2 2022 MD&A 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 11, 2022. 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 group of companies 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 and Atmosphere, which offer the best active wear brands. The more than 1,700 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 technical outdoor brand based in Oslo, Norway. For more information, visit Corp.CanadianTire.ca.

FOR MORE INFORMATION

Media: Jane Shaw, (416) 480-8581, jane.shaw@cantire.com

Investors: Karen Keyes, (647) 518-4461, karen.keyes@cantire.com