Canadian Tire Corporation Reports First Quarter 2023 Results

Toronto, May 11, 2023 – Canadian Tire Corporation, Limited (TSX:CTC, TSX: CTC.A) ("CTC" or the "Company") today released its first quarter results for the period ended April 1, 2023.

- Diluted Earnings Per Share (EPS) of $0.13 included the impact of costs relating to the fire at the Company's A.J. Billes distribution centre in Brampton, Ontario on March 15, 2023; normalized diluted EPS[1] was $1.00
- Financial Services delivered a strong contribution, at $118.7 million of income before income taxes (IBT)

"Our Q1 financial results were impacted by a number of factors. Our Retail segment was impacted by the fire at our A.J. Billes distribution centre, as well as unseasonably mild winter weather and a slow start to spring in several regions of Canada," said Greg Hicks, President and CEO, Canadian Tire Corporation. "The Financial Services business historically makes a significant contribution to Canadian Tire Corporation's performance in the first quarter, and this quarter was no different. The strength of our teams and our diligent focus on our Better Connected strategy leaves us confident in our ability to deliver long term returns for shareholders and value to our customers," added Hicks.

"Our unrivalled competitive advantage lies in our deep understanding of Canadians, and in the context of a challenging macroeconomic environment, we intend to fully leverage this strength to maximize returns."

FIRST QUARTER HIGHLIGHTS

- Consolidated comparable sales[1] were down 2.5% versus strong growth in 2022, in a more challenging consumer demand environment, driven by the impact of a mild winter and late arrival of spring
  - Canadian Tire Retail comparable sales[1] were down 4.8%. Lower sales of winter and spring products were partially offset by growth in non-winter related Automotive categories and in Living categories, driven by an expanded pet offering
  - Mark's registered its eleventh consecutive quarter of comparable sales[1] growth, up 4.8%, on sales of men's and ladies' casualwear
  - SportChek comparable sales[1] grew 3.7% as athletic and casualwear sales offset softer outerwear demand
  - Helly Hansen revenue was up 22.9%, with the strongest growth in sports wholesale revenue and ecommerce

- Consolidated income before income taxes was $66.6 million, a decrease of $228.3 million compared to the prior year, with Financial Services segment income offset by a loss of $79.3 million in the Retail segment, resulting in diluted EPS of $0.13. Excluding the direct costs relating to the fire at the Company's A.J. Billes distribution centre, normalized IBT[1] was $134.3 million and normalized diluted EPS was $1.00. Results for the quarter also included the impact of a change in accounting estimate[2] relating to the Company's Margin-Sharing Arrangement with Dealers (the "change in accounting estimate").
    - The normalized Retail segment loss before income taxes[1] was $11.6 million. Excluding the impact of a change in accounting estimate[2], the main factors affecting the Retail segment results were the anticipated lower Canadian Tire Retail Spring/Summer shipments, shipment delays relating to the distribution centre fire ("DC fire"), higher operating costs and a one-time cost to exit a supply chain contract.
    - Financial Services delivered income before income taxes of $118.7 million, down 5.3% against a strong 2022 result. Receivables growth of 10.4% and higher credit card sales growth[1], up 6.1%, drove an 11.5% increase in revenue, while higher net impairment losses and funding costs contributed to lower gross margin.

- Since the beginning of 2023, the Company has continued to invest in its strategic differentiators as part of its Better Connected strategy, including:
    - Expanding the reach of the Triangle Rewards program and opportunities for engagement with our 11.4 million active members, including through the launch of the new Triangle Select subscription membership program, with more than 22,000 members signed up since the program's January 2023 launch
    - Continuing to steadily grow its portfolio of Owned Brands products, with the launch of the Stratus Owned Brand in the cycling category and the acquisition of plumbing faucets and fixtures brand Danze in Canada; Owned Brands[1] accounted for 35.8% of Retail sales in Q1 2023.
- CTC remains committed to making life in Canada better through communities and sport
    - Jumpstart hit a new quarterly record for disbursements with more than a quarter of a million kids helped in Q1, in addition to delivering Respect in Sport training to more than 5,000 new community coaches and youth activity leaders across Canada
    - CTC announced a new multi-million investment in the Women's Sports Initiative, aimed at leveling the playing field, with a commitment to allocating 50% of our sports sponsorship to women's professional sports by 2026

CONSOLIDATED OVERVIEW

- Unless otherwise specified, Consolidated results include the impact of a change in accounting estimate[2].
- Revenue was $3,707.2 million compared to $3,837.4 million in the same period last year; excluding the change in accounting estimate[2], Revenue (excluding Petroleum)[1] decreased 4.9%. Financial Services segment revenue growth partially offset the Retail segment decline, mainly due to the anticipated lower revenue at Canadian Tire Retail.
- Consolidated income before income taxes was $66.6 million, a decrease of $228.3 million compared to the prior year, due in part to costs of $67.7 million relating to the distribution centre fire. Normalized income before income taxes was $134.3 million.
- Diluted EPS was $0.13 compared to $3.03 in the prior year; Normalized diluted EPS was $1.00, down $2.06, or down $2.72 excluding the $0.66 favourable impact of the change in accounting estimate[2], mainly attributable to a decline in earnings in the Retail segment
- Refer to the Company's Q1 2023 MD&A section 4.1.1 for information on normalizing items and the change in accounting estimate and for additional details on events that have impacted the Company in the quarter.

RETAIL SEGMENT OVERVIEW

- Unless otherwise specified, Retail results include the impact of a change in accounting estimate[2]
- Retail revenue was $3,337.9 million, a decrease of $166.6 million, or 4.8%, compared to the prior year; Retail revenue (excluding Petroleum)[1] was down 5.0%. Excluding the favourable impact of the change in accounting estimate[2], Retail revenue (excluding Petroleum)[1] decreased $201.4 million
- Retail sales[1] were $3,326.5 million, down 2.8%, compared to the first quarter of 2022 and Retail sales (excluding Petroleum)[1] and consolidated comparable sales were both down 2.5% against strong comparatives in the prior year in a more challenging consumer demand environment, driven by the impact of a mild winter and late arrival of spring
- CTR retail sales[1] were down 4.9% and comparable sales were down 4.8% over the same period last year
- SportChek retail sales[1] increased 3.9% over the same period last year, and comparable sales were up 3.7%
- Mark's retail sales[1] increased 5.0% over the same period last year, and comparable sales were up 4.8%
- Helly Hansen revenue was up 22.9% compared to the same period in 2022

- Retail gross margin was down 2.5% compared to the first quarter of 2022, or down 2.1% excluding Petroleum[1]; Retail gross margin rate (excluding Petroleum)[1] increased 103 bps to 35.2%. Excluding the favourable change in accounting estimate[2], Retail gross margin rate (excluding Petroleum)[1] was down 17 bps despite higher promotional intensity.
- Retail loss before income taxes was $79.3 million, compared to retail income before income taxes of $148.8 million in the prior year; normalized retail loss before income taxes was $11.6 million in Q1 2023
- Retail Return on Invested Capital (ROIC)[1] calculated on a trailing twelve-month basis, was 11.3% at the end of the first quarter, compared to 13.8% at the end of the first quarter of 2022, due to the decrease in earnings and the increase in Average Retail Invested Capital over the prior period
- Refer to the Company's Q1 2023 MD&A section 4.1.1 and 4.2.1 for information on normalizing items and the change in accounting estimate and for additional details on events that have impacted the Company in the quarter

FINANCIAL SERVICES OVERVIEW

- Gross average accounts receivable ("GAAR")[1] was up 10.4% relative to the prior year, due to increases in both active accounts and average account balance[1], up 4.4% and 5.8% respectively in the quarter
- Financial Services gross margin was $211.3 million, a decrease of $6.2 million, or 2.8% compared to the prior year; higher net impairment losses and funding costs were partially offset by strong revenue growth
- Financial Services IBT was $118.7 million, down $6.6 million, or 5.3% compared to the prior year
- Refer to the Company's Q1 2023 MD&A section 4.3.1 and 4.3.2 for additional details on events that have impacted the Company

CT REIT OVERVIEW

- CT REIT announced a 3.5% distribution increase that will be effective with the July 2023 payment to unitholders
- Received Zero Carbon Building Design Certification for new distribution centre development in Calgary, Alberta
- For further information, refer to the Q1 2023 CT REIT earnings release issued on May 8, 2023

CAPITAL ALLOCATION

CAPITAL EXPENDITURES

- Operating capital expenditures[1] were $106.7 million in Q1 2023, compared to $142.0 million in Q1 2022
- Total capital expenditures were $118.3 million, compared to $154.3 million in Q1 2022

QUARTERLY DIVIDEND

- The Company declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of $1.725 per share, payable on September 1, 2023, to shareholders of record as of July 31, 2023. The dividend is considered an "eligible dividend" for tax purposes.

SHARE REPURCHASES

- On November 10, 2022, the Company announced its intention to repurchase an additional $500 million to $700 million of its Class A Non-Voting Shares (the "Shares"), in excess of the amount required for anti-dilutive purposes, by the end of 2023 as part of its capital management plan (the "2022-23 Share Repurchase Intention"). As at April 1, 2023, the Company has repurchased $279.3 million of its Shares in partial fulfilment of its 2022-23 Share Repurchase Intention.

NORMAL COURSE ISSUER BID AND AUTOMATIC SECURITIES PURCHASE PLAN

- On February 16, 2023, the TSX accepted the Company's notice of intention to make a normal course issuer bid to purchase up to 5.1 million Shares between March 2, 2023 and March 1, 2024 (the "2023-24 NCIB"). Also on February 16, 2023, the TSX accepted the Company's new automatic securities purchase plan which expires on March 1, 2024 and which allows a designated broker to purchase Shares under the 2023-24 NCIB during the Company's blackout periods.

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

This press release contains non-GAAP financial measures and ratios and supplementary financial measures. References below to the Q1 2023 MD&A mean the Company's Management's Discussion and Analysis for the First Quarter ended April 1, 2023, which is available on SEDAR at www.sedar.com and is incorporated by reference herein. Non-GAAP measures and non-GAAP ratios have no standardized meanings under GAAP and may not be comparable to similar measures of other companies.

A) Non-GAAP Financial Measures and Ratios

Normalized Diluted Earnings per Share (EPS)

Normalized diluted EPS, a non-GAAP ratio, is calculated by dividing Normalized Net Income Attributable to Shareholders, a non-GAAP financial measure, by total diluted shares of the Company. For information about these measures, see section 9.1 of the Company's Q1 2023 MD&A.

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

(C$ in millions, except per share amounts)	**Q1 2023**	Q1 2022
Net income	**$ 42.8**	$ 217.6
Net income attributable to shareholders	**7.8**	182.1
Add normalizing items:		
Distribution Centre (DC) fire	**49.8**	—
Operational Efficiency program	**—**	1.5
Normalized net income	**$ 92.6**	$ 219.1
Normalized net income attributable to shareholders	**$ 57.6**	$ 183.6
Normalized diluted EPS	**$ 1.00**	$ 3.06

Consolidated Normalized Income Before Income Taxes and Retail Normalized (Loss) Income Before Income Taxes

Consolidated Normalized Income Before Income Taxes and Retail Normalized (Loss) Income before Income Taxes are non-GAAP financial measures. For information about these measures, see section 9.1 of the Company's Q1 2023 MD&A.

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

(C$ in millions)	Q1 2023	Q1 2022
Income before income taxes	**$ 66.6**	$ 294.9
Add normalizing items:		
DC fire	**67.7**	—
Operational Efficiency program	**—**	2.1
Normalized income before income taxes	**$ 134.3**	$ 297.0

The following table reconciles Retail Normalized (Loss) Income Before Income Taxes to Income Before Income Taxes:

(C$ in millions)	Q1 2023	Q1 2022
Income before income taxes	**$ 66.6**	$ 294.9
Less: Other operating segments	**145.9**	146.1
Retail (loss) income before income taxes	**$ (79.3)**	$ 148.8
Add normalizing items:		
DC fire	**67.7**	—
Operational Efficiency program	**—**	2.1
Retail normalized (loss) income before income taxes	**$ (11.6)**	$ 150.9

Retail Return on Invested Capital

Retail Return on Invested Capital (ROIC) is calculated as Retail return divided by the Retail invested capital. Retail return is defined as trailing annual Retail after-tax earnings excluding interest expense, lease related depreciation expense, inter-segment earnings, and any normalizing items. Retail invested capital is defined as Retail segment total assets, less Retail segment trade payables and accrued liabilities and inter-segment balances based on an average of the trailing four quarters. Retail return and Retail invested capital are non-GAAP financial measures. For more information about these measures, see section 9.1 of the Company’s Q1 2023 MD&A.

(C$ in millions)	Rolling 12 months ended Q1 2023	Q1 2022
Income before income taxes	**$ 1,355.5**	$ 1,742.2
Less: Other operating segments	**535.5**	520.2
Retail income before income taxes	**$ 820.0**	$ 1,222.0
Add normalizing items:		
Operational Efficiency program	**45.0**	34.3
Helly Hansen Russia exit	**36.5**	—
DC fire	**67.7**	—
Retail normalized income before income taxes	**$ 969.2**	$ 1,256.3
Less:		
Retail intercompany adjustments[1]	**211.2**	198.2
Add:		
Retail interest expense[2]	**262.8**	245.5
Retail depreciation of right-of-use assets	**607.3**	550.5
Retail effective tax rate	**26.4 %**	27.0 %
Add: Retail taxes	**(429.6)**	(499.9)
Retail return	**$ 1,198.5**	$ 1,354.2
Average total assets	**$ 21,884.0**	$ 21,491.6
Less: Average assets in other operating segments	**4,302.7**	5,018.4
Average Retail assets	**$ 17,581.3**	$ 16,473.2
Less:		
Average Retail intercompany adjustments[1]	**3,542.8**	3,432.5
Average Retail trade payables and accrued liabilities[3]	**2,989.7**	2,583.5
Average Franchise Trust assets	**474.7**	482.1
Average Retail excess cash	**—**	167.4
Average Retail invested capital	**$ 10,574.1**	$ 9,807.7
Retail ROIC	**11.3 %**	13.8 %

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

2 *Excludes Franchise Trust.*

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

Operating Capital Expenditures

Operating capital expenditures is a non-GAAP financial measure. For more information about this measure, see section 9.1 of the Company’s Q1 2023 MD&A.

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

(C$ in millions)		**Q1 2023**		Q1 2022
Total additions[1]	**$**	**129.1**	$	160.0
Add: Accrued additions		**(10.8)**		(5.7)
Less:				
Business combinations, intellectual properties and tenant		**—**		—
CT REIT acquisitions and developments excluding vend-ins from CTC		**11.6**		12.3
Operating capital expenditures	**$**	**106.7**	$	142.0

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

B) Supplementary Financial Measures and Ratios

The measures below are supplementary financial measures. See Section 9.2 (Supplementary Financial Measures) of the Company's Q1 2023 MD&A for information on the composition of these measures.

- Consolidated retail sales
- Consolidated comparable sales
- Revenue (excluding Petroleum)
- Retail revenue (excluding Petroleum)
- Retail sales and retail sales (excluding Petroleum)
- Canadian Tire Retail comparable and retail sales
- SportChek comparable and retail sales
- Mark's comparable and retail sales
- Retail gross margin (excluding Petroleum)
- Gross Average Accounts Receivables (GAAR)
- Owned Brands sales
- Credit card sales growth
- Average account balance

2) Change in Accounting Estimate

The Company's contract with its Dealers governs how margin and expenses are shared between the two groups.

Beginning in the first quarter of 2023, the Company implemented a change to accounting estimates associated with one component of the contract, the MSA with the Dealers. The Company already records a portion of its margin relating to revenue and margin on shipments to its Dealers in the quarter incurred, but the majority of the MSA has historically been accrued in the fourth quarter of every year.

Effective this quarter, the Company will begin to record the MSA throughout the year to better reflect the pattern over which the MSA is earned. This change simply reflects a change in the timing of this revenue and will result in less quarterly fluctuation in Retail segment gross margin and income before income taxes throughout the year. This change impacts quarterly results. There is no change to the annual reported figures.

The change in accounting estimate had a $51.8 million impact on revenue and income before income taxes, and 120 bps impact on Retail segment gross margin rate excluding Petroleum during the first quarter of 2023. Excluding the change in accounting estimate relating to the Company's MSA with its Dealers, consolidated revenue was down $182.0 million, Retail segment gross margin rate excluding Petroleum was down 17 bps, and consolidated income before income taxes was down $280.1 million.

FORWARD-LOOKING STATEMENTS

This press release contains information that may constitute forward-looking information within the meaning of applicable securities laws. Forward-looking information provides insights regarding management's current expectations and plans and allows investors and others to better understand the Company's anticipated financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes. Although the Company believes that the forward-looking information in this press release is based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to a number of business, economic, competitive and other risk factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking information. The Company cannot provide assurance that any financial or operational performance, plans, or aspirations forecast will actually be achieved or, if achieved, will result in an increase in the Company's share price. For information on the material risk factors and uncertainties and the material factors and assumptions applied in preparing the forward-looking information that could cause the Company's actual results to differ materially from predictions, forecasts, projections, expectations or conclusions, refer to section 10.0 (Key Risks and Risk Management) of the Company's Q1 2023 MD&A as well as CTC's other public filings, available at http://www.sedar.com and at https://investors.canadiantire.ca. The Company does not undertake to update any forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as is required by applicable securities laws.

CONFERENCE CALL

Canadian Tire will conduct a conference call to discuss information included in this news release and related matters at 8:00 a.m. ET on May 11, 2023. The conference call will be available simultaneously and in its entirety to all interested investors and the news media through a webcast at https://investors.canadiantire.ca and will be available through replay at this website for 12 months.

ABOUT CANADIAN TIRE CORPORATION

Canadian Tire Corporation, Limited, (TSX: CTC.A) (TSX: CTC) or "CTC", is a group of companies that includes a Retail segment, a Financial Services division and CT REIT. Our retail business is led by Canadian Tire, which was founded in 1922 and provides Canadians with products for life in Canada across its Living, Playing, Fixing, Automotive and Seasonal & Gardening divisions.

Party City, PartSource and Gas+ are key parts of the Canadian Tire network. The Retail segment also includes Mark's, a leading source for casual and industrial wear; Pro Hockey Life, a hockey specialty store catering to elite players; and SportChek, Hockey Experts, Sports Experts and Atmosphere, which offer the best active wear brands. The Company's 1,700 retail and gasoline outlets are supported and strengthened by CTC's Financial Services division and the tens of thousands of people employed across Canada and around the world by CTC and its local dealers, franchisees and petroleum retailers. In addition, CTC owns and operates Helly Hansen, a leading technical outdoor brand based in Oslo, Norway. For more information, visit Corp.CanadianTire.ca.

FOR MORE INFORMATION

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