

Loblaw Companies Limited**Second Quarter 2025 Results**

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Loblaws Inc. Second Quarter 2025 Results.

At this time, all lines are in a 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 Thursday, July 24, 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, Loblaw Companies Limited

Great. Thank you very much, Joelle, and good morning, everybody. Welcome to the Loblaw Companies Limited Second Quarter 2025 Results Call.

As usual, I'm joined here this morning by Per Bank, our President and Chief Executive Officer, and by Richard Dufresne, our Chief Financial Officer.

Before I begin the call, I'll remind you that today's discussion will include forward-looking statements, which may include, but are not limited to, statements with respect to Loblaw's 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 regulator.

Any forward-looking statements speak only as of the date they're made. The Company disclaims any intention 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 Report, 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, Loblaw Companies Limited

Thank you, Roy, and good morning, everyone.

I'm pleased to report that we continued to deliver consistent financial and operational performance in the second quarter, with strong revenue growth fuelling solid performance against our plan. Our ongoing focus on delivering value, quality, service, and convenience to Canadians continues to resonate with customers, and has resulted in strong market share performance across our businesses.

Top line growth is a theme this quarter and is becoming the norm as we open new stores. On a consolidated basis, revenue growth was 5.2 percent, reaching \$14.5 billion, an increase of \$725 million over last year. If we exclude the divestiture of our Wellwise stores last quarter, revenue growth would have been even higher, at 5.4 percent. Our new stores are performing well and are reaffirming our strategy.

Adjusted EBITDA increased by 7.4 percent to \$1.8 billion. Adjusted diluted net earnings per share grew by 11.6 percent to \$2.40, and on a GAAP basis, our net earnings per share increased by 60 percent.

You will notice that we have now completed the bulk of the amortization related to our 2014 acquisition of Shoppers Drug Mart. Completing the amortization was a significant driver of the \$106 million benefit to GAAP earnings in Q2. Going forward, GAAP earnings growth will be positively impacted by these lower charges through Q1 of next year.

In Food Retail, we delivered higher sales tonnage and basket growth, driving significant tonnage market share gains. Absolute sales outpaced same-store sales by 230 basis points, at 5.8 percent, reflecting our new store growth, while our Food same-store sales momentum continues, increasing 3.5 percent.

Our Q2 internal CPI-like food inflation was lower than Canada's grocery CPI of 3.3 percent. Looking at our average article price data, which reflects the full basket mix bought by our customers across our network, our internal inflation rate continues to be much lower than CPI. Opening more discount stores is helping to maintain low prices for Canadians.

Higher-than-normal cost increase requests from larger global vendors continue to be a concern. Only a third of the supplier cost submissions we have received over the last months have been tariff related. In response, we are pushing back harder than ever to ensure that any increases we accept are fair and reasonable, and are partnering with our vendor community to mitigate price increases.

Our hard discount banner sales continued to deliver strong growth, based on the ongoing consumer focus on value. We are seeing strong momentum across the hard discount stores we added to our network through conversions and newbuilds last year, and our recent openings in 2025 are continuing this trend; many more are coming over the coming months.

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

South of the border, our Seattle T&T store remains strong, with sales volumes that have significantly outpaced our expectations. Our next store opens in November. We now have a total of six confirmed location in the U.S., and more are planned.

In Drug Retail, absolute sales increased 4.8 percent, excluding the impact of the sale of Wellwise, while same-store sales grew 4.1 percent. Pharmacy and Healthcare Services grew same-store sales by 6.2 percent this quarter, driven by broad strength in Prescription and new healthcare services. Our Specialty Prescription growth continued to lead our Pharmacy numbers. Patients continue to respond very positively to the convenience and expanded level of primary care we offer to our 1,800 pharmacies across the country, including our 174 in-store clinics.

Our front store same-store sales continued to improve, growing 1.7 percent, and reflecting the ongoing strength of our Beauty category. This was partially offset by the previous exit of certain items in the Electronics category. We remain pleased by the underlying strength, profitability, and sales momentum of Shoppers Drug Mart's front store business.

Online sales in the quarter increased by 17.5 percent across our Retail businesses. Delivery continues to lead growth in the Online Grocery channel, and we remain pleased with our online sales penetration in both Food and Pharmacy. Our Retail gross margin was stable at 32 percent, primarily driven by improvements in shrink, offset by changes in sales mix. I'm particularly pleased with the shrink improvement at Shoppers Drug Mart.

Our SG&A rate as a percentage of sales improved by 10 basis points, with operating leverage from higher sales partially offset by incremental costs related to the opening of new stores and the ramp-up of our new automated distribution facility in East Gwillimbury. The transition to our new DC is progressing very well, and is ahead of plan. We have completed the deployment of Frozen categories and the first phase of Fresh.

Our ramp-up of this new DC is proceeding better than planned. We will ship significantly more cases than planned this year, and our costs are actually running lower than budgeted. Because of this faster ramp-up, we have made the decision to bring our ambient section online a full quarter ahead of plan, which will allow us to realize benefits earlier than expected.

Speaking of supply chain logistics, I would like to share an example of the significant progress we've achieved in integrating AI solutions into our everyday supply chain operations. AI-driven initiatives

are already yielding tangible improvements across key areas of our business. We are streamlining our supply chain operations, using AI-enabled tools that help us proactively manage inventory replenishment with vendors, optimize load building, and manage our transport scheduling and communication.

Another AI initiative that I'm really excited about is currently being rolled out across our store network. Nicknamed "Robin", we are leveraging agentic AI in a custom-built tool to save time and enhance decision-making in our stores, using conversational, action-focused insights based on real-time data. Robin provides a dashboard of KPIs, presents AI-generated insights, and recommends solutions, then tracks and execute to-do lists. Managers will spend less time on backend logistics and more time with their customers and staff, while improving store-level profitability.

The success of this initiative has spawned a second version of the app that is now being tested with district managers to help them better manage their store networks. By the way, the speed at which we are developing and launching these new initiatives is impressive. These developments are actively driving efficiencies which will translate directly into cost savings today, and be open opportunities for future applications.

In the quarter, retail Adjusted EBITDA grew 6.7 percent, and EBITDA margin increased by 10 basis points to 12.2 percent. PC Financial's revenue increased 2.7 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. Deposits are ahead of plan, and now exceed \$700 million, enhancing customer engagement and lowering our bank's funding costs.

The bank's adjusted earnings before tax increased by \$14 million or 87.5 percent, primarily driven by higher revenue, lower operating costs, and lower credit card receivable charge-offs.

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

On a consolidated basis, Adjusted EBITDA increased by 7.4 percent to \$1.8 billion. Free cash flow from the Retail segment increased by \$165 million to \$640 million, and in the quarter, we repurchased \$445 million worth of common shares.

Our balance sheet remains strong, and we continue to improve key return metrics. Our return on equity sits at 24.7 percent, and our return on capital at 11.9 percent. Both metrics continue to improve. Looking ahead to the second half of the year, we remain confident in our ability to deliver our outlook.

Our third quarter is off to a good start, carrying on the momentum from the first half of the year. New stores will continue to drive top line growth, and the second half of the year will see the bulk of our new store activity. Our relentless focus on retail excellence, and on the execution of our strategic initiatives, will allow us to keep delivering value to our customers and strong performance to our shareholders.

Today, we announced a 4-for-1 stock split, effective at market close on August 18, 2025, with shareholders of record at close of business on August 14, 2025, receiving three additional shares for each common share held. Essentially, our number of shares will be multiplied by four, post-split.

I will now turn the call over to Per.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Thanks, Richard, and good morning, everyone.

I'm really pleased with our second quarter performance. Our very strong revenue growth reflects both our continued momentum in same-store sales performance, and the absolute growth, and that's driven by our strategic investments in new stores and banner conversions. This top line growth will help accelerate future same-store sales and support our long-term earnings growth. Our adjusted EPS growth of 11.6 percent was accomplished while we supported the opening and ramp-up of 61 new stores since quarter two last year, plus the ongoing transition to our new million square foot DC in East Gwillimbury.

Most importantly, our offers are resonating so well with more Canadians every single day. We remain focused on helping Canadians get the most of their budgets in a challenging economic environment. Our responsibility is to deliver value, quality, service, and convenience across every corner of our business, whether that's through competitive pricing, meaningful promotions, or personalized rewards to our PC Optimum program. By being responsive to customer needs and innovating across our banners, we are reinforcing our position as a trusted partner for households across the country.

As a result, more Canadians are shopping in our stores; actually, traffic is up, unit sales are up, and basket growth was positive in the quarter. This drove tonnage market share gains overall, and both our hard discount and supermarket banners grew market shares within their market segments. This success reflects not only on the strength of our strategy, but also the incredible work of our teams from coast to coast.

Another highlight this quarter is continuing success of our new stores. This quarter, we opened another 10 new stores; that was nine new Maxi and No Frills stores, and one Shoppers Drug Mart store. We have now opened 20 out of our planned 80 new stores for the year, and we are really pleased with the performance out of the gate, and we are excited about our continued sales growth momentum.

The global shift towards discount retail is a long-term trend, and we are leading it here in Canada. In May, we celebrated the opening of our 500th hard discount store, with the community of Pincher Creek in Alberta. By expanding our reach into communities where affordability matters most, we are meeting customers where they are, and delivering exactly what they need.

Our supermarket banners also had a strong quarter. Fortinos and T&T continued to perform very well, but our Real Canadian Superstores led with very strong comps growth in quarter two. We rolled out our right-hand side refresh in three more Superstores, and we remain pleased with customer reaction, and our ability to transfer these earnings to our general merchandise offers in our smaller stores as well.

We have continued our leadership in supporting Canadian products and vendors. We have doubled down on our efforts and have onboarded another 100 new Canadian vendors, adding 130 new Canadian vendors into our ecosystem this year to strengthen our local supply chain and bring even more choice to our sales, further strengthening our base of Canadian suppliers that remains so important to us.

There's some misconception that the tariffs are no longer a factor in grocery. Nothing could actually be further from the truth. The reality is that the tariff countermeasures remain in place, and

about a third of all supplier cost submissions have been tariff related. We continue to do our best to help customers navigate the impact of tariffs, including our "T" symbol program. This initiative, unique to us, identifies the imported items that are directly subject to retaliatory tariffs with a "T" symbol on-shelf. It has been successful on several levels. As intended, it has helped our customers by clearly identifying tariffs items, supporting Canada and saving money. Behind the scenes, it has also incented suppliers to mitigate the tariffs impact to avoid the "T" label designations.

Sales volume on "T" items declined in the quarter. The trend is accelerating. We are now seeing weeks with a declining buy by more than 15 percent. Our data shows that Canadians are responding positively to these initiatives.

Shifting gears; in our Drug business, we delivered continued, positive momentum in our front store. Our prestige cosmetics continue to be very strong, supported by Fragrance and Derm categories. In Pharmacy and Healthcare Services, our Specialty Drug and new Prescribing Services categories are delivering strong double-digit growth, showing continued strength in acute and chronic scripts. We have opened 23 new pharmacy-led clinics this year, and we remain on track to have 250 clinics, providing expanded scope of care services to Canadians, by year-end.

Our Digital business continued to generate double-digit growth, driven by continued strength in our PCX delivery channel. I'm happy to see our weekly engaged user growth continues to be strong, and customers are spending more time in the app. In Digital, our focus remains on enhancing optionality and convenience across our business.

In the quarter, we strengthened our collaboration with DoorDash, allowing customers to now earn PCO Points. Innovation remains core to how we improve operations, reduce costs, and enhance the customer experience at Loblaws. Our enhanced MyShop functions within the PC Express is just another great example. Improving our customer experience means personalization is increasingly important. We're using advanced AI models to analyze each customer's behaviour and preferences, and deliver the right products, content, and promotions, at the right time, on an individual level.

For example, our PCO app and websites are increasingly being powered by algorithms that present customized deals, product recommendations, and content unique to each service need. We have, even now, meal suggestion based on customers' dietary profile and purchase history, with relevant ingredients also added to the cart. We're excited about the opportunities ahead. These innovations represent an exciting step forward in how technology can transform how we work, and how efficiently and effectively we serve Canadians.

In closing, I would like to thank all members of the Loblaw team for their tremendous effort during this quarter. Your passion, hard work, is what allows us to consistently deliver the value, quality, and service that Canadians rely on every day. As Richard mentioned, our third quarter is off to a good start, and we enter the second half of the year with confidence in our strategy, and in our ability to deliver on our full-year plan.

With that said, I will now open the floor for your questions. Thank you so much.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star, followed by the one on your telephone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star, followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys.

Your first question comes from Irene Nattel with RBC Capital Markets. Your line is now open.

Irene Nattel — Analyst, RBC Capital Markets

Thank you, and good morning, everyone. It looks as though the momentum, in the top line, is continuing to accelerate. I was wondering if you could talk about what you're seeing across the banners, in terms of magnitude, and also to what degree is the step-up, both in same-store sales and revenue growth, due to the new stores versus the rest of the network?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

If I can start, the new stores we just started to ramp up, so I believe you will see more in the future, more this year, more next year, more and more the following year. It's not a significant part, but of course it's contributing as we are adding more stores. Remember, we added 50 new stores last year, we're adding 80 new stores this year, and the second-year comp of new stores are doing a really, really good job for us. But so far, that's not the main.

The main part is that we are we are doing well, and customers, they like the offers that we are giving them, and that bodes—as I mentioned, the Canadian Superstore is doing really well for us. Our

hard discount, both on a comp level and on an absolute level, is doing well. T&T, as Richard mentioned, the U.S. store, it's just a success story. We are taking so much sales and much more than we expected. Bluntly, basically, it's not just one part of our group in quarter two; everything delivered some nice sales momentum for us.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes, I agree. Nothing to add there, Irene.

Irene Nattel — Analyst, RBC Capital Markets

Thanks. Then, just as a follow-up, given the strong momentum that you're having year-to-date, can you walk us through why you chose not to revise upward your guidance for the year?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes, Irene. Two points, I guess. First, it's early in the year to upgrade our guidance. Also, there's still a lot of uncertainty out there, so we thought it'd be more prudent to wait. We'll update guidance when we release Q3.

Irene Nattel — Analyst, RBC Capital Markets

Understood, thank you.

Operator

Your next question comes from Mark Carden with UBS. Your line is now open.

Mark Carden — Analyst, UBS Investment Bank

Hey, thanks so much for taking the questions. I wanted to just start out with the broader health of the consumer, just what you're seeing on that front. Any shifts in buying patterns or trade across categories? Then, just related, any changes you guys are seeing in the underlying competitive environment, just from a pricing standpoint? Thank you.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Thanks for the question, and I think that's more relevant than ever. We're seeing more of the same compared to the past quarter. Customers, they are increasingly seeking value, and value, they can get that in many ways. Of course, our hard discount stores, they are doing well, and they're still leading and doing better compared to the rest of the portfolio. Their comp sales is better, and that's also what we are seeing here in the beginning of quarter three. But also, the rest of our portfolio is doing well.

Customers, they are increasingly seeking to buy more on promotions, buy more in the private label, and then of course, they're also shifting. I think probably a good way to look at it is on our "T" products. Customers, they probably like a lot of their brands coming from the U.S., but now that we are seeing that, in some weeks, more than 15 percent decline in volume for those products means that price matters to our customers. They're shifting into other categories. They're looking out for value more than we have ever seen.

I'm not worried. I think customers, they're acting in a good way. They're not trading a lot down, but it's probably much more of the same, as we have seen before, and what we can say. There are some

macro uncertainty out there, there are some uncertainty with tariffs, but it's not—probably, we are one of the businesses that are least impacted by that.

Do you have anything to add there?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes, and the only thing I would add is, if you look at credit card industry data, you would note that the growth in spend, in Canada, has slowed quite significantly. We have our own credit card data that also corroborates that information. Clearly, customers are more hesitant to spend, and so that's being reflected in the growth we're seeing in our discount stores.

Mark Carden — Analyst, UBS Investment Bank

That's great colour. Then, your Superstores contributed nicely to sales in the quarter. Would you say this is a broader reflection on just consumer behaviour overall, or more specific to some of your assortment changes? How are you thinking about, essentially, the contribution for the balance of the year? Then, would you expect it to remain an outsized contributor to your growth rate?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

No, I think we are positively surprised. Remember, the Superstore business is a quarter of our total business at Loblaw, so that's meaningful for us. But what the team, under the leadership of Frank Gambioli, have done, how they have been more close to the customers, how they are starting to do things on the right-hand side, actually, that delivered another 35 plus bps to the growth. It's helping.

Remember, we are really, really focusing on value. We're making small tweaks to the business, and probably, that's some of it, what we are seeing.

I was with the Board yesterday, walking our Milton store, and that was the best Superstore walk I've ever had. I really, really felt optimistic after that walk. The store was having lots of customers engaging in our deals. We're testing some things like the PCO Go where customers can do the spin-and-win on certain categories, certain products, which gets them around our entire store. I think what we do is starting to help in our Superstores, and also elsewhere.

Mark Carden — Analyst, UBS Investment Bank

Great, thanks so much. Good luck, guys.

Operator

Your next question comes from Michael Van Aelst with TD Cowen. Your line is now open.

Michael Van Aelst — Analyst, TD Cowen

Hi there. Just looking at your Food revenues, they're up 5.8 percent, and I think your same-store sales were up 3.5 percent, so there's a 2.3 percent delta there. Your square footage growth was only up 1.9 percent. Is the performance of these new stores better than the average?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

It's difficult to say, but it's better than the average. It's doing at least as well as we expected when we were making the business cases for each of them. Of course, the store in the U.S., the T&T store there, is also in the mix and contributing well, which is also something we will see when we open the six stores that Richard talked about. We have planned to add a few more to the test, so yes, they're doing well.

One example would be, it's a small store that we opened at Richmond Street, downtown Toronto. It's doing twice as much as we expected, and that's only on 9,000 square feet, just showing how much our customers, they love the great offers that they can get at hard discount, and customers are looking to get that cheaper offer. I think overall, yes, it's doing as expected, and some stores even much better.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes, we're very happy with our 20 new stores opened to-date. I just need to mention one too, that we've opened a Maxi in Sainte-Adèle last week, and the store is already doing 50 percent higher than our planned sales. Definitely, we see discount resonating with customers, and it's showing up in not insignificant sales growth.

Michael Van Aelst — Analyst, TD Cowen

Okay, thank you. That helps a lot. You had an improvement in your OpEx rate despite the ramp-up in your store count. As you add another 60 stores in the back half of this year and accelerate it, do

you see Loblaw being able to maintain the OpEx rate as it is, and if so, how would you—where are the other areas, or what are the other levers you're pulling on?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes, the answer to that is yes. We've mentioned that our outlook was to have stability in SG&A rate for the year, and that's what we're seeing, despite the ramp-up that's coming over the coming months.

Michael Van Aelst — Analyst, TD Cowen

Okay. What are the some of the offsets, Richard, to help prevent that from going up, with the new strategy?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

As we've discussed over the years, we always put in place plans to be relentless on cost, and those plans implemented last year are allowing us to cover the increased costs that we're seeing on new stores and the ramp-up of our new DC.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Yes, so we have plans in place for next year as well.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Cost is a part of our strategy. Remember, our strategy is to grow with hard discount, to grow with service, to grow with T&T, and then really be hard focused on costs, so over time that cost can be diluted. But of course, opening a bit of new stores, and the DC adds a little bit of extra costs, and that's why we are deploying those initiatives.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes. Our plan, Mike, as we've discussed, is to showcase stability in gross margin, stability in SG&A rate, and have our top line be the driver of earnings. That's what you saw in Q1, that's what you saw in Q2, and that's what we see for the rest of the year.

Michael Van Aelst — Analyst, TD Cowen

Great. Thank you.

Operator

Your next question comes from Tamy Chen with BMO Capital Markets. Your line is now open.

Tamy Chen — Analyst, BMO Capital Markets

Hi, good morning. Thanks for the question. I guess I just wanted to revisit the broader consumer dynamic and how you're performing in there. I noticed you're saying your conventional banners have been improving; it doesn't seem to be taking anything away from the momentum in your discount

banners. Specifically, I'm wondering about the Buy Canadian dynamic there. How would you characterize that trend now versus Q1, both profits for local products, but also Canadian retailers?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Q2 compared to Q1 is a big step up. When we look at the facts, which is the Nielsen data, and compare our sales of Canadian products compared to the rest of the industry, we are several percent points higher than average. Then, of course, it's not for me to judge who are doing better and who are doing worse, but at least, we are doing much better than the industry. We feel very good on the Buy Canadian sentiment.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

One thing I want to add, Tamy, if you remember, last year in Q2, we had some weakness in same-store sales, particularly in our conventional business. We're obviously comping that, and so that is helping our comp in conventional. But despite that, our absolute performance has been better than planned.

Tamy Chen — Analyst, BMO Capital Markets

Okay, got it. My follow-up is, are you seeing any change or any slight uptick in promotional intensity in the industry? I think we have recently seen a bit more on price rollbacks by competitors. Just wondering if that's them trying to regain some lost tonnage during this whole Buy Canadian side? Thank you.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

The promo pen is more or less the same as it has been for some time now, and of course, different players in the industry have different tactics. Some do more everyday low price, some do more promotions. But what we do, like having a great combination of good shelf price and good promotions, that's what we believe would resonate well with customers. Over the quarter, we have invested more (inaudible), more bag on sale price. That's also why our margin is stable, and we will continue to be sharp on our prices, so we can compete both on shelf and on promotions.

Tamy Chen — Analyst, BMO Capital Markets

Thank you.

Operator

Your next question comes from John Zamparo with Scotiabank. Your line is now open.

John Zamparo — Analyst, Scotiabank

Thank you very much. Good morning. I wanted to move to the Drug side, and I wonder if you can address the recent loss of patent protection for Ozempic and Wegovy, and what the implications are for Loblaw. Obviously, there's lots of unknowns here, but historically, these types of transitions have been positive for EBITDA dollar generation, and I wonder if you're confident that that's the case here as well? Are there any other relevant metrics you could share?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Yes, it's a very relevant question. For us, it's a little bit too early to say because we're in the middle of it and we are trying now to discover how that's going to play out. We don't know yet, but one thing we know is that this is great news for customers. I think, when prices come down, which we believe they will, I think we will have more customers that will be able to utilize this GLP-1 drug. More customers who need it, and also more customers who can't afford to stay on it today. Good news for customers, and I believe good news for us as well.

John Zamparo — Analyst, Scotiabank

Okay, understood. Then sticking with the Pharmacy, on the clinics, can we get an update on how these are performing in terms of revenue generation? You saw a meaningful acceleration in script count in the quarter on a same-store basis. I wonder if you think the clinics are contributing to that, and traffic results at Shoppers.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Yes, they are. The clinics, they're helping, and they're building more scripts than the stores without clinics. They're also giving a little bit more sales to the entire store, so helping the trips and helping the basket size, but that's minimal. But within the Pharmacy care, they are helping, and they are delivering up toward the plans that we have. By the end of the year, we're still planning on adding another, I think, 76, so we will be just over 250 at the end of the year. But it's also worth to remember that, in all our 1,800 pharmacies, we are providing primary care.

But in the clinics, customers feel more confident that they have more privacy, and they are just doing the job that we expected them to do. We feel really, really pleased with that, and we will continue building more clinics.

John Zamparo — Analyst, Scotiabank

Okay, that's great. I'll pass it on. Thank you.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Thanks.

Operator

Your next question comes from Vishal Shreedhar with National Bank. Your line is now open.

Vishal Shreedhar — Analyst, National Bank Financial

Hi, thanks for taking my questions. With respect to the Buy Canada, and anniversary some of the media comments last year relating to grocers, are you able to isolate the benefit on your comp, or give us some sense? Should we expect that benefit, if you agree there is some, on a year-over-year basis, to fade as we go through the year?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Very hard to measure, Vishal. Very hard to measure.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Yes, we were up against a little bit of a weaker comp, as we said before, in quarter two, but that's all we can say. We still have good momentum in quarter three.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes. I think if you look on an absolute basis, that's what you should focus on. We were—all of our businesses are doing well, so that's what we're really focused on. The noise in comp, it's a bit noisy, but the business is definitely heading in the right direction here.

Vishal Shreedhar — Analyst, National Bank Financial

Okay. With respect to East Gwillimbury, you said it in the preliminary comments that it was ahead of schedule. Is 40 percent still the target by end of year, in terms of capacity utilization?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

I don't have that number offhand, but a number I do have on-hand is, we're going to be shipping over six million more cases than planned by year-end, based on the trend we're in. Our budgeted costs are going to be down from budget by some millions of dollars. Just to cite our vendor, Vitran; Vitran has told us that this has been the smoothest and fastest ramp-up that they've seen in any of their facilities, globally. All of that, and the way it's ramping up is giving us confidence to launch ambient earlier than expected.

I suspect, yes, the number you have in your head's definitely going to be higher. But the beauty of this is because the faster we ramp up, the faster we realize benefits. We're excited, because that's going to help us in '26, as this facility will be processing more and more volume than expected.

Vishal Shreedhar — Analyst, National Bank Financial

Okay. With respect to the real estate growth and the pressure associated with East Gwillimbury, I know in the past, people have asked about quantifying those pressures, and you sidestep those questions. Maybe another way to ask it is, when should we anniversary that pressure and expect the real estate growth to start contributing, on a P&L basis and an earnings basis, and the DC pressure to also inflect?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

For sure. Once we cycle that, it's definitely going to help, because opening 80 stores brings drag. Ramping up a DC brings drag. The drag of that DC will be over sometime next year. The drag from new store will no longer be a drag, because we're opening more or less the same number of stores next year, so that'll help. But we'll be opening a new DC in Caledon, we call it Tullamore. We started construction on that one, and so that will create another drag, but that one is later, it's more in '28. But before that, we're going to start to see the benefits of that.

Vishal Shreedhar — Analyst, National Bank Financial

Thank you.

Operator

Your next question comes from Chris Li with Desjardins. Your line is now open.

Christopher Li — Analyst, Desjardins

Hi, good morning. When you said that Q3 is off to a good start, I was wondering, for Food Retail, is it fair to say that the comp so far in Q3 is similar to Q2? Would that be a fair comment?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Because of the ease that we had versus Q2 of last year, comp in Q3 in Food will be slightly lower than what we have in Q2, but still very healthy. Our top line growth will also be very healthy.

Christopher Li — Analyst, Desjardins

Okay, that's helpful. I'm sorry if I missed it earlier, but the right-hand side impact on comp this quarter, was it minimal, or was it (multiple speakers)?

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Negligible. It's only...

Christopher Li — Analyst, Desjardins

Negligible.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

...six stores, mathematically.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

But overall, it's 35 bps. Overall, it's not the new six stores, but that's the way that we treat, and we trade the right-hand side. We're not just waiting for those new stores; we're also applying new trade mechanics to all of the stores. If we get some early learnings on, for example, choice, then we try to deploy that to all stores. Some of that's helping, so we can't wait three years or four years until we have finished all 180 Superstores.

But what I think is very encouraging for us, there is more numbers, and it still takes some time for us to deploy, but that's how we have managed to take some of the learnings from the first pilots in these Superstores and bring them back to the Loblaws, and the Zehrs, and the YIG stores. We're seeing some really, really good numbers on the non-Food there, in the first two, three stores. Again, early days, but it's good to see.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes. Just to be precise, I was referring to the impact of the new renovation on our six stores. If you look at the normal drag we get from right-hand side, yes, it's in the 30, 35 basis points, so getting better than last year.

Christopher Li — Analyst, Desjardins

Okay, thank you. Okay, that's great. Then, maybe just a quick follow-up on the earlier discussion around what's driving the tonnage growth in conventional. I remember attending a recent industry conference, and I think it was discussed that there's a lot of sort of blocking and tackling, the enhancement, you guys remaining fresh, multicultural, natural organic foods, are all contributing to growth. I was just wondering if you can elaborate a little bit more on what's driving the tonnage growth in conventional, beyond the Buy Canadian, or sort of the industry factors that were already discussed?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Fresh and multicultural, that would be the two drivers. Of course, we're still doing well with our control brand across center-of-store. But except from that, it's actually healthy, and it's all over the piece; it's not one category. But multicultural and fresh, special produce, that's one of the areas where we're doing very well.

Christopher Li — Analyst, Desjardins

Okay. (Multiple speakers).

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes. Again, to be precise, Chris, conventional as a sector is still trending a little bit negative, but our tonnage growth versus our peers is really, really good. The absolute tonnage growth is all coming from discount.

Christopher Li — Analyst, Desjardins

Yes, okay, that's helpful. Maybe, just a couple of quick ones on Shoppers. Your Beauty category continues to be very strong, and I think you made some investment in technology recently. Again, I'm wondering what's driving that growth, and is The Bay exiting, is that having any meaningful impact on that front?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Yes. Our investment in technology, I think will be only in a few stores now, and that will help us over time, but it will take a little bit of time. That's too early to judge.

I think The Bay, we got some benefit last year, and of course, we are going to get some benefit this year as well. You are right; it is overall the prestige, the help of the Beauty categories, that's helping the growth in Shoppers. Food is also turning to be positive, but it's a marginal part of it. It's been driven by, locally, the higher-margin categories. The market in general for Beauty and Prestige, it's just a good market to be in. It's growing over and above the Food. Customers, it seems like they're not as price-sensitive when they are buying fragrances, compared when they are buying food. I normally say that, if we are \$0.10 off a loaf of bread, then the customer, they won't forgive us; but they don't discuss fragrances.

But that's also because our offers, our redemption offers in Shoppers, when they can go in and trade points, 30x the points or whatever, then we are the most competitive player in Beauty in Canada. That's resonating really well, and continues to do so for our customers.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes, over the last few months, Chris, we've seen slowly building momentum in front store, and that momentum, we're seeing it again in Q3.

Christopher Li — Analyst, Desjardins

Okay, that's great. My very last question, just maybe a follow-up on the discussion around the GLP drugs becoming generic. Is it fair to say, just the gross profit dollars, that your generic version of those drugs should be higher than on the patented drugs? Is that fair to say?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

I think it's probably what could happen, but we actually don't know right now. We are still looking at it, we're still negotiating. We've been talking to—we don't know whether those players right now, whether they would want to lower their prices. It's something that, of course, we're on top of, but it's too early to tell.

Christopher Li — Analyst, Desjardins

Okay, that's great. Thank you very much.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Oh, Vishal, I got your number to your question: 40 percent becomes 60 percent with advancing the volume in East Gwillimbury.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press star, one.

Your next question comes from Mark Petrie with CIBC. Your line is now open.

Mark Petrie — Analyst, CIBC World Markets

Yes, good morning. I just had one follow-up question, actually. Just with regards to the square footage growth outlook. I think I heard Richard say that you expected about 80 stores again next year, although I think I heard Per, earlier in the call, say something about accelerating impact, but maybe that was just from the ramp-up on stores, the previously opened new stores, if you can just clarify that? Then, any commentary just about the mix of stores in 2026, or just generally going forward? Specifically, wondering about discount and the mix of urban versus smaller market stores. Thanks.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes, it's still early days, so we have not finalized the full numbers. I was saying "in the zone of", so we'll come back to you later as to the specific number of stores for next year.

As to the makeup of it, I think it's going to look a lot like this year, Shoppers Drug Mart and discount stores. There's going to be a few T&T stores, and we might be able to slip one conventional or two in there, but that should be what you should expect to see in 2026. But we will get back to you in a few quarters.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Yes, and the ramp-up I was alluding to is just that I think—previously, when I've been talking, is that I expected to see the second year comp sales to be much higher than the normal comp sales. By measuring the first 60 stores that we have opened the past year, we are seeing that. Those second year are like-for-like, as I call it; they're doing very well. That was what I was talking about.

Mark Petrie — Analyst, CIBC World Markets

Understood. Okay, thanks. Then, maybe just to clarify, Richard, or to follow-up; the performance of the small-format discount stores that you've opened so far, would that be relatively consistent for those urban markets versus those more rural markets that you've also been opening stores in?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

I would say that the urban stores, we are really, really pleased. We haven't really tested rural stores yet. I think we have the first one opening very soon, and there are lots of potential to go into rural. But it takes a little bit longer time to plan, to build, because we had many more options downtown, in the big cities where we can just go into existing buildings. It takes more time to test the rural. But I do stay as optimistic as I have been when I came here a couple of years ago, on going into rural, but we haven't really tested enough yet to let you know.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes. Suburban is one where we're asking ourselves questions. We need to do some more work there, but definitely, urban, every site we can put our hands on, we're doing.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Yes, and suburban, we're only asking ourselves a question of how big we're going to build them.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

We're not asking a question of whether it works or not. Where a 10,000 square foot store works well urban, and probably also rural, then I think first indication is that we want to build them bigger in the suburban.

Mark Petrie — Analyst, CIBC World Markets

Yes, understood. Okay, thanks for all the comments. All the best.

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Thank you.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Thanks.

Operator

Your next question comes from Michael Van Aelst with TD Cowen. Your line is now open.

Michael Van Aelst — Analyst, TD Cowen

Hi, thanks. I just wanted to ask about T&T, because it seems like every store you open seems to blow the lead off of your expectations. I know you have, I think one coming this fall, and you mentioned six confirmed locations in the U.S., with more planned. But what are the key indicators you're looking for as you open up in the U.S., to make you confident, or to give you confidence that this is a banner that can actually be expanded more aggressively throughout the U.S.?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

Yes. I think, of course, we're looking for absolute sales, and the first store is so good, and it's better than far most of the supermarkets in the U.S., to our knowledge. What we are seeing that is really, really encouraging, it's our offer in Kitchen and Bakery. With our commentary and the way that we have our recipes for T&T, and what Tina tells me, is that this is a big, big part of sales, and much more in the U.S. than in Canada. That's a big driver of footfall to our stores.

Basically, sales and margin; it's all holding up, and actually much better than we expected, so we stay very bullish. But again, it's early days. It's one store only, but we are so happy with the first stores that, as Richard said, we have approved six, and we're going to extend the trial with a few more stores, so we don't lose time ramping up. Yes.

Richard Dufresne — Chief Financial Officer, Loblaw Companies Limited

Yes. I think we need to add that the Canadian business is also very healthy. If you were to look at the absolute sales growth of T&T Canada, it's actually our most performing banner on the whole organization. Where we continue to fail miserably is in our ability to forecast the sales of these new stores. We systematically underestimate the sales of all the T&T we've opened so far.

Michael Van Aelst — Analyst, TD Cowen

I guess what I'm trying to figure out, though, is at what point—how many success stories you have to have in these U.S. new store openings for you to get confidence that this is actually transferable to other parts of the country?

Per Bank — President and Chief Executive Officer, Loblaw Companies Limited

I think if we're seeing the first six works, then it will work everywhere. If you ask Tina Lee, who is the CEO of T&T, she's confident already now. But I think we need to see five or six, and then we can talk to you about how to plan how to accelerate.

Michael Van Aelst — Analyst, TD Cowen

Perfect. Thank you.

Operator

There are no further questions at this time.

I will now turn the call over to Roy MacDonald for closing remarks.

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

Thanks for your time this morning, everybody. Let me know if you have any follow-up questions, and put a circle on your calendar for Wednesday, November 12, when we will be releasing our Q3 results. Thanks very much and have a great day.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for your participating and ask that you please disconnect your lines.