

Loblaws Companies Limited**Third Quarter 2025 Results**

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PRESENTATION

Operator

Good morning ladies and gentlemen, and welcome to the Loblaws Inc. Third Quarter 2025 Results 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 Wednesday, November 12, 2025.

I would now like to turn the conference over to Roy MacDonald, Vice President, Investor Relations. Please go ahead.

Roy MacDonald — Vice President, Investor Relations, Loblaws Companies Ltd.

Great, thanks very much, Dani, and good morning everybody. Welcome to the Loblaw Companies Limited third quarter 2025 results conference call. As usual, I'm joined in the room this morning by Per Bank, our President and Chief Executive Officer, and Richard Dufresne, our Chief Financial Officer.

Before we begin the call, I'll remind you that today's discussion will feature forward-looking statements, which may include but are not limited to statements with respect to Loblaws' anticipated future results. These statements are based on assumptions and reflect Management's current

expectations, as such are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from our expectations. These risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulators. Any forward-looking statements speak only of the date they were made. The Company disclaims any intent or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, other than what's required by law.

Also, certain non-GAAP financial measures may be discussed or referred to today, so please refer to our annual reports and other materials filed with the Canadian securities regulators for a reconciliation of each of these measures to the most directly comparable GAAP financial measure.

With that, I'll turn the call over to Richard.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Thank you Roy, and good morning everyone. I'm pleased to report that we delivered another quarter of consistent financial and operational performance, reflecting our ongoing focus on retail excellence and our commitment to deliver value, quality, service and convenience to Canadians.

Top line growth continues to be very strong, supported by the opening of 76 stores over the past 12 months, an increase in our retail square footage of 2 percent. On a consolidated basis, revenue grew by 4.6 percent, reaching \$19.4 billion. Our drug retail business grew at 3.8 percent and our food retail business grew at 4.8 percent in the quarter. Adjusted EBITDA increased by 7.2 percent to \$2.2 billion and

margin improved by 20 basis points to 11.4 percent. Adjusted diluted net earnings per share grew by 11.3 percent to \$0.69, and on a GAAP basis, our net earnings per share increased by 4.8 percent.

In food retail, we delivered higher sales traffic and basket growth, once again driving significant tonnage market share gains. Absolute sales outpaced same store sales by 280 basis points at 4.8 percent, reflecting our new store growth, while our food same store sales grew 2 percent. The impact from the stores we opened so far has been in line with expectations.

We continue to see positive momentum across key categories in the right-hand side of our stores, notably in apparel, cosmetics, and H&E. That said, headwinds from liquor specifically and tobacco and our exit from the optical business led to a net 30 basis point negative impact to same store sales this quarter.

Our Q3 internal CPI, like food inflation, was lower than Canada's grocery CPI of 3.6 percent. Our average article price data, or AEP, which reflects our customers' actual basket mix and includes non-food items not included in the CPI basket, was also lower than CPI. Our lower internal inflation metric demonstrates that Canadians who shop our stores are finding more value. Cost increase requests from large global vendors continue to trend well above historical levels. In response, we are pushing back harder than ever to ensure that any increases we accept are justified.

Our hard discount banners continue to deliver strong sales growth based on consumers' ongoing focus on value. Momentum continues to build across the hard discount stores we added to our network through conversions and new builds, proving that our strategy is resonating very well with Canadians.

We're also pleased with the momentum and strong performance in our conventional stores, which improved tonnage market share within their conventional sector.

This quarter, we announced that Specsavers would be opening 111 locations within Loblaw stores to replace our Theodore & Pringle optical business. Exiting this business resulted in a \$30 million adjusted charge this quarter. Going forward, we expect it to negatively impact food same store sales by an approximate 20 basis points until we lap this transaction, while the exit from the Theodore & Pringle business coupled with our new agreement with Specsavers is expected to generate approximately \$10 million in annual run rate earnings accretion.

In drug retail, absolute sales increased 4.3 percent, excluding the impact of the sale of Wellwise, while same-store sales grew 4 percent. Pharmacy and healthcare services grew same-store sales by 5.9 percent, driven by broad strength in prescription and new healthcare services. Our specialty drug prescription growth continued to lead our pharmacy performance. Patients continue to respond positively to the convenience and expanded level of primary care we offer through our more than 1,800 pharmacies across the country, including our 209 in-store clinics. We are on track to reach our target of 250 in-store clinics opened across Canada by the end of this year.

Our front-store same store sales continue to improve, growing 1.9 percent, reflecting the ongoing strength of our beauty category. This more than offsets the impact from the exit of certain electronics categories in the prior year, which will no longer be a headwind to same store sales after the fourth quarter. We continue to be pleased with the underlying strength, profitability, and sales momentum of Shoppers Drug Mart front store business.

Online sales in the quarter increased by 18 percent across our retail businesses. Delivery continues to lead growth in the online grocery channel, and we continue to be pleased with our online sales penetration in both food and pharmacy. Our retail gross margin improved 20 basis points led by drug retail, reflecting improvements in shrink in both drug and food. Food trading margins remained stable.

Our SG&A rate as a percentage of sales was stable, with operating leverage from higher sales offsetting incremental costs related to the opening of new stores and the successful ramp-up of our new automated distribution facility in East Gwillimbury. This new DC continues to ramp up ahead of plan, costs remain lower than budgeted, and we are on track to ship significantly more cases than planned this year. We have begun fulfilling orders in our ambient section, which is ramping up a full quarter ahead of plan.

We're making considerable progress on the construction of our second automated DC in South Caledon, Ontario. The project is on schedule.

In the quarter, retail Adjusted EBITDA grew 6.8 percent and EBITDA margin increased by 20 basis points to 11.1 percent. PC Financial revenue increased 5.5 percent, driven by higher sales in our mobile shop and higher insurance commission income. Our PC Money spending and savings accounts are performing very well. Customer account deposits increased by \$174 million in the quarter. This increase in deposits is evidence of strong customer engagement and helps us lower our bank's funding costs.

The bank's adjusted earnings before tax increased by \$13 million or 36.1 percent, primarily driven by higher revenue, lower operating costs, and favourable impact from our ECL provisions. We

remain very comfortable with the risk profile of the bank's portfolio. We continue to take a conservative position in our loss provisioning with a strong and very well capitalized balance sheet.

Free cash flow from the retail segment was \$325 million in the quarter, and in the quarter we repurchased \$450 million worth of common shares. Our balance sheet remained strong and we continue to improve our key return metrics. Our return on equity is 24.8 percent and our return on capital is 11.9 percent.

Looking ahead to Q4, while it's still early in the quarter, we are confident our results will be in line with our financial framework. Reflecting our strong performance year-to-date, we now expect full year adjusted EPS growth to increase slightly from high single digits into the low double digits, excluding the impact of the 53rd week. Our assets are well-positioned, we are executing well, and we are investing for the future, all while delivering consistent operational and financial performance.

I'll now turn the call over to Per.

Per Bank — President, Chief Executive Officer, Loblaw's Companies Ltd.

Thanks Richard and good morning everyone.

I'm really pleased with our third quarter performance. We continue to generate strong revenue growth through a combination of same store sales strength and the positive impact of our strategic investment in new stores. This top line growth of 4.6 percent allowed us to deliver 11.3 percent adjusted EPS growth this quarter and will help us support our long term earnings expansion.

As Richard discussed, we accomplished this while increasing our spending to support the opening and ramp-up of our new stores, the accelerated transition to our new 1 million square foot DC, and the lapping of some real estate gains from last year. This is a clear demonstration of the strength of our business and our ability to deliver consistent financial results. With our broad footprint, we know many Canadians are looking for opportunities to get the most out of their budgets in this challenging economic environment, and we believe it is our responsibility to deliver the quality, value, service and convenience across every corner of our business.

Every day, we fight to earn our customers' business, whether that is through competitive pricing, meaningful promotions, through omnichannel service or personalized rewards through our PC Optimum program. As a result, more Canadians shopped our stores and we generated \$857 million in additional revenue.

In drug retail, we delivered another quarter of positive momentum in our front store sales. Our prestige cosmetics continued to be very strong, supported by fragrance and dermatology categories. Beauty categories remained strong. In pharmacy and healthcare services, we saw ongoing strength in acute and chronic scripts, and our specialty drug and new prescribing services categories continued to deliver strong double-digit growth.

In drug retail, we are enhancing our omnichannel presence, offering our customers more choice and speed. We are growing delivery through Skip and now Uber Eats, and scaling our Buy Online Pickup In-store network to cover 750 stores by early next year. This delivers even greater convenience, supporting Shoppers' customers' promise to help make lives easier. Across the country, we have now

opened 12 new pharmacies and 55 new pharmacy clinics this year, providing an expanded scope of care service to Canadians.

In food retail, same store traffic was up and basket growth was positive. This contributed to tonnage market share gains. Our hard discount banners also continue to outperform same store sales growth and drove the majority of our absolute growth. In the quarter, we opened 19 Maxi and No Frills stores. With 16 of these being small-format stores, we are bringing hard discount to underserved urban pockets as well as suburban communities. We see this as an investment to strengthen our position in what is a long term consumer trend towards value. Similarly, we saw higher same store sales growth rates in our superstore banners. Within the right-hand side, we saw strong growth from our general merchandise refresh, and we are also showing very positive results from the right-hand side-inspired refresh in our medium-sized stores.

Turning to tariffs, following the removal of Canadian counter-tariffs in September, the related cost increases and corresponding T-labels were removed from our shelves as we sold through the inventory. During this time, we received a lot of positive feedback that our efforts were helping our customers make informed decisions. As always, from every challenge comes opportunity. More customers are discovering quality Made in Canada products, so we continue to support these customers and have now sourced and on-boarded more than 200 new Canadian vendors since the start of this year. We actually believe that this is good for both our customers and good for Canadian producers and manufacturers, and good for the economy.

Our digital sales growth remained very strong and our weekly engaged users hit an all-time high as we continue to differentiate ourselves by enhancing customer experience with more personalization and choice. We are excited to have begun launching Uber Eats across our network. This provides customers with optionality across third party delivery providers, which already include Skip, Instacart and DoorDash.

Some of you may have noticed something new on your last shop - three of our GTA No Frills stores have implemented PCO Go. This is a new feature and is designed to provide a faster shopping experience, enabling customers to scan groceries as they shop with a real time estimated total of the bill and streamlining their checkout process. Of course, this has only been less than a week, but we are seeing a 90 percent offset for the customers who have tried this new feature, so feel free to check it out. It's great.

We are pleased with the strategic foundation that we have built, and I'm excited about the opportunities that lie ahead. The strength and diversity of our business provides differentiation, unique growth opportunities, and allows us to deliver consistent operational and financial results. This provides the foundation to make substantial investments today and to accelerate our longer term growth ambitions.

Freight as a service is a great example. Today, we are leveraging our existing supply chain delivery infrastructure, enabling us to rent out our empty trucks as they return from their store delivery routes. Next year, this business is expected to generate more than \$200 million in EBIT, delivering

another year of more than 20 percent growth. Similarly, our advanced media business is expected to generate over \$100 million in EBIT next year.

We are scaling this business with the rollout of more in-store digital screens in partnership with Stratacache. Customers like the immediacy and relevance of in-store screens. Whether it is a beauty tip, seasonal promotions or a great product worth trying, the content feels personal and useful in the exact moment it matters. Advertisers value the ability to reach 4 million-plus in-store shoppers every single day at the point of decision with measurable impact. A recent example of this growth opportunity is that you will start to see more screens with new content in our stores over the coming months.

We are very pleased with the strategic advantage our rich first-party data provides. It seems every week we are implementing a data-driven solution that allows us to better understand and serve our customers, improve our operations, make smarter decisions, and deliver even more relevant offers. For example, we are now aggregating customer data to guide and optimize space planning for our store network. This initiative is driving a material sales lift and it ensures each store better reflects the needs and preferences of its local customers. Our data assets will be a key differentiator for Loblaw's continued success and growth. These examples plus our PC Optimum loyalty program and our expanding ecommerce business support higher growth, higher margin business opportunities that should have a flywheel effect across everything that we do.

This year and next will mark an important milestone in our future growth. We are well on our way in the construction of the second 1 million square foot DC in South Caledon, an identical twin to the East Gwillimbury DC that we are currently ramping up. We remain encouraged by the success of our

new small format discount stores and the new clinic-equipped pharmacies; and tomorrow, November 13th, we will be excitedly watching the new opening of our second T&T in the Seattle area. By the end of next year, we expect to have another five T&T stores open in Washington and California.

Our strategy remains anchored by unmatched core assets, excellence in retail operations, and consistent operational financial performance. Looking ahead, we are well positioned to serve the everyday needs of Canadians today and in the future.

I'm excited about the launch of our Holiday Insiders last week. This has been a holiday tradition for more than 40 years in Canada. Our team and I do take great pride in showcasing innovative products crafted so Canadians can celebrate and share the spirit of the season with family and friends. I'll just invite you to try my personal favorite this year - I know it's probably always ice cream, so it's the Santa Milk and Cookie ice cream that has been received very well by our customers.

I'd also like to call out the amazing generosity that happens every day in all of our grocery stores across the country. I'm very proud to share that each of our stores is partnered with at least one local school to help support the students with their access to nutritious food, removing a significant barrier to learning. This year, the PC Children's Charity met its long-term goal of feeding 1 million Canadian children. Thanks to the support of our customers and colleagues, PC Children's Charity is the nation's largest charitable direct-to-school food program, where 100 percent of all customer donations go to feed the students in their own community.

I'd like to thank all members of the Loblaw team for, once again, their tremendous efforts. Your passion and hard work are what allows us to consistently deliver the quality, value and service that people in your community rely on every single day.

Finally, I will close by letting you know that we have successfully completed the global search for the key role of President for Shoppers Drug Mart. I am very pleased to announce the appointment of Gregers Wedell-Wedellsborg as President. Gregers will be joining us January 26 next year following his transition from Matos Group, where he is currently Group CEO. He will officially take up his responsibilities on March 16 after a thorough on-boarding process. Matos is a publicly traded health and beauty retailer with over 500 locations across Denmark, Sweden, Norway and Finland, and Gregers is an exceptional leader and retailer with a proven track record in driving growth and performance, digital innovation and operational excellence. Shoppers has a well established strategy and leadership team, and I am highly confident Gregers will help take the organization to the next level.

In making this announcement, I would also like to acknowledge the significant contribution of David Markwell, interim President of Shoppers and head of our technology and analytics group. David threw himself into this interim role with great energy and enthusiasm and has made a tremendous difference. He will of course support Gregers' transition until he starts his official accountabilities on March 16, and also continue his roles as Executive Vice President, Technology and Analytics as well as supporting several key enterprise initiatives.

Yes, that was the end of my script - I know it was long, but I just had so much I wanted to share with you. With that, I'll now open the floor for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question and answer session.

Should you have a question, please press the star key, followed by the number one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press the star key, followed by the number two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please while we assemble the queue.

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

Irene Nattel – Analyst, RBC Capital Markets

Thanks and good morning, everyone. A lot of great colour there, thank you.

I was wondering if we could please just start with what you're seeing in terms of consumer behaviour. Same store sales growth of 2 percent in food was consistent with Q1 but admittedly a deceleration from the Q2 level, so just wondering below the surface, how should we be thinking about that and how should we be thinking about the growth rate on a go-forward basis? Thank you.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Thank you, good question. On consumer behaviour, I would say that we are seeing more of the same, so our promo penetration stays high. It is higher than last year, but it is actually not higher than quarter two. Customers are still shopping more and more on hard discount, but we are not seeing it accelerating, so basically we are seeing—we're seeing more of the same with regards to customer sentiment, at least that is what we see right now as we speak.

Our food, or our grocery same-store sales number - just trust me, it continues to be an important number for us even though more sales will be coming from our new stores and will help fuel our long term performance. Also, I think it's important also to look at our same store sales in a third of our business in Shoppers, because there we saw the drug same store sales at 3.8 percent and our front store sales at 1.9 percent, which was the best quarter in nine quarters. Adjusting for the electronics, then we are up at 3 percentage points of growth in front store, so I think that's how I see it.

I'm pleased with our Q3 performance as we are heading into Q4, but maybe you have some more you would share, Richard, on this.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes Irene, specifically if you look at same store sales in Q3, we need to go back to 2024, okay? As you know, we had a—we hit some bumps in Q4 in the first half, towards the end of the first half, and so internally we had to play some catch-up to be able to recover over that bump, and so that led us to be

somewhat more aggressive in the second half last year, to be able to deliver on our market share objectives. Now we're comping through that, so that's simply us comping over what we did last year.

Having said all that, I think what's key for us is if you look at our total food sales growth of 4.8 percent and our internal inflation, which is less than 3 percent, the delta is essentially tonnage growth, so we've been gaining significant tonnage growth. We're on our way to deliver the best market share we've ever had on top of the best market share we had last year, so we feel very, very good about the business, but you're going to see this wonkiness in same store sales for food for Q3 and Q4 this year.

Per Bank — President, Chief Executive Officer, Loblaw's Companies Ltd.

I think maybe I'll just add to that, Irene, that how we see customers is changing. We saw it a bit in Q2 but also in Q3 - if you look at meat, red meat market prices are increasing because of commodity prices increasing, and then customers, they do understand how to navigate that because they're not just buying the same as they did last year. They're buying more chicken, as an example. You'll see the same in other categories - if berries go up, they'll buy the cheaper berries or not buying berries and buying something else. That's how customers, they continue to navigate through inflation and keeping their costs low, and of course as well shifting to discount for some of our customers.

Irene Nattel – Analyst, RBC Capital Markets

That's great. Thank you very, very much.

Just switching to Shoppers, can you talk through how we should think about the sustainability of that Rx print as we lapped sort of—you know, year-over-year of continuous, sort of, let's call it higher mid-single digit same-store sales?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes Irene, the specialty drug category continues to grow quite significantly. We're going to see the introduction of generic drugs in that sector next year, which will affect the top line, but if we look historically on the introduction of generic drugs in general for our business, it's actually been a positive because we get more volume, and so that ends up generating more dollar profits for the organization.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, and maybe when the prices come down, we will see sales could increase as well. What we know right now, it looks like we will continue the trend that we have seen in the past.

Irene Nattel — Analyst, RBC Capital Markets

That's great, thank you, and I'll be sure to try the Santa Milk and Cookie Ice Cream.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

It's really good, Irene.

Irene Nattel — Analyst, RBC Capital Markets

Okay.

Operator

Your next question comes from Michael Van Aelst of TD Cowen. Please go ahead.

Michael van Aelst – Analyst, TD Cowen

Hi, thank you. I just wanted to follow on some of Irene's questions.

You talked about market share gains in both discount and full service, and I think it's clear to a lot of people what you're doing in discount and how you're trying to gain share; but on the full service side where you're not really adding stores, how are you gaining tonnage share? What would you say is behind those gains?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes, so just to be exact, and we say this every call, the conventional channel share is going down, but we're doing better than our peers, and so we see that very clearly. We're doing better than our peers in conventional, and obviously we're doing better than peers on discount.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, and we have a number of initiatives in our conventional business, so in our superstores, as you know, we are working on the right-hand side, adding more brands into clothing. In food, we are increasing our multicultural assortment. We're making a better shopping trip, we're working more with our digital offers, so we're doing a lot. When it comes to our (inaudible) division, whether it's our Fortino's or Sears or Loblaws stores, there we are—we are giving customers more value in the form of

better service, better products, but also better pricing, so we are finding that sweet spot of combining value with the quality that we serve in our conventional banners.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes, and net-net—just to be very clear, net-net we're gaining. When you add both of them together, we're gaining share.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, and we shouldn't forget T&T. It's not in—we don't know about this year, but we know that if we're adding that, it's not in the Nielsen data, then it's even more because T&T is still a growth engine for us, both in Canada and of course what we're seeing in the U.S.

Michael van Aelst — Analyst, TD Cowen

Okay, so conventional—I think we've heard in past quarters that conventional was growing a little bit, but it sounds like this quarter you're saying it isn't growing, but you're just gaining share with it.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

No, it's the same—we've been saying the same thing, Michael. We've been saying the same thing. Conventional channel...

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

It's not growing with the same pace as the others.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

But we are doing better than our peers.

Michael van Aelst – Analyst, TD Cowen

Okay, but is it—it's not growing at the same pace, but is it growing? Yes? Okay.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes. Yes, it's growing.

Michael van Aelst – Analyst, TD Cowen

Okay.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Sales growth in-market is up, same store sales in-market are growing - yes.

Michael van Aelst – Analyst, TD Cowen

Okay, perfect. Thank you.

Operator

The next question comes from Mark Carden of UBS. Please go ahead.

Mark Carden – Analyst, UBS

Good morning. Thanks so much for taking the questions.

To start, you guys called out strength in your superstore business. Was the contribution from these formats any bigger or smaller relative to last quarters, and then are you seeing many shifts in how consumers are shopping the stores, and then just your thoughts in general on merchandising for the holiday. Thanks.

Per Bank — President, Chief Executive Officer, Loblaw's Companies Ltd.

No, I think it's more of the same. Our superstores have a very, very strong position, especially in the west where it is driving some significant sales, and the DM, so especially in the home, so toys, we are doing very well, home and also clothing, and that's of course helping on our overall margin, so in general, superstores is a good fit to us.

Now we are also—so our supermarket division, they combined our Atlantic superstores and our superstores in the west into one superstore from coast to coast, so now we have 180 of those superstores, which of course we will try to get more of, having those combined.

Mark Carden – Analyst, UBS

Okay, great.

Then just on the drug retail side, what have your learnings been thus far from the Shoppers locations that have offered some of the expanded health services capabilities? Have you found that it

leads to higher spend in the front store as well, and just any quantification, if possible, on the lift. Thank you.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, overall they're doing better, and by end of this year, we will have met our target of having 250 Shoppers Drug Mart with clinics. Of course, right now it's mostly Alberta and it's Nova Scotia, and then we are seeing how much more we can do in other provinces as they open up for more scope, so we're really pleased with the performance we're seeing there, and of course it has a high level of impact on the rest of the business.

Mark Carden – Analyst, UBS

Great, thanks so much. Good luck guys.

Operator

Your next question comes from Mark Petrie of CIBC. Please go ahead.

Mark Petrie – Analyst, CIBC World Markets

Yes, thanks. Good morning. I just wanted to follow up maybe on the competitive landscape.

Just to clarify, do you think the comment of gaining tonnage market share holds on a same-store basis, or would you say it's more stable there? Then second, I know CPI is noisy, so when you do your

price benchmarking, would that suggest that Loblaw is an outlier with an internal inflation below CPI, or do you think that that's essentially consistent across the industry?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

I think—I don't know what the others have, so I can't comment. I can tell you from a market share perspective year-to-date, we're gaining share and we're ahead of our plans for last year. We're on our way to finish very strongly, so yes, we are gaining share.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

I think on the market, for me it stays very rational. It's a good competitive market to the benefit of customers here in Canada, but it also stays rational.

Mark Petrie — Analyst, CIBC World Markets

Yes, okay. Thank you.

Then on Shoppers, also two questions. Just based on the behaviour that you're seeing, how would you characterize consumer confidence? I know you called out strength in beauty, maybe just behaviour within that category, if there's any colour. Then second, what has the impact been of your shift in some of your approach on price and promo? Is there any adjustments to how you're positioning on that today?

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

I think the consumer sentiment—again, as I said before, it's more of the same, and we are seeing some good growth in fragrance and in the derm category. Customers might not buy as many big electronic items, but they buy—they definitely continue to buy fragrance and derm, so we're seeing a good, strong uplift and that's helping our overall sales in Shoppers Drug Mart.

We have not changed the way that we promote in Shoppers. We have lowered prices. We started that November last year and we continue to do so, but we have not really changed the way that we trade in Shoppers.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes, business in Shoppers is pretty steady, steady as she goes.

Mark Petrie — Analyst, CIBC World Markets

Yes, okay. Fair enough.

Then just last one, maybe just on Buy Canadian, I think last quarter you had commented that it accelerated from Q1. How would you characterize it as a factor in Q3, and what do you think the momentum is on that?

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, so after the tariffs have gone, so we in Canada have removed the retaliatory tariffs, then prices on direct imported products from the U.S. have gone down to normal, and of course we are seeing some customers who are going back to those products that they love now that they are much cheaper than they were, and that will have some impact on Canadian sales.

Overall, Canadians just love to buy Canadian products, and that's also why we have added another 200 suppliers this year so far, so it's still up but it is not up as much as it was before, because of lowering prices of those products from the U.S.

Mark Petrie – Analyst, CIBC World Markets

Yes, understood. Okay, appreciate all the comments. All the best.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Thank you.

Operator

Your next question comes from John Zamparo of Scotiabank. Please go ahead.

John Zamparo – Analyst, Scotiabank

Thank you, good morning. I wanted to ask about private label penetration, and I wonder if you could share the delta of growth rates in private label versus national brands in Q3 compared to recent

quarters, and is there any change in terms of response you are seeing from national brands to try to support tonnage growth?

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

For us, we like growth both in national brands and in control brands, so we like growing with both. Right now, we are seeing that our No Name, especially in our discount division is growing ahead of everything else, so customers are seeking the good choices that we have in No Name. Overall, we don't see any big significant shift to control brand or to the big national brands, but no doubt that the big players, the big national brands, they need more volume, so that might change over time.

But for now, and also what we see right now is that it's more of the same with a little bit of favorability to our No Name, plus right now that we are in the middle of our Insider salons, that is doing incredibly well for us.

John Zamparo – Analyst, Scotiabank

Okay, thank you.

I wanted to ask also about ecommerce growth - it remains elevated. I wonder how you think about this and if you could talk about the evolution of profitability from these sales, because it's good to see the sales growth and market share, but margins are lower on these sales, so I wonder how margins are evolving as this business grows.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, so if I can just talk about the market, and Richard, maybe a little bit on the profits; but overall, we're getting market share and we have a market share in online food that are way above our overall market share. With having added Uber, I think two weeks ago, we're seeing a really, really good uplift there.

What we are really pleased about is that the penetration of customers shopping online food is increasing a lot in our hard discount stores, so in No Frills, it's up a lot, so we are giving access to online food to many more Canadians and they can access hard discount, where they get more value for their money.

Just one overall for the profit before I give it to you, Richard, is that we do not have our own trucks. A man and a van is very, very expensive, and since we use the delivery services, actually margin is okay for us. It is not as good as if it wasn't online, but it is still very, very good; and also, customers who shop online, they also tend to shop more in our stores, so overall it's good for us.

We are pleased, and it was an 18 percent uplift in online sales. It is a big part of our business, and we do expect that that's going to—that kind of growth levels would continue into next year.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes, so the drag—the additional drag on earnings is minimal because essentially the fastest growing segment for us is PC Express, which means we pick in store and we have a third party deliver to

a home, so we're not paying for the delivery, so the impact on earnings is not that significant anymore. We feel really good about growing this as fast as we can.

Per Bank — President, Chief Executive Officer, Loblaw's Companies Ltd.

When we are into loyalty and online and digital, I just want to state that last quarter, I talked about AI for—that the tool we had for district managers. Many, many companies, they do a good talking about AI, but due to the excellent team that we have, we actually are delivering because that tool now is out in 43 districts, and in quarter one it will probably be out in our entire store network, so we have a lot of great use cases within this.

John Zamparo – Analyst, Scotiabank

Thanks very much. I'll pass it on.

Operator

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

Vishal Shreedhar – Analyst, National Bank Financial

Hi, thanks for taking my questions.

With respect to your real estate program, I know off the top you indicated that it was in line with expectations; but as you look at your various projects, is there anything that's within the projects,

whether Shoppers or the small format No Frills, that's coming in better than expected and maybe you'd like to tweak going forward, and accelerate one and de-emphasize another?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

I think everything is going pretty well, Vishal. I think what is clearly very successful is small format urban. Shoppers continues to click along, each one we open is doing really well, and as we said in the past, outside urban areas we're going to go with a slightly larger box, and the few we've opened this year, we're very happy with, so so far, so good. The top metric we're focused on is sales, and so far when we look at the sales of these stores, we're happy.

Vishal Shreedhar — Analyst, National Bank Financial

Okay. With respect to industry square footage growth, your materials indicated that it was up. Do you have a sense of how quickly Loblaw is growing versus the industry - are you all in line, or are you going a little bit quicker in terms of sales?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Just a little bit, like we said, 2 percent over the last 12 months. In food, it's less than 2 percent. We've been playing catch-up, and I was actually looking at this figure this week - our square footage share in Canada is not yet back to the level that we were in 2019, so we have been playing a bit of catch-up. We are going to catch up to that next year.

For us, it is pretty sensible, and so far we feel good about all the stores we have opened. As long as that continues, we will keep going.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Many of the new stores we are opening, they are about 10,000, 15,000m 17,000 square foot, where previously we might have opened them at 40,000 to 50,000; so yes, we are opening more, but less square foot and of course also less sales. That is also a big difference. Don't only look at the - and I know that you don't - at the numbers.

Vishal Shreedhar — Analyst, National Bank Financial

Thank you for that.

With respect to ecommerce growth, it's still very strong, and obviously we're putting CapEx dollars in new stores. Do you anticipate the ecommerce growth to taper at some point, or do you anticipate this accelerated growth in ecomm to continue for several years?

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

I think your guess is as good as mine, but if I can just look at other countries, I think that probably that's the best measurement of guessing where it's going to land.

I think overall in Canada, penetration of ecomm in food, it's about 4 percent, about that number, and we are higher than that. Would it end up being 8 or 10, I don't know. In the U.K. right now, after many years where everyone really went for online food, it's about 11. In Germany and France, it stays

about 4 or 5 percent. So, U.S., I'm not aware of the numbers. We predict that growth level of, whatever, 15 percent as an industry over the next few years, and at some point, yes, it is going to taper off because so many customers, they want to do both - they also want to go down, they want to touch their produce, they want to look at what they buy. They want to get the experience going to stores.

I think seven, eight years ago, I think we all in our industry thought that there was no need to build new stores, but there definitely is because customers, they want to shop. Many customers, they're not good at planning, and you also need to be good at planning to shop online.

Richard Dufresne — Chief Financial Officer, Loblaw's Companies Ltd.

Yes, one thing I would add, Vishal, is a phenomenon that's definitely affecting the top line growth of everybody is the advent of the new gig players. All the gig players are filling up their channels, whether it's Uber, Instacart, Skip the Dishes, so as everybody sort of fills up their channel, it's going to lead to higher growth. Once that's all filled, I think you're going to get to a more normal growth. We don't know what that number is yet. We'll figure it out probably two years from now.

Vishal Shreedhar — Analyst, National Bank Financial

Thank you.

Operator

Your next question comes from Chris Li of Desjardins. Please go ahead.

Chris Li – Analyst, Desjardins

Thank you, good morning everyone.

It sounds like there's a lot of interesting and exciting developments within your advanced media business. If I heard you correctly, I think you're targeting \$100 million of EBIT next year. I'm just wondering, are you able to share what is the level right now in this year for the advanced media business?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes, it's lower than \$100 million. How much lower? We said we would mention it when it reaches that number.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

So it starts with a 9, okay, and that's all I will say.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

I think over time also, the Stratacache deal will help us generate more income there, so that's going to be rolled out over the next year to all the screens in all our stores.

Chris Li – Analyst, Desjardins

Okay. Okay, that's helpful.

Then just—You mentioned about Ozempic and Wegovy becoming generic. I guess it's no secret—like, we're hearing in the media reports that there have been some delays from Health Canada in terms of approving applications by the generic drug manufacturers. Are you guys seeing that as well, and do you have a sense of when generic will be available on the shelves?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes, we've heard the same thing as you. We know they're coming, maybe not early '26 but maybe mid-2026, so. That's all we know. We know as much as you do, probably.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

(Inaudible) either way, and what we think about is our customers. When it goes generic, it is going to be so much cheaper for many, many customers. So many customers now, they will have access to that drug, which is good for us, good for customers and good for healthcare in Canada, so we hope it comes sooner than later.

Chris Li – Analyst, Desjardins

Then when you mentioned earlier that obviously you get the lift in volumes, which makes a lot of sense, is that good—in terms of more dollars from volume, is that good for the top line as well as the bottom line?

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, that is still to be seen. Our prediction would be that we are going to see—so even though that is going to be significantly cheaper and we will sell more, so that's our best guess. Right now, the best guess would be that we will still have a good top line growth, and then on the dollar, we'll be fine.

Chris Li – Analyst, Desjardins

Got it, okay.

Then my other question, just maybe on the supply chain, on the East Gwillimbury DC, is this still on track to be fully ramped up by middle of next year? I know it's a bit of an earnings drag right now for you, but as the ramp is complete, is it fair to assume that that headwind will turn into a tailwind for you in the back half of the year?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes.

Chris Li – Analyst, Desjardins

Yes? Okay.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Yes, mid-2026. The ambient section, which is the last section that we've opened, we started fulfilling orders a few weeks ago, so as I said in my remarks, we're a full quarter ahead of ramp-up, so by

mid-2026, we should be well on our way and we should start to get benefits from East Gwillimbury for sure.

I am surprised at how much progress we have done at Caledon. Let's not forget, we started construction on that one in January. Steel is up - we're going to be finishing erecting steel by the end of winter and it's going to be fully enclosed, I think by the summer, so that's also progressing well and on plan, and that one will open in '28.

Chris Li – Analyst, Desjardins

Got it, okay.

My last question is just maybe on T&T - obviously you guys are planning to convert that Loblaw at Empress Walk in North York to a T&T, which I think makes a lot of sense given the demographics there. My question is, as you look to potentially double the footprint of T&T in Canada over the longer term, do you expect store conversion to play a bigger role than in the past in terms of how you're opening up new T&Ts?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

No, I think there's the odd and sod store that could become T&T, and Empress Walk is one. I think most of the growth will come from greenfield sites.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, so overall I think that's the same for all across our network. We have not planned for a lot of conversions. There might be a few here and there that make sense, but overall that's not a big part of our strategy.

Chris Li – Analyst, Desjardins

Okay, that's helpful. Thanks very much.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Thank you.

Operator

As a reminder, if you wish to ask a question, please press star, one.

Your next question is from Etienne Ricard from BMO Capital Markets. Please go ahead.

Etienne Ricard – Analyst, BMO Capital Markets

Thank you and good morning.

Revenue growth from new stores continues to accelerate. Given that openings appear to be weighted to the second half of this year, should we expect this growth to accelerate further over the next few quarters?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

Good question. What I'll say is if you look at the two-year stacked growth of absolute revenue of Loblaw for Q3, which is 6.1, which is like 4.6 plus 1.5, we expect the two-year stacked growth of revenue for Q4 will be in line with the two-year stacked growth of Q3, which will answer your questions because it reflects the timing of new stores.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, and we opened a lot of new stores...

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

It's mostly in Q4.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

...over the last year.

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

We opened a lot of new stores in Q4 last year. We're opening a lot of new stores in Q4 this year, so that's going to be the best guide because you can see—you will see if you go back that in Q3 of last year, our absolute sales were up 1.5, and in Q4 they were up 2.9 because of new stores, so you're going to see a similar phenomenon in Q4. Hope that's helpful.

Etienne Ricard – Analyst, BMO Capital Markets

Yes. Yes, that's helpful. Thank you.

As you continue to open the new small format No Frills, I am curious, are these stores giving you new read-throughs or maybe customer data that would be additive to the retail media business?

Richard Dufresne — Chief Financial Officer, Loblaws Companies Ltd.

To me, it is more of the same, like one more box with one more stream of data with one more opportunity to put screens, so the answer is yes, but it would be probably similar type data that we get in any of our discount stores across the country.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Yes, so we have so much data already now that we're working—utilizing even better, and our team is doing an incredibly good job of doing exactly that.

Etienne Ricard – Analyst, BMO Capital Markets

Great, thank you very much.

Per Bank — President, Chief Executive Officer, Loblaws Companies Ltd.

Thank you.

Operator

There are no further questions at this time. I will now turn the call back over to Roy MacDonald.

Please continue.

Roy MacDonald — Vice President, Investor Relations, Loblaws Companies Ltd.

Thanks Dani, and thank you everybody for your time this morning. If you've got any follow-up questions, drop me a line, and mark your calendar for Wednesday, February 25, when we will be reporting our Q4 and full year '25 results. Have a great day.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you for your participation.

You may now disconnect.