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Canadian Tire Corp. Ltd. (CTC.CA)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Livia, and I'll be your conference operator for today. Welcome to the Canadian Tire Corporation Earnings Call. All lines have been placed on mute to prevent any background noise. Following today's presentation, there will be a question-and-answer period. [Operator Instructions]

Now, I will pass along to Karen Keyes, Head of Investor Relations for Canadian Tire Corporation. Karen?

Karen Keyes

Head-Investor Relations, Canadian Tire Corp. Ltd.

Thank you, Livia. Good morning, everyone. Welcome to Canadian Tire Corporation's fourth quarter and full year 2025 results conference call. With me today are our President and CEO, Greg Hicks; and Executive Vice President and CFO, Darren Myers.

Before we begin, I'd like to remind you that today's discussion contains information that may constitute forward-looking information within the meaning of applicable securities laws, including management's current expectations regarding future events and the company's True North strategy. Although the company believes that the forward-looking information in today's discussion is based on information, estimates and assumptions that are reasonable, such information is necessarily subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in such forward-looking information.

For information on these material risks, uncertainties, factors and assumptions, please see the company's MD&A available on our website and filed on SEDAR+. The company does not undertake to update any forward-looking information, whether written or oral, except as is required by applicable laws.

I would also highlight that our discussion today will focus mainly on the normalized results of the business on a continuing operations basis. Within our financial results, Helly Hansen has been presented as a discontinued operations since the sale of the business completed on May 31, 2025. To help you bridge the results to reported numbers, please consult Slides 5 and 6 of our quarterly earnings deck, which can be found on our website. By way of reminder, we would also highlight that the fourth quarter and full year 2025 results include one additional week of retail operations compared to the fourth quarter and full year 2024 results, with the exception of comparable sales growth comparisons include the additional week in 2025.

After our remarks today, the team will be happy to take your questions. We will try and get in as many questions as possible this morning, but we ask that you limit your time to one question, plus a follow-up before cycling back into the queue. And we welcome you to contact Investor Relations if we don't get through all the questions today.

And with that, I'll hand the call over to Greg. Greg?

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

Thank you, Karen. And good morning, everyone.

For about a year since the March launch of True North, I've spoken frequently about CTC's twin tasks, performing our business while transforming our company. As we look back on 2025, I am immensely proud of the accomplishments of our team. We got the business moving sharply in the right direction and performed at levels that put us among the best of our North American peers, achieving some of our strongest retail sales and profitability in recent memory.

Fiscal year retail sales and revenue were up 5%, profitability grew 14%, and EPS increased 19% to CAD 13.77. And while those numbers benefited from an extra week, annual comp retail sales were up 4%, exceeding 4% in three quarters of four quarters. In a year that saw both tailwinds and headwinds, all banners contributed with SportChek up 6% and Mark's and CTR each up close to 4% for the year. Triangle Rewards tied everything together, driving traffic to banner stores and sites with membership up, and active registered members growing 6% to 9.8 million. We saw increased uptake on personalized offers, which drove about CAD 300 million in incremental sales.

Throughout the year, we resonated with customers who remained resilient but discerning. And at a time when we'd all agree, it meant more to be Canadian, it meant more to be Canadian Tire. Through the wintry weather, the rise of patriotic purchasing, the rush for Stripes blankets, the tariff threats, the consumer pivot to value, Canadians consistently named us their most trusted retailer and we gained meaningful market share. As we performed, we also transformed. Our first year of transformation included significant organizational change, a new operating model and major strategic advancements.

Now, in 2026, we are building momentum for long-term value creation. Before I come back to that and highlight some of the key initiatives and metrics to watch for this year, I'll turn it over to Darren to walk through our fourth quarter results and our perspective on 2026.

As I do, I'll simply say, while we're clear-eyed about our operating environment and the inevitable ups and downs of retail, we got nice momentum and detailed plans to deliver True North.

Over to Darren.

Darren G. Myers*Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.*

Thank you, Greg, and good morning, everyone.

Q4 was an exceptionally strong finish to the year across all banners. We executed well while continuing to build momentum in our True North Transformation. Strong retail performance, lower finance costs and stable financial services results led to 33% growth in normalized IBT. Normalized earnings per share increased 38% year-over-year to CAD 4.47, supported by improved retail profitability and ongoing share repurchases.

Let me take you through the quarter, starting with retail. As Karen noted, our results reflect the 53-week year for retail compared to a 52-week period in 2024. The 53rd week, which benefited from favorable weather-related demand, contributed positively to results. We estimate the extra week generated CAD 287 million of retail sales, excluding petroleum, and approximately CAD 40 million of IBT in 2025. All-in, retail revenue and sales grew close to 9% and more than 10% excluding petroleum. Underlying 13-week quarter performance was exceptional, with comp sales up 4.2% with all banners and regions growing. Key contributors included strong in-stock positions to meet weather-driven demand, successful Black Friday promotions across our banners, and a meaningful contribution from loyalty sales with increased loyalty engagement and more active members.

Looking at sales on a banner-by-banner basis. At CTR, comparable sales grew 2.7%. Seasonal and gardening led the way with double-digit growth supported by an early start to winter, which pulled forward sales in categories like snowblowers, shovels and ice melt. We also saw good sell through of Christmas trees and décor along with healthy toy sales. Winter footwear in categories like ice fishing also contributed good growth in playing. Automotive posted its 22nd quarter of consecutive growth, driven by strength in sales of batteries, wipers and tires.

SportChek had an incredible quarter, with comp sales up 9.5%. Fan gear demand surged with the Blue Jays post-season run and the early lead up to World Cup. Outerwear performed strongly, helped by favorable weather. Finally, we continue to gain traction on winning with athletes in categories such as hockey.

Mark's had a strong quarter with comparable sales up 7.2% year-on-year. Workwear and industrial footwear sales were growth standouts this quarter, while traffic continues to be up at Bigger Better Bolder stores. Our first BBB store in Québec contributed to strong sales in the province, while leveraging Triangle promotional tools helped drive record Black Friday and e-commerce sales.

We're pleased with our progress in managing our gross margin throughout 2025. In Q4, normalized retail gross margin rate excluding petroleum, was up 118 basis points to 35.4%. CTR and SportChek margins benefited from overall mix dynamics, which included lower promotional intensity in the prior year. Ongoing benefits from our DAVID implementation and improved margin sharing with our dealers also contributed to CTR margin performance.

Our SG&A rate as a percentage of revenue, excluding petroleum, improved 40 basis points, as increased operating discipline and higher revenue contributed to modest leverage. We realized CAD 30 million in restructuring savings in the quarter, in line with expectations. Restructuring savings and higher vacancies partially offset higher volume related costs as well as increase in True North IT investments, real estate expenses and variable compensation. Bringing it all together, we delivered strong operational results in our retail business. Normalized retail EBITDA increased 19% to CAD 557 million and normalized retail IBT grew 49% to CAD 242 million. Corporate inventory ended the quarter up 8%, primarily driven by CTR and SportChek, with improved

aging and increased newness in the assortment as we support high growth – higher growth levels. At CTR, dealer inventory was up 5%.

Moving to financial services. 2025 was a year of investment to set the bank up for long-term growth and resilience. Credit card sales in Q4 increased 3.9%, as we continue to deepen engagement with cardholders. GAAR grew 2.5%, driven by higher average account balances, while active accounts increased modestly in the back of increased cardholder acquisition. We continue to leverage loyalty issuance as a tool to engage cardholders and drive retail sales. eCTM issuance to cardholders increased more than 12% to CAD 329 million over the course of 2025, reflecting deeper integration with retail.

Gross margin dollars at CTFS increased 11% as a result of higher revenue and lower net impairment losses. Normalized IBT was up 3%, driven by the increase in gross margin, which more than offset higher SG&A as we continued to invest in the business. Overall, risk metrics remained stable. PD2+ improved slightly, finishing the year at 3.5%, down 11 basis points. The net write-off rate was 7.2%, up 13 basis points year-over-year, but stable versus last quarter. Portfolio stability saw the allowance remain relatively unchanged. With an increase in the ending receivable balance to CAD 7.7 billion, the allowance rate ended the quarter at 12%.

While economic recovery remains uneven across the country, we have continued to see stable trends. As always, we keep a close eye on the environment and are prepared to act should we see any meaningful change.

Let me provide some color on what we're seeing so far in Q1 and how we are thinking about 2026. Despite ongoing geopolitical uncertainty, inflation and continued mortgage renewals, Canadian consumers have remained resilient. Q1 is off to a good start, with winter weather driving sales in late January and into February, in what is normally our smallest and least discretionary quarter. Keep in mind, though, that we're comping very favorable weather last February, as well as a strong end to March, which is always the biggest month of the quarter.

Turning to the year as a whole. At CTR, we continue to buy for growth in 2026. However, it's worth noting that we will be cycling tough weather comps, along with a strong patriotic purchasing in the first half of 2025. At SportChek, we expect events like the Olympics and World Cup to help us sustain momentum in the first half, while the rollout of BBB stores in Québec and Ontario will continue to be key to sales growth at Mark's.

Our North Star retail gross margin rate of 35%-plus remains a good long-term anchor. Our 2025 results demonstrate that through disciplined execution, we can balance value to customers while delivering results above that level. The rollout of DAVID to SportChek and Mark's in late 2026, along with the continued optimization of CTR, will help underpin our gross margin rate, notwithstanding we will always have some quarter-to-quarter variation.

Our retail, although we continue to see inflation and are advancing targeted investments, including in AI, we've remained focused on managing the rate of OpEx growth. At the bank, we don't expect the same profitability headwind we saw in 2025, but ongoing investments will create some pressure on SG&A rate and profitability in the first half.

Finally, we remain committed to a balanced approach to capital allocation, investing in the business for long-term value, while also giving back to our shareholders. For 2025, our return on invested capital improved to 11%. 2025 operating CapEx came in below our range at CAD 502 million, due to tighter project discipline and timing. We expect CapEx in a range of CAD 500 million to CAD 550 million in 2026. Finally, we continue to repurchase shares under our 2026 share repurchase intention. In 2025, we supported EPS with over CAD 440 million of share repurchases, reducing share count by about 5%.

In summary, 2025 was a strong year, built on a new operating model, tighter execution and a clear strategic direction. We intend to carry that discipline and momentum into 2026. We look forward to updating you further at our Q1 results call in May.

With that, I'll hand things back to Greg.

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

Thanks, Darren.

Following a strong year, our job is not only to celebrate but to demonstrate that our progress [ph] is durable (00:15:10). While we continue to detail the specifics of our initiatives, I want to start at a slightly higher altitude. I want to describe what we're building, because it's fundamental to the success of True North. In a new era of retail and a world of global mega competitors, we are setting a path that is uniquely our own. By rapidly building a new go-to-market approach, predicated on our retail system of unique assets that nobody can match, we are digging [indiscernible] (00:15:43).

Our retail system starts with the highest consumer trust in Canada. It connects our banners, brands and partnerships together through the engagement and privileged data of Triangle Rewards. It elevates our insights and actions through new technologies and tools like AI, and it moves us from individual banner selling products to a retail enterprise ready to serve the big and small occasions of Canadian life. That's what we mean when we call it a retail system.

By extension, I'd encourage you to think about the initiatives in our four strategic cornerstones, not in isolation, but as part of a larger plan. You can expect us to put those puzzle pieces together more tightly through our actions and commentary in 2026.

Our retail-forward cornerstone is fundamentally about growing core retail sales. You've seen the results in 2025, but we're also reshaping the customer experience. We continue to drive new store concepts and store refreshes, with 52 last year and approximately 70 planned for 2026. We're strengthening our investments at Mark's with bigger store concepts that are attracting new and younger customers, expanding assortments and elevating brand experiences.

SportChek's refreshes and new format stores are lifting already outstanding NPS and reinforcing its position as a top destination for the brands. Likewise, we're growing our e-commerce performance at twice the rate of bricks and mortar. On the hypothesis, the future of retail is by lowering friction for customers however they shop, in person, from home or in combination. We have rolled out faster fulfillment options, easier transactions and contextual AI search. And as we have ramped up same-day delivery, related NPS scores have been remarkable and among the best that we track.

Retail-forward also includes retail fundamentals. Darren spoke about DAVID and our surgical work to balance sales and margin. But I want to highlight how that has shown up for customers. Last year, we adjusted tens of thousands of prices based on deeper and deeper insights. Some moved up, others down. By Q4, year-over-year improvements in our consumer price value perception were industry-leading, with perceptions of our regular pricing up a staggering 15 points. As you think about retail-forward, think of it as a portfolio of strategies meant to change the way Canadian consumers experience CTC. Our stores, digital convenience, prices, value, brands, and all the factors that help us balance sales margin over the long run.

Moving on, the progress of our Triangle-powered everyday cornerstone is clear in our 2025 loyalty results. But in 2026, Triangle is not just about member count, it's about velocity. Engagement is up, members are more responsive to promotions and we are delivering more AI-informed offers that generate sales. Growing loyalty attachment also allows us to inspire members to move between banners. CTR customers are shopping Mark's more, Mark's customers are shopping CTR more, and the flywheel turns driving quantifiable sales. Then, of course, we have our growing roster of big brand loyalty partners to give members more ways to earn Canadian Tire Money for everyday activities like filling their tank, banking, travel, and the morning ritual of grabbing a Tim's.

As you know, eCTM has a multiplier effect driving sales in our stores. By extension, our most engaged members drive the most sales. As we lean into partnerships, engagement climbs. Many members are already making incredible use of our Petro-Canada partnership. RBC has come out of the gate quickly and WestJet and Tim's are on the horizon.

As these partnerships come fully online, let me give you a sense of what it can mean in terms of volume and velocity. And there are two stats that stand out. First, in terms of volume. Today, we have a growing population of about 2 million members engaged in our partnerships, through mechanisms like offers, our credit card or the simple act of linking programs. Over time, we see a path to doubling that count. Then in terms of velocity, we have a large pool of members who are highly engaged in our partnership program, including the more than 600,000 who have linked Triangle and Petro-Points. Our analysis shows that these customers are spending about 10% more with us, that's similar but less engaged members. Whatever the measure, growing partnerships is an important lever for growing sales, and we are making good progress in the early innings.

True North is ultimately about a more modern company, organized around stronger customer connections. Our last two cornerstones, Customer Insights in Action, and One Team, Agile and Scaled are our key. Automotive Service is a great example of what is possible. In a category that is built on customer centricity and relationships, we have established a clearer understanding of who does or does not come to us and why, applying our existing local knowledge, the growing power of Triangle, to new customer insights.

As we accelerate automotive service, consider a few numbers. Over the last five years, we have grown to CAD 1 billion of sales, compounding at a rate of 7% per year. This gives an impressive new baseline, and a trend line that suggests further growth. For instance, if you compare our average 15% share in general merch categories to our 10% share in automotive service, we could be looking at a growth opportunity of more than CAD 0.5 billion. In a large, highly fragmented market, we have the assets to compete harder to keep it capital-light and deliver considerable upside for both customers and shareholders.

But our future is about more just identifying categories ripe for growth. It's more fundamental. It's about a different go-to-market strategy with customer-centric more. We will deliver primarily through faster, more insightful, coordinated strategies across our enterprise and assets.

We offered something of a sneak peek yesterday with the announcement of our work with Microsoft on an AI intelligence engine called MOSaiC. Together, we are scaling a program that matches our retail system, stores, sites, marketing, loyalty, partners, products and services to the moments of Canadian life.

Last year, we conducted a pilot, prompted an LLM to compete huge sums of internal data and external context, and we asked to identify the moments of life where CTC is best-positioned to serve Canadians. And it surfaced more than a 1,000 occasions from basement floods, to weekend workouts, to anything you'd imagine in your own day-to-day, where we can combine all of our existing assets and new insights to pivot from simply selling products

to serving the occasions of Canadian life. If that sounds conceptual, it's not. We will begin to commercialize this approach in the back half of 2026, and I look forward to telling you more in the quarters ahead.

I'll conclude by reminding you of our True North vision. Three simple phrases that represent all we set out to achieve by 2028. Stronger customer connections. Higher retail performance. Accelerated shareholder value. On the back of a strong 2025 result, I hope you agree, we've already come a great distance, and that we are moving at pace, ready-to-go distance more. Our strategy underpins our conviction that the business should, over the long-term, deliver annual retail sales growth of 3% to 5%, with earnings growing faster than sales. While this is not near-term guidance and any year can be affected by factors such as geopolitics, economics and even weather. True North should position us to deliver these kinds of results more consistently in the long run.

I want to thank our team from our offices to stores to distribution facilities and beyond. 2025 was a year of considerable change. People performed with determination and transformed with grace. They have my very personal thanks. And while we're on the topic of high performance, I want to add my voice to those cheering on our Olympic athletes, including many with deep ties to the Jumpstart Charity, and our very own Trennt Michaud, a figure skater and SportChek team member who not only inspired his teammates here at CTC, but the entire nation.

With that, Go Canada Go. We can open the call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We ask that you limit yourself to one question plus one follow up question before cycling back into the queue. We'll pause for just a moment to compile the Q&A roster. My first question coming from the line of Irene Nattel with RBC Capital Markets. Your line is now open.

Irene Nattel

Analyst, RBC Capital Markets

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Thanks and good morning, everyone. Certainly, you gave us a lot, a lot to unpack there. So taking a step back, 2025 certainly unfolded in a more bullish way, shall we say, than what we might have thought a year ago. Can you please walk through what the biggest upside surprises were? And then sort of, I guess, the follow-up question is how some of the initiatives that you put in place in 2025 and that are accelerating in 2026 can sustain that momentum as we move through this year? Thank you.

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

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Yes. Thanks, Irene. Good morning. Yes. So, biggest surprises. I think, the resiliency of the Canadian consumer just comes, top of mind. I think, when we started 2025, we suggested to you that we didn't have a lot of certainty in the economic environment, looking forward to that, but we were buying for growth, and that we hoped to see a more resilient consumer coming off a tough period through 2023 and 2024. So, I think, when we look to our data in retail, we continue to see spend increases for all income level households. The largest increases this quarter actually came from the highest debt households – debt burden households. But for the quarter and the year, we see similar spend increases percentage wise across income levels and debt burden. So, that'd be one big surprise.

The other big pleasant surprise is just the separation that we're seeing between our loyalty sales and our non-loyalty sales. So, I think, it speaks to the fact that members are both seeking and we are providing value. It's a large separation in Q4 and for the year and that we believe is indicative of us managing the system that I spoke to, to engage customers more with that privileged data. So, to continue to see that separation, more separation, that I would say was a nice and pleasant surprise.

And then third that comes to mind is just the power of partnerships. I personally wouldn't have expect to see such phenomenal incremental retail sales performance at the customer member level, associated with engaged Petro-Points and Triangle Rewards linked members, so that's 600,000 strong cohort who have linked their programs. I think, we're really starting to see the value creation that could come back into our banners in the form of incremental spend or engagement at the member level. And we're excited by continued momentum of our ability to grow linked members with Petro-Canada and now as we carry on with other partnerships. I mentioned RBC being strong out the gate. We're already 150,000 members linked. And I think there's a strong value proposition there. So, I think, our ability to extend our system to get some brand scale around moments in Canadians' lives, where we don't have particularly strong owned assets that can help engage members. I think, all very positive.

I forgot the second part of your question. Those are the three big surprises.

Irene Nattel

Analyst, RBC Capital Markets

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Of course, that the second part is – thank you. The second part of the question was how you build on that momentum into 2026? Because if we think about the – the last comment you made in your prepared remarks, about 3% to 5% revenue growth and more earnings growth that that. Clearly you delivered that very well in 2025. How do you keep that going?

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

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Yes, it's a lot more of the same, Irene. We're going to continue to focus, with our dealers and across our corporate-owned banners around the fundamentals of being in stock. That was a big driver in 2025 of winning seasons. The partnerships, as I just talked about, we've got three brand-new ones rolling into 2026, which will provide wraparound benefit into 2027.

And I think one of the things that is exciting, especially, as AI is advancing is, we've talked a lot about our ability to improve our personalization capability. That's been a big focus of us as an organization. But for the most part, that personalization capability has been delivered at a, call it, a kind of a lookalike or a cohort audience level. And we're really starting to see evidence now and the technology is helping to get that true personalization at the member level. And that's a whole new, exciting frontier. It's completely brand-new and nascent to us in terms of the opportunities. So, I'm very excited about how AI will help shape our personalization journey to truly be more, one on one. And so, I lean to those critical areas, Irene, and we're really excited about MOSaiC. We think this is a strategic pivot, this pivot from selling products to selling occasions. We think it feels natural for us. We're going to stand up. It's grounded in not only customer insight in terms of our brands' ability to travel in those spaces, but also market size and opportunity.

So, we're going to stand up a couple of what we're calling lighthouses and key occasions in 2026. I'll stop short of telling you what those are for competitive reasons, but we'll certainly talk to you this year about how they perform. So we're excited about this new event and our ability to be even more customer-centric going forward.

Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

Irene, maybe let me just add, I think it's clear to everyone, that, when Greg said, the 3% to 5%, it wasn't – it's not a guide for this year. I mean, clearly, as you think of 2026, we still see the economy bouncing back. We have some tough weather comps, patriotic purchasing. So, just consider that as you do your modeling for the year.

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Irene Nattel

Analyst, RBC Capital Markets

Thank you. And best of luck.

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Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

Thanks, Irene.

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Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

Thanks, Irene.

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Operator: Thank you. Our next question in queue coming from the line of Brian Morrison with TD Cowen. Your line is now open.

Brian Morrison

Analyst, TD Cowen

Yes. Thanks very much. Greg, can we just circle back to the same-store sales growth at CTR for the quarter, and it was strong obviously in the auto and seasonal categories. But at 2.7%, it's not – it's lower than your 3% to 5% target. I realize for the year you're within that target. But you're 2.7% off of 1.1% last year and the negative at the prior year. What is underperforming? Or what categories have room to improve maybe is probably the better way to ask.

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Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

Maybe I'll just start, Brian, on that. Just, really for the year, I think you highlighted it, it's – and you got to be careful, however, to look at a quarter, because there is so much variability year-over-year on its own. But recall, when we started the quarter, we were flat in October. So, we had a very slow start and we had a very strong December last year. So, when the math comes together, we did well, obviously, in a number of categories that I outlined. I would say the growth was across many, many parts of the business, but more importantly was the 3.7% for the full year. And we're pleased with the full year growth, but pleased with the Q4 growth as well. But there's always year-over-year impacts and quarter-to-quarter variability.

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Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

I would just add, Brian, I mean, the growth was widespread in CTR. Almost 90% of categories grew in the quarter; uneven, as you pointed out. So, I would point to two areas. One, we still have quite a bit of separation in this quarter between discretionary and essential. So discretionary was up 4.7 – or sorry, essential was up 4.7, discretionary up 1.6. So that speaks to that kind of discerning purchasing. Again, we did have some good growth

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in snowboards, so I take it discretionary. But beyond that, that kind of healthy discretionary business is something we would look to come around in 2026.

And then second is our Living division in CTR is underperforming relative to the other divisions. Again, still growing, but an area of focus for the team. We're not feeling the same level of newness and innovation from our suppliers that we have in many of the categories in that business. And it's something that TJ and Micheline Davies and the team, and all of our merchants are working on pretty aggressively, and trying to turn that newness in Living on its head and really drive some excitement in 2026.

Brian Morrison*Analyst, TD Cowen*

Okay. Thank you for that. And my follow-up is, maybe, Darren, you gave us good color on the gross margin expectations for this year. I'm more focused on the OpEx in 2026. Maybe just directionally, should we expect leverage this year? And maybe the key drivers that we should be looking at to take into consideration.

Darren G. Myers*Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.*

Yes, Brian. As I mentioned before in my prepared remarks, the way to think about OpEx is, I mean, certainly with True North and the changes we're making in operating in a more disciplined way, and better alignment on the organization, we are very focused on managing the rate of growth. Of course, the actual rate is going to depend greatly on where the revenue number falls. I want to be careful of not trying to position – overly position that. But we do see inflation, we continue to have targeted investments including at AI. And then we will have productivity. As you know, we have CAD 30 million of savings this quarter. It was the first quarter of full savings. Those restructuring savings started in Q3.

We also had higher vacancy rates in 2025 that you need to consider as we were going through True North and taking the actions we took. We obviously weren't hiring. So, we'll have a little bit of a headwind from vacancies. Probably the best way to think about the restructuring savings is we're on track to the CAD 100 million relative to 2024. So if you kind of want to model that. And maybe I'll leave it at that.

Brian Morrison*Analyst, TD Cowen*

Thank you.

Operator: Thank you.

Greg Hicks*President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.*

Thanks, Brian. Sorry.

Operator: Our next question coming from the line of Mark Petrie with CIBC. Your line is now open.

Mark Petrie*Analyst, CIBC World Markets, Inc.*

Hey. Good morning. Thanks for the question. I wanted to ask just a very high-level question, actually, just about the revised org structure and executive alignment, and how you think that has affected the business, what's gone as expected and what's sort of been a surprise coming out of that.

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

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Hey, Mark. It's Greg. Yeah. I mean, I think, True North fundamentally is about transforming our operating model to better compete in this new era of retail, defined by scale players. So, fundamentally, it was about aggregating the scale that we created for ourselves. That was the primary rationale for the extensive changes we made to the workforce. As we talked about before, very difficult but important decisions to make. We think the rationale was well understood by our teams.

So, organization is now complete. We probably completed more towards the end of kind of, call it, September, October. So, it's still relatively fresh. But our focus now is turning back all of our attention to value creation. So, we're working through process changes. We're working through technology duplication, tech and data infrastructures, so that we can better deploy AI for value going forward. And then working through the new and vacant roles created through the organization.

I think, whenever you do a big organization like this, you don't get everything right. So, we probably got some tweaking to do in 2026 in some areas. But I really like what I'm seeing so far, especially in the areas of resource and capital prioritization, performance management, Darren's committed to put a real strong focus on in-season performance management.

And as we look to where we're spending our cash and how we're kind of allocating resources, I feel like we're in a much better rhythm and management system for making trade-offs, and just managing the decision-making associated with ensuring that those investments create value, because we're prioritizing it at an enterprise level, not banner by banner. So, lots more work to do to kind of deliver on that value creation. Big, big change. But now the work really gets started on process re-engineering, technology duplication, all the stuff kind of behind the curtain, so to speak that will make us a more efficient and agile retailer.

Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

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Mark, may I just add, since I joined, and Greg, obviously before I joined, was talking about with the holdco to opco, and it's been a big change. I mean, the kind of the – as Greg said, the rhythm and the performance management alignment of the team, [ph] I mean, even in the fourth quarter (00:41:30), we're able to make decisions much sooner, and it is showing up in our results and it will continue to get better. We still have work to do. It's hard to turn a big ship, but we're making good progress, and I do think it will lead to longer-term consistency and improved results.

Mark Petrie

Analyst, CIBC World Markets, Inc.

Q

Yes. Okay. Appreciate that. Thank you. I wanted to also just follow up on your comment, Greg, with regards to the assortment and sort of, I think newness is the word you used. I think this is another year where own brands penetration was relatively stable, down a little bit. Does that figure into that comment at all? And how are you feeling about that as a lever in the business today?

Greg Hicks*President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.*

A

I feel really good about own brands performance, the overall role they play. We feel really good about the portfolio. I would say that the most proud in terms of an accomplishment in 2025 is what we're seeing from a product quality standpoint. The whole portfolio reached the lowest defect rates that it has, yes, since starting own brands.

The business on the top line is performing better than national brands both in the quarter and for the year. Continues to appreciate our margins, while differentiating the offering in the retail system. The penetration, we're not as fussed as that on that, Mark, as we once were. And mostly, it relates to Mark's and SportChek, especially Mark's. The BBB concept is our concept for the future. We think it's the best representation of our assortment standing really tall in front of our membership. And the mix of national brands to own brands is significantly different in those stores than non-BBB stores. And we think that's good, where we're managing the blended margin associated with that concept. We can see evidence, and you've heard us talk to the fact that we've got bands now in the mix, that the national brands mix that are attracting a much younger demographic. I think, I've talked about the fact that my teenagers think that Mark's is pretty cool these days based on some of the brands that they carry.

So, yes, all that to say, not as fussed about penetration increases going forward at the system level and continue to feel really, really good about its ability to – the portfolio's ability to differentiate us with product quality, great value and running harder on the sales line than the national brands for us.

Mark Petrie*Analyst, CIBC World Markets, Inc.*

Q

Okay. Got it. Thanks for all the comments. All the best.

Greg Hicks*President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.*

A

Thanks, Mark.

Darren G. Myers*Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.*

A

Thanks, Mark.

Operator: Thank you. Our next question coming from the line of John Zamparo with Scotiabank. Your line is now open.

John Zamparo*Analyst, Scotiabank*

Q

Thank you very much. Good morning. I wanted to ask about patriotic purchasing, and I wonder if you've seen a resurgence or a continuation of that? And this is obviously hard to measure. It sounds like HBC has contributed to that, the timing of the Winter Olympics, add some noise there. So surely those are both contributing. But I wonder if you get a sense that that this wasn't just a one-time item in 2025, and that lapping that in the first half of this year might not be as meaningful a headwind as perhaps we thought it would be a few months ago.

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

A

Hey, good morning, John. It's Greg. Really tough, as you pointed out in your question, to tease out. I think we suggested that back coming out of Q2's call. We kind of, we felt – it felt more subjective than objective, when we were in it in Q2. And I think, we had suggested in Q3 that we kind of felt – kind of waning sentiment around patriotic purchasing. So, I don't really know, to be honest, how to think about it. I don't think we've – we haven't planned it as a major kind of negative building block for the year. I think we're going to continue to play our game and do all the things that we outlined in terms of our go-to-market strategy in 2026.

I think, where it is most subjective, John, is probably in the SportChek business. It's not really patriotic purchasing, although maybe some of it's caught up, and that is when you think about Blue Jays and Olympics. Blue Jays probably represented about a 1.5 point a comp, rental comp for the SportChek business. But this year we have the World Cup and the Olympics to work to offset that. So, I do believe there is some Canadian pride associated with the nation getting behind the Blue Jays. So objectively, that's probably the finest point that we can put on some degree of patriotism with the fact base.

John Zamparo

Analyst, Scotiabank

Q

Right. Okay. That's helpful. Thank you for that. And then just a modeling question. I want to better-understand the impact of the extra week. So first, can you confirm, I think, you said CAD 287 million in additional retail sales and CAD 40 million in IBT. If that's the case, that's about 9% of last year's retail sales number in Q4, but it's about 20% of last year's IBT. That's more than I think we would have expected on the income line. So, can you help us understand how SG&A is accounted for in that calculation?

Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

A

SG&A, so your numbers, the absolute numbers were correct. I'm having a little trouble following your math on the percentages. But the SG&A, if you – I'll leave it to you, we're not giving gross margin and SG&A. But you apply just a regular gross margin rate or the rate we had, you can see a slightly lighter SG&A, which is typical on the extra weeks because you don't have all the same costs within there.

But John, I'm not sure I caught your percent growth. That was year-over-year for the quarter, I assume?

John Zamparo

Analyst, Scotiabank

Q

Correct. Yes.

Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

A

Yes. So if you took it for the quarter, it'd be about – about half the growth on the revenue. Maybe you did say that. And just under we'd be – or we would be just probably under half the growth on the EPS. So 20% EPS without it type number, without the extra week.

John Zamparo

Analyst, Scotiabank

Q

Got it. Okay. Thank you. I'll get back in the queue.

Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

Yes.

Operator: Thank you. Our next question coming from the line of Vishal Shreedhar with National Bank Financial. Your line is now open.

Vishal Shreedhar

Analyst, National Bank Financial, Inc.

Hi. Thanks for taking my questions. With respect to the underlying business, and it seems like management is – it feels some enthusiasm with regard to the initiatives that you've implemented. But when we're looking at it, we see the start of the quarter with respect to sales indicated last conference call, starting out flattish. Then obviously it ended out strong. There's a few more transient events in there, including weather and some other events in there as well. So, how should we think about how to assess the underlying momentum? Q1 is going to get a weather benefit as well. So, what would you point to, to help us better-understand what the true comp is moving at?

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

Yes, I don't know if we can – we can help you discern to a finite point, impact of weather. I think, Darren suggested that, we did have tough comps in October. We had strong comps in December. That wasn't the October comps we were dealing with, which came in post, and there were some other things coming into the performance of the business.

We can tell you we feel – we believe that we were – we were on pace for a strong quarter before weather hit in December. But make no mistake, it was a positive contributor in the quarter for all banners. And as we spoke to some of the categories that performed really well across the banners, and those are weather-dependent. I remind you, though, as – your commentary around Q1 of this year, we basically just traded off weather in January of 2026 for February of 2025. So, we had, if you recall last year we – central Canada, Ontario, right through to Québec had very, very strong snowfalls, ice issues et cetera. So we're comping that as we speak.

But listen, we've worked really hard to be Canada's destination for winter weather, like we make no excuses for that. And so, I think the teams executed really, really well. The dealers replenished, our supply chain stood up resiliently, and got as much inventory back in stocks. We think our in-season management was really strong. But it does layer over on top of a healthy underlying – a healthy underlying business. I'm not sure what else I can say on that.

Vishal Shreedhar

Analyst, National Bank Financial, Inc.

Okay. Thank you for that color. And just moving on to the gross margin performance, very, very solid again. And I think, Darren, you can correct me if I misinterpreted this, but you expressed the North Star being 35%-plus. And I don't recall it being expressed in that way as well. Is that increasing of the expectation of what the North Star is? Or should we think about it's in line with what you've said in the past?

Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

Yes, it's a good observation. We weren't saying plus. We were at around 35% of – we've added the plus, we feel very good about the capabilities that we've built, the muscles that we've built in terms of our processes. And we're making, as Greg mentioned, good progress with the value orientation while doing this. So, the actual math, if you did the real math, based on removing Helly, the True North's would be 35.2%. We called it 35%, we came in at 35.5%, we like the plus, and we certainly are looking to maintain our momentum. But we're not going to start giving guidance on the gross margin line.

Vishal Shreedhar

Analyst, National Bank Financial, Inc.

I see. Okay. Thank you for that. And...

Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

Good observation.

Vishal Shreedhar

Analyst, National Bank Financial, Inc.

Thank you. Congrats on the quarter.

Darren G. Myers

Chief Financial Officer & Executive Vice President, Canadian Tire Corp. Ltd.

Yes. Thank you.

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

Thanks, Vishal.

Operator: Thank you. Our next question in queue coming from the line of Jonathan Matuszewski with Jefferies. Your line is now open.

Hi. Good morning. This is [ph] Andres (00:53:09) on for Jonathan. Thanks so much for taking the question. My first one will be on Triangle Rewards. So, with the RBC partnership ramping quickly, how is that informing how you're thinking about WestJet and Tim's later in the year? And as you look to expand that network further, what verticals do you see the biggest opportunities for future partnerships?

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

Yes. Thanks for the question. You're right, we're feeling good about the ramp thus far in the RBC partnership. It's early days. So, I think, I may have mentioned, we're to 150,000 linked members, 50,000 of them came in January. So we would love that to be kind of the run rate. More Canadian Tire Money is being issued. We're seeing new Triangle signups. I think, the 3 times accelerated is a strong value prop for the RBC partnership. And functionality to be able to convert Avion points to eCTM will be in place by spring.

So, I think, generally speaking, we are developing a playbook here with respect to how to set expectations and objectives for each partnership, and then work with the partner in a joint business planning-type relationship, whereby we both have the same targeted outcomes, we have an integrated scorecard. And we've stood up a small but mighty partnership team to help manage the relationship and manage to the outcomes that we're looking for.

So, I think that those kind of organizational muscles, I'm happiest in terms of what I'm seeing because it is that new. I love the fact that it's grounded in the outcomes that we're trying to achieve. And, I think, we're deploying the same type of playbook, all the way from kind of my relationship with the top of the house in each of our most critical partners, all the way down to this integrated scorecard.

So, we're on track and feeling good about launching WestJet and RBC this year. Each partnership has different expectations for those outcomes that I spoke to, and membership engagement, and we're just actively managing them.

I think, we've said before, we're not looking to build a vast coalition, to the last component of your question. We're focusing on strategic industry verticals that align with everyday customer needs. I think, we're leveraging this kind of asset-light approach to grow in financial services, travel. It's a limited number of other verticals that [ph] people consider (00:56:17). I'll probably stop short of naming them, but just think about where Canadians have a good amount of spend in a vertical that we don't participate in, and you could probably figure out where we're active.

But we have our hands full with partnerships we have here. And because, as I said earlier, we're seeing so much value turning our attention to making sure that we get value in each partnership before we add a bunch more is really important to us.

Q

Great. And then just a quick follow-up. So, you guys have made meaningful progress in reshaping the customer experience through the store refreshes with now the 70 planned refreshes for 2026, up from 52 in 2025. How are you thinking about the cadence of the store refresh plans from here? Thank you.

Greg Hicks*President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.*

A

Yeah. So, this year leans much more into Mark's. We've got – I think it's about 13 BBBs in market right now. We've got 10 on the docket this year. I think we've got just over 30 total projects and [ph] 17 (00:57:37) would be Mark's, so 10 BB and then some refreshes, et cetera. That's because of what I talked about earlier. We're loving how the concept is showing up in front of the customer. It's providing strong customer engagement, top line performance at returns that are above our hurdle rate. So we'll all day long kind of invest in those types of dynamics.

We're 150 in on Concept Connect across CTR. So more work to do. I think, when we originally identified Better Connected, we thought that we could get to 225. So more work to do there. That's kind of how to think about the runway.

And then, SportChek. SportChek kind of feels, to us, similar to Mark's, in just kind of, call it, a year or two behind. The Destination Sport concept is off the charts performance right now. We couldn't be happier with what we're

seeing. We've got four in market, we're opening three this year. Performance is well above our hurdle rate. And certainly, our expectation from 2027 onward is that we will build more per year than we're doing this year.

So, I think this is our opportunity to refresh the brand experience, be there for the athlete, tell stories with and for our brand partners. I think, when we really zero in on that business, we look to DICK'S Sporting Goods in the US, and see us a few years behind their journey. I think we should be able to invest in this concept for growth, drive strong returns, and deliver both great customer and employee experiences. The athletes that work in our stores love these Destination Sport concept.

So, hopefully that kind of gives you a picture in terms of how we're thinking about the life cycle and stage of each of the big concepts.

Q

Helpful. Thank you.

Operator: Thank you. And our last questioner will come from the line of Chris Li with Desjardins. Your line is now open.

Chris Li

Analyst, Desjardins Securities, Inc.

Q

Good morning and thank you for squeezing me in. I know there are obviously a lot of moving parts. But when you exclude the extra week, it seems like CTR revenue growth this quarter was more in line with POS. Do you expect this to be the case for 2026? I think, last quarter, you mentioned that inventory levels for spring and summer were slightly elevated. But I think that was because of air conditioners in Alberta. But I just, yeah, overall want to see how we should think about revenue growth, should we be more in line with comp sales for this year? Thank you.

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

A

Yeah. Thanks for the question, Chris. So we expected, last year POS to revenue ratio to be fairly in line. But revenue ended up outpacing sales as dealers built their inventory throughout the year. As you point out, the dealers did end Q3 a little heavy in spring/summer inventory, and the end of the year with a build in winter inventory. So, overall, up about 5%. But their winter inventory has been clearing, given the weather experienced to date. So, we'll update you as we normally do, regular course after Q1 ends, give you a sense of their ending inventory position, and its expected impact on revenue in the fourth quarter.

Generally speaking, though, because of the build, now we got this planning assumption wrong last year, but we do expect – we expect some drawdown in inventory relative to POS, in 2026. We think that's healthy, given the starting position and the elevation in spring/summer. So, that's our expectation and planning assumption for the year. And we'll keep you posted obviously as we move through it.

Chris Li

Analyst, Desjardins Securities, Inc.

Q

That's helpful, Greg. And maybe my follow-up, you mentioned that you recently negotiated some amendments to the contracts with the dealers. I was wondering, to the extent that you can, can you share with us, how some of those amendments help you further align your objectives with your True North strategic priorities?

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

A

Yes. So you're right. We did amend the contract with the dealers, and I would say at the highest level, the requirement for engaging in contract discussions was really about making sure that we had, broad and joint alignment on the True North strategic priorities. And so, we really feel, I think, the relationship is so strong. We came together on, you know, the fundamental principles and financial frameworks that have historically made our CTC dealer partnership so strong and effective.

And we added new specificity to make sure we were aligned on True North to shared commitments like expanding, omnichannel retail, certainly, the growth of Triangle Rewards, how we think about, investing in the issuance of Canadian Tire Money. And then because brand trust is just the underpinning of this entire True North strategy and our retail system going forward, as I explained in my prepared remarks, just making sure that we had high standards of performance across our network of stores.

And so, those three or four critical areas, all in service of True North, and dealers are completely aligned to the intent, and feel really good that the dealers are with us on True North. They're super, super excited about MOSaiC and AI I can tell you in terms of what that can do for their businesses. And so, I really, feel strategically we're in a really good spot. And the dealer just – or the – sort of the contract just reinforces the strength and the relationship and the alignment.

Chris Li

Analyst, Desjardins Securities, Inc.

Q

That's great. Thanks very much. And all the best.

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

A

Thanks, Chris.

Operator: Thank you. I'll now turn the call back over to Mr. Greg Hicks for any closing remarks.

Greg Hicks

President, Chief Executive Officer & Director, Canadian Tire Corp. Ltd.

Well, thank you for your questions and for joining us today. We look forward to speaking with you when we announce our Q1 results at AGM on May 14. Bye for now.

Operator: This will conclude today's call. You may now disconnect.

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