Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2024 Second Quarter Results

BRAMPTON, ONTARIO July 25, 2024 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") announced today its unaudited financial results for the second quarter ended June 15, 2024[1].

Loblaw's results in the second quarter of 2024 reflected strong operational performance and the impact of the settlement of the bread price-fixing class actions commenced in 2017 which negatively impacted net earnings by $121 million. For details regarding the settlement, please see the Company's news release here.

In the quarter, Canadian consumers remained focused on value and responded favourably to Loblaw's market leading banners, private label brands, and personalized PC Optimum™ offers. Loblaw maintained its focus on retail excellence across its businesses, driving sales growth, and maintaining a careful focus on cost control. Drug Retail sales continued to outperform Food Retail. Drug front store sales reflected continued strength in the beauty category but were pressured by the Company's exit from certain low margin electronics categories. Pharmacy sales growth rates returned to more normal levels, reflecting ongoing momentum in new healthcare services. Food Retail sales reflected increased customer visits in the quarter, despite lapping very strong sales growth last year. Food sales growth was led by the ongoing strength of the Company's Maxi and NoFrills hard discount stores. A sharp focus on value was reflected in another sequential reduction in the Company's internal inflation rate. Food inflation rates have been declining and remain below Canada's total household inflation rate, as Canada's Consumer Price Index ("CPI") for Food Purchased From Stores declined for the sixth consecutive quarter.

"Our commitment to provide value, quality, and service has been recognized by our customers, as traffic was up across our network of stores," said Per Bank, President and Chief Executive Officer, Loblaw Companies Limited. "We are grateful for the ongoing trust of our customers as their preferred retailer for everyday needs."

2024 SECOND QUARTER HIGHLIGHTS

- Revenue was $13,947 million, an increase of $209 million, or 1.5%.
- Retail segment sales were $13,658 million, an increase of $187 million, or 1.4%.
    - Food Retail (Loblaw) same-stores sales increased by 0.2%, compared to 6.1% last year .
    - Drug Retail (Shoppers Drug Mart) same-store sales increased by 1.5%, compared to 5.7% last year, with pharmacy and healthcare services same-store sales growth of 5.4%, partially offset by a decline in front store same-store sales of 2.4%.
- E-commerce sales increased by 14.2%.
- Operating income was $868 million, a decrease of $59 million, or 6.4%.
- Adjusted EBITDA[2] was $1,713 million, an increase of $73 million, or 4.5%.
- Retail segment gross profit percentage[2] was 32.0%, an increase of 90 basis points, primarily driven by improvements in shrink and Drug Retail gross margins mainly due to sales mix.
- Net earnings available to common shareholders of the Company were $457 million, a decrease of $51 million or 10.0%. The decrease was primarily driven by charges related to the settlement of class action lawsuits.
- Diluted net earnings per common share were $1.48, a decrease of $0.10, or 6.3%.
- Adjusted net earnings available to common shareholders of the Company[2] were $664 million, an increase of $38 million, or 6.1%.
- Adjusted diluted net earnings per common share[2] were $2.15, an increase of $0.21 or 10.8%.
- Net capital investments were $475 million, which reflects gross capital investments of $495 million, net of proceeds from property disposals of $20 million.
- Repurchased for cancellation 3.2 million common shares at a cost of $482 million. Free cash flow[2] from the Retail segment was $475 million.

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

CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS

The following table provides key performance metrics for the Company by segment.

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (12 weeks) Retail**	**Financial Services**	**Eliminations**	**Total**	2023 (12 weeks) Retail	Financial Services	Eliminations	Total
Revenue	**$13,658**	**$ 367**	**$ (78)**	**$13,947**	$ 13,471	$ 348	$ (81)	$ 13,738
Gross profit[2]	$ 4,370	$ 329	$ (78)	$ 4,621	$ 4,192	$ 315	$ (81)	$ 4,426
Gross profit %[2]	32.0 %	N/A	— %	33.1 %	31.1 %	N/A	— %	32.2 %
Operating income	**$ 815**	**$ 53**	**$ —**	**$ 868**	$ 925	$ 2	$ —	$ 927
Adjusted operating income[2]	1,096	53	—	1,149	1,046	39	—	1,085
Adjusted EBITDA[2]	$ 1,649	$ 64	$ —	$ 1,713	$ 1,587	$ 53	$ —	$ 1,640
Adjusted EBITDA margin[2]	12.1 %	N/A	— %	12.3 %	11.8 %	N/A	— %	11.9 %
Net interest expense and other financing charges	$ 153	$ 37	$ —	$ 190	$ 157	$ 36	$ —	$ 193
Earnings (Losses) before income taxes	**$ 662**	**$ 16**	**$ —**	**$ 678**	$ 768	$ (34)	$ —	$ 734
Income taxes				$ 180				$ 193
Adjusted income taxes[2]				254				233
Net earnings attributable to non-controlling interests				$ 38				$ 30
Prescribed dividends on preferred shares in share capital				3				3
Net earnings available to common shareholders of the Company				**$ 457**				$ 508
Adjusted net earnings available to common shareholders of the Company[2]				664				626
Diluted net earnings per common share ($)				**$ 1.48**				$ 1.58
Adjusted diluted net earnings per common share[2] ($)				$ 2.15				$ 1.94
Diluted weighted average common shares outstanding (in millions)				**308.8**				322.5

The following table provides a breakdown of the Company's total and same-store sales for the Retail segment.

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (12 weeks) Sales**	**Same-store sales**	2023 (12 weeks) Sales	Same-store sales
Food retail	**$ 9,653**	**0.2 %**	$ 9,560	6.1 %
Drug retail	**4,005**	**1.5 %**	3,911	5.7 %
Pharmacy and healthcare services	**2,110**	**5.4 %**	1,984	6.3 %
Front store	**1,895**	**(2.4)%**	1,927	5.0 %

RETAIL SEGMENT

- Retail segment sales in the second quarter of 2024 were $13,658 million, an increase of $187 million, or 1.4%.
    - Food Retail (Loblaw) sales were $9,653 million and same-store sales grew by 0.2% (2023 – 6.1%).
        - The CPI for Food Purchased From Stores was 1.7% (2023 – 9.1%) which was in line with the Company's internal food inflation; and
        - Food Retail traffic increased and basket size decreased.
    - Drug Retail (Shoppers Drug Mart) sales were $4,005 million, and same-store sales grew by 1.5% (2023 – 5.7%), with pharmacy and healthcare services same-store sales growth of 5.4% (2023 – 6.3%), partially offset by a decline in front store same-store sales of 2.4% (2023 – growth of 5.0%).
        - On a same-store basis, the number of prescriptions increased by 2.1% (2023 – 0.9%) and the average prescription value increased by 1.9% (2023 – 4.7%);
        - The decline in front store same-store sales was primarily driven by lower sales of food and household items and the decision to exit certain low margin electronics categories, partially offset by the continued strength in beauty products.
- Operating income in the second quarter of 2024 was $815 million, a decrease of $110 million, or 11.9%. The decrease was primarily driven by charges related to the settlement of class action lawsuits.
- Gross profit[(2)] in the second quarter of 2024 was $4,370 million, an increase of $178 million, or 4.2%. The gross profit percentage[(2)] of 32.0% increased by 90 basis points, primarily driven by improvements in shrink, and an increase in Drug Retail gross margins mainly due to sales mix.
- Adjusted EBITDA[(2)] in the second quarter of 2024 was $1,649 million, an increase of $62 million, or 3.9%. The increase was driven by an increase in gross profit[(2)], partially offset by an increase in selling, general and administrative expenses ("SG&A"). SG&A as a percentage of sales was 19.9%, an increase of 60 basis points, primarily due to lower operating leverage, the year-over-year impact of labour costs and certain real estate activities, and costs related to network optimization.
- Depreciation and amortization in the second quarter of 2024 was $668 million, an increase of $11 million or 1.7%, primarily driven by an increase in depreciation of leased assets and information technology ("IT") assets, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark Health Group ("Lifemark") of $115 million (2023 – $116 million).
- On July 24, 2024, the Company and George Weston Limited ("Weston") entered into binding Minutes of Settlement to resolve nationwide class action lawsuits against them relating to their role in an industry-wide price-fixing arrangement involving certain packaged bread products which occurred between 2001 and 2015. The binding Minutes of Settlement provide for a total settlement of $500 million. Weston will pay $247 million, and the Company will pay $253 million offset by $96 million previously paid to customers by the Company under the Loblaw Card Program. The $500 million settlement amount was negotiated with lawyers representing consumers in a mediation presided over by the Chief Justice of the Ontario Superior Court of Justice. The settlement is subject to finalizing a binding Settlement Agreement between the Company and Weston, and the lawyers representing consumers, and Court approval. If the settlement is approved, it will resolve all of the consumers' claims against the Company and Weston relating to this matter. In the second quarter of 2024, charges of $164 million ($121 million, net of income taxes) were recorded in SG&A, relating to the Company's portion of the total settlement and related costs.

FINANCIAL SERVICES SEGMENT

- Revenue in the second quarter of 2024 was $367 million, an increase of $19 million or 5.5%. The increase was primarily driven by higher interest income from growth in credit card receivables, and higher sales attributable to The Mobile Shop™.
- Earnings before income taxes in the second quarter of 2024 were $16 million, as compared to losses of $34 million in the prior period. The improvement was mainly driven by lapping of a prior year charge of $37 million related to a commodity tax matter, higher revenue as described above, and the year-over-year favourable impact of the expected credit loss provision. This improvement was partially offset by higher contractual charge-offs and funding costs due to the current macro-economic environment.

OUTLOOK[3]

Loblaw will continue to execute on retail excellence while advancing its growth initiatives with the goal of delivering consistent operational and financial results in 2024. The Company's businesses remain well positioned to meet the everyday needs of Canadians.

For the full-year 2024, the Company continues to expect:

- its Retail business to grow earnings faster than sales;
- adjusted net earnings per common share[2] growth in the high single-digits;
- to continue investing in our store network and distribution centres by investing a net amount of $1.8 billion in capital expenditures, which reflects gross capital investments of approximately $2.2 billion, net of approximately $400 million of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In the second quarter of 2024, the Company progressed its ESG pillars:

- *Fighting Climate Change:* Loblaw achieved a significant milestone on the path toward net-zero by receiving the Science Based Targets initiative ("SBTi") approval for the Company's near-term science-based emissions reduction targets. This approval relates to two of the Company's carbon-related targets:
  - To reduce absolute Scope 1 and Scope 2 Greenhouse Gas ("GHG") emissions 50% by 2030 relative to a 2020 baseline.
  - To ensure that 70% of our suppliers by spend covering purchased goods and services will have science-based targets by 2027.

  Loblaw's continued support of WWF-Canada's native plant program enabled gardeners in southern Ontario and Quebec to purchase a range of native plants from select garden centres this spring. These plants, adapted to local conditions, foster healthy landscapes, attract pollinators and restore wildlife habitats. With availability at 130 garden centres across the region, Canadians can easily contribute to biodiversity conservation from their own backyard, balcony and beyond.
- *Advancing Social Equity*: This year, the 2024 Shoppers Drug Mart® Run for Women drew participants and fundraisers across 18 communities. With an impressive total of 27,000 participants, this event successfully raised $3.3 million to support local women's mental health programs throughout Canada. In recognition of National Indigenous History Month, the Company marked the opening of it's Downie-Wenjack Legacy Space. Loblaw Community Grant recipient, the Canadian Centre for Indigenous Business ("CCIB") celebrated the launch of the Youth Indigenous Business Grant. In celebration of Pride Month, Loblaw banner divisions participated in the Pride March across the country.

NORMAL COURSE ISSUER BID PROGRAM ("NCIB")

On a year-to-date basis, the Company repurchased 6.4 million common shares for cancellation at a cost of $952 million.

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market.

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 IT systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Consolidated and Segment 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 estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events 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 2023 Annual Report and Section 4 "Risks" of the Company's 2023 Annual Information Form ("AIF") for the year ended December 30, 2023.

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.

DECLARATION OF DIVIDENDS

Subsequent to the end of the second quarter of 2024, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	\$0.513 per common share, payable on October 1, 2024 to shareholders of record on September 15, 2024.
Second Preferred Shares, Series B	\$0.33125 per share, payable on September 30, 2024 to shareholders of record on September 15, 2024.

EXCERPT OF NON-GAAP AND OTHER FINANCIAL MEASURES

The Company uses non-GAAP and other financial measures, as reconciled and fully described in Appendix 1 "Non-GAAP and Other Financial Measures" of this News Release.

These measures do not have a standardized meaning prescribed by International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "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.

The following table provides a summary of the differences between the Company's consolidated GAAP and Non-GAAP and other financial measures, which are reconciled and fully described in Appendix 1.

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (12 weeks)**			2023 (12 weeks)		
	GAAP	**Adjusting Items**	**Non-GAAP(2)**	GAAP	Adjusting Items	Non-GAAP(2)
EBITDA	**$ 1,547**	**$ 166**	**$ 1,713**	$ 1,598	$ 42	$ 1,640
Operating income	**$ 868**	**$ 281**	**$ 1,149**	$ 927	$ 158	$ 1,085
Net interest expense and other financing charges	**190**	**—**	**190**	193	—	193
Earnings before income taxes	**$ 678**	**$ 281**	**$ 959**	$ 734	$ 158	$ 892
Deduct the following:						
Income taxes	**180**	**74**	**254**	193	40	233
Non-controlling interests	**38**	**—**	**38**	30	—	30
Prescribed dividends on preferred shares	**3**	**—**	**3**	3	—	3
Net earnings available to common shareholders of the Company(i)	**$ 457**	**$ 207**	**$ 664**	$ 508	$ 118	$ 626
Diluted net earnings per common share ($)	**$ 1.48**	**$ 0.67**	**$ 2.15**	$ 1.58	$ 0.36	$ 1.94
Diluted weighted average common shares (millions)	**308.8**	**—**	**308.8**	322.5	—	322.5

(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.

The following table provides a summary of the Company's adjusting items which are reconciled and fully described in Appendix 1.

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	**2024 (12 weeks)**	2023 (12 weeks)
Operating income	**$ 868**	$ 927
Add impact of the following:		
Charges related to settlement of class action lawsuits	**$ 164**	$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**115**	116
Fair value adjustment on fuel and foreign currency contracts	**2**	5
Charge related to PC Bank commodity tax matter	**—**	37
Adjusting items	**$ 281**	$ 158
Adjusted operating income(2)	**$ 1,149**	$ 1,085
Net interest expense and other financing charges	**$ 190**	$ 193
Income taxes	**$ 180**	$ 193
Add the impact of the following:		
Tax impact of items included in adjusted earnings before taxes	**$ 74**	$ 40
Adjusting items	**$ 74**	$ 40
Adjusted income taxes(2)	**$ 254**	$ 233

CORPORATE PROFILE

2023 Annual Report and 2024 Second Quarter Report to Shareholders

The Company's 2023 Annual Report and 2024 Second Quarter Report to Shareholders are available in the "Investors" section of the Company's website at loblaw.ca and on sedarplus.ca.

Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
Roy MacDonald	Scott Bonikowsky
Vice President, Investor Relations	Senior Vice President, Corporate Affairs and Communications
investor@loblaw.ca	pr@loblaw.ca

Additional financial information has been filed electronically with various securities regulators in Canada through 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 July 25, 2024 at 10:00 a.m. (ET).

To access via tele-conference, please dial (416) 764-8688 or (888) 390-0546. The playback will be made available approximately two hours after the event at (416) 764-8677 or (888) 390-0541, access code: 397174#. To access via audio webcast, please go to the "Investor" 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 2024 Second 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 sedarplus.ca and at loblaw.ca.

(2) See "Non-GAAP and Other Financial Measures" section in Appendix 1 of this News Release, which includes the reconciliation of such non-GAAP and other financial 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 2024 Second Quarter Report to Shareholders.

APPENDIX 1: NON-GAAP AND OTHER FINANCIAL MEASURES

The Company uses the following non-GAAP and other financial measures and ratios: Retail segment gross profit; Retail segment adjusted gross profit; Retail segment adjusted gross profit percentage; adjusted earnings before income taxes, net interest expense and other financing charges and depreciation and amortization ("adjusted EBITDA"); adjusted EBITDA margin; adjusted operating income; adjusted net interest expense and other financing charges; adjusted income taxes; adjusted effective tax rate; adjusted net earnings available to common shareholders; adjusted diluted net earnings per common share, free cash flow, and same-store sales. The Company believes these non-GAAP and other financial measures and ratios provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Management uses these and other non-GAAP and other 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 adjusts for these 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.

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following tables reconcile adjusted gross profit by segment to gross profit by segment, which is reconciled to revenue and cost of sales measures as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that Retail segment gross profit and Retail segment adjusted gross profit are useful in assessing the Retail segment's underlying operating performance and in making decisions regarding the ongoing operations of the business.

Retail segment adjusted gross profit percentage is calculated as Retail segment adjusted gross profit divided by Retail segment revenue.

	2024 (12 weeks)				2023 (12 weeks)			
For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Elimi-nations**	**Total**	Retail	Financial Services	Elimi-nations	Total
Revenue	**$ 13,658**	**$ 367**	**$ (78)**	**$ 13,947**	$ 13,471	$ 348	$ (81)	$ 13,738
Cost of sales	**9,288**	**38**	**—**	**9,326**	9,279	33	—	9,312
Gross profit	**$ 4,370**	**$ 329**	**$ (78)**	**$ 4,621**	$ 4,192	$ 315	$ (81)	$ 4,426
Adjusted gross profit	**$ 4,370**	**$ 329**	**$ (78)**	**$ 4,621**	$ 4,192	$ 315	$ (81)	$ 4,426

Adjusted Operating Income, Adjusted EBITDA and Adjusted EBITDA Margin The following tables reconcile adjusted operating income and adjusted EBITDA to operating income, which is reconciled to net earnings attributable to shareholders of the Company as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted EBITDA is useful in assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

			2024 (12 weeks)			2023 (12 weeks)
For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 460**			$ 511
Add impact of the following:						
Non-controlling interests			**38**			30
Net interest expense and other financing charges			**190**			193
Income taxes			**180**			193
Operating income	**$ 815**	**$ 53**	**$ 868**	$ 925	$ 2	$ 927
Add impact of the following:						
Charges related to settlement of class action lawsuits	**$ 164**	**$ —**	**$ 164**	$ —	$ —	$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**115**	**—**	**115**	116	—	116
Fair value adjustment on fuel and foreign currency contracts	**2**	**—**	**2**	5	—	5
Charge related to PC Bank commodity tax matter	**—**	**—**	**—**	—	37	37
Adjusting items	**$ 281**	**$ —**	**$ 281**	$ 121	$ 37	$ 158
Adjusted operating income	**$1,096**	**$ 53**	**$ 1,149**	$ 1,046	$ 39	$ 1,085
Depreciation and amortization	**668**	**11**	**679**	657	14	671
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(115)**	**—**	**(115)**	(116)	—	(116)
Adjusted EBITDA	**$1,649**	**$ 64**	**$ 1,713**	$ 1,587	$ 53	$ 1,640

In addition to the items described in the Retail segment adjusted gross profit section above, when applicable, adjusted EBITDA was impacted by the following:

Charges related to settlement of class action lawsuits On July 24, 2024, the Company and Weston entered into binding Minutes of Settlement to resolve nationwide class action lawsuits against them relating to their role in an industry-wide price-fixing arrangement. In the second quarter of 2024, charges of $164 million were recorded in SG&A, relating to the Company's portion of the total settlement and related costs.

Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark The acquisition of Shoppers Drug Mart in 2014 included approximately $6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangibles will be approximately $500 million until 2024 and will decrease thereafter.

The acquisition of Lifemark in 2022 included approximately $299 million of definite life intangible assets, which are being amortized over their estimated useful lives.

Fair value adjustment on fuel and foreign currency contracts The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations. In accordance with the Company's commodity risk management policy, the Company enters into exchange traded futures contracts and forward contracts to minimize cost volatility relating to fuel prices and the U.S. dollar exchange rate. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company's derivative instruments accounting policy, changes in the fair value of these instruments, which include realized and unrealized gains and losses, are recorded in operating income. Despite the impact of accounting for these commodity and foreign currency derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities and U.S. dollar commitments.

Charge related to PC Bank commodity tax matter In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that applied to PC Bank on a retroactive basis. A charge of $37 million, inclusive of interest, was recorded for this matter. In the fourth quarter of 2023, the Company reversed $13 million of previously recorded charges. The reversal was a result of new guidance issued by the Canada Revenue Agency.

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to net interest expense and other financing charges as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted net interest expense and other financing charges is useful in assessing the Company's underlying financial performance and in making decisions regarding the financial operations of the business.

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	**2024 (12 weeks)**	2023 (12 weeks)
Net interest expense and other financing charges	**$ 190**	$ 193
Adjusted net interest expense and other financing charges	**$ 190**	$ 193

Adjusted Income Taxes and Adjusted Effective Tax Rate The following table reconciles adjusted income taxes to income taxes as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted income taxes is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

Adjusted effective tax rate is calculated as adjusted income taxes divided by the sum of adjusted operating income less adjusted net interest expense and other financing charges.

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (12 weeks)**	2023 (12 weeks)
Adjusted operating income(i)	**$ 1,149**	$ 1,085
Adjusted net interest expense and other financing charges(i)	**190**	193
Adjusted earnings before taxes	**$ 959**	$ 892
Income taxes	**$ 180**	$ 193
Add impact of the following:		
Tax impact of items included in adjusted earnings before taxes(ii)	**74**	40
Adjusted income taxes	**$ 254**	$ 233
Effective tax rate	**26.5 %**	26.3 %
Adjusted effective tax rate	**26.5 %**	26.1 %

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges in the tables above.

(ii) See the adjusted operating income, adjusted EBITDA and adjusted EBITDA margin table and the adjusted net interest expense and other financing charges table above for a complete list of items included in adjusted earnings before taxes.

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted net earnings attributable to shareholders of the Company to net earnings attributable to shareholders of the Company and then to net earnings available to common shareholders of the Company for the periods ended as indicated. The Company believes that adjusted net earnings available to common shareholders and adjusted diluted net earnings per common share are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (12 weeks)**	2023 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 460**	$ 511
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Net earnings available to common shareholders of the Company	**$ 457**	$ 508
Net earnings attributable to shareholders of the Company	**$ 460**	$ 511
Adjusting items (refer to the following table)	**207**	118
Adjusted net earnings attributable to shareholders of the Company	**$ 667**	$ 629
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Adjusted net earnings available to common shareholders of the Company	**$ 664**	$ 626
Diluted weighted average common shares outstanding (millions)	**308.8**	322.5

The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted diluted net earnings per common share to net earnings available to common shareholders of the Company and diluted net earnings per common share for the periods ended as indicated.

	2024 (12 weeks)		2023 (12 weeks)	
For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars/Canadian dollars)	**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
As reported	**$ 457**	**$ 1.48**	$ 508	$ 1.58
Add impact of the following:				
Charges related to settlement of class action lawsuits	**$ 121**	**$ 0.39**	$ —	$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**84**	**0.27**	85	0.26
Fair value adjustment on fuel and foreign currency contracts	**2**	**0.01**	4	0.01
Charge related to PC Bank commodity tax matter	**—**	**—**	29	0.09
Adjusting items	**$ 207**	**$ 0.67**	$ 118	$ 0.36
Adjusted	**$ 664**	**$ 2.15**	$ 626	$ 1.94

Free Cash Flow The following table reconciles, by reportable operating segments, free cash flow to cash flows from operating activities. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

	2024 (12 weeks)				2023 (12 weeks)			
For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 1,410**	**$ (32)**	**$ 23**	**$ 1,401**	$ 1,435	$ (167)	$ 21	$ 1,289
Less:								
Capital investments(ii)	**489**	**6**	**—**	**495**	416	7	—	423
Interest paid(i)	**73**	**—**	**23**	**96**	71	—	21	92
Lease payments, net	**373**	**—**	**—**	**373**	348	—	—	348
Free cash flow	**$ 475**	**$ (38)**	**$ —**	**$ 437**	$ 600	$ (174)	$ —	$ 426

(i) Interest paid is included in cash flows from operating activities under the Financial Services segment.

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's Condensed Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period.

Same-Store Sales Same-store sales are retail segment sales for stores in operation in both comparable periods, including relocated, converted, expanded, contracted or renovated stores. The Company believes this metric is useful in assessing sales trends excluding the effect of the opening and closure of stores.