

Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2020 Fourth Quarter Results and Fiscal Year Ended January 2, 2021 Results⁽¹⁾

BRAMPTON, ONTARIO February 25, 2021 Loblaw Companies Limited (TSX: L) (“Loblaw” or the “Company”) announced today its unaudited financial results for the fourth quarter ended January 2, 2021 and the release of its 2020 Annual Report - Financial Review (“Annual Report”). The report includes the Company’s audited financial statements and Management’s Discussion and Analysis (“MD&A”) for the fiscal year ended January 2, 2021. The Company’s 2020 Annual Report will be available in the Investors section of the Company’s website at loblaw.ca and will be filed on SEDAR and available at sedar.com.

Unless otherwise indicated, all comparisons of results for the fourth quarter of 2020 (13 weeks ended January 2, 2021) are against results for the fourth quarter of 2019 (12 weeks ended December 28, 2019) and all comparisons of results for the full year of 2020 (53 weeks ended January 2, 2021) are against the results for the full year of 2019 (52 weeks ended December 28, 2019).

“In stores and online, our network met the challenge of outsized sales growth, keeping Canadians fed and well,” said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. “Our purpose – helping Canadians live life well – has inspired ongoing commitments to colleague safety, lower prices, and strategic services that matter to customers. Looking ahead, we have financial momentum, our strategy has advanced, and our core business is well positioned.”

The COVID-19 pandemic impacted the Company’s operations. In the fourth quarter, sales in the Food Retail business were positively impacted, however costs remained elevated to ensure the safety and security of customers and colleagues. Loblaw continued to deliver value in the categories that mean most to consumers, maintaining conventional, drug and beauty market share improvements earned over the course of the pandemic, and improving its trajectory in discount. In Drug Retail, strength in convenience categories supported front store sales while the pandemic negatively impacted higher margin categories. Looking ahead, the COVID-19 pandemic has accelerated certain longer-term trends, enabling the Company to advance its strategic growth areas of Everyday Digital Retail, Connected Healthcare Network, and Payments and Rewards.

2020 FOURTH QUARTER HIGHLIGHTS

Unless otherwise indicated, the following fourth quarter highlights include the impacts of the consolidation of franchises, and COVID-19 and are presented on a comparable⁽⁴⁾ 12 week basis.

- Revenue was \$12,408 million. This represented an increase of \$818 million, or 7.1% when compared to the fourth quarter of 2019.
- Retail segment sales were \$12,165 million. This represented an increase of \$844 million, or 7.5% when compared to the fourth quarter of 2019.
 - Food Retail (Loblaw) same-stores sales growth⁽⁴⁾ was 8.6%, continuing at elevated levels, with the Company's Market division delivering strong growth of 10.6% and the Discount division delivering 7.4% growth.
 - Drug Retail (Shoppers Drug Mart) same-store sales growth⁽⁴⁾ was 3.7%, with pharmacy same-store sales growth of 5.0% and front store same-store sales growth⁽⁴⁾ of 2.8%.
- The Company's e-commerce sales increased 160% compared to the fourth quarter of 2019.
- The Company incurred approximately \$42 million in COVID-19 related costs to ensure the safety and security of customers and colleagues.
- Operating income was \$635 million. This represented an increase of \$94 million, or 17.4% when compared to the fourth quarter of 2019.
- Adjusted EBITDA⁽²⁾ was \$1,265 million. This represented an increase of \$60 million, or 5.0% when compared to the fourth quarter of 2019.
- Adjusted EBITDA margin⁽²⁾ was 10.2%. This represented a decrease of 20 bps when compared to the fourth quarter of 2019.
- Net earnings available to common shareholders of the Company were \$310 million. This represented an increase of \$56 million, or 22.0% when compared to the fourth quarter of 2019. Diluted net earnings per common share were \$0.88. This represented an increase of \$0.18, or 25.7% when compared to the fourth quarter of 2019.
- Adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$410 million. This represented an increase of \$15 million, or 3.8% when compared to the fourth quarter of 2019.
- Adjusted diluted net earnings per common share⁽²⁾ were \$1.16. This represented an increase of \$0.07, or 6.4% when compared to the fourth quarter of 2019.
- The Company repurchased, for cancellation, 5.5 million common shares at a cost of \$350 million.
- The Company invested \$418 million in capital expenditures and generated \$606 million of free cash flow⁽²⁾.
- The Company recorded approximately \$10 million of restructuring and other related charges, primarily related to Process and Efficiency initiatives.

The following table provides the Company's fourth quarter highlights both including and excluding the approximate impact of the 53rd week:

For the periods ended January 2, 2021 and December 28, 2019 (millions of Canadian dollars except where otherwise indicated)	2020	2020 ⁽⁴⁾	2019	(13 week vs. 12 week)		(12 week vs. 12 week)	
	(13 weeks)	(12 weeks)	(12 weeks)	\$ Change	% Change	\$ Change	% Change
Revenue	\$ 13,286	\$ 12,408	\$ 11,590	\$ 1,696	14.6 %	\$ 818	7.1 %
Operating income	702	635	541	161	29.8 %	94	17.4 %
Adjusted EBITDA ⁽²⁾	1,332	1,265	1,205	127	10.5 %	60	5.0 %
Adjusted EBITDA margin ⁽²⁾	10.0 %	10.2 %	10.4 %				
Depreciation and amortization	\$ 609	\$ 609	\$ 589	\$ 20	3.4 %	\$ 20	3.4 %
Diluted net earnings per common share (\$)	\$ 0.98	\$ 0.88	\$ 0.70	\$ 0.28	40.0 %	\$ 0.18	25.7 %
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.26	\$ 1.16	\$ 1.09	\$ 0.17	15.6 %	\$ 0.07	6.4 %

The following table provides the approximate impact of the 53rd week on the Retail segment and consolidated results of the Company in the fourth quarter of 2020. The 53rd week does not impact the Financial Services segment.

For the period ended January 2, 2021 (millions of Canadian dollars except where otherwise indicated)	53rd Week Impact 2020
Revenue	\$ 878
Operating income	67
Adjusted EBITDA ⁽²⁾	67
Adjusted EBITDA margin ⁽²⁾	7.6 %
Diluted net earnings per common share (\$)	\$ 0.10
Adjusted Diluted net earnings per common share ⁽²⁾ (\$)	\$ 0.10

2020 SELECT ANNUAL HIGHLIGHTS

On a comparable 52 week basis, the Company:

- Delivered Food Retail same-store sales growth⁽⁴⁾ of 8.6% and Drug Retail same-store sales growth⁽⁴⁾ of 4.9%.
- Delivered adjusted net earnings available to common shareholders of the Company⁽²⁾ of \$1,492 million. When compared to 2019, this represented a decrease of 1.6%.
- Delivered adjusted diluted net earnings per common share⁽²⁾ of \$4.17. When compared to 2019, this represented an increase of 1.2%.
- Invested approximately \$1,148 million in capital expenditures, net of proceeds from property disposals.
- Returned capital to shareholders by allocating a significant portion of the Company's Retail free cash flow of approximately \$1,595 million to share repurchases. In 2020, the Company repurchased, for cancellation, 13.3 million common shares at a cost of \$888 million.

On a full-year (53 weeks) comparative basis:

- The Company's e-commerce sales grew by 178%.
- The growth in e-commerce had a dilutive impact of approximately \$100 million in operating income, or \$0.20 in diluted net earnings per common share⁽²⁾.
- The Company incurred approximately \$445 million in COVID-19 related costs year-to-date of which \$180 million related to compensation costs, inclusive of the one-time bonus for store and DC colleagues of \$25 million.

The following table provides the Company's full year highlights both including and excluding the approximate impact of the 53rd week:

For the years ended January 2, 2021 and December 28, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (53 weeks)	2020 ⁽⁴⁾ (52 weeks)	2019 (52 weeks)	(53 week vs. 52 week)		(52 week vs. 52 week)	
				\$ Change	% Change	\$ Change	% Change
Revenue	\$ 52,714	\$ 51,836	\$ 48,037	\$ 4,677	9.7 %	\$ 3,799	7.9 %
Operating income	2,365	2,298	2,270	95	4.2 %	28	1.2 %
Adjusted EBITDA ⁽²⁾	5,041	4,974	4,912	129	2.6 %	62	1.3 %
Adjusted EBITDA margin ⁽²⁾	9.6 %	9.6 %	10.2 %				
Depreciation and amortization	\$ 2,596	\$ 2,596	\$ 2,524	\$ 72	2.9 %	\$ 72	2.9 %
Diluted net earnings per common share (\$)	\$ 3.06	\$ 2.96	\$ 2.90	\$ 0.16	5.5 %	\$ 0.06	2.1 %
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 4.26	\$ 4.17	\$ 4.12	\$ 0.14	3.4 %	\$ 0.05	1.2 %

See "News Release Endnotes" at the end of this News Release.

CONSOLIDATED RESULTS OF OPERATIONS

Unless otherwise indicated, all financial information includes the impacts of the consolidation of franchises and COVID-19.

For the periods ended January 2, 2021 and December 28, 2019 (millions of Canadian dollars except where otherwise indicated)	2020		2019		2020		2019	
	(13 weeks)	(12 weeks)	\$ Change	% Change	(53 weeks)	(52 weeks)	\$ Change	% Change
Revenue	\$ 13,286	\$ 11,590	\$ 1,696	14.6 %	\$ 52,714	\$ 48,037	\$ 4,677	9.7 %
Operating income	702	541	161	29.8 %	2,365	2,270	95	4.2 %
Adjusted EBITDA ⁽²⁾	1,332	1,205	127	10.5 %	5,041	4,912	129	2.6 %
Adjusted EBITDA margin ⁽²⁾	10.0 %	10.4 %			9.6 %	10.2 %		
Net earnings attributable to shareholders of the Company	\$ 348	\$ 257	\$ 91	35.4 %	\$ 1,108	\$ 1,081	\$ 27	2.5 %
Net earnings available to common shareholders of the Company⁽ⁱ⁾	345	254	91	35.8 %	1,096	1,069	27	2.5 %
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	445	395	50	12.7 %	1,527	1,516	11	0.7 %
Diluted net earnings per common share (\$)	\$ 0.98	\$ 0.70	\$ 0.28	40.0 %	\$ 3.06	\$ 2.90	\$ 0.16	5.5 %
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.26	\$ 1.09	\$ 0.17	15.6 %	\$ 4.26	\$ 4.12	\$ 0.14	3.4 %
Diluted weighted average common shares outstanding (in millions)	353.8	363.7			358.2	368.4		

(i) Net earnings available to common shareholders of the Company are net earnings attributable to shareholders of the Company net of dividends declared on the Company's Second Preferred Shares, Series B.

REPORTABLE OPERATING SEGMENTS

The Company has two reportable operating segments with all material operations carried out in Canada:

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores. The Retail segment also includes in-store pharmacies and other health and beauty products and apparel and other general merchandise; and
- The Financial Services segment provides credit card and everyday banking services, the PC Optimum™ Program, insurance brokerage services, and telecommunication services.

For the periods ended January 2, 2021 and December 28, 2019 (millions of Canadian dollars)	2020 (13 weeks)				2019 ⁽⁵⁾ (12 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Revenue	\$ 13,043	\$ 320	\$ (77)	\$ 13,286	\$ 11,321	\$ 337	\$ (68)	\$ 11,590
Adjusted gross profit ⁽²⁾	\$ 3,832	\$ 253	\$ (77)	\$ 4,008	\$ 3,376	\$ 273	\$ (68)	\$ 3,581
Adjusted gross profit % ⁽²⁾	29.4 %	N/A	— %	30.2 %	29.8 %	N/A	— %	30.9 %
Operating income	\$ 649	\$ 53	\$ —	\$ 702	\$ 480	\$ 61	\$ —	\$ 541
Net interest expense and other financing charges	146	20	—	166	155	21	—	176
Earnings before income taxes	\$ 503	\$ 33	\$ —	\$ 536	\$ 325	\$ 40	\$ —	\$ 365
Depreciation and amortization	\$ 600	\$ 9	\$ —	\$ 609	\$ 581	\$ 8	\$ —	\$ 589
Adjusted EBITDA ⁽²⁾	1,270	62	—	1,332	1,135	70	—	1,205
Adjusted EBITDA margin ⁽²⁾	9.7 %	N/A	— %	10.0 %	10.0 %	N/A	— %	10.4 %

(i) Eliminations include the reclassification of revenue related to President's Choice Financial® Mastercard® loyalty awards in the Financial Services segment.

For the years ended January 2, 2021 and December 28, 2019 (millions of Canadian dollars)	2020 (53 weeks)				2019 ⁽⁵⁾ (52 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Revenue	\$ 51,859	\$ 1,097	\$ (242)	\$ 52,714	\$ 47,099	\$ 1,196	\$ (258)	\$ 48,037
Adjusted gross profit ⁽²⁾	\$ 15,300	\$ 931	\$ (242)	\$ 15,989	\$ 13,998	\$ 1,015	\$ (258)	\$ 14,755
Adjusted gross profit % ⁽²⁾	29.5 %	N/A	— %	30.3 %	29.7 %	N/A	— %	30.7 %
Operating income	\$ 2,231	\$ 134	\$ —	\$ 2,365	\$ 2,082	\$ 188	\$ —	\$ 2,270
Net interest expense and other financing charges	655	87	—	742	666	81	—	747
Earnings before income taxes	\$ 1,576	\$ 47	\$ —	\$ 1,623	\$ 1,416	\$ 107	\$ —	\$ 1,523
Depreciation and amortization	\$ 2,571	\$ 25	\$ —	\$ 2,596	\$ 2,502	\$ 22	\$ —	\$ 2,524
Adjusted EBITDA ⁽²⁾	4,882	159	—	5,041	4,700	212	—	4,912
Adjusted EBITDA margin ⁽²⁾	9.4 %	N/A	— %	9.6 %	10.0 %	N/A	— %	10.2 %

(i) Eliminations include the reclassification of revenue related to President's Choice Financial® Mastercard® loyalty awards in the Financial Services segment.

RETAIL SEGMENT

Unless otherwise indicated, the following financial information includes the impacts of the consolidation of franchises, COVID-19 and the 53rd week.

- Retail segment sales in the fourth quarter of 2020 were \$13,043 million. This represented an increase of \$1,722 million, or 15.2% when compared to the fourth quarter of 2019, which included the impact of the 53rd week of \$878 million. After excluding the consolidation of franchises, Retail segment sales increased by \$1,601 million or 14.6%, which included the impact of the 53rd week of \$845 million.
 - Food Retail (Loblaw) sales were \$9,302 million and Food Retail same-store sales growth⁽⁴⁾ was 8.6% (2019 – 1.9%). Food same-store sales growth⁽⁴⁾ was positively impacted by COVID-19.
 - The Company's Food Retail average article price was higher by 3.9% (2019 – 0.8%), which reflects the year over year growth in Food Retail revenue over the average number of articles sold in the Company's stores in the quarter. The increase in average article price was due to sales mix; and,
 - On a comparable week basis Food Retail basket size increased and traffic decreased in the quarter.
 - Drug Retail (Shoppers Drug Mart) sales were \$3,741 million, and Drug Retail same-store sales growth⁽⁴⁾ was 3.7% (2019 – 3.9%), with pharmacy same-store sales growth⁽⁴⁾ of 5.0% (2019 – 6.1%) and front store same-store sales growth⁽⁴⁾ of 2.8% (2019 – 2.2%). Drug same-store sales growth⁽⁴⁾ was positively impacted by COVID-19.
 - On a same-store basis, the number of prescriptions dispensed increased⁽⁴⁾ by 1.9% (2019 – 3.1%) and the average prescription value increased by 2.0% (2019 – 2.4%).
- Operating income in the fourth quarter of 2020 was \$649 million. This represented an increase of \$169 million, or 35.2% when compared to the fourth quarter of 2019, which included the impact of the 53rd week of \$67 million.
- Adjusted gross profit⁽²⁾ in the fourth quarter of 2020 was \$3,832 million. This represented an increase of \$456 million, or 13.5% when compared to the fourth quarter of 2019. Excluding the consolidation of franchises, adjusted gross profit⁽²⁾ increased by \$349 million. Adjusted gross profit percentage⁽²⁾ of 29.4% decreased by 40 basis points compared to the fourth quarter of 2019. Adjusted gross profit percentage⁽²⁾, excluding the consolidation of franchises, was 26.9%. This represented a decrease of 80 basis points compared to the fourth quarter of 2019. Food margins were negatively impacted as a result of COVID-19 related changes in sales mix and competitive pricing. Drug retail margins were negatively impacted as a result of COVID-19 related changes in front store sales mix. Excluding the 53rd week, adjusted gross profit percentage⁽²⁾ decreased by 70 basis points.
- Adjusted EBITDA⁽²⁾ in the fourth quarter of 2020 was \$1,270 million. This represented an increase of \$135 million, or 11.9% when compared to the fourth quarter of 2019. The increase included the year-over-year favourable impact of the consolidation of franchises of \$37 million. Excluding the consolidation of franchises, the increase was driven by an increase in adjusted gross profit⁽²⁾ of \$349 million, partially offset by an increase in SG&A of \$251 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 17.4%, a decrease of 20 basis points compared to the fourth quarter of 2019. The favourable decrease of 20 basis points was primarily due to sales leverage as well as process and efficiency gains which were partially offset by COVID-19 related costs and incremental e-commerce labour costs as a result of increased on-line sales.
- Depreciation and amortization in the fourth quarter of 2020 was \$600 million, an increase of \$19 million compared to the fourth quarter of 2019, primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization was the amortization of intangibles assets related to the acquisition of Shoppers Drug Mart Corporation of \$117 million (2019 – \$116 million).
- The Company recorded \$10 million of restructuring and other related charges, primarily related to Process and Efficiency initiatives. Included in the restructuring charges were approximately \$10 million of charges related to the previously announced closure of two distribution centres in Laval and Ottawa. The Company is investing to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec. Volumes from the distribution centres in Laval and Ottawa will be transferred to Cornwall and the Company expects to incur additional restructuring costs throughout 2021 and through to 2022 related to these closures.
- As at the end of the first quarter of 2020, the Company consolidated all of its remaining franchisees. Consolidation of franchises in the fourth quarter of 2020 resulted in a year-over-year increase in revenue of \$121 million, an increase in adjusted EBITDA⁽²⁾ of \$37 million, an increase in depreciation and amortization of \$3 million and an increase in net earnings attributable to non-controlling interests of \$37 million.

FINANCIAL SERVICES SEGMENT

- Revenue in the fourth quarter of 2020 was \$320 million. This represented a decrease of \$17 million when compared to the fourth quarter of 2019. The decrease was primarily driven by lower interest, interchange income and credit card related fees due to lower customer spending, partially offset by higher sales attributable to The Mobile Shop™ and by a prior year reclassification between revenue and expense of approximately \$19 million with no impact to earnings before income taxes.
- In the fourth quarter of 2020, earnings before income taxes were \$33 million. This represented a decrease in earnings of \$7 million when compared to the fourth quarter of 2019. The decrease was primarily driven by lower revenue, as described above partially offset by lower credit losses and expected credit losses, and lower customer acquisition costs.

COVID-19 UPDATE

The COVID-19 pandemic continued to have a significant impact on various aspects of our business in the fourth quarter. In the four weeks following the end of the quarter, Food Retail same-store-sales growth remained elevated and Drug Retail same-store-sales growth slowed in front store while remaining consistent in pharmacy. For the balance of the first quarter, both Food and Drug same-store-sales will lap consumer stockpiling that began in the first quarter of 2020. COVID related costs are trending in the range of \$40 to \$50 million for the first quarter of 2021.

DECLARATION OF DIVIDENDS

Subsequent to the end of the fourth quarter of 2020, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	\$0.335 per common share, payable on April 1, 2021 to shareholders of record on March 15, 2021
Second Preferred Shares, Series B	\$0.33125 per share, payable on March 31, 2021 to shareholders of record on March 15, 2021

STRATEGIC UPDATE AND OUTLOOK⁽³⁾

Strategic Update

In the transition from year one to year two of the COVID-19 pandemic, Loblaw's core businesses remain strong. The Company is well positioned to meet changing consumer trends brought about by the pandemic. Management is committed to growing the core business of food and drug retail and everyday banking by leveraging Loblaw's industry-leading assets and driving value through its process and efficiency and data insights programs. Loblaw's strategy positions it well to capitalize on the accelerating pace of change in global food retail and wellness by focusing on three strategic growth initiatives: Everyday Digital Retail; Payments & Loyalty Rewards; and Connected Healthcare.

Process & Efficiencies and Data Driven Insights A culture of continuous improvement underpins an ambitious program that has delivered more than \$1 billion in savings over the past three years. Investments in Data Driven Insights have established a data asset that has long-term strategic value, creating opportunities to improve the customer experience, build new revenue streams, and lower operating costs. Going forward, these initiatives are targeted to offset normal inflationary headwinds, generating savings in excess of \$200 million annually.

Everyday Digital Retail Loblaw continues to capitalize on its early investments and market leadership in digital retail, delivering \$2.8 billion in sales, including \$2.0 billion in grocery in 2020. The Company believes that in the long term, sustained leadership in digital retail will enhance customer value through a comprehensive omnichannel solution. The shift from in-store to online is expected to be a headwind to profitability over the medium term. The Company is focused on driving improvements in digital profitability over time through operational efficiencies and technology, sales and margin incrementally, and using its unique data set for more relevant and measurable promotion and advertising opportunities.

Connected Healthcare Network Over the long-term, Loblaw intends to leverage its unmatched network of pharmacies and healthcare professionals, building on an expanded scope of pharmacy practice and both on-site and virtual services to expand its presence in the \$265 billion Canadian healthcare market. 2020 included encouraging trends and increases in healthcare services, providing evidence of the longer-term potential of the investments the Company has been making. In 2021, Loblaw expects to invest approximately \$20 million in incremental operational expenses to continue to digitize its pharmacy operations, increase its pharmacy services and expand the functionality and user base of its new PC Health app, a consumer gateway for consumer healthcare products and services.

Payments and Rewards Three years after the launch of *PC Optimum*, the Company has continued to introduce more ways for customers to earn and redeem everyday rewards to strengthen the loyalty loop and increase share of wallet. In 2020, PC Financial[®] successfully launched its new PC Money[™] Account, offering Canadians convenience and *PC Optimum* rewards for their everyday banking activities. Following a very successful initial launch, Loblaw will continue the roll-out of the *PC Money* app in 2021.

Outlook

The Company cannot predict the precise impacts of COVID-19 on 2021 financial results. However, Loblaw anticipates that grocery sales will remain elevated in the first half due to continued impact of the pandemic, including the impact of lockdown measures in many jurisdictions. As economies reopen, revenue growth will be challenged while lapping elevated 2020 sales. Costs are expected to improve, as the Company laps elevated COVID-19 related expenses, and as Process & Efficiencies and Data-Driven Insights programs continue to deliver benefits. Moderate levels of regulatory reform are anticipated.

The Company expects:

- its core Retail business to grow earnings faster than sales;
- growth in *PC Financial* profitability;
- EPS growth in the low double digits, excluding the impact of the 53rd week;
- to invest approximately \$1.2 billion in capital expenditures, net of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP financial measures as it believes these measures provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing underlying consolidated and segment operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company excludes additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

For reconciliation to, and description of, the Company's non-GAAP financial measures and financial metrics, please refer to Section 17 "Non-GAAP Financial Measures" of the Company's 2020 Annual Report.

Non-GAAP Financial Measures Policy Change Commencing Fiscal 2021

In 2020, management undertook a review of historical adjusting items as part of an effort to reduce the number of items it excludes from its non-GAAP financial measures. Management concluded that, in order to present adjusting items in a manner more consistent with that of its Canadian and U.S. peers, the Company will no longer adjust for fixed asset and other related impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory income tax rate changes or other items.

Starting in the first quarter of 2021, restructuring and other related costs will be considered an adjusting item only if significant and if part of a publicly announced restructuring plan. Other unusual items will be assessed on a case by case basis based on their nature, magnitude and propensity to re-occur. This change will take effect in the first quarter of 2021 with restatement of comparative periods at that time.

The below summary is presented for informational purposes and reconciles the non-GAAP financial measures as previously reported in 2020 to those which will be reported under the new policy beginning in 2021:

(millions of Canadian dollars)	12 weeks ended March 21, 2020			12 weeks ended June 13, 2020			16 weeks ended October 3, 2020			13 weeks ended January 2, 2021			53 weeks ended January 2, 2021		
	Financial Retail	Financial Services	Consol- idated	Financial Retail	Financial Services	Consol- idated	Financial Retail	Financial Services	Consol- idated	Financial Retail	Financial Services	Consol- idated	Financial Retail	Financial Services	Consol- idated
Adjusted Operating income - previously reported	\$ 691	\$ 3	\$ 694	\$ 502	\$ 34	\$ 536	\$ 840	\$ 44	\$ 884	\$ 787	\$ 53	\$ 840	\$2,820	\$ 134	\$2,954
Add (deduct) impact of the following:															
Fixed asset and other related Impairments, net of recoveries	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	(17)	—	(17)	\$ (17)	\$ —	\$ (17)
Restructuring and other related costs	(4)	—	(4)	(8)	—	(8)	(6)	—	(6)	—	—	—	(18)	—	(18)
Adjusting Items	\$ (4)	\$ —	\$ (4)	\$ (8)	\$ —	\$ (8)	\$ (6)	\$ —	\$ (6)	\$ (17)	\$ —	\$ (17)	\$ (35)	\$ —	\$ (35)
Adjusted operating income - Restated	\$ 687	\$ 3	\$ 690	\$ 494	\$ 34	\$ 528	\$ 834	\$ 44	\$ 878	\$ 770	\$ 53	\$ 823	\$2,785	\$ 134	\$2,919
Depreciation and amortization	589	5	594	593	5	598	789	6	795	600	9	609	2,571	25	2,596
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	—	(119)	(118)	—	(118)	(155)	—	(155)	(117)	—	(117)	(509)	—	(509)
Adjusted EBITDA - Restated	\$1,157	\$ 8	\$1,165	\$ 969	\$ 39	\$1,008	\$1,468	\$ 50	\$1,518	\$1,253	\$ 62	\$1,315	\$4,847	\$ 159	\$5,006

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net earnings per Common Share are presented below:

	12 weeks ended March 21, 2020		12 weeks ended June 13, 2020		16 weeks ended October 3, 2020		13 weeks ended January 2, 2021		53 weeks ended January 2, 2021	
	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
(millions of Canadian dollars/ Canadian dollars)										
Adjusted - As previously reported	\$ 352	\$ 0.97	\$ 266	\$ 0.74	\$ 464	\$ 1.30	\$ 445	\$ 1.26	\$ 1,527	\$ 4.26
Add (deduct) impact of the following:										
Fixed asset and other related impairments, net of recoveries	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (13)	\$ (0.04)	\$ (13)	\$ (0.04)
Restructuring and other related costs	(3)	(0.01)	(6)	(0.02)	(5)	(0.01)	—	—	(14)	(0.04)
Adjusting items	\$ (3)	\$ (0.01)	\$ (6)	\$ (0.02)	\$ (5)	\$ (0.01)	\$ (13)	\$ (0.04)	\$ (27)	\$ (0.08)
Adjusted - Restated	\$ 349	\$ 0.96	\$ 260	\$ 0.72	\$ 459	\$ 1.29	\$ 432	\$ 1.22	\$ 1,500	\$ 4.18

This change would not have impacted previously reported Retail segment gross profit, Retail segment adjusted gross profit and Retail segment adjusted gross profit percentage or adjusted net interest expense and other financing charges, as reported in the Company's 2020 annual and interim MD&A.

SELECTED FINANCIAL INFORMATION

The following includes selected quarterly and annual financial information, which is prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and is based on the Company’s audited annual consolidated financial statements for the year ended January 2, 2021. This financial information does not contain all disclosures required by IFRS, and accordingly, should be read in conjunction with the Company’s 2020 Annual Report, which is available in the Investors section of the Company’s website at loblaw.ca and on sedar.com.

Consolidated Statements of Earnings

	January 2, 2021 (13 weeks) (unaudited)	December 28, 2019 (12 weeks) (unaudited)	January 2, 2021 (53 weeks) (audited)	December 28, 2019 (52 weeks) (audited)
<small>(millions of Canadian dollars except where otherwise indicated)</small>				
Revenue	\$ 13,286	\$ 11,590	\$ 52,714	\$ 48,037
Cost of merchandise inventories sold	9,278	8,008	36,725	33,281
Selling, general and administrative expenses	3,306	3,041	13,624	12,486
Operating income	\$ 702	\$ 541	\$ 2,365	\$ 2,270
Net interest expense and other financing charges	166	176	742	747
Earnings before income taxes	\$ 536	\$ 365	\$ 1,623	\$ 1,523
Income taxes	142	99	431	392
Net earnings	\$ 394	\$ 266	\$ 1,192	\$ 1,131
Attributable to:				
Shareholders of the Company	\$ 348	\$ 257	\$ 1,108	\$ 1,081
Non-controlling interests	46	9	84	50
Net earnings	\$ 394	\$ 266	\$ 1,192	\$ 1,131
Net earnings per Common Share (\$)				
Basic	\$ 0.98	\$ 0.70	\$ 3.08	\$ 2.93
Diluted	\$ 0.98	\$ 0.70	\$ 3.06	\$ 2.90
Weighted average Common Shares outstanding (millions)				
Basic	351.3	360.8	355.5	365.4
Diluted	353.8	363.7	358.2	368.4

Consolidated Balance Sheets

(millions of Canadian dollars)	As at January 2, 2021	As at December 28, 2019 ⁽ⁱ⁾
Assets		
Current assets		
Cash and cash equivalents	\$ 1,668	\$ 1,133
Short term investments	269	57
Accounts receivable	986	1,104
Credit card receivables	3,109	3,624
Inventories	5,195	5,076
Prepaid expenses and other assets	216	211
Assets held for sale	108	105
Total current assets	\$ 11,551	\$ 11,310
Fixed assets	5,540	5,490
Right-of-use assets	7,207	7,362
Investment properties	128	172
Intangible assets	6,870	7,322
Goodwill	3,948	3,946
Deferred income tax assets	113	169
Franchise loans receivable	—	19
Other assets	513	519
Total assets	\$ 35,870	\$ 36,309
Liabilities		
Current liabilities		
Bank indebtedness	\$ 86	\$ 18
Trade payables and other liabilities	5,380	5,321
Loyalty liability	194	191
Provisions	92	119
Income taxes payable	83	27
Demand deposits from customers	24	—
Short term debt	575	725
Long term debt due within one year	597	1,127
Lease liabilities due within one year	1,379	1,419
Associate interest	349	280
Total current liabilities	\$ 8,759	\$ 9,227
Provisions	133	102
Long term debt	6,449	5,971
Lease liabilities	7,522	7,691
Deferred income tax liabilities	1,380	1,539
Other liabilities	508	458
Total liabilities	\$ 24,751	\$ 24,988
Equity		
Share capital	\$ 7,045	\$ 7,265
Retained earnings	3,813	3,822
Contributed surplus	109	100
Accumulated other comprehensive income	21	47
Total equity attributable to shareholders of the Company	\$ 10,988	\$ 11,234
Non-controlling interests	131	87
Total equity	\$ 11,119	\$ 11,321
Total liabilities and equity	\$ 35,870	\$ 36,309

(i) Certain comparative figures have been restated to conform with current year presentation.

Consolidated Statements of Cash Flows

(millions of Canadian dollars)	January 2, 2021 (13 weeks)	December 28, 2019 ⁽⁵⁾ (12 weeks)	January 2, 2021 (53 weeks)	December 28, 2019 ⁽⁵⁾ (52 weeks)
Operating activities				
Net earnings	\$ 394	\$ 266	\$ 1,192	\$ 1,131
Add (Deduct):				
Income taxes	142	99	431	392
Net interest expense and other financing charges	166	176	742	747
Adjustment to fair value of investment properties	9	(7)	9	(7)
Depreciation and amortization	609	589	2,596	2,524
Asset impairments, net of recoveries	19	80	33	84
Change in allowance for credit card receivables	(10)	8	41	29
Change in provisions	(8)	21	4	(41)
	\$ 1,321	\$ 1,232	\$ 5,048	\$ 4,859
Change in non-cash working capital	253	195	76	21
Change in gross credit card receivables	(91)	(369)	474	(344)
Income taxes paid	(105)	(106)	(452)	(630)
Interest received	1	5	7	16
Interest received from finance leases	1	1	4	5
Other	—	30	34	33
Cash flows from operating activities	\$ 1,380	\$ 988	\$ 5,191	\$ 3,960
Investing activities				
Fixed asset purchases	\$ (350)	\$ (317)	\$ (820)	\$ (817)
Intangible asset additions	(68)	(96)	(338)	(376)
Cash assumed on initial consolidation of franchises	—	5	14	20
Change in short term investments	76	21	(212)	37
Change in security deposits	—	—	—	800
Proceeds from disposal of assets	25	22	76	113
Lease payments received from finance leases	2	3	9	9
Other	40	24	(105)	(75)
Cash flows used in investing activities	\$ (275)	\$ (338)	\$ (1,376)	\$ (289)
Financing activities				
Change in bank indebtedness	\$ (107)	\$ (134)	\$ 68	\$ (38)
Change in short term debt	75	175	(150)	(190)
Change in demand deposits from customers	24	—	24	—
Long term debt				
Issued	84	119	1,417	672
Retired	(261)	(131)	(1,486)	(1,083)
Interest paid	(71)	(74)	(336)	(349)
Cash rent paid on lease liabilities - Interest	(84)	(88)	(369)	(387)
Cash rent paid on lease liabilities - Principal	(200)	(132)	(1,024)	(822)
Dividends paid on common and preferred shares	(120)	—	(580)	(460)
Common share capital				
Issued	1	2	30	82
Purchased and held in trust	—	(42)	(10)	(62)
Purchased and cancelled	(350)	(163)	(888)	(937)
Proceeds from other financing	46	—	46	—
Other	23	6	(24)	(32)
Cash flows used in financing activities	\$ (940)	\$ (462)	\$ (3,282)	\$ (3,606)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ 4	\$ 1	\$ 2	\$ 3
Change in cash and cash equivalents	\$ 169	\$ 189	\$ 535	\$ 68
Cash and cash equivalents, beginning of period	1,499	944	1,133	1,065
Cash and cash equivalents, end of Period	\$ 1,668	\$ 1,133	\$ 1,668	\$ 1,133

FORWARD-LOOKING STATEMENTS

This News Release contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this News Release include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of Information Technology systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Consolidated Results of Operations" Other Business Matters section and "COVID-19 Update" section of this News Release. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2021 is based on certain assumptions including assumptions about the COVID-19 pandemic, healthcare reform impacts, anticipated cost savings and operating efficiencies and anticipated benefits from strategic initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 12 "Enterprise Risks and Risk Management" of the MD&A in the 2020 Annual Report and Section 4 "Risks" of the Company's 2020 Annual Information Form (for the year ended January 2, 2021), which include detailed risks and disclosure regarding COVID-19 and its impact on the Company.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this News Release. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE PROFILE

2020 Annual Report

The Company's 2020 Annual Report is available in the "Investors" section of the Company's website at loblaw.ca and on sedar.com.

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Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank. The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the "Investors" section of the Company's website at loblaw.ca.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on February 25, 2021 at 10:00 a.m. (ET).

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 8866677. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

Full details about the conference call and webcast are available on the Loblaw Companies Limited website at loblaw.ca.

News Release Endnotes

- (1) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2020 Annual Report for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedar.com and at loblaw.ca.
 - (2) See Section 17 "Non-GAAP Financial Measures" of the Company's 2020 Annual Report, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.
 - (3) To be read in conjunction with the "Forward-Looking Statements" section of this News Release and the Company's 2020 Annual Report to Shareholders.
 - (4) Results are presented on a comparable number of week basis. Comparable number of weeks would be 12 weeks versus 12 weeks or 52 weeks versus 52 weeks.
 - (5) Certain figures have been restated to conform with current year presentation.
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