

14-May-2026

# Canadian Tire Corp. Ltd. (CTC.CA)

Q1 2026 Earnings Call

## CORPORATE PARTICIPANTS

**Karen Keyes**

*Head-Investor Relations, Canadian Tire Corp. Ltd.*

**Greg Hicks**

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

**Darren G. Myers**

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

**TJ Flood**

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

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## OTHER PARTICIPANTS

**Irene Nattel**

*Analyst, RBC Capital Markets*

**Chris Li**

*Analyst, Desjardins Securities, Inc.*

**Mark Petrie**

*Analyst, CIBC World Markets, Inc.*

**Jonathan Matuszewski**

*Analyst, Jefferies LLC*

**John Zamparo**

*Analyst, Scotia Capital, Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Thank you for standing by. My name is Steven and I will be your conference operator 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'll pass along to Karen Keyes, Head of Investor Relations for Canadian Tire Corporation. Karen?

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**Karen Keyes**

*Head-Investor Relations, Canadian Tire Corp. Ltd.*

Thank you, Steven. Good morning, everyone. Welcome to Canadian Tire Corporation's first quarter 2026 results conference call. With me today are President and CEO, Greg Hicks, Executive Vice President and CFO, Darren Myers, and Executive Vice President and Chief Operating Officer, TJ Flood.

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 and 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, which is 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 the Q1 2026 results do not include any normalization or results from discontinued operations unless otherwise stated variances to last year are to normalize results from continuing operations. Note as well, the comparable sales are presented on a shifted basis, with week one of 2026 compared to week two of 2025 to account for the 53rd week in 2025. After our remarks today, the team will be happy to take your questions. We'll try to get in as many questions as possible. But I 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. I'll now turn the call over to Greg. Greg?

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## Greg Hicks

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

Thank you, Karen, and good morning, everyone. In Q1, we continued to perform and transform well, pairing strong operational discipline with momentum in key parts of our True North strategy. I'll cover both and then invite Darren to dig further into the numbers. EPS was ahead of plan and hit the high end of our historic Q1 norms. We managed OpEx growth closely and delivered solid gross margin in retail and at the bank. And retail revenue, excluding petroleum, was a highlight up 5% as we restock Q4 sales and increased shipments of new and exciting spring products. In what is our smallest retail quarter, Mark's and SportChek each grew sales. CTR sales declined largely due to weather, which meant comp sales were down 1% enterprise-wide. I've said it many times, we're here for life in Canada whatever the weather. Unfortunately, the seemingly endless Q1 winter clearly delayed the warmer weather and the inevitable sales it brings.

Also, as sometimes happens, the seasons didn't line up neatly to our quarterly reporting dates. The first week of Q1 was negatively affected by strong winter sales pulled into last year's 53rd week and the last week of Q1 was negatively affected by a delayed spring against strong comps last year. Absent these factors, our overall comp would have been positive. Like our customers, we have been patiently awaiting the spring. And in B.C., where we have seen better weather, we've seen much better sales.

I'll spend a minute on some of the economic volatility we see around us and how consumers are starting to respond. Similar to our comments at the end of 2025, we see a Canadian customer that is resilient but discerning. In the face of macroeconomic confusion, they have their chin up and their eyes wide open. Even as budgets get strained, customers are still shopping, but they are more selective and more value-driven. We are obviously watching these trends very carefully. For instance, Triangle credit card data shows significant increases in household spending at the gas pump. This is no surprise, but it has our attention. As discerning customers move to value, we, too, are moving to value with a highly relevant and highly measured approach. For example, in Q1, when customers traditionally prioritize life's essential products, we lowered thousands of prices for Canadians. As we show better value, we saw better unit and sales performance.

So we remain value-focused heading into spring. This includes prioritizing. Products priced below CAD 50, which represent more than half our sales, with plans to add thousands of SKUs that will bring excitement, newness and just the right value. Affordable quality for the season is also showing up in our own brand selection, like rally cycling products, our new Wake fitness line, premium paint DIY accessories, and a new line of WindRiver rainwear. As part of our increased focus on value and retail fundamentals, our DAVID pricing and promotions engine is playing a major role using AI tools, data and intelligence that we simply never had before, interrogating and adjusting historic offerings and category prices.

This is giving us higher fidelity, elasticity models while giving customers better prices and choice. We're also augmenting our digital experiences to highlight our value. And in Q1, we added personal notifications for customers waiting for specific price drops, tools to help with product price comparisons, clear value callouts on

our sites, and filters to surface online sales and clearance which alone drove about CAD 5 million in incremental Q1 sales.

With a clear picture of our customers' bias for value, we should also acknowledge their resilience. This bears out in a few CTC stats. As counterintuitive as it may seem right now, our lowest income, highest debt customers are showing the most robust sales growth. The gap between essential and discretionary sales performance is narrowing. At Canadian Tire, spend per basket was up despite fewer units and more deeply discounted items. Triangle Mastercard holders are paying their balances at levels we describe as stable or healthy. And overall, Triangle member visits and sales significantly outpaced non-loyalty. In other words, we have more core customers and they are more active with us.

With an eye on the economy and our customer, we continue to lean heavily on the clarity True North. This includes detailed vectors of growth, increasing agility and good progress on various initiatives across our strategic cornerstones, and I'll cover a few. In Retail Forward, we are enhancing our omnichannel offer with data showing the continued success of each of the respective new formats in our three largest banners. These new concepts continue to outperform the rest of the network when it comes to basket sizes and customer NPS. As a reminder, we have plans for about 70 real estate projects across our banners this year, many outside the big six VECTOM markets, places like Thunder Bay, where we have plans for both a destination sport and a BBB store later this year, and places like Penticton and Saskatoon where CTR stores are expanding. These projects continue to bring omnichannel, product and value options to more Canadians in markets where CTC can drive differentiated growth.

In the same omnichannel vein, we are continuing our rapid progress on digital and e-commerce, where growth is still significantly outpacing our bricks business. This quarter, we fully deployed our new contextual search platforms to both SportChek and Mark's, driving more convenience for both online browsing and shopping. Today, when a SportChek customer types Taylor Swift Reebok shoes into our browser, our engine is smart enough to know that the Reebok Club C 85 shoe is the Taylor Swift shoe, and it will show up first.

The platform also provides more personalized search results. Now when searching for hiking boots on Mark's site, your results will be tailored to your previous search history and look very different than results for another customer. Almost 40% of our search in these banners have unique, personalized results. With Mark's and SportChek up and running, CTR will scale up over the summer, at which point 100% of search sessions will return the kind of results I've described. We are particularly excited to see how this works in automotive, where searching specific parts for car models has been a pain point. These e-comm and digital improvements are key to True North and we have the right teams and resources assigned to ensure the innovation continues.

Moving to Triangle Powered every day, we are proving that an expanding loyalty system is a powerful business driver. Historically, the bulk of eCTM was earned in our stores and through Triangle credit card purchases. That's still the case, but we are increasingly providing members other ways to earn eCTM, including personalized bonus offers and our loyalty partnerships, which combine to represent a third of all issuance in Q1, growing much faster than base and credit issuance.

In partnerships, Triangle and Petro-Points are combining to relieve some of the pain at the pumps, rewarding our highest-value customers. And we've seen good activity in our two new partnerships, RBC and WestJet, launched in Q1. Combined, they have already added hundreds of thousands of newly linked members. As we said last quarter, this is a key metric for us and we have a long-term plan to double the number of Triangle members engage with our partners from 2 million to 4 million.

Finally, in our One Team, Agile and Scaled cornerstone, we are modernizing the business. Our MOSaiC AI intelligence platform is in late-stage production, which we expect to complete in Q2. We have begun to action select insights, drawing from the more than 1,000 customer life occasions and 180,000 demand signals MOSaiC has already surfaced. Elsewhere, our teams companywide are continuing to adopt AI at pace. We've now rolled out Copilot to thousands of corporate employees with a record response to training programs, high engagement, and what I would call a growing use case culture with a lot of testing and learning.

Developers are now using AI to inform about one-third of our code, and newly constructed agents have been deployed in real-world workflows. As with AI deployment, we're focused on modernizing the business, but we're equally focused on upskilling our people for the future of work. As we do, we're evolving the CTC culture in very constructive ways.

And with that, I'll invite Darren to walk you through the Q1 figures and provide a bit of an insight on our outlook.

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**Darren G. Myers**

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

Thank you, Greg, and good morning, everyone. For Q1, we delivered solid retail revenue and margin performance with modest OpEx growth as we lapped lower investment levels in the first quarter of last year. At the bank, performance was in line with our expectations. Diluted and normalized earnings per share was CAD 2.02, essentially in line with last year's normalized EPS of CAD 2.

Let me walk through the quarter, starting with retail. As Karen noted, because last year had 53 weeks, our comparable sales are presented on a shifted basis comparing week one of this year to week two of last year. Retail sales excluding petroleum was broadly stable in Q1. Comparable sales were down 1% in the quarter as growth at SportChek and Mark's was more than offset by decline at CTR.

Let me give you a little more color by banner. At CTR, we started the quarter strong in January. However, a snowy February last year and a late start to spring this year weighed on performance across several categories. Seasonal & Gardening experienced the largest decline, with weaker sales of snow blowers and patio furniture among the biggest drivers. Fixing division was the highlight, with sales up in tools storage and organization, as well as home repair and maintenance categories.

At SportChek, comp sales were up 3.3%, supported by continued strong execution on fundamentals and brand partnerships. Fan gear was the highlight with strong demand from the early lead up to World Cup as well as the Olympics. While hardgoods were impacted by lower sales in skiing and snowboarding, Hockey performed well. Finally, comp sales at Mark's were up 1.2%. Strong sales of casualwear were driven by continued traction with our newer format BBB stores.

Revenue in the quarter was strong, up 5%, excluding petroleum and up mid-single digits across all the banners. CTR revenue growth at 4.9% reflected replenishment on sell-through early in the quarter, combined with stronger dealer restocking ahead of spring-summer. CTR revenue is outpacing sales on a rolling 12-month basis. As you know, these metrics usually converge over time.

Q1 normalized retail gross margin rate, excluding petroleum, was stable year-over-year at 36.1%. We continue to be pleased with our progress in managing gross margin rate, supported by ongoing benefits from DAVID and positive contributions from SportChek and Mark's in the quarter.

Our SG&A rate as a percentage of revenue, excluding petroleum, improved 10 basis points, reflecting tighter operating discipline and restructuring savings partly offset by higher IT spend and variable compensation. True North's IT investments were up as expected relative to Q1 of 2025, given the timing of the program ramp last year. Depreciation and amortization increased 6%, reflecting lease renewals and supply chain investments. Overall, we were pleased with our operational discipline in what is always our smallest quarter. Normalized retail EBITDA was up 4.6% to CAD 349.7 million, while retail IBT was stable year-over-year at CAD 50.9 million. Retail ROIC improved 56 basis points to 10.9%.

Moving to financial services. 2025 was a year of investment to position the bank for long-term growth and resilience. At the bank, we continued to leverage loyalty issuance and we're pleased with customer engagement. Credit card sales in Q1 increased 4.7%. The solid spend growth throughout the quarter. GAAR grew 3.1%, reflecting growth in accounts and higher average account balances due to stronger card spend. As expected, SG&A was up as we were cycling lower investment levels last year, which began ramping in the second quarter.

Key risk metrics remained stable overall. Aging was up slightly on last quarter, but flat year-over-year at 3.7%. The net write-off rate was 7.2%, up slightly from last year due to elevated insolvencies consistent with industry trends and broadly stable on last quarter. While the allowance was unchanged at CAD 935 million, the allowance rate increased slightly to 12.3% due to seasonal decline in ending receivables. While the external environment remains dynamic, we continue to see broadly stable trends among our cardholder base. We continue to closely monitor a number of factors and we'll be prepared to act should we see any meaningful change.

Turning to capital allocation, operating capital expenditures in the quarter were CAD 86.1 million, with the vast majority going to omnichannel and store investments. During Q1, we repurchased approximately 335,000 shares for CAD 60 million. Turning to what we're seeing in Q2, as a reminder, we are cycling a tough comp with comp sales of 5% in Q2 2025, which benefited from favorable weather and patriotic purchasing. As for this year, cooler weather has lingered in parts of the country through mid-May, leading to a slow start to spring sales at CTR. In B.C., where spring has arrived, we're experiencing good sales growth, giving us confidence that we're well positioned as the weather improves. CTR dealer inventory as we exited Q1 was up 5% as dealers positioned for spring-summer and essential categories. At SportChek, we are well stocked to meet World Cup demand. Overall, our inventory is in good shape with improved aging and newness in the assortment. With June always our biggest month, we still have a significant portion of the quarter ahead.

In summary, while sales in our smallest quarter were impacted by weather, we are positioning for growth in 2026 and we're pleased with the financial results which came ahead of our plan. While the consumer has remained resilient, the external environment remains dynamic and we are closely watching how things unfold. Internally, we remain focused on strengthening our performance management, managing OpEx growth, building greater flexibility and advancing True North. We look forward to updating you again in our Q2 results call in August.

And with that, I'll hand things over to the operator for the Q&A.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question comes from Irene Nattel of RBC Capital Markets. Your line is now open.

**Irene Nattel**

*Analyst, RBC Capital Markets*

Q

Thanks and good morning, everyone. Certainly understand weather, we are all living through this winter that never ends and spring that hopefully one day will arrive. But sometimes if it's weather is a part of it, but underneath it, there's more going on. Can you walk us through what the loyalty data is showing you really at a granular level about consumer spending? Where is the weakness? Where is the strength? And are there any sort of yellow or red flags that you're seeing at this point?

**Greg Hicks**

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

A

Well, good morning, Irene. It's Greg. Yeah. I mean, I think one of the biggest surprises that we have is what we're continuing to see from a spend standpoint for high indebted households, which I think we called out in our commentary. Our registered Triangle members are the most engaged with our program. We have the most amount of data on those members. And we segment those members in four or five different groups from affluent all the way down to thrifty. And we're seeing great spend engagement in every single one of the segments where we're seeing softness is in our non-loyalty sales.

But in those engaged Triangle members, we're seeing trips up, we're seeing baskets steady. A little bit of softness in units per basket. So I think there's a more kind of determined and destination shop that's happening. I think AUR is actually picking up for the units that we're seeing in the basket.

But overall, I mean, I think you, Irene, asked me what surprised me most about 2025, and it was this resiliency across income level and debt burden households throughout the year and that continues. That's three of the last four quarters where our thrifty segment has been the most robust sales growth, and that continues here in Q1. So not a lot different under the covers in Q1. Relative to our commentary in terms of what we were seeing in 2025 in the membership. We feel very good as we called out in terms of how our most important and core customers are engaging with us, the value that they're receiving through the program, them shopping through the ecosystem, getting relief at the pumps with the program that we have, both in our base program and partnership with Petro-Canada. So we think that we're providing members exactly what they need to engage with us more.

**Irene Nattel**

*Analyst, RBC Capital Markets*

Q

That's really helpful. Thank you. And you also mentioned that you're investing in value, that you lowered prices, I think you said on 1,000 of SKUs in Q1, kind of can you walk us through what the magnitude of that is and what the consumer response has been to the, let's call it, "better value"?

**TJ Flood**

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

A

Yeah, Irene, it's TJ. Thanks for the question. I'll jump in on this one. You're absolutely right. And as you know, we're always trying to strike that balance, right, of managing our value perception with demand creation and

managing our margins, and we are seeing consumers crave value. Greg mentioned the CAD 50 segment or CAD 50 price point in below segment, which is about half of our business. And we brought a lot of innovation into that area in Q1, and we continue to do that with 1,000 of SKU introductions going into Q2 in the balance of year.

And we have, despite a very complex and dynamic backdrop on the cost side with you've got tariffs, you've got freight, it's coming down the pipe where we're trying to manage providing value for our consumers. And all of the tools we've built with DAVID and our margin nerve center is really helping us here, really reduce prices on – over 10,000 SKUs in Q1. And we're leaning into our AI capabilities to invest where we think is appropriate to help our value perception and make sure that Canadians are getting the value that they need.

We're going to continue to use those tools as we go forward. As you know, margin can be choppy quarter to quarter, but we do remain focused on our north star. But we do have to be nimble and we do have to strike that balance of investing in value where consumers need it so that we can drive appropriate demand creation as we go forward here.

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**Irene Nattel**

*Analyst, RBC Capital Markets*

That's great. Thank you.

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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 comes from the line of Chris Li of Desjardins. Your line is now open.

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**Chris Li**

*Analyst, Desjardins Securities, Inc.*

Hi. Good morning, everyone. My first question is, as you noted, that the Q1 retail revenue was strong because of some restocking in anticipation of spring and summer season. I recall the dealers came out last year a little bit heavy on some spring and summer categories. So I guess my question is and let me address this a little bit again on your opening remarks. But what signs are you and the dealers seeing that provide you with the confidence of the solid demand for spring and summer? Thanks.

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**TJ Flood**

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

Hey, Chris, it's TJ. You're cutting in and out a little bit. So I think I got the crux of your question. But – so let me let me unpack the inventory position a little bit as we head into spring. And as you know, when we transition from the winter season into the spring, there's a lot going on. Dealers are up about 5% in inventory as we ended the quarter. Fall, winter and Christmas inventory is a bit elevated in categories like snow shovels, winter tires, and Christmas lights. And that could create a little bit of shipment headwind for us in the back half of the year as we get into Q3 and Q4.

But the vast majority of the dealer inventory growth is sitting in our spring and non-seasonal categories. So, it's really them preparing for spring. Overall, we're very pleased with the inventory composition as we head into the spring. The dealers are ready to go. I think they are just much like us and much like Greg and Darren mentioned in their prepared remarks, they are ready for spring to break out.

And as Darren articulated, we did see revenue outpace POS, but those two things tend to kind of converge over time. And we feel like we're ready for spring. And we still have two-thirds of the quarter ahead of us as we sit here now from a POS volume standpoint. So, I think we're ready.

The only other thing I'd add from an inventory standpoint is at SportChek, which is we're ready for World Cup. We've invested really robustly in fan wear, and the early sales results have been very strong. So we're excited about that as well. So hopefully, I got the gist of your question there.

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**Chris Li***Analyst, Desjardins Securities, Inc.*

Great. Thank you.

Q

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

And Chris, I'd just add, as I said – Chris, as I said in my prepared remarks, to your question – the part of your question, what gives confidence, as we've seen in BC, where the weather has shown up, we're seeing good growth. We're seeing our products and everything showing up very well. Stores showing up very well. So, we're quite pleased with that, and we just need things to turn here.

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**Chris Li***Analyst, Desjardins Securities, Inc.*

Thank you for that. And then my other question is, Darren, I know you're 35% plus gross margin is not an annual target. But I was wondering, given everything that's happening and then more focus on the cost side of things with fuel costs, freight costs, product costs increasing, how do you think about your ability to achieve that target this year and how are you managing those cost increases? Thanks.

Q

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

So maybe I'll start and TJ can jump in. We feel really good about the capabilities that we've built starting with DAVID, which will be rolling out to SportChek and Mark's in the second half of the year. But I think Q1 is a great example of us managing a lot of moving parts, including all the incremental loyalty that we saw really strong results. One of the things that we're really pleased with is that loyalty sales were up 2.4% on a comp of 6.4% last year. So despite the weather, we're seeing the value of our loyalty system show up for people, and we managed that with all the moving headwinds and various things in the margin rate.

A

So I think the team is doing a great job of managing that. There's no question freight will be a little bit of a headwind as the year goes on, as the products sell through. But I think we got a lot of leverage to be able to maintain our momentum.

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**Chris Li***Analyst, Desjardins Securities, Inc.*

Great. Thank you.

Q

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

Thanks, Chris.

A

**Operator:** Thank you. Our next question comes from the line of Mark Petrie of CIBC. Your line is now open. Hi, Mark. If your line is muted, please unmute.

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**Mark Petrie**

*Analyst, CIBC World Markets, Inc.*

Q

Yeah, sorry about that. Good morning. Just a follow-up on that gross margin topic. Specific to the lowered prices, as you said, obviously, there's lots of levers for you to pull in gross margin, but should we interpret that as an incremental investment of gross margin versus what you might have planned entering the year, or is this just a reflection of some better efficiencies that gave you room to invest or you can pull back on promo or how should we interpret that?

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**TJ Flood**

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

A

Yeah, Mark, it's TJ. It's a great question. The way I would interpret it, just to build a little bit on what Darren said, is we now have capabilities that allow us to invest where we think it's appropriate to inspire demand and manage margins at the same time. So if you go back five or six years in the time tunnel, the capabilities we had around pricing were nowhere near as developed with the AI tools we have with DAVID, our margin nerve center. We just feel we have an ability to lean in where we need to and manage margins where we don't.

And when you've got so many different ways that you can invest in value for consumers, whether it be our loyalty program, whether it be our discounting or even the quality and the price range architecture in our own brands. We just have so many capabilities to lever today. So I would see it as us just getting a little bit better on leaning in where we need to and managing margins overall.

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**Mark Petrie**

*Analyst, CIBC World Markets, Inc.*

Q

Yeah. Understood. Okay. Appreciate that. Thanks, TJ. And then I guess a broader question. You guys are a little more than a year into your pivot toward I guess is a more integrated kind of operating model. Curious how you would summarize the effects of that. How have they sort of accrued better or worse than what you would have planned or hoped? And are there further adjustments sort of to the approach to fully leverage that?

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**Greg Hicks**

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

A

Yeah, Mark. It's Greg. Maybe I'll take that. As we've discussed, this is a big organizational change. It's turning the operating model on its head, moving from eight or nine businesses to essentially one, focused on the customer with that privileged first-party data that we continue to talk about. Changing our teams around that structure and now attacking processes and technology. Most transformations, if you read academics of this magnitude, they fail and they usually fail in year one. So we think we're past that check point. We had a good 2025. I think it was tough on the teams. But we have such a resilient, fantastic team and strong culture that we persevered some very difficult decisions and changes for virtually everybody across the organization.

And now we have a management rhythm in terms – a new management rhythm in terms of how we're running the business and how we're making enterprise trade-offs, which as a result of the environment that we're operating in, seems like a full-time job, pivoting and reading and reacting, etcetera. But I really like the way the organization is doing just that reading and reacting, looking around corners, looking ahead, etcetera. And I don't think we would have been able to do that in the old operating structure.

So there's many, many examples that are starting to emerge that I think are strong proof points for the rationale for the strategy. I talked a little bit about just moving to a single platform, with a scaled partner in Google for contextual search as an example. That was a defined as an organizational priority, set in stone that we were going to adopt the same platform for all of our website experience as one team, managing the experience, managing the KPIs, all having shared outcomes. And we're seeing great results. Even in our bank, we're starting to see some very interesting engagement, thinking about engagement at the enterprise level as opposed to the bank level.

I mean, when you look at active users as an example, active cardholders this quarter, much less attrition in the portfolio, and that's because we put one team together to manage life cycle management. And we're using incentives across the enterprise, not just in the bank to manage churn and it's a focus, now with a KPI for intellectual capital beyond the bank.

So we're feeling really good, Mark, about the posture for the business. I think it's a more modernized posture that enables our scale to come together and compete more effectively going forward. So we really believe that is the right transformational, organizational move for us. And I'm feeling good about how some of the proof points are emerging.

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**Mark Petrie**

*Analyst, CIBC World Markets, Inc.*

Yeah. Thanks for all that, Greg. Great to hear and all the best.

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**Greg Hicks**

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

Thanks, Mark.

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**TJ Flood**

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

Thank you, Mark.

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**Operator:** Thank you. Our next question comes from the line of Jonathan Matuszewski of Jefferies. Your line is now open.

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**Jonathan Matuszewski**

*Analyst, Jefferies LLC*

Great. Good morning and thanks for taking my questions. My first one was just wanting to unpack a little bit more of the comment about the lowest income cohort with the highest debt burden continuing to kind of shine, I think, in your file. So maybe if you could share more there. Is this existing customer's diverting more of their wallet share to CTR or are you seeing an increase in new customer acquisition as consumers trade down from competitors? Any color there would be helpful.

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**Greg Hicks**

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

Hi, Jonathan, it's Greg. I tried to hit on a little bit of it in Irene's question. These are our registered members. So that's where the data comes from in terms of our ability to really segment some of these more granular perspectives around the makeup of the household and obviously how they're spending. And we have a very

strong focus as an organization to increase the number of registered members. So it continues to grow. It's between 7.5 million and 8 million of our members. So this is a large portion of our active membership today are registered.

So you've got some noise in there in terms of the comp because the registration base is growing. So I mean, I would start there in that you're talking about 7.5 million to 8 million members, so it's not data on every customer that comes through our store. And we keep calling it out just because it continues to be the biggest surprise. We're seeing engagement and spend increases in every one of our segments of registered members and that we continue to believe is strong evidence of a solid strategy that's standing up well in front of our members. But there continues to be a little bit of separation to the positive in terms of that really thrifty customer that has high-debt burden.

And so, I think if thrifty customers are growing their spend with us at more than 10%, more than double digit, they have to be spending 10% everywhere else for us not to be taking more of their share of wallet, way to think about it. We don't have visibility in terms of how they're spending kind of beyond our credit cards, beyond our walls, across the businesses we own. But it would seem odd that we're not getting more of their share of wallet given the debt burden that these households find themselves under.

But again, I would just reiterate that in affluent households, our registered members, agnostic to debt burden, are also spending and engaging with us more. It just so happens that we're continuing to be happily surprised, pleasantly surprised by our thrifty segment. And so we continue to kind of lean in on that, but we're providing value at both ends of the spectrum for sure.

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**Jonathan Matuszewski***Analyst, Jefferies LLC*

Q

That's helpful. And I guess my follow-up question, just to close the loop on gross margin, any guardrails for us to kind of think about? I mean, we obviously have the help from the higher petroleum, but at the same time, there's obviously been discussion about kind of lowered prices on 10,000 SKUs, and it sounds like freight will be maybe a headwind. So as we kind of package all those together, I wasn't sure if you would be willing to share kind of guardrails to help us think about the second half. Thanks.

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

A

Yeah. I think the right way – Jonathan, it's Darren here. The right way to think about it is we're still committed to our north star, which is 35%-plus. We were obviously quite pleased with last year's performance. And really for me, it's around stability like we're going to have quarter-to-quarter volatility. If you think quarter-over-quarter or year-over-year, we're trying to keep things stable. We did a good job of that last year.

And again, as we've been saying, I think we have the tools and the mindset to continue to be able to do well on the gross profit line. We will, of course, have to watch the environment and react accordingly, but we got a lot of tools at our disposal. So think stable and think about our north star as your kind of guardrails.

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

A

And Jonathan, it's Greg. I would just add, and that builds on TJ's previous comment as well is heading into a very important Q4. Last year, we reduced prices on thousands of SKUs as well. So this is a net new activity. I wouldn't think about it as net new or incremental, only showing up in 2026. We talked about how pleased we were with a

significant move in customer value perception associated with our pricing coming out of Q4 last year. So this is more of the same. And I think the teams are just doing a fantastic job, reading customer data, reacting with that data in terms of how we're showing up on price and still managing to the stability that Darren talked about in terms of what we're looking for in the margin rate.

**Jonathan Matuszewski**

*Analyst, Jefferies LLC*

All right. Thank you. Best of luck.

**Greg Hicks**

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

Thanks, Jonathan.

**Operator:** Thank you. Our next question comes from the line of Brian Morrison of TD Securities. Your line is now open.

Hi. Just taking the question for Brian, can you please go into more detail with what you are seeing with consumer behavior, financial services and consumer payment behavior? Just wondering, since the write-offs did increase sequentially, although the write-off rate and allowance rate were largely unchanged?

**Darren G. Myers**

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

Yeah. Listen, I think overall, similar to the themes we've been saying on the last few calls, I mean, we still are seeing stability and resilience amongst shareholders. I mean, we were obviously very pleased with the card spend this quarter, which was up nicely at 4.7%. We had good GAAR growth and the risk metrics, as I said, remained stable. The overall, the insolvencies is something that we're watching very closely. They are lumpy and they're very difficult to predict. We had one month where they were high and then they've they seem to have subsided off of recent.

But if you look across other companies, many are faced with the same thing right now, as articles in the globe this week around insolvency. So it's obviously something we're watching, but we're still seeing good payment patterns from our cardholders. And overall, I'd say things are in a decent and stable place. And as we've shown in the past, if things change, we know how to course correct and take action on that. But right now, we're not seeing anything that is overly alarming. And so we're just going to continue in the course we're on right now.

Thank you.

**Operator:** Thank you. [Operator Instructions] Our next question comes from the line of John Zamparo of Scotiabank. Your line is now open.

**John Zamparo***Analyst, Scotia Capital, Inc.*

Q

Thank you very much. Good morning. I wanted to return to the topic of inflation, in particular. Producer prices have ticked up pretty sharply, especially in China. I wonder if you can elaborate a bit more on what you're seeing from a buying perspective and do you get a sense that an uptick in inflation is unavoidable at this point and does this change your buying strategy at all to either target lower price items or ones that are showing lower inflation rates?

**TJ Flood***Chief Operating Officer & Executive Vice President, Canadian Tire Corp. Ltd.*

A

Yeah, John, it's TJ. Thanks for the question. I mean, you just kind of characterized how dynamic the economic situation is, right? I mean, you've got so many different things that are happening across the industry with input components, commodity prices, and fuel prices. So this is what we do every day, right? We're always in constant partnership with our vendor base and trying to make sure that we provide value for our customers.

I do think there are going to be inflationary headwinds for us, in particular, as we head into the back half of this year. The freight increases are we probably haven't seen them as much in Q1 as we will as we go forward. But it gets back to managing the right price value in our assortment architecture and then using the levers that we described throughout this call on where we provide consumers value and where we invest and where we try to balance off that in other ways to manage our margins.

But it's absolutely dynamic and we're very thankful about the relationships we have with our vendor partners because it's in partnership that you manage inflation that's in front of you and that's how we're going to do it as we go forward here.

**John Zamparo***Analyst, Scotia Capital, Inc.*

Q

Okay. Got it. Thank you for that. And then my follow-up is on Q2 results so far and, in particular, weather. I know this is always difficult to measure, but I wonder if you can say directionally, has weather so far been a greater impact on Q2 to-date versus what it was in Q1, or maybe the better question is broadly, is spring more sensitive to weather than the winter because of product mix or average tickets or something along those lines?

**TJ Flood***Chief Operating Officer & Executive Vice President, Canadian Tire Corp. Ltd.*

A

Yeah, John, it's TJ. I'll jump on that one as well. I don't think I would make any distinction between how sensitive winter is relative to spring. I mean, it's obviously the year-over-year comparison that's critical here. We have had a slow start to the spring. The weather has been much cooler and wetter than it was last year. But we draw a lot of confidence from where we have seen weather show up. So Darren mentioned earlier that in British Columbia, the weather has been good year-over-year and we're seeing strong growth.

The other thing I'll point to signs of spring kind of finally appearing is that our automotive service tire changeovers have started to heat up and so we are ready for spring. And then lastly, although we're off to a bit of a slower start, I'll still kind of call out. We still have about two-thirds of the quarter from a volume perspective in front of us. So we're ready to go. Obviously, we need we need spring to show up here, but we're ready. And as our assortments have showed up very well where weather has emerged. So we're all kind of leave it there.

**John Zamparo**

*Analyst, Scotia Capital, Inc.*



Thank you for that. I'll pass it on.

**Operator:** Thank you. I'm showing no further questions at this time. I'll go ahead and turn the call back to Greg for closing remarks.

**Greg Hicks**

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

Thanks, Steven. As always, I appreciate the opportunity to close the call because it allows me to thank our team. The tens of thousands of people in stores, distribution centers and offices nationwide who make these results happen. It also allows me to highlight the great things they do that make CTC special in the eyes of Canadians. Unfortunately, I couldn't pick one, so I've got two. On May 1, we launched our first full assortment of Hudson's Bay Stripes products in CTR stores, expanding a small assortment into Mark's. As expected, the response has been incredible. Most of our customers love the quality and care. We bought the Stripes. We promise to be proud stewards. Well, from our design teams to our procurement group to our dealers and store teams, we're fulfilling that commitment.

And finally, I want to wish Team Canada our best in the upcoming World Cup. We have absolutely the fever and are very excited for game days in Toronto and Vancouver. Stay tuned for some pretty special SportChek and Jumpstart soccer activations across the country coming soon. Thanks for joining us and for your questions. We look forward to speaking with some of you at our AGM later this morning. Bye for now.

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

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