

Loblaw Companies Limited**Investor Update Conference Call**

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TD Cowen — Analyst

Vishal Shreedhar

National Bank Financial — Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Loblaw Companies Investor Update Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on Tuesday, April 18, 2023.

I would now like to turn the conference over to Roy MacDonald. Please go ahead.

Roy MacDonald — Vice President, Investor Relations, Loblaw Companies Limited

Thank you very much, Michelle, and good morning, everybody. Thank you for joining us this morning on short notice and welcome to the Loblaw Companies investor update to discuss this morning's press release dated April 18, 2023. I'm joined in the room this morning by Galen Weston, our Chair and President, and by Richard Dufresne, our Chief Financial Officer.

Before I begin, note that today's discussion will include forward-looking statements about Loblaw and George Weston and the corporate actions disclosed today. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, including those set out in Loblaw and George Weston's current annual MD&A and AIF, which are both available on SEDAR. And I'll remind everybody that, as we are in our quiet period pending the release of our Q1 results on May 3rd, today's call will focus solely on today's announcement.

And with that, I'll turn the mic over to Galen.

Galen Weston — Chairman & President, Loblaw Companies Limited

Good morning and thank you, Roy.

When Richard and I returned to Loblaw, we convinced Robert Sawyer, a top retail veteran and member of our board, to come out of retirement to join us as chief operating officer. We shared the belief that with our strategy and the right focus we could bring retail excellence to life at Loblaw. Since then, Loblaw has consistently delivered excellent results and set itself on a path for future growth. We also knew Robert's time with us would be limited and have been thinking for some time about a transition that would ensure we maintain the focus on retail excellence when he retires at the end of 2023. As COO, Robert continues to make great contributions to the Company and none more important than his mentoring of our young leadership team. It's too soon to say goodbye and we still have lots of work ahead, but I want to take this opportunity to publicly recognize Robert for his partnership, authentic leadership, and enthusiasm, and for setting a tone and focus that we will all carry forward.

Last year we initiated a global search for the right leader who would sustain that trajectory and enable me to step back from day-to-day management of the business. Today, I'm pleased to announce that we found that leader in Per Bank, currently the CEO of Denmark's Salling Group, who will join us as president and chief executive officer by early 2024. Today, Per oversees a purpose-driven family company established more than a century ago. It's the nation's largest retailer and the leading grocer with 1,700 stores across various banners and geographies. It has the top discount chain, large-format hypermarkets, compelling e-commerce, loyalty, and private brand programs, and a range of growth

initiatives that stretch beyond traditional grocery. The parallels with Loblaw are quite remarkable, as is Per's record of retail excellence and driving growth.

I have a great sense of excitement and confidence for Per's arrival as president and chief executive officer, at which point I will remain Chair of Loblaw while keeping my role as Chair and Chief Executive Officer of George Weston Limited. In that position, I will work closely with Richard and our two operating companies on vision, strategy, and capital allocation. Similarly, Richard will remain Chief Financial Officer of Loblaw and President and Chief Financial Officer of GWL. Our management board has enormous depth and is otherwise unchanged.

I see this as maintaining and ideally enhancing the combination of skills and approach that has been so successful for us over the last few years. In the meantime, delivering our 2023 plan remains our priority. Expect us to remain focused on our strategic agenda, retail excellence, advancing growth initiatives, and developing our longer-term connected health. Expect us to continue our focus on clarity and accountability instilled in the last two years and for us to continue to deliver consistent financial performance against our framework.

I'll just turn the floor over to Richard to say a few words.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Thank you, Galen.

I'm excited about our plans for this year. I will reiterate what Galen said. We have a lot of the year ahead of us and much work still to do to deliver that plan. That remains our focus. At Loblaw, we

have a very strong culture and team and we have set ourselves on a path of consistently delivering strong operational and financial performance from our unique assets. Retail excellence is steady state as we build on our successes and continue investing wisely in our growth initiatives.

With Robert's deserved retirement approaching, his shoes were always going to be hard to fill; however, having spent some time with Per, it's clear that he is a seasoned grocery retailer with a broad and deep skill set, much like a slightly younger version of Robert. He has a strong track record of driving significant growth, organic and through acquisitions, in a leading national retailer. I'm looking forward to him joining and working with him over the years to come to continue to build on Loblaw's recent strong performance.

I'll open the line to questions now.

Q & A

Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press the star followed by the one on your touchtone phone. You will hear a three-tone prompt acknowledging your request. Should you wish to decline from the polling process, please press star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

The first question comes from Irene Nattel of RBC Capital Markets. Please go ahead.

Irene Nattel — Analyst, RBC Capital Markets

Thanks and good morning, everyone. Two questions actually. I'll start with the first. And maybe, Richard, you alluded to this in your answer, but what was it in particular about Per that made him the right choice to lead Loblaw on a go-forward basis?

Galen Weston — Chairman & President, Loblaw Companies Limited

Great question. You can imagine, we asked ourselves that quite a lot over the last number of months. First of all, we took our time with this process, it was a proper global search, and ultimately we had a short list of candidates of five people and Per was the clear standout. Robert had the opportunity to spend time with him walking stores, of course I spent an extraordinary amount of time with him personally myself, and we had an active search committee on the board who all had a chance to spend meaningful time with Per. And what we believe strongly in this search process that, you know, we needed somebody who had deep retail knowledge, retail pedigree, and retail excellence, that's what we've build the success of Loblaw's performance over the last few years on, and Per rang the bell in every way on that.

Two specific things that I think are particularly important for success working inside the Weston/Loblaw group and the first is that he has extensive experience working for a controlling family and understands what that relationship needs to be in order for a partnership to be successful. So that's number one. Second, he has been leading an organization that has an outsized cultural and financial place inside his country and that's the case for Loblaw. You know, we're a big company in a small country and that comes with different leadership challenges and opportunities and it's not so easy for

people who have worked, say, in monolines in much larger countries or markets to understand how different that is. As an example, he sits on the board of the Bank of Denmark and provides unique perspective on consumer behaviour to the national bank there. This is the type of experience that goes above and beyond simply running retail stores and Per has the combination of both.

Irene Nattel — Analyst, RBC Capital Markets

That's really helpful, Galen. Thank you. And then the follow-up question would be, you know, we've been through a number of transitions on the CEO side and Loblaw. The Company has some really great momentum. How can you or what more can you say to reassure investors that this time will be different, that we will see the momentum sustained, and I guess, for lack of a better way of putting it, Galen, that we won't see some backsliding to the way things maybe were in the past?

Galen Weston — Chairman & President, Loblaw Companies Limited

Yeah, well, I think you could also imagine that there is nobody with more focus on preventing that. I understand that over the past we haven't been able to make it work quite right, so the amount of time, effort, and energy that we've put into this search and to an appropriate transition plan has been very significant. I mean, simply put, I see this as a change designed to maintain and enhance the combination of skills that Richard and Robert and I have brought to the business over the last couple of years to enhance that and to build on it. The core characteristics of Per as a retailer lead us to believe that's exactly what's going to happen. He's a super guy. Everybody who's had a chance to meet him over the last week or two reiterates the cultural fit that they see in there and so that's really important. And then he's got tenure. As Richard describes, if you could find a Robert Sawyer who was 55, that'd be

an ideal combination for this, and in Per we think we found that. And he sees long tenure in his visit or in his move to Canada.

Irene Nattel — Analyst, RBC Capital Markets

That's really helpful, Galen. Thank you. Congratulations and best of luck.

Galen Weston — Chairman & President, Loblaw Companies Limited

Thanks.

Operator

Thank you. The next question comes from Mark Petrie of CIBC. Please go ahead.

Mark Petrie — Analyst, CIBC World Markets

Good morning. I wanted just to ask about your views on the COO role, and I'll assume that this is ultimately Per's call and so you won't be able to a definitive answer about sort of future structure, but just more broadly, what is your view on the importance of a specific COO role? And it's not one that has always existed in the organization, but it's obviously borne fruit over the last few years, so it'd just be helpful to hear your sort of overarching views on the merits of that position.

Galen Weston — Chairman & President, Loblaw Companies Limited

Yeah, so you're right on the first point, which is ultimately it will be up to Per to determine how he wants to structure the reporting to him and the management board of the Company. But what I

would say is that the key contribution that Robert has made over the last couple of years is not so much his title and position as COO but the breadth and depth of his experience as a retail operator. And having really experienced retail operations in the most senior leadership roles in the organization is an imperative and so, whether that's in the COO or whether it's in the CEO, what's important is the fact that we have it. My sense, in talking to Per, is that he is a retail operator first and so he'll want, certainly in the early stages of his leadership, to stay very close to those key retail operations. So that's what I would expect to see in the first number of months of him being in the organization and that should give you some confidence that that notion of retail excellence continues to be an essential priority for the Company.

Mark Petrie — Analyst, CIBC World Markets

Appreciate that. Okay. And then also just, you know, I don't expect you to comment on the Salling business, but perhaps you could just talk about some of the sort of key assets or facets of the organization and key elements of the culture that you think Per will be able to leverage and translate to Loblaw.

Galen Weston — Chairman & President, Loblaw Companies Limited

I mean, first and foremost, some of the comments that I already made. It's an enterprise with a large footprint in their home country and, as a result, they have similar strategies. Their mission and purpose, if you look on their website, is not identical in words to the purpose of that Loblaw has of helping Canadians live life well, but it's very similar.

The footprint of the enterprise, again, by virtue of being limited geographically, they operate multiple formats, including a very, very successful discount business, hypermarkets, and supermarkets, so he understands what it takes to manage a business effectively with multiple go-to-market strategies and that's not easy to find in sort of retail executives today. And then I think one of the key characteristics that Per brings is a sense of what I'd describe as controlled impatience to running his business and that type of impatience is really essential culturally when you're running a retail business, especially a grocery business where you're making decisions every single week and you need to have the decisions moving at the speed of the trading. So those would be some of the things that he will bring.

Mark Petrie — Analyst, CIBC World Markets

Very helpful. Thank you.

Operator

Thank you. The next question comes from Michael Van Aelst of TD Cowen. Please go ahead.

Michael Van Aelst — Analyst, TD Cowen

Good morning. So, I think you alluded to it, but part of Per's background is, you know, he's made some acquisitions in the past, he's expanded outside his home market. I'm just wondering what level of flexibility or freedom he'll have to try to make these types of moves and if that's something that the board is supportive of.

Galen Weston — Chairman & President, Loblaw Companies Limited

Yeah, absolutely. I mean I think it's intentional that, with this appointment, where he has the title of CEO, you'll see that he will report to the board. In past changes like this the role has been president and that president has reported to me as executive chair. So there's important symbolism in that. Having said that, this is a controlled company. I represent the controlling shareholders as the key executive. I'll be the chief executive of the holding company, the parent company of Loblaw, and the long-term strategic vision of the company, it's extremely, it's essential that there's a high level of alignment between myself and any chief executive or any key operating exec and so I would expect that dynamic to continue. And I think Per will bring some new ideas. Richard and I will both be open and engaged in those ideas, but ultimately the ownership block is going to need to be supportive of any change in the strategic direction. And certainly, at this point, that is not the intent. The intent is to continue to execute against the strategic path that has been developed by Richard, myself, and Robert. So that's the way to think about it in certainly the early days.

Michael Van Aelst — Analyst, TD Cowen

Okay, great. That's helpful. And then just secondly, Robert is here to the end of the year. I'm sure that he identified several large opportunities over the last couple of years that he wanted to address. I'm just wondering what's left for him to accomplish in the year, or the last eight months that he has, and what's the timing on those projects.

Galen Weston — Chairman & President, Loblaw Companies Limited

Yeah, so, I think as we said at the outset, we can't comment on the sort of business performance at this point, because we're in our quiet period, but what I will say is this: We're making this announcement today and, with the expected takeover of Per in early 2024, that gives us some extended runway to continue to execute against things that are particularly important to Robert and some other things that are particularly important to me. More importantly, we believe that it will enable a transition period for Per where he can spend considerable time here learning, understanding the geography of the country, the different formats. He has an aspiration, before he takes over managing the business, to spend a couple of days working in each of the formats in each of the geographies to really get a touch and feel sense of how this country works and operates and the fact that we have this transition period enables him to do that. And it's also a timeframe during which he'll get a chance to build his relationship with Richard in particular and to learn from Robert.

I don't know, Richard, if you want to share a little bit what your...?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yeah, yeah a few things to add there. I guess what Galen, Robert, and I want to do over the rest of the year is not only deliver on the 2023 plan but also build a very solid plan for 2024 so that when Per comes in he comes in with a business that has a strong momentum. And in the meantime, I'll be spending a lot of time with him. I'm going to travel to Denmark in June to go spend a few days with him to familiarize myself with his business so that when we work together I can understand the context of

where he's coming from. And him and I are already in a weekly dialogue about tons of stuff, so I'm going to be helping him ramp up his knowledge on the organization, Loblaw, and everything.

Michael Van Aelst — Analyst, TD Cowen

Great. Thank you.

Operator

Thank you. Once again, ladies and gentlemen, if you do have a question, please press star one at this time.

The next question comes from Vishal Shreedhar of National Bank. Please go ahead.

Vishal Shreedhar — Analyst, National Bank Financial

Hi. Thanks for taking my questions. What was the thinking of changing two key executives at the same time, that's a lot of change coming at the Company at once, and was there opportunity or thinking of maybe staggering some of that change over half a year or year or something of that nature?

Galen Weston — Chairman & President, Loblaw Companies Limited

Yeah. So, yeah, we certainly thought what's the optimal sort of transition period change over time and we think this is a really good combination. Of course, Robert's retirement precipitated this search. It allowed us to look at COO succession candidates, it allowed us to explore the potential for CEO candidates, and we found such a terrific candidate with that attractive extended notice period that

allowed us to do that transition. So I think the way you should think about it is that he will overlap in a number of key ways with Robert and with myself between now and the day that he takes over and so, rather than think about both folks leaving or leaving, myself and Robert, at the same time, you should think about it as a transition period with very constructive overlap.

And I think the other thing to remember is I'm not leaving. I'm stepping back into what I consider to be my natural role as the controlling shareholder and that will afford an opportunity for me to continue to support Per during his transition and as he ramps up. And then of course Richard will be there too. So, in the context of smooth transitions, we think this ticks a lot of boxes.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Vishal, I'll add. I've been here for 12 years, I've seen how the group operates, and for me it's one executive leaving, because we were a team of three, okay? We are a team of three today and we're going to be a team of three tomorrow. So it's just like Robert is being replaced by Per and Galen is not going anywhere. So that's how you should think about it.

Vishal Shreedhar — Analyst, National Bank Financial

Okay. Got it. That's helpful. And you've touched on this at the top, but I just want to make it clear: What are the key tenets of Loblaw that are kind of non-negotiable for the investment community? I mean when this triumvirate came in and took over the management of Loblaw, they implemented some things that I think have resonated well, you know, the retail excellence, the commitment to the financial framework, and of course everyone intends to keep the things that are successful, but these

changes sometimes happen on the edges and, as you said, retail SaaS moving, and sometimes, with an executive coming in, having his own ideas and not maybe a visceral understanding of what these tenants mean to the investment community, things can change. So just wondering how should the investment community think about that? Per is going to come in with his ideas and has it been made clear to him that these are certain things that the board and the controlling shareholders let's say value significantly?

Galen Weston — Chairman & President, Loblaw Companies Limited

Yes. I mean two really critical pieces. The first is the financial framework and the hard work that we've done over the last number of years to establish confidence and trust in that financial framework. I was out speaking to a number of investors just a couple of weeks ago about our ongoing commitment to that. The word "consistency" is an important addition to the way that we think about managing the business and I've had extensive conversations with Per about that framing of how we think about building our strategy and managing performance against it.

The second is the three spheres of how the pillars that we organize our business priorities against and enhancing the core, which captures retail excellence, driving growth, which is keeping ourselves with a very short-focused list of initiatives that are actually driving a positive contribution to earnings in the organization, and then maintaining that third pillar where we continue to look to invest in areas of substantial growth potential and acknowledge that they don't need to generate the payback right away. So he very much likes that framework, those organizing principles, and so he will bring a commitment to those two things when he joins the business.

And then the last thing, which you'll see in, I think, Salling will release their latest ESG report in just a couple of weeks, a commitment to core ESG pillars, which remain essential for Loblaw as an organization.

Does that mean that he has no flexibility to tweak and adjust and make important decisions? Absolutely not. And so, in the same way that everything evolves over time under Per's leadership, I would expect things to evolve. But the takeaway here is this is not a sharp left turn. This is about evolution and building on the platform that's been established. And I think it's one of the things that draws Per to Loblaw is the opportunity to build on top of a strong foundation.

Vishal Shreedhar — Analyst, National Bank Financial

Thank you.

Operator

Thank you. There are no further questions. I will turn the call back to Roy MacDonald for closing remarks.

Roy MacDonald — Vice President, Investor Relations, Loblaw Companies Limited

Thank you, everybody, for your time this morning. If you have any follow-up questions related to today's announcement, give me a shout or drop me an email. And we look forward to chatting again on May 3rd to report our Q1 results. Thanks, everybody. Have a great day.

Operator

Ladies and gentlemen, this does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.