Loblaw
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# NEWS RELEASE

## Loblaw Reports Adjusted Diluted Net Earnings Per Common Share[2] growth of 10.6% in the Third Quarter

**BRAMPTON, ONTARIO November 13, 2024** Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") announced today its unaudited financial results for the third quarter ended October 5, 2024[1].

Loblaw delivered another quarter of consistent operational and financial performance as it continued to provide value to Canadians across its retail network, while maintaining its focus on retail excellence. The reversal of a charge related to a previous President's Choice Bank ("PC Bank") commodity tax matter positively impacted net earnings by $125 million. Drug Retail sales growth outperformed Food Retail in the quarter. 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 and lower customer spend on convenience items. Pharmacy and healthcare services revenue increased due to ongoing strength in acute and chronic prescriptions. Food Retail stores attracted increased customer visits in the quarter, despite Thanksgiving holiday sales shifting into the fourth quarter this year. Food sales growth reflected the ongoing strength of the Company's Maxi and NoFrills hard discount stores, and its growing selection of multicultural foods across its banners, anchored by strong performance in the T&T banner. In the quarter, the Company continued to invest in its network of stores, including opening 25 new hard discount stores and piloting two new ultra-discount no name® stores.

"Increased customer traffic to our stores this quarter demonstrates that we are delivering the value, quality and service our customers count on," said Per Bank, President and Chief Executive Officer, Loblaw Companies Limited. "Our relentless focus on retail excellence allows us to provide great value to Canadians and invest to deliver future growth, while delivering strong financial results."

## 2024 THIRD QUARTER HIGHLIGHTS

- Revenue was $18,538 million, an increase of $273 million, or 1.5%.
- Retail segment sales were $18,259 million, an increase of $277 million, or 1.5%.
    - Food Retail (Loblaw) same-stores sales increased by 0.5%, compared to 4.5% last year. Food retail same-store sales growth was approximately 1.3% after excluding the unfavourable impact of the timing of Thanksgiving.
    - Drug Retail (Shoppers Drug Mart) same-store sales increased by 2.9%, compared to 4.6% last year, with pharmacy and healthcare services same-store sales growth of 6.3%, partially offset by a decline in front store same-store sales of 0.5%. The timing of Thanksgiving had a nominal impact on same-store sales growth for Drug retail in the third quarter of 2024.
- E-commerce sales increased by 18.5%.
- Operating income was $1,321 million, an increase of $256 million, or 24.0%.
- Adjusted EBITDA(2) was $2,069 million, an increase of $143 million, or 7.4%.
- Retail segment gross profit percentage(2) was 30.9%, an increase of 30 basis points, primarily driven by improvements in shrink.
- Net earnings available to common shareholders of the Company were $777 million, an increase of $156 million or 25.1%.
- Diluted net earnings per common share were $2.53, an increase of $0.58, or 29.7%. The increase included the recovery of $165 million ($125 million, net of income taxes) related to a PC Bank commodity tax matter.
- Adjusted net earnings available to common shareholders of the Company(2) were $767 million, an increase of $48 million, or 6.7%.
- Adjusted diluted net earnings per common share(2) were $2.50, an increase of $0.24 or 10.6%.
- Net capital investments were $429 million, which reflects gross capital investments of $690 million, net of proceeds from property disposals of $261 million.
- Repurchased for cancellation 2.65 million common shares at a cost of $450 million. Free cash flow(2) from the Retail segment was $562 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 October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated) | **2024 (16 weeks)** Retail | Financial Services | Eliminations | Total | 2023 (16 weeks) Retail | Financial Services | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **$18,259** | **$ 382** | **$(103)** | **$18,538** | $17,982 | $ 379 | $ (96) | $18,265 |
| Gross profit[2] | $ 5,642 | $ 334 | $(103) | $ 5,873 | $ 5,502 | $ 325 | $ (96) | $ 5,731 |
| Gross profit %[2] | 30.9 % | N/A | — % | 31.7 % | 30.6 % | N/A | — % | 31.4 % |
| **Operating income** | **$ 1,091** | **$ 230** | **$ —** | **$ 1,321** | $ 1,006 | $ 59 | $ — | $ 1,065 |
| Adjusted operating income[2] | 1,246 | 75 | — | 1,321 | 1,141 | 59 | — | 1,200 |
| Adjusted EBITDA[2] | $ 1,982 | $ 87 | $ — | $ 2,069 | $ 1,852 | $ 74 | $ — | $ 1,926 |
| Adjusted EBITDA margin[2] | 10.9 % | N/A | — % | 11.2 % | 10.3 % | N/A | — % | 10.5 % |
| Net interest expense and other financing charges | $ 209 | $ 29 | $ — | $ 238 | $ 197 | $ 37 | $ — | $ 234 |
| Adjusted net interest expense and other financing charges[2] | 209 | 39 | — | 248 | 197 | 37 | — | 234 |
| **Earnings before income taxes** | **$ 882** | **$ 201** | **$ —** | **$ 1,083** | $ 809 | $ 22 | $ — | $ 831 |
| Income taxes | | | | $ 263 | | | | $ 182 |
| Adjusted income taxes[2] | | | | 263 | | | | 219 |
| Net earnings attributable to non-controlling interests | | | | $ 40 | | | | $ 25 |
| Prescribed dividends on preferred shares in share capital | | | | 3 | | | | 3 |
| **Net earnings available to common shareholders of the Company** | | | | **$ 777** | | | | $ 621 |
| Adjusted net earnings available to common shareholders of the Company[2] | | | | 767 | | | | 719 |
| **Diluted net earnings per common share ($)** | | | | **$ 2.53** | | | | $ 1.95 |
| Adjusted diluted net earnings per common share[2] ($) | | | | $ 2.50 | | | | $ 2.26 |
| **Diluted weighted average common shares outstanding (in millions)** | | | | **306.9** | | | | 318.4 |

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

| For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated) | **2024 (16 weeks)** Sales | Same-store sales | 2023 (16 weeks) Sales | Same-store sales |
|---|---|---|---|---|
| Food retail | **$12,966** | **0.5 %** | $12,843 | 4.5 % |
| Drug retail | **5,293** | **2.9 %** | 5,139 | 4.6 % |
| Pharmacy and healthcare services | **2,783** | **6.3 %** | 2,635 | 7.4 % |
| Front store | **2,510** | **(0.5)%** | 2,504 | 1.8 % |

**RETAIL SEGMENT**

- Retail segment sales in the third quarter of 2024 were $18,259 million, an increase of $277 million, or 1.5%.
  - Food Retail (Loblaw) sales were $12,966 million and same-store sales grew by 0.5% (2023 – 4.5%). Food retail same-store sales growth was approximately 1.3% after excluding the unfavourable impact of the timing of Thanksgiving.
    - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 2.3% (2023 – 7.1%) which was lower than the Company's internal food inflation; and
    - Food Retail traffic increased and basket size decreased.
  - Drug Retail (Shoppers Drug Mart) sales were $5,293 million, and same-store sales grew by 2.9% (2023 – 4.6%), with pharmacy and healthcare services same-store sales growth of 6.3% (2023 – 7.4%), partially offset by a decline in front store same-store sales of 0.5% (2023 – growth of 1.8%). The timing of Thanksgiving had a nominal impact on same-store sales growth for Drug retail in the third quarter of 2024.
    - On a same-store basis, the number of prescriptions increased by 2.3% (2023 – 0.9%) and the average prescription value increased by 3.5% (2023 – 5.1%);
    - 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 third quarter of 2024 was $1,091 million, an increase of $85 million, or 8.4%.
- Gross profit(2) in the third quarter of 2024 was $5,642 million, an increase of $140 million, or 2.5%. The gross profit percentage(2) of 30.9% increased by 30 basis points, primarily driven by improvements in shrink.
- Adjusted EBITDA(2) in the third quarter of 2024 was $1,982 million, an increase of $130 million, or 7.0%. 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 20.0%, a favourable decrease of 30 basis points, primarily due to the year-over-year impact of certain real estate activities and operating leverage, partially offset by incremental costs related to opening new stores.
- Depreciation and amortization in the third quarter of 2024 was $891 million, an increase of $26 million or 3.0%, primarily driven by an increase in depreciation of information technology ("IT") assets and leased assets, and an increase in depreciation of fixed assets related to conversions of retail locations. 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 $155 million (2023 – $154 million).

**FINANCIAL SERVICES SEGMENT**

- Revenue in the third quarter of 2024 was $382 million, an increase of $3 million or 0.8%. The increase was primarily driven by higher interchange and credit card fee income, partially offset by lower sales attributable to The Mobile Shop™.
- Earnings before income taxes in the third quarter of 2024 were $201 million, an increase of $179 million. The increase was mainly driven by a recovery of $165 million related to a commodity tax matter, including $10 million of interest income, lower customer acquisition expenses and operating costs, including the ongoing benefits associated with the renewal of a long-term agreement with Mastercard, and higher revenue as described above. This increase was partially offset by higher contractual charge-offs and higher loyalty program costs.
- In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. PC Bank subsequently filed a Notice of Appeal with the Federal Court of Appeal ("FCA") and in March 2024, the matter was heard by the FCA. In August 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of $155 million, including $111 million initially recorded in the second quarter of 2022. In addition, $10 million was recorded related to interest income on cash tax refunds.

## 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; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Based on its year-to-date operating and financial performance and momentum exiting the third quarter, the Company is slightly increasing its guidance for full year adjusted net earnings per common share[2] growth from high single-digits into the low double-digits.

Additionally, based on the year-to-date investments in its store network and distribution centres, the Company now expects to invest a net amount of $1.9 billion in capital expenditures (previously $1.8 billion), which reflects gross capital investments of approximately $2.3 billion (previously $2.2 billion), net of approximately $400 million of proceeds from property disposals.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

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

- *Fighting Climate Change:* Loblaw continued to make progress towards its commitment to have all control brand and in-store plastic packaging aligned to the Consumer Goods Forum's Golden Design Rules by 2025 (a set of internationally accepted rules to improve plastic packaging design and reduce plastic waste). In the third quarter of 2024, the Company made significant progress in converting its frozen control brand plastic packaging to the applicable Golden Design Rules which make them recycle ready[4].

  Loblaw also made a donation in support of Second Harvest's "Waste Wise" campaign which focuses on ways Canadians can reduce the amount of food wasted at home.
- *Advancing Social Equity*: The Company launched its second Get to Give Days™ initiative, donating $2 million through proceeds from the sale of President's Choice products to President's Choice Children's Charity ("PCCC"). This supported PCCC's mission of feeding 1 million kids annually through its Power Full Kids™ program in schools across Canada by the end of 2025. To celebrate the Get to Give Days™ initiative, colleagues from across the country also came together to pack more than 473,000 snack bags which were delivered to local schools.

  Beyond support for PCCC, the Company also raised more than $1 million in local community donations through its annual Give a Little Help A Lot® campaign to support important local initiatives such as the Daily Bread Food Bank and the North York Women's Shelter.

## NORMAL COURSE ISSUER BID PROGRAM ("NCIB")

On a year-to-date basis, the Company repurchased 9.0 million common shares for cancellation at a cost of $1,402 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 Management Discussion & Analysis ("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 third 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 December 30, 2024 to shareholders of record on December 15, 2024. |
| Second Preferred Shares, Series B | $0.33125 per share, payable on December 31, 2024 to shareholders of record on December 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 October 5, 2024 and October 7, 2023<br>(millions of Canadian dollars except where otherwise indicated) | | | **2024<br>(16 weeks)** | | | 2023<br>(16 weeks) |
|---|---|---|---|---|---|---|
| | **GAAP** | **Adjusting Items** | **Non-GAAP(2)** | GAAP | Adjusting Items | Non-GAAP(2) |
| EBITDA | **$ 2,224** | **$ (155)** | **$ 2,069** | $ 1,945 | $ (19) | $ 1,926 |
| **Operating income** | **$ 1,321** | **$ —** | **$ 1,321** | $ 1,065 | $ 135 | $ 1,200 |
| Net interest expense and other financing charges | **238** | **10** | **248** | 234 | — | 234 |
| **Earnings before income taxes** | **$ 1,083** | **$ (10)** | **$ 1,073** | $ 831 | $ 135 | $ 966 |
| Deduct the following: | | | | | | |
| Income taxes | **263** | **—** | **263** | 182 | 37 | 219 |
| Non-controlling interests | **40** | **—** | **40** | 25 | — | 25 |
| Prescribed dividends on preferred shares | **3** | **—** | **3** | 3 | — | 3 |
| **Net earnings available to common shareholders of the Company(i)** | **$ 777** | **$ (10)** | **$ 767** | $ 621 | $ 98 | $ 719 |
| Diluted net earnings per common share ($) | **$ 2.53** | **$ (0.03)** | **$ 2.50** | $ 1.95 | $ 0.31 | $ 2.26 |
| Diluted weighted average common shares (millions) | **306.9** | **—** | **306.9** | 318.4 | — | 318.4 |

(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.

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 October 5, 2024 and October 7, 2023<br>(millions of Canadian dollars) | **2024**<br>**(16 weeks)** | 2023<br>(16 weeks) |
|---|---|---|
| **Operating income** | **$ 1,321** | $ 1,065 |
| Add (deduct) impact of the following: | | |
| Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark | **$ 155** | $ 154 |
| Fair value adjustment on fuel and foreign currency contracts | **—** | (6) |
| Gain on sale of non-operating properties | **—** | (13) |
| Recovery related to PC Bank commodity tax matter | **(155)** | — |
| Adjusting items | **$ —** | $ 135 |
| **Adjusted operating income[2]** | **$ 1,321** | $ 1,200 |
| **Net interest expense and other financing charges** | **$ 238** | $ 234 |
| Add: Recovery related to PC Bank commodity tax matter | **10** | — |
| **Adjusted net interest expense and other financing charge[2]** | **$ 248** | $ 234 |
| **Income taxes** | **$ 263** | $ 182 |
| Add the impact of the following: | | |
| Tax impact of items included in adjusted earnings before taxes | **$ —** | $ 37 |
| Adjusting items | **$ —** | $ 37 |
| **Adjusted income taxes[2]** | **$ 263** | $ 219 |

## CORPORATE PROFILE

### 2023 Annual Report and 2024 Third Quarter Report to Shareholders

The Company's 2023 Annual Report and 2024 Third 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 November 13, 2024 at 10:00 a.m. (ET).

To access via tele-conference, please dial (416) 945-7677 or (888) 699-1199. The playback will be made available approximately two hours after the event at (289) 819-1450 or (888) 660-6345, access code: 36516#. 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 Third 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 Third Quarter Report to Shareholders.

(4) Packaging acceptable for collection in participating municipal programs only.

## 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 (16 weeks)** | | | | 2023 (16 weeks) |
|---|---|---|---|---|---|---|---|---|
| For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars) | **Retail** | **Financial Services** | **Elimi-nations** | **Total** | Retail | Financial Services | Elimi-nations | Total |
| Revenue | **$18,259** | **$ 382** | **$ (103)** | **$18,538** | $ 17,982 | $ 379 | $ (96) | $18,265 |
| Cost of sales | **12,617** | **48** | **—** | **12,665** | 12,480 | 54 | — | 12,534 |
| Gross profit | **$ 5,642** | **$ 334** | **$ (103)** | **$ 5,873** | $ 5,502 | $ 325 | $ (96) | $ 5,731 |
| Adjusted gross profit | **$ 5,642** | **$ 334** | **$ (103)** | **$ 5,873** | $ 5,502 | $ 325 | $ (96) | $ 5,731 |

**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 (16 weeks)** | | | 2023 (16 weeks) |
|---|---|---|---|---|---|---|
| For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars) | **Retail** | **Financial Services** | **Total** | Retail | Financial Services | Total |
| Net earnings attributable to shareholders of the Company | | | **$ 780** | | | $ 624 |
| Add impact of the following: | | | | | | |
| Non-controlling interests | | | **40** | | | 25 |
| Net interest expense and other financing charges | | | **238** | | | 234 |
| Income taxes | | | **263** | | | 182 |
| Operating income | **$ 1,091** | **$ 230** | **$ 1,321** | $ 1,006 | $ 59 | $ 1,065 |
| Add (deduct) impact of the following: | | | | | | |
| Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark | **$ 155** | **$ —** | **$ 155** | $ 154 | $ — | $ 154 |
| Gain on sale of non-operating properties | **—** | **—** | **—** | (13) | — | (13) |
| Fair value adjustment on fuel and foreign currency contracts | **—** | **—** | **—** | (6) | — | (6) |
| Recovery related to PC Bank commodity tax matter | **—** | **(155)** | **(155)** | — | — | — |
| Adjusting items | **$ 155** | **$ (155)** | **$ —** | $ 135 | $ — | $ 135 |
| Adjusted operating income | **$1,246** | **$ 75** | **$ 1,321** | $ 1,141 | $ 59 | $ 1,200 |
| Depreciation and amortization | **891** | **12** | **903** | 865 | 15 | 880 |
| Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark | **(155)** | **—** | **(155)** | (154) | — | (154) |
| Adjusted EBITDA | **$1,982** | **$ 87** | **$2,069** | $ 1,852 | $ 74 | $ 1,926 |

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

***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.

***Gain on sale of non-operating properties*** In the third quarter of 2024, the Company did not record any gain or loss related to the sale of non-operating properties (third quarter of 2023 – gain of $13 million).

***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.

***Recovery related to PC Bank commodity tax matter*** In July 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. PC Bank subsequently filed a Notice of Appeal with the FCA and in March 2024, the matter was heard by the FCA. In August 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of $155 million, including $111 million initially recorded in the second quarter of 2022.

**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 October 5, 2024 and October 7, 2023<br>(millions of Canadian dollars) | **2024<br>(16 weeks)** | 2023<br>(16 weeks) |
|---|---|---|
| Net interest expense and other financing charges | **$ 238** | $ 234 |
| Add: Recovery related to PC Bank commodity tax matter | **10** | — |
| Adjusted net interest expense and other financing charges | **$ 248** | $ 234 |

In the third quarter of 2024, $10 million was recorded related to interest income on cash tax refunds on the PC Bank commodity tax matter discussed above.

**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 October 5, 2024 and October 7, 2023<br>(millions of Canadian dollars except where otherwise indicated) | **2024<br>(16 weeks)** | 2023<br>(16 weeks) |
|---|---|---|
| Adjusted operating income[(i)] | **$ 1,321** | $ 1,200 |
| Adjusted net interest expense and other financing charges[(i)] | **248** | 234 |
| Adjusted earnings before taxes | **$ 1,073** | $ 966 |
| Income taxes | **$ 263** | $ 182 |
| Add impact of the following: | | |
| Tax impact of items included in adjusted earnings before taxes[(ii)] | **—** | 37 |
| Adjusted income taxes | **$ 263** | $ 219 |
| Effective tax rate | **24.3 %** | 21.9 % |
| Adjusted effective tax rate | **24.5 %** | 22.7 % |

(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 October 5, 2024 and October 7, 2023<br>(millions of Canadian dollars except where otherwise indicated) | **2024<br>(16 weeks)** | 2023<br>(16 weeks) |
|---|---|---|
| Net earnings attributable to shareholders of the Company | **$ 780** | $ 624 |
| Prescribed dividends on preferred shares in share capital | **(3)** | (3) |
| Net earnings available to common shareholders of the Company | **$ 777** | $ 621 |
| Net earnings attributable to shareholders of the Company | **$ 780** | $ 624 |
| Adjusting items (refer to the following table) | **(10)** | 98 |
| Adjusted net earnings attributable to shareholders of the Company | **$ 770** | $ 722 |
| Prescribed dividends on preferred shares in share capital | **(3)** | (3) |
| Adjusted net earnings available to common shareholders of the Company | **$ 767** | $ 719 |
| Diluted weighted average common shares outstanding (millions) | **306.9** | 318.4 |

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 (16 weeks)** | | 2023 (16 weeks) | |
|---|---|---|---|---|
| For the periods ended October 5, 2024 and October 7, 2023<br>(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** | **$ 777** | **$ 2.53** | $ 621 | $ 1.95 |
| Add (deduct) impact of the following: | | | | |
| Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark | **$ 115** | **$ 0.38** | $ 113 | $ 0.35 |
| Gain on sale of non-operating properties | **—** | **—** | (11) | (0.03) |
| Fair value adjustment on fuel and foreign currency contracts | **—** | **—** | (4) | (0.01) |
| Recovery related to PC Bank commodity tax matter | **(125)** | **(0.41)** | — | — |
| Adjusting items | **$ (10)** | **$ (0.03)** | $ 98 | $ 0.31 |
| **Adjusted** | **$ 767** | **$ 2.50** | $ 719 | $ 2.26 |

**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 (16 weeks)** | | | | 2023 (16 weeks) |
|---|---|---|---|---|---|---|---|---|
| For the periods ended October 5, 2024 and October 7, 2023<br>(millions of Canadian dollars) | **Retail** | **Financial Services** | **Elimi-nations(i)** | **Total** | Retail | Financial Services | Elimi-nations(i) | Total |
| Cash flows from (used in) operating activities | **$1,829** | **$ 75** | **$ 54** | **$1,958** | $ 1,898 | $ 107 | $ 40 | $2,045 |
| Less: | | | | | | | | |
| Capital investments(ii) | **675** | **15** | **—** | **690** | 681 | 14 | — | 695 |
| Interest paid(i) | **94** | **—** | **54** | **148** | 82 | — | 40 | 122 |
| Lease payments, net | **498** | **—** | **—** | **498** | 472 | — | — | 472 |
| Free cash flow | **$ 562** | **$ 60** | **$ —** | **$ 622** | $ 663 | $ 93 | $ — | $ 756 |

(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.