

# Loblaw Companies Limited

## NEWS RELEASE

### Loblaw Reports 2021 First Quarter Results<sup>(1)</sup>

**BRAMPTON, ONTARIO May 5, 2021** Loblaw Companies Limited (TSX: L) (“Loblaw” or the “Company”) announced today its unaudited financial results for the first quarter ended March 27, 2021. The Company’s 2021 First Quarter Report to Shareholders 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.

“A year into the pandemic, our stores, supply chain and digital assets have demonstrated resilience and innovation and are better prepared than ever to serve the needs of Canadians,” said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. “Our strong financial results reflect continued momentum and positive consumer response to the value and services in our stores and our expanding online solutions.”

#### 2021 FIRST QUARTER HIGHLIGHTS

Unless otherwise indicated, the following highlights include the impact of COVID-19.

- Revenue was \$11,872 million. This represented an increase of \$72 million, or 0.6% when compared to the first quarter of 2020.
- Retail segment sales were \$11,670 million. This represented an increase of \$86 million, or 0.7% when compared to the first quarter of 2020.
  - Food Retail (Loblaw) same-stores sales growth<sup>(4)</sup> was 0.1%
  - Drug Retail (Shoppers Drug Mart) same-store sales decreased by 1.7%, with pharmacy same-store sales growth of 3.5% and front store same-store sales decreased by 6.4%
- The Company’s e-commerce sales increased 133% compared to the first quarter of 2020.
- The Company incurred approximately \$48 million (2020 - \$32 million) in COVID-19 related costs to ensure the safety and security of customers and colleagues.
- Operating income was \$617 million. This represented an increase of \$76 million, or 14.0% when compared to the first quarter of 2020.
- Adjusted EBITDA<sup>(2)</sup> was \$1,218 million. This represented an increase of \$53 million, or 4.5% when compared to the first quarter of 2020.
- Net earnings available to common shareholders of the Company were \$313 million. This represented an increase of \$73 million, or 30.4% when compared to the first quarter of 2020. Diluted net earnings per common share were \$0.90. This represented an increase of \$0.24, or 36.4% when compared to the first quarter of 2020.
- Adjusted net earnings available to common shareholders of the Company<sup>(2)</sup> were \$392 million. This represented an increase of \$43 million, or 12.3% when compared to the first quarter of 2020.
- Adjusted diluted net earnings per common share<sup>(2)</sup> were \$1.13. This represented an increase of \$0.16, or 16.5% when compared to the first quarter of 2020.
- The year over year improvement in financial performance was significantly impacted by the Financial Services segment as a result of a \$20 million reduction in the expected credit loss provision in the current quarter and the lapping of the \$50 million increase in the expected credit loss provision recorded in the first quarter of 2020.
- The Company repurchased, for cancellation, 5.4 million common shares at a cost of \$350 million.
- The Company invested \$203 million in capital expenditures and generated \$288 million of free cash flow<sup>(2)</sup>.

See “News Release Endnotes” at the end of this News Release.

## CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended March 27, 2021 and March 21, 2020 (millions of Canadian dollars except where otherwise indicated)	2021	2020 <sup>(4)</sup>		
	(12 weeks)	(12 weeks)	\$ Change	% Change
<b>Revenue</b>	<b>\$ 11,872</b>	\$ 11,800	\$ 72	0.6 %
<b>Operating income</b>	<b>617</b>	541	76	14.0 %
Adjusted EBITDA <sup>(2)</sup>	<b>1,218</b>	1,165	53	4.5 %
Adjusted EBITDA margin <sup>(2)</sup>	<b>10.3 %</b>	9.9 %		
<b>Net earnings attributable to shareholders of the Company</b>	<b>\$ 316</b>	\$ 243	\$ 73	30.0 %
<b>Net earnings available to common shareholders of the Company<sup>(i)</sup></b>	<b>313</b>	240	73	30.4 %
Adjusted net earnings available to common shareholders of the Company <sup>(2)</sup>	<b>392</b>	349	43	12.3 %
<b>Diluted net earnings per common share (\$)</b>	<b>\$ 0.90</b>	\$ 0.66	\$ 0.24	36.4 %
Adjusted diluted net earnings per common share <sup>(2)</sup> (\$)	<b>\$ 1.13</b>	\$ 0.97	\$ 0.16	16.5 %
<b>Diluted weighted average common shares outstanding (in millions)</b>	<b>348.2</b>	361.2		

(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 March 27, 2021 and March 21, 2020 (millions of Canadian dollars)	2021 (12 weeks)				2020 <sup>(4)</sup> (12 weeks)			
	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total
<b>Revenue</b>	<b>\$11,670</b>	<b>\$ 253</b>	<b>\$ (51)</b>	<b>\$11,872</b>	\$11,584	\$ 266	\$ (50)	\$11,800
Adjusted gross profit <sup>(2)</sup>	\$3,533	\$ 216	\$ (51)	\$3,698	\$3,450	\$ 241	\$ (50)	\$ 3,641
Adjusted gross profit % <sup>(2)</sup>	30.3 %	N/A	— %	31.1 %	29.8 %	N/A	— %	30.9 %
<b>Operating income</b>	<b>\$ 553</b>	<b>\$ 64</b>	<b>\$ —</b>	<b>\$ 617</b>	\$ 538	\$ 3	\$ —	\$ 541
Net interest expense and other financing charges	144	16	—	160	150	22	—	172
<b>Earnings before income taxes</b>	<b>\$ 409</b>	<b>\$ 48</b>	<b>\$ —</b>	<b>\$ 457</b>	\$ 388	\$ (19)	\$ —	\$ 369
Depreciation and amortization	\$ 601	\$ 9	\$ —	\$ 610	\$ 589	\$ 5	\$ —	\$ 594
Adjusted EBITDA <sup>(2)</sup>	1,145	73	—	1,218	1,157	8	—	1,165
Adjusted EBITDA margin <sup>(2)</sup>	9.8 %	N/A	— %	10.3 %	10.0 %	N/A	— %	9.9 %

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

## RETAIL SEGMENT

- Retail segment sales in the first quarter of 2021 were \$11,670 million. This represented an increase of \$86 million, or 0.7% when compared to the first quarter of 2020.
  - Food Retail (Loblaw) sales were \$8,479 million and Food Retail same-store sales growth was 0.1% (2020 – 9.6%). During the first quarter of 2021, Food Retail experienced continued strong same-store sales growth before lapping the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic.
    - The Company's Food Retail average article price was higher by 3.9% (2020 – 1.5%), 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,
    - Food Retail basket size increased and traffic decreased in the quarter, as compared to the first quarter of 2020.
  - Drug Retail (Shoppers Drug Mart) sales were \$3,191 million, and Drug Retail same-store sales decreased by 1.7% (2020 – increased by 10.7%), with pharmacy same-store sales growth of 3.5% (2020 – 10.6%) and front store same-store sales declining 6.4% (2020 – growth of 10.7%). The Drug Retail same-store sales decline reflects the initial demand for grocery and pharmacy products late in the first quarter of 2020 following the onset of the COVID-19 pandemic in Canada.
    - On a same-store basis, the number of prescriptions dispensed decreased by 0.8% (2020 – increased by 5.5%) and the average prescription value increased by 2.4% (2020 – 4.8%).
- Operating income in the first quarter of 2021 was \$553 million. This represented an increase of \$15 million, or 2.8% when compared to the first quarter of 2020.
- Adjusted gross profit<sup>(2)</sup> in the first quarter of 2021 was \$3,533 million. This represented an increase of \$83 million, or 2.4% when compared to the first quarter of 2020. Adjusted gross profit percentage<sup>(2)</sup> of 30.3% increased by 50 basis points compared to the first quarter of 2020, from underlying improvements in business initiatives.
- Adjusted EBITDA<sup>(2)</sup> in the first quarter of 2021 was \$1,145 million. This represented a decrease of \$12 million, or 1.0% when compared to the first quarter of 2020. The decrease was driven by the lapping of the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic and the unfavourable increase in SG&A as described below. SG&A as a percentage of sales was 20.5%, an increase of 70 basis points compared to the first quarter of 2020. The unfavourable increase of 70 basis points was primarily due to COVID-19 related costs and incremental e-commerce labour costs as a result of increased online sales.
- Depreciation and amortization in the first quarter of 2021 was \$601 million, an increase of \$12 million compared to the first quarter of 2020, primarily driven by an increase in IT assets and an increase in depreciation of leased assets. Included in depreciation and amortization was the amortization of intangibles assets related to the acquisition of Shoppers Drug Mart Corporation of \$117 million (2020 – \$119 million).

## FINANCIAL SERVICES SEGMENT

- Revenue in the first quarter of 2021 was \$253 million. This represented a decrease of \$13 million when compared to the first quarter of 2020. The decrease was primarily driven by lower interest income and credit card related fees attributable to a lower volume of credit card receivables, partially offset by higher sales attributable to *The Mobile Shop*<sup>TM</sup> and higher interchange income from the increase in customer spending.
- In the first quarter of 2021, earnings before income taxes were \$48 million. This represented an increase in earnings of \$67 million when compared to the first quarter of 2020. The increase was primarily driven by the \$20 million reduction in the expected credit loss provision in the current quarter and the lapping of the \$50 million increase in the expected credit loss provision recorded in the first quarter of 2020, lower contractual charge-off, lower funding costs, and the reversal of certain commodity taxes remitted. This was partially offset by lower revenue as described above and higher customer acquisition costs.

## DECLARATION OF DIVIDENDS

Subsequent to the end of the first quarter of 2021, 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 July 1, 2021 to shareholders of record on June 15, 2021
Second Preferred Shares, Series B	\$0.33125 per share, payable on June 30, 2021 to shareholders of record on June 15, 2021

## OUTLOOK<sup>(3)</sup>

The Company cannot predict the precise impacts of COVID-19 on 2021 financial results. However, Loblaw anticipates that grocery sales will remain elevated 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 previously announced that, on a full year basis, it expects:

- its core Retail segment business to grow earnings faster than sales;
- growth in PC Financial<sup>®</sup> profitability;
- EPS growth in the low double digits, excluding the impact of the 53rd week in the fourth quarter of fiscal year 2020;
- 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.

The Company delivered strong financial performance in the first quarter and that momentum has continued into the first four weeks of the second quarter, positioning the Company to exceed its full year EPS growth outlook. However, it is still early in the year and given the on-going uncertainty and volatility caused by the COVID-19 pandemic, the Company will not update its full year outlook at the current time.

The COVID-19 pandemic continued to impact the Company's operations. In the first quarter, sales in the Food Retail business were positively impacted, however the company was lapping unprecedented demand and stockpiling towards the end of the quarter. Loblaw continued to deliver value in the categories that mean the most to consumers, maintaining conventional, drug and beauty market share improvements earned over the course of the pandemic. In Drug Retail, mix negatively affected front store sales and continued to negatively impact higher margin categories.

In the second quarter of 2021, the Company will be lapping last year's surge in revenues and its highest quarter of COVID-19 related costs. In the four weeks following the end of the first quarter, Food same-store sales have declined slightly, while Drug same-store sales have trended positively, compared to same-store sales growth of 10.0% in Food Retail and a decline of 1.1% in Drug Retail in the second quarter of last year. The Company expects to incur COVID-19 related costs in the range of approximately \$65 million – \$75 million in the second quarter of 2021, compared to \$282 million in COVID-19 related costs incurred in the second quarter of 2020.

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.

## 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 11 "Non-GAAP Financial Measures" of the Company's 2021 First Quarter Report to Shareholders.

**Non-GAAP Financial Measures Policy Change Effective First Quarter of 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. For further details please refer to Section 11 "Non-GAAP Financial Measures" of the Company's 2021 First Quarter Report to Shareholders.

## 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" and "Outlook" 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 the Company's 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 and 2021 First Quarter Report to Shareholders

The Company's 2020 Annual Report and 2021 First Quarter Report to Shareholders are available in the "Investors" section of the Company's website at [loblaw.ca](http://loblaw.ca) and on [sedar.com](http://sedar.com).

#### Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
Roy MacDonald	Kevin Groh
Vice President, Investor Relations	Senior Vice President, Corporate Affairs and Communication
(905) 861-2243	(905) 861-2437
<a href="mailto:investor@loblaw.ca">investor@loblaw.ca</a>	<a href="mailto:pr@loblaw.ca">pr@loblaw.ca</a>

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](http://loblaw.ca).

#### Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on May 5, 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: 3578343. To access via audio webcast, please go to the "Investor" section of [loblaw.ca](http://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](http://loblaw.ca).

#### Annual Meeting of Shareholders

The 2021 Annual Meeting of Shareholders of Loblaw Companies Limited will take place on May 6, 2021 at 11:00 a.m. (ET). Due to the public impact of the COVID-19 pandemic and in consideration of the health and safety of our shareholders, colleagues and the broader community, this year's meeting will be held in a virtual meeting format only, by way of a live webcast. Shareholders will be able to listen, participate and vote at the meeting in real time through a live webcast online at <https://web.lumiagm.com/474726351>. See "How do I attend and participate at the virtual Meeting?" in the Management Proxy Circular dated March 26, 2021, which can be viewed online at [www.loblaw.ca](http://www.loblaw.ca) or under Loblaw's SEDAR profile at [www.sedar.com](http://www.sedar.com), for detailed instructions on how to attend and vote at the meeting. Please refer to the "Events and Presentations" or "Shareholder Services" page at [loblaw.ca](http://loblaw.ca) for additional details on the virtual meeting.

---

#### News Release Endnotes

---

- (1) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2021 First Quarter Report to Shareholders 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](http://sedar.com) and at [loblaw.ca](http://loblaw.ca).
  - (2) See Section 11 "Non-GAAP Financial Measures" of the Company's 2021 First Quarter Report to Shareholders, 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 2021 First Quarter Report to Shareholders.
  - (4) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 11 "Non-GAAP Financial Measures" of the Company's 2021 First Quarter Report to Shareholders.
-