

# Loblaw Companies Limited

## NEWS RELEASE

### Loblaw Reports 2021 Third Quarter Results<sup>(1)</sup>

**BRAMPTON, ONTARIO November 17, 2021** Loblaw Companies Limited (TSX: L) (“Loblaw” or the “Company”) announced today its unaudited financial results for the third quarter ended October 9, 2021. The Company’s 2021 Third Quarter Report to Shareholders will be available in the Investors section of the Company’s website at [loblaw.ca](http://loblaw.ca) and will be filed on SEDAR and available at [sedar.com](http://sedar.com).

“In the third quarter, our focus on core retail execution and an enthusiastic consumer response drove another quarter of strong financial results,” said Galen G. Weston, President and Chairman, Loblaw Companies Limited. “As the country emerges from pandemic-related lockdown, our portfolio of supermarkets and drug stores positions us well to meet the evolving needs of Canadians.”

Loblaw experienced strong demand in stores and online, as economies re-opened and eat-at-home trends remained elevated. Seasonal shopping for back-to-school and Thanksgiving was robust, demonstrating an enthusiastic return to certain pre-pandemic routines. This was also evident in our Pharmacy businesses. Beauty sales climbed with the gradual return to social and work activities. In addition, drug sales grew, supported by demand for pharmacy services, including patient health consultations, vaccination administration and testing.

Loblaw’s focus on its core retail business drove another strong quarter of operational and financial improvement – characterized by increases in customer traffic and market share in Loblaw’s Food and Drug businesses. Customers have responded positively to our data driven mass and personalized promotions, enabling us to deliver value where consumers and their families need it most. Online sales remain above pre-pandemic levels and are on track to exceed \$3 billion in 2021, improving on last year’s performance.

In the quarter, Loblaw continued its efforts to make a positive impact in the communities in which it operates.

- The Company continued its efforts to reduce food waste by
  - Donating more than 1.5 million pounds of food through our food rescue partner Second Harvest. Reducing food waste and helping those in need.
  - Launching a new [Insiders Project Docuseries](#) “Half Full” and “Ripe” to educate and help consumers reduce food waste at home.
  - Partnering with the Zoo Share project in Ontario which aims to convert 15,000 tonnes of food waste and 2,000 tonnes of zoo manure into enough renewable power for approximately 250 homes while reducing greenhouse gas emissions by as much as 20,000 tonnes per year.
- The President’s Choice® brand expanded Canada’s most extensive line of plant-based products, launching ten new products offering great-tasting meat and dairy alternatives.
- The Company signed the new Bangladesh Accord on Building and Fire Safety Agreement (the International Accord) to continue to support safer working conditions.
- In support of women’s health, Shoppers Drug Mart announced a three-year commitment to make period products free and accessible in Ontario schools.

## 2021 THIRD QUARTER HIGHLIGHTS

Unless otherwise indicated, the following highlights include the impact of COVID-19.

- Revenue was \$16,050 million. This represented an increase of \$379 million, or 2.4% when compared to the third quarter of 2020.
- Retail segment sales were \$15,831 million. This represented an increase of \$367 million, or 2.4% when compared to the third quarter of 2020.
  - Food Retail (Loblaw) same-stores sales increased by 0.2%.
  - Drug Retail (Shoppers Drug Mart) same-store sales increased by 4.4%, with pharmacy same-store sales growth of 4.8% and front store same-store sales growth of 4.1%.
- The two year sales Compound Average Growth Rate (“CAGR”)<sup>(5)</sup> was 4.5% and 5.5% for Food Retail and Drug Retail, respectively.
- The Company’s e-commerce sales decreased by 0.4% (2020 – 175%) due to the lapping of high e-commerce sales in the third quarter of 2020.
- COVID-19 related costs were approximately \$19 million (2020 – approximately \$85 million).
- Retail segment adjusted gross profit percentage<sup>(2)</sup> was 30.7%. This represented an increase of 140 basis points compared to the third quarter of 2020.
- Operating income was \$863 million. This represented an increase of \$145 million, or 20.2% when compared to the third quarter of 2020.
- Adjusted EBITDA<sup>(2)</sup> was \$1,674 million. This represented an increase of \$156 million, or 10.3% when compared to the third quarter of 2020.
- Net earnings available to common shareholders of the Company were \$431 million. This represented an increase of \$89 million, or 26.0% when compared to the third quarter of 2020. Diluted net earnings per common share were \$1.27. This represented an increase of \$0.31, or 32.3% when compared to the third quarter of 2020.
- Adjusted net earnings available to common shareholders of the Company<sup>(2)</sup> were \$540 million. This represented an increase of \$81 million, or 17.6% when compared to the third quarter of 2020.
- Adjusted diluted net earnings per common share<sup>(2)</sup> were \$1.59. This represented an increase of \$0.31, or 24.2% when compared to the third quarter of 2020. The two year adjusted diluted net earnings per common share CAGR<sup>(5)</sup> was 13.7%.
- The Company repurchased, for cancellation, 3.4 million common shares at a cost of \$300 million and 13.6 million common shares at a cost of \$1,000 million on a year-to-date basis.
- The Company invested \$330 million in capital expenditures and generated \$455 million of free cash flow<sup>(2)</sup>.

See “News Release Endnotes” at the end of this News Release.

## CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended October 9, 2021  
and October 3, 2020

(millions of Canadian dollars except  
where otherwise indicated)

	2021		2020 <sup>(4)</sup>		2021		2020 <sup>(4)</sup>	
	(16 weeks)	(16 weeks)	\$ Change	% Change	(40 weeks)	(40 weeks)	\$ Change	% Change
<b>Revenue</b>	<b>\$ 16,050</b>	\$ 15,671	\$ 379	2.4 %	<b>\$ 40,413</b>	\$ 39,428	\$ 985	2.5 %
<b>Operating income</b>	<b>863</b>	718	145	20.2 %	<b>2,232</b>	1,663	569	34.2 %
Adjusted EBITDA <sup>(2)</sup>	<b>1,674</b>	1,518	156	10.3 %	<b>4,263</b>	3,691	572	15.5 %
Adjusted EBITDA margin <sup>(2)</sup>	<b>10.4 %</b>	9.7 %			<b>10.5 %</b>	9.4 %		
<b>Net earnings attributable to shareholders of the Company</b>	<b>\$ 434</b>	\$ 345	\$ 89	25.8 %	<b>\$ 1,128</b>	\$ 760	\$ 368	48.4 %
<b>Net earnings available to common shareholders of the Company<sup>(i)</sup></b>	<b>431</b>	342	89	26.0 %	<b>1,119</b>	751	368	49.0 %
Adjusted net earnings available to common shareholders of the Company <sup>(2)</sup>	<b>540</b>	459	81	17.6 %	<b>1,396</b>	1,068	328	30.7 %
<b>Diluted net earnings per common share (\$)</b>	<b>\$ 1.27</b>	\$ 0.96	\$ 0.31	32.3 %	<b>\$ 3.26</b>	\$ 2.09	\$ 1.17	56.0 %
Adjusted diluted net earnings per common share <sup>(2)</sup> (\$)	<b>\$ 1.59</b>	\$ 1.28	\$ 0.31	24.2 %	<b>\$ 4.07</b>	\$ 2.97	\$ 1.10	37.0 %
<b>Diluted weighted average common shares outstanding (in millions)</b>	<b>340.1</b>	358.0			<b>343.1</b>	359.5		

(i) Net earnings available to common shareholders of the Company are net earnings attributable to shareholders of the Company net of dividends declared on the Company's Second Preferred Shares, Series B.

## REPORTABLE OPERATING SEGMENTS

The Company has two reportable operating segments with all material operations carried out in Canada:

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores. The Retail segment also includes in-store pharmacies and other health and beauty products and apparel and other general merchandise; and
- The Financial Services segment provides credit card and everyday banking services, the *PC Optimum™* Program, insurance brokerage services, and telecommunication services.

For the periods ended October 9, 2021 and October 3, 2020 (millions of Canadian dollars)	2021 (16 weeks)				2020 <sup>(4)</sup> (16 weeks)			
	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total
<b>Revenue</b>	<b>\$15,831</b>	<b>\$ 297</b>	<b>\$ (78)</b>	<b>\$16,050</b>	\$15,464	\$ 278	\$ (71)	\$15,671
Adjusted gross profit <sup>(2)</sup>	\$ 4,856	\$ 245	\$ (78)	\$ 5,023	\$ 4,534	\$ 226	\$ (71)	\$ 4,689
Adjusted gross profit % <sup>(2)</sup>	30.7 %	N/A	— %	31.3 %	29.3 %	N/A	— %	29.9 %
<b>Operating income</b>	<b>\$ 816</b>	<b>\$ 47</b>	<b>\$ —</b>	<b>\$ 863</b>	\$ 674	\$ 44	\$ —	\$ 718
Net interest expense and other financing charges	187	16	—	203	205	23	—	228
<b>Earnings before income taxes</b>	<b>\$ 629</b>	<b>\$ 31</b>	<b>\$ —</b>	<b>\$ 660</b>	\$ 469	\$ 21	\$ —	\$ 490
Depreciation and amortization	\$ 807	\$ 10	\$ —	\$ 817	\$ 789	\$ 6	\$ —	\$ 795
Adjusted EBITDA <sup>(2)</sup>	1,617	57	—	1,674	1,468	50	—	1,518
Adjusted EBITDA margin <sup>(2)</sup>	10.2 %	N/A	— %	10.4 %	9.5 %	N/A	— %	9.7 %

For the periods ended October 9, 2021 and October 3, 2020 (millions of Canadian dollars)	2021 (40 weeks)				2020 <sup>(4)</sup> (40 weeks)			
	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total
<b>Revenue</b>	<b>\$39,783</b>	<b>\$ 822</b>	<b>\$ (192)</b>	<b>\$40,413</b>	\$38,816	\$ 777	\$ (165)	\$39,428
Adjusted gross profit <sup>(2)</sup>	\$ 12,182	\$ 692	\$ (192)	\$12,682	\$11,468	\$ 678	\$ (165)	\$ 11,981
Adjusted gross profit % <sup>(2)</sup>	30.6 %	N/A	— %	31.4 %	29.5 %	N/A	— %	30.4 %
<b>Operating income</b>	<b>\$ 2,077</b>	<b>\$ 155</b>	<b>\$ —</b>	<b>\$ 2,232</b>	\$ 1,582	\$ 81	\$ —	\$ 1,663
Net interest expense and other financing charges	476	48	—	524	509	67	—	576
<b>Earnings before income taxes</b>	<b>\$ 1,601</b>	<b>\$ 107</b>	<b>\$ —</b>	<b>\$ 1,708</b>	\$ 1,073	\$ 14	\$ —	\$ 1,087
Depreciation and amortization	\$ 2,011	\$ 30	\$ —	\$ 2,041	\$ 1,971	\$ 16	\$ —	\$ 1,987
Adjusted EBITDA <sup>(2)</sup>	4,078	185	—	4,263	3,594	97	—	3,691
Adjusted EBITDA margin <sup>(2)</sup>	10.3 %	N/A	— %	10.5 %	9.3 %	N/A	— %	9.4 %

(i) Eliminations include the reclassification of revenue related to President's Choice Financial® Mastercard® loyalty awards in the Financial Services segment.

## RETAIL SEGMENT

- Retail segment sales in the third quarter of 2021 were \$15,831 million. This represented an increase of \$367 million, or 2.4% when compared to the third quarter of 2020.
  - Food Retail (Loblaw) sales were \$11,382 million and Food Retail same-store sales grew by 0.2% (2020 – 6.9%). Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. The two year Food Retail sales CAGR<sup>(5)</sup> was 4.5%.
    - The Company's internal measures of inflation were slightly higher than the average quarterly national food price inflation of 2.6% (2020 – 1.8%), as measured by The Consumer Price Index for Food Purchased from Stores.
    - Food Retail basket size decreased and traffic increased in the quarter, as compared to the third quarter of 2020.
  - Drug Retail (Shoppers Drug Mart) sales were \$4,449 million, and Drug Retail same-store sales grew by 4.4% (2020 – 6.1%), with pharmacy same-store sales growth of 4.8% (2020 – 10.3%) and front store same-store sales growth of 4.1% (2020 – 2.4%). Pharmacy same-store sales growth benefited from strong sales in fee related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021. The two year Drug Retail sales CAGR<sup>(5)</sup> was 5.5%.
    - On a same-store basis, the number of prescriptions dispensed increased by 2.4% (2020 – 5.0%) and the average prescription value increased by 0.7% (2020 – 4.9%).
- Operating income in the third quarter of 2021 was \$816 million. This represented an increase of \$142 million, or 21.1% when compared to the third quarter of 2020.
- Adjusted gross profit<sup>(2)</sup> in the third quarter of 2021 was \$4,856 million. This represented an increase of \$322 million, or 7.1% when compared to the third quarter of 2020. The adjusted gross profit percentage<sup>(2)</sup> of 30.7% increased by 140 basis points compared to the third quarter of 2020, from favourable changes in sales mix in both Food and Drug Retail and underlying improvements in business initiatives.
- Adjusted EBITDA<sup>(2)</sup> in the third quarter of 2021 was \$1,617 million. This represented an increase of \$149 million, or 10.1% when compared to the third quarter of 2020. The increase was driven by an increase in adjusted gross profit<sup>(2)</sup>, partially offset by an unfavourable increase in SG&A as described below. SG&A as a percentage of sales was 20.5%, an increase of 70 basis points compared to the third quarter of 2020. The unfavourable increase of 70 basis points was primarily due to the normalization of post-lockdown operating conditions and higher costs incurred in Drug Retail from providing fee related services, partially offset by a reduction in COVID-19 costs.
- Depreciation and amortization in the third quarter of 2021 was \$807 million, an increase of \$18 million compared to the third quarter of 2020, primarily driven by an increase in IT assets and an increase in depreciation of leased assets. Included in depreciation and amortization was the amortization of intangibles assets related to the acquisition of Shoppers Drug Mart Corporation of \$155 million (2020 – \$155 million).
- Subsequent to the end of the third quarter of 2021, the Company finalized network optimization plans that will result in banner conversions, closures and right-sizing of approximately 20 unprofitable retail locations across a range of banners and formats, the majority of which will be banner conversions and 3 will be closures within Food retail. The Company expects to record charges of approximately \$25 million to \$35 million resulting from this network optimization. These charges will be recorded as incurred and are expected to include equipment, severance, lease related and other costs. The Company expects to realize approximately \$25 million in annualized EBITDA run-rate savings related to these plans. This store optimization project will be substantially complete by the end of 2022. As the Company places emphasis on optimizing its store and office network, there may be additional charges of this nature in the fourth quarter of 2021 and into 2022.

## FINANCIAL SERVICES SEGMENT

- Revenue in the third quarter of 2021 was \$297 million. This represented an increase of \$19 million when compared to the third quarter of 2020. The increase was primarily driven by higher interchange income from an increase in customer spending.
- In the third quarter of 2021, earnings before income taxes were \$31 million. This represented an increase in earnings of \$10 million when compared to the third quarter of 2020. The increase was primarily driven by higher revenue as described above, lower contractual charge-off and lower funding costs. This was partially offset by higher loyalty program costs and operating costs.

## DECLARATION OF DIVIDENDS

Subsequent to the end of the third quarter of 2021, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	\$0.365 per common share, payable on December 30, 2021 to shareholders of record on December 15, 2021
Second Preferred Shares, Series B	\$0.33125 per share, payable on December 31, 2021 to shareholders of record on December 15, 2021

## OUTLOOK<sup>(3)</sup>

The COVID-19 pandemic continues to impact Loblaw's businesses in 2021, including the challenge of lapping elevated 2020 sales.

On a full year basis, the Company continues to expect:

- its core Retail segment business to grow earnings faster than sales;
- growth in PC Financial<sup>®</sup> profitability;
- to invest approximately \$1.2 billion in capital expenditures, net of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Based on its year to date operating and financial performance and momentum exiting the third quarter, the Company expects year-over-year adjusted diluted net earnings per common share<sup>(2)</sup> growth in the low-to-mid thirty percent range, excluding the impact of the 53rd week in the fourth quarter of fiscal year 2020 and the charges associated with the Company's network optimization announced today.

In the third quarter, COVID-19 related costs were approximately \$19 million (2020 – approximately \$85 million). The COVID-19 costs incurred in the four weeks after the end of the third quarter of 2021 amounted to approximately \$4 million.

## NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP financial measures as it believes these measures provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing underlying consolidated and segment operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company excludes additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

For reconciliation to, and description of, the Company's non-GAAP financial measures and financial metrics, please refer to Section 11 "Non-GAAP Financial Measures" of the Company's 2021 Third Quarter Report to Shareholders.

**Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021** In 2020, management undertook a review of historical adjusting items as part of an effort to reduce the number of items it excludes from its non-GAAP financial measures. Management concluded that, in order to present adjusting items in a manner more consistent with that of its Canadian and U.S. peers, the Company will no longer adjust for fixed asset and other related impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory income tax rate changes or other items. For further details please refer to Section 11 "Non-GAAP Financial Measures" of the Company's 2021 Third Quarter Report to Shareholders.

## FORWARD-LOOKING STATEMENTS

This News Release contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this News Release include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of Information Technology systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Consolidated Results of Operations" and "Outlook" section of this News Release. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2021 is based on certain assumptions including assumptions about the COVID-19 pandemic, healthcare reform impacts, anticipated cost savings and operating efficiencies and anticipated benefits from strategic initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the Company's MD&A in the 2020 Annual Report and Section 4 "Risks" of the Company's 2020 Annual Information Form for the year ended January 2, 2021, which include detailed risks and disclosure regarding COVID-19 and its impact on the Company.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this News Release. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## CORPORATE PROFILE

### 2020 Annual Report and 2021 Third Quarter Report to Shareholders

The Company's 2020 Annual Report and 2021 Third Quarter Report to Shareholders are available in the "Investors" section of the Company's website at [loblaw.ca](http://loblaw.ca) and on [sedar.com](http://sedar.com).

#### Investor Relations

Investor inquiries, contact: Roy MacDonald Vice President, Investor Relations (905) 861-2243 <a href="mailto:investor@loblaw.ca">investor@loblaw.ca</a>	Media inquiries, contact: Kevin Groh Senior Vice President, Corporate Affairs and Communication (905) 861-2437 <a href="mailto:pr@loblaw.ca">pr@loblaw.ca</a>
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Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank. The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the "Investors" section of the Company's website at [loblaw.ca](http://loblaw.ca).

#### Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 17, 2021 at 10:00 a.m. (ET).

To access via tele-conference, please dial (416) 764-8688 or (888) 390-0546. The playback will be made available approximately two hours after the event at (416) 764-8677 or (888) 390-0541, access code: 161802#. To access via audio webcast, please go to the "Investor" section of [loblaw.ca](http://loblaw.ca). Pre-registration will be available.

Full details about the conference call and webcast are available on the Loblaw Companies Limited website at [loblaw.ca](http://loblaw.ca).

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#### News Release Endnotes

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- (1) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2021 Third Quarter Report to Shareholders for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at [sedar.com](http://sedar.com) and at [loblaw.ca](http://loblaw.ca).
  - (2) See Section 11 "Non-GAAP Financial Measures" of the Company's 2021 Third Quarter Report to Shareholders, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.
  - (3) To be read in conjunction with the "Forward-Looking Statements" section of this News Release and the Company's 2021 Third Quarter Report to Shareholders.
  - (4) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 11 "Non-GAAP Financial Measures" of the Company's 2021 Third Quarter Report to Shareholders.
  - (5) Compound Average Growth Rate ("CAGR") is the measure of annualized growth over a period longer than one year. CAGR as disclosed by the Company is the mean annual growth rate over a two year period, 2019 to 2021.
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