

Q1 2020

ALIMENTATION COUCHE-TARD INC.
MANAGEMENT DISCUSSION & ANALYSIS
12-week period ended July 21, 2019



Management Discussion and Analysis

The purpose of this Management Discussion and Analysis (“MD&A”) is, as required by regulators, to explain management’s point of view on the financial condition and results of the operations of Alimentation Couche-Tard Inc. (“Couche-Tard”) as well as its performance during the first quarter of the fiscal year ending April 26, 2020. More specifically, it aims to let the reader better understand our development strategy, performance in relation to objectives, future expectations, and how we address risk and manage our financial resources. This MD&A also provides information to improve the reader’s understanding of Couche-Tard’s unaudited interim condensed consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. By “we”, “our”, “us” and “the Corporation”, we refer collectively to Couche-Tard and its subsidiaries.

Except where otherwise indicated, all financial information reflected herein is expressed in United States dollars (“US dollars”) and determined on the basis of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). We also use measures in this MD&A that do not comply with IFRS. Where such measures are presented, they are defined, and the reader is informed. This MD&A should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in our 2019 Annual Report, which, along with additional information relating to Couche-Tard, including the most recent Annual Information Form, is available on SEDAR at <https://www.sedar.com/> and on our website at <https://corpo.couche-tard.com/>.

Forward-Looking Statements

This MD&A includes certain statements that are “forward-looking statements” within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words “believe”, “could”, “should”, “intend”, “expect”, “estimate”, “assume” and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at September 4, 2019, which are not guarantees of the future performance of Couche-Tard or its industry, and involve known and unknown risks and uncertainties that may cause Couche-Tard’s or the industry’s outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The foregoing risks and uncertainties include the risks set forth under “Business Risks” in our 2019 Annual Report as well as other risks detailed from time to time in reports filed by Couche-Tard with securities regulators in Canada.

Our Business

We are the leader in the Canadian convenience store industry. In the United States, we are the largest independent convenience store operator in terms of the number of company-operated stores. In Europe, we are a leader in convenience store and road transportation fuel retail in the Scandinavian countries (Norway, Sweden and Denmark), in the Baltic countries (Estonia, Latvia and Lithuania), as well as in Ireland, and have an important presence in Poland.

As of July 21, 2019, our network comprised 9,792 convenience stores throughout North America, including 8,565 stores with road transportation fuel dispensing. Our North American network consists of 19 business units, including 15 in the United States covering 48 states and 4 in Canada covering all 10 provinces. Approximately 109,000 people are employed throughout our network and at our service offices in North America. In addition, through CrossAmerica Partners LP (“CAPL”), we supply road transportation fuel under various brands to more than 1,300 locations in the United States.

In Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through ten business units. As of July 21, 2019, our network comprised 2,706 stores, the majority of which offer road transportation fuel and convenience products while the others are unmanned automated fuel stations which only offer road transportation fuel. We also offer other products, including aviation fuel and energy for stationary engines. Including employees at branded franchise stores, approximately 24,000 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, approximately 2,250 stores are operated under the Circle K banner in 16 other countries and territories (Cambodia, China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings our worldwide total network to more than 16,000 stores.

Our mission is to make our customers' lives a little easier every day. To this end, we strive to meet the demands and needs of people on the go. We offer fast and friendly service, providing food, hot and cold beverages, car wash services, and other high-quality products and services including road transportation fuel, designed to meet or exceed our customers' demands in a clean, welcoming and efficient environment. Our business model is our key to success. We have a decentralized management structure, routinely compare best practices, and use our global experience to enhance our operational expertise. We also continually invest in our people and our stores, while maintaining a strong cost discipline.

Value Creation

In the United States, the convenience store sector is fragmented and in a consolidation phase. We are participating in this process through our acquisitions, the market shares we gain when competitors close sites, and by improving our offering. In Europe and Canada, the convenience store sector is often dominated by a few major players, including integrated oil companies. Some of these integrated oil companies are in the process of selling, or are expected to sell, their retail assets. We intend to study investment opportunities that might come to us through this process.

No matter the context, to create value for our Corporation and its shareholders, acquisitions have to be concluded at reasonable conditions. Therefore, we do not necessarily favor store count growth to the detriment of profitability. In addition to acquisitions, the contribution from organic growth has played an important role in the recent growth of our net earnings. Highlights have included the ongoing improvements we have made to our offer, including fresh products, to our supply terms and to our efficiency. All these elements, in addition to our strong balance sheet, have contributed to the growth in our net earnings and to value creation for our shareholders and other stakeholders. We intend to continue in this direction.

Exchange Rate Data

We use the US dollar as our reporting currency, which provides more relevant information given the predominance of our operations in the United States.

The following tables set forth information about exchange rates based upon closing rates expressed as US dollars per comparative currency unit:

	12-week periods ended	
	July 21, 2019	July 22, 2018
Average for period⁽¹⁾		
Canadian dollar	0.7517	0.7673
Norwegian krone	0.1155	0.1234
Swedish krone	0.1055	0.1138
Danish krone	0.1505	0.1575
Zloty	0.2629	0.2726
Euro	1.2703	1.1734
Ruble	0.0156	0.0160

(1) Calculated by taking the average of the closing exchange rates of each day in the applicable period.

Period end	As at July 21, 2019	As at April 28, 2019
Canadian dollar	0.7660	0.7412
Norwegian krone	0.1168	0.1152
Swedish krone	0.1067	0.1053
Danish krone	0.1504	0.1491
Zloty	0.2637	0.2596
Euro	1.1226	1.1133
Ruble	0.0159	0.0154

As we use the US dollar as our reporting currency in our consolidated financial statements and in this document, unless indicated otherwise, results from our Canadian, European and corporate operations are translated into US dollars using the average rate for the period. Unless otherwise indicated, variances and explanations regarding changes in the foreign exchange rate and the volatility of the Canadian dollar and European currencies which we discuss in the present document are therefore related to the translation into US dollars of our Canadian, European and corporate operations' results.

Overview of the First Quarter of Fiscal 2020

Financial Results

Net earnings attributable to shareholders of the Corporation ("net earnings") amounted to \$538.8 million for the first quarter of fiscal 2020, compared with \$455.6 million for the first quarter of fiscal 2019. Diluted net earnings per share stood at \$0.95, compared with \$0.81 for the corresponding period of the previous year.

The results for the first quarter of fiscal 2020 were affected by a pre-tax net foreign exchange loss of \$6.5 million, an income tax expense of \$4.5 million (of which \$3.5 million is attributable to shareholders of the Corporation) following the asset exchange transaction with CAPL, as well as pre-tax acquisition costs of \$0.2 million.

The results for the comparable quarter of fiscal 2019 were affected by a \$55.0 million pre-tax impairment charge on CAPL's goodwill, pre-tax restructuring costs of \$1.5 million, a pre-tax net foreign exchange loss of \$1.0 million, as well as pre-tax acquisition costs of \$0.5 million.

Excluding these items, the adjusted net earnings would have been approximately \$548.0 million¹ (\$0.97¹ per share on a diluted basis), compared with \$490.0 million¹ (\$0.87¹ per share on a diluted basis) for the first quarter of fiscal 2019, an increase of \$58.0 million or 11.8%, driven by higher road transportation fuel margins in the United States, and lower financing costs following deleveraging, partly offset by higher income tax rate.

Changes in our Network

Single-site acquisitions

During the first quarter of fiscal 2020, we acquired eight company-operated stores through distinct transactions.

Store construction

During the first quarter of fiscal 2020, we completed the construction of 12 stores and the relocation or reconstruction of 9 stores. As of July 21, 2019, 32 stores were under construction and should open in the upcoming quarters.

¹ Please refer to the section "Net earnings attributable to shareholders of the Corporation ("net earnings") and adjusted net earnings attributable to shareholders of the Corporation ("adjusted net earnings")" of this Management Discussion & Analysis for additional information on this performance measure not defined by IFRS. These performance measures, for the 12-week period ended July 22, 2018, have been adjusted for the estimated impact of IFRS 16, the previously reported adjusted net earnings were approximately \$498.0 million and adjusted diluted net earnings per share was \$0.88.

Summary of changes in our store network during the first quarter of fiscal 2020

The following table presents certain information regarding changes in our store network over the 12-week period ended July 21, 2019⁽¹⁾:

Type of site	12-week period ended July 21, 2019				Total
	Company-operated ⁽²⁾	CODO ⁽³⁾	DODO ⁽⁴⁾	Franchised and other affiliated ⁽⁵⁾	
Number of sites, beginning of period	9,794	514	1,052	1,215	12,575
Acquisitions	8	-	-	-	8
Openings / constructions / additions	29	-	4	24	57
Closures / disposals / withdrawals	(35)	(64)	(20)	(23)	(142)
Store conversion	(3)	6	(3)	-	-
Number of sites, end of period	9,793	456	1,033	1,216	12,498
CAPL network					1,320
Circle K branded sites under licensing agreements					2,248
Total network					16,066
Number of automated fuel stations included in the period-end figures ⁽⁶⁾	981	-	12	-	993

- (1) These figures include 50% of the stores operated through RDK, a joint venture.
- (2) Sites for which the real estate is controlled by Couche-Tard (through ownership or lease agreements) and for which the stores (and/or the service stations) are operated by Couche-Tard or one of its commission agents.
- (3) Sites for which the real estate is controlled by Couche-Tard (through ownership or lease agreements) and for which the stores (and/or the service stations) are operated by an independent operator in exchange for rent and to which Couche-Tard sometimes provides road transportation fuel through supply contracts. Some of these sites are subject to a franchise agreement, licensing or other similar agreement under one of our main or secondary banners.
- (4) Sites controlled and operated by independent operators to which Couche-Tard supplies road transportation fuel through supply contracts. Some of these sites are subject to a franchise agreement, licensing or other similar agreement under one of our main or secondary banners.
- (5) Stores operated by an independent operator through a franchising, licensing or another similar agreement under one of our main or secondary banners.
- (6) These sites sell road transportation fuel only.

Asset Exchange Agreement with CAPL

On December 17, 2018, we entered into an asset exchange agreement with CAPL under which 192 Circle K U.S. company-operated stores will be exchanged against the real estate property currently held by CAPL for 56 U.S. company-operated stores leased and operated by Couche-Tard pursuant to a master lease that CAPL had previously purchased jointly with or from CST Brands Inc. ("CST"), and 17 company-operated stores owned and operated by CAPL in the U.S. Upper Midwest. The aggregate value of this agreement is approximately \$185.0 million.

In May 2019, we closed the first transaction of the asset exchange agreement with CAPL. In this first transaction, 60 Circle K U.S. stores have been exchanged against 17 company-operated stores owned and operated by CAPL and the real estate for 8 properties held by CAPL, for a total value of approximately \$58.0 million. Following the exchange transaction, we performed a re-evaluation of our deferred tax assets and liabilities which generated an income tax expense of \$4.5 million, of which \$3.5 million is attributable to shareholders of the Corporation. The remaining tranches are expected to be completed by the end of the first quarter of calendar year 2020.

Global Circle K Brand

On September 22, 2015, we announced the creation of a new global convenience brand, Circle K. The new brand is replacing our existing Circle K, Statoil, Mac's, Kangaroo Express, Corner Store, On the Run, and Topaz brands on stores and service stations across Canada (except Quebec), the United States and Europe. The rollout of our Circle K brand in Europe was completed during the first quarter of fiscal 2020, while in North America, it is progressing steadily.

As of July 21, 2019, more than 5,800 stores in North America, including 789 stores acquired from CST, now proudly display our new global brand.

Investment in Fire & Flower

On August 7, 2019, subsequent to the end of the quarter, we announced the closing of an investment in Fire & Flower Holdings Corp. ("Fire & Flower"), a leading independent cannabis retailer based in Alberta, Canada. We invested approximately \$26.0 million in the form of unsecured convertible debentures to obtain a 9.9% ownership interest in Fire & Flower upon conversion. We have also been issued Common Share purchase warrants, that, if exercised in full in accordance with the terms thereof, would subsequently increase our ownership interest to 50.1%. Through this investment, we aim to combine our expertise in scaling retail stores with Fire & Flower's retail experience and proprietary HiFyre™ digital platform to capitalize on new cannabis markets as they emerge.

Long-Term Debt

On May 28, 2019, we repaid, without penalty, \$150.0 million of our \$300.0 million US-dollar-denominated senior unsecured notes issued on December 14, 2017 and maturing on December 13, 2019.

On August 13, 2019, subsequent to the end of the quarter, we repaid, without penalty, the remaining \$150.0 million of these \$300.0 million US-dollar-denominated senior unsecured notes.

Share Repurchase Program

During the first quarter of fiscal 2020, we repurchased 764,174 Class B subordinate voting shares under our share repurchase program, for a net amount of \$46.2 million. In addition, subsequent to the end of the quarter, we repurchased an additional 740,892 Class B subordinate voting shares, for a net amount of \$45.1 million, totalling 1,505,066 Class B subordinate voting shares and \$91.3 million since the launch of the program. All shares repurchased were cancelled.

Dividends

During its September 4, 2019 meeting, the Board of Directors declared a quarterly dividend of CA 12.5¢ per share, before the share split description below, for the first quarter of fiscal 2020 to shareholders on record as at September 13, 2019 and approved its payment for September 27, 2019. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

Class A multiple-voting shares and Class B subordinate voting shares split

During its September 4, 2019 meeting, the Board of Directors approved a two-for-one split of all the Corporation's issued and outstanding Class A multiple-voting shares and Class B subordinate voting shares on record as at September 20, 2019 and payable on September 27, 2019. This share split was approved by regulatory authorities.

Outstanding Shares and Stock Options

As at August 30, 2019, Couche-Tard had 126,903,950 Class A multiple-voting shares and 436,030,451 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 1,748,860 outstanding stock options for the purchase of Class B subordinate voting shares.

New Accounting Standard Adopted by the Corporation

As of April 29, 2019, we have adopted IFRS 16, *Leases*, which requires lessees to recognize on the balance sheet a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, except with respect to lease contracts that meet limited exception criteria. As permitted under the specific transition provisions in the standard, we have elected not to restate our comparative figures for the 2019 financial year. The tables below present the estimated pro forma impact of the change in accounting policy on our previously reported results:

(in millions of US dollars)	12-week period ended July 22, 2018					Total estimated pro forma IFRS 16 impacts	Pro forma IFRS 16	Total estimated pro forma IFRS 16 impacts – attributable to shareholders of the Corporation
	Pre – IFRS 16 As reported	Excluding: Rent under IAS 17	Including: Depreciation and interests ⁽¹⁾	Other	Total estimated pro forma IFRS 16 impacts			
Revenues	14,786.5	-	-	9.0	9.0	14,795.5	3.0	
Cost of sales	12,569.4	-	-	-	-	12,569.4	-	
Gross profit	2,217.1	-	-	9.0	9.0	2,226.1	3.0	
Operating, selling, administrative and general expenses	1,312.5	(88.0)	-	6.0	(82.0)	1,230.5	(82.0)	
Restructuring costs	1.5	-	-	-	-	1.5	-	
Loss on disposal of property and equipment and other assets	0.2	-	-	-	-	0.2	-	
Depreciation, amortization and impairment	301.5	(4.0)	90.0	-	86.0	387.5	81.0	
Total operating expenses	1,615.7	(92.0)	90.0	6.0	4.0	1,619.7	(0.1)	
Operating income	601.4	92.0	(90.0)	3.0	5.0	606.4	4.0	
Share of earnings of joint ventures and associated companies	7.1	-	-	-	-	7.1	-	
EBITDA	910.0	88.0	-	3.0	91.0	1,001.0	85.0	
Financial expenses	79.4	(5.0)	21.0	-	16.0	95.4	14.0	
Financial revenues	(2.7)	-	-	-	-	(2.7)	-	
Foreign exchange loss	1.0	-	-	-	-	1.0	-	
Net financial expenses	77.7	(5.0)	21.0	-	16.0	93.7	14.0	
Earnings before income taxes	530.8	97.0	(111.0)	3.0	(11.0)	519.8	(10.0)	
Income taxes	88.2	25.0	(28.0)	1.0	(2.0)	86.2	(2.0)	
Net earnings including non-controlling interests	442.6	72.0	(83.0)	2.0	(9.0)	433.6	(8.0)	
Net loss attributable to non-controlling interests	13.0	-	5.0	(4.0)	1.0	14.0	-	
Net earnings attributable to shareholders of the Corporation	455.6	72.0	(78.0)	(2.0)	(8.0)	447.6	(8.0)	

52-week period ended April 28, 2019

(in millions of US dollars)	Pre – IFRS 16 As reported	Excluding: Rent under IAS 17	Including: Depreciation and interests ⁽¹⁾	Other	Total estimated pro forma IFRS 16 impacts	Pro forma IFRS 16	Total estimated pro forma IFRS 16 impacts – attributable to shareholders of the Corporation
Revenues	59,117.6	-	-	40.0	40.0	59,157.6	20.0
Cost of sales	49,922.7	-	-	-	-	49,922.7	-
Gross profit	9,194.9	-	-	40.0	40.0	9,234.9	20.0
Operating, selling, administrative and general expenses	5,646.1	(390.0)	-	28.0	(362.0)	5,284.1	(361.0)
Restructuring costs	10.5	-	-	-	-	10.5	-
Gain on disposal of property and equipment and other assets	(21.3)	-	-	-	-	(21.3)	-
Depreciation, amortization and impairment	1,070.7	(18.0)	388.0	-	370.0	1,440.7	356.0
Total operating expenses	6,706.0	(408.0)	388.0	28.0	8.0	6,714.0	(5.0)
Operating income	2,488.9	408.0	(388.0)	12.0	32.0	2,520.9	25.0
Share of earnings of joint ventures and associated companies	23.4	-	-	-	-	23.4	-
EBITDA	3,583.0	390.0	-	12.0	402.0	3,984.0	381.0
Financial expenses	338.7	(20.0)	90.0	-	70.0	408.7	62.0
Financial revenues	(13.3)	-	-	-	-	(13.3)	-
Foreign exchange gain	(5.3)	-	-	-	-	(5.3)	-
Net financial expenses	320.1	(20.0)	90.0	-	70.0	390.1	62.0
Earnings before income taxes	2,192.2	428.0	(478.0)	12.0	(38.0)	2,154.2	(37.0)
Income taxes	370.9	108.0	(120.0)	3.0	(9.0)	361.9	(9.0)
Net earnings including non- controlling interests	1,821.3	320.0	(358.0)	9.0	(29.0)	1,792.3	(28.0)
Net loss attributable to non- controlling interests	12.6	(3.0)	20.0	(16.0)	1.0	13.6	-
Net earnings attributable to shareholders of the Corporation	1,833.9	317.0	(338.0)	(7.0)	(28.0)	1,805.9	(28.0)

(1) Depreciation and interest expenses are based on our assessment of Fiscal 2020 impact.

In order to facilitate the understanding of our financial performance, we have adjusted some of our previously reported performance measures. All adjustments related to IFRS 16 are clearly identified and are based on the calculations presented in the tables above.

The adoption of the new accounting standard affected the following specific items in the opening balance sheet on April 29, 2019:

(in millions of US dollars)	Balance, beginning of period	Adoption of IFRS 16	Adjusted balance, beginning of period
Assets			
Current assets			
Prepaid expenses	83.7	(26.4)	57.3
Property and equipment	11,129.9	(306.5)	10,823.4
Right-of-use assets	-	2,835.0	2,835.0
Intangible assets	944.4	(104.5)	839.9
Other assets	306.6	27.7	334.3
Total assets	22,607.7	2,425.3	25,033.0
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	3,917.1	(24.6)	3,892.5
Current portion of long-term debt	1,310.7	(40.5)	1,270.2
Current portion of lease liabilities	-	382.9	382.9
Long-term debt	5,640.7	(287.8)	5,352.9
Lease liabilities	-	2,569.3	2,569.3
Long-term provisions	590.1	(3.0)	587.1
Deferred credits and other liabilities	349.0	(158.3)	190.7
Deferred income taxes	1,037.1	(3.2)	1,033.9
Total liabilities	13,426.6	2,434.8	15,861.4
Equity			
Retained earnings	9,053.5	(9.5)	9,044.0
Total equity	9,181.1	(9.5)	9,171.6

For further information, refer to our Q1 2020 unaudited interim condensed consolidated financial statements.

Summary Analysis of Consolidated Results for the First Quarter of Fiscal 2020

The following table highlights certain information regarding our operations for the 12-week periods ended July 21, 2019, and July 22, 2018. CAPL refers to CrossAmerica Partners LP.

	12-week periods ended		
	July 21, 2019	July 22, 2018	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>			
Statement of Operations Data:			
Merchandise and service revenues ⁽¹⁾ :			
United States	2,657.8	2,609.1	1.9
Europe	353.1	368.7	(4.2)
Canada	575.6	544.4	5.7
CAPL	19.8	26.3	(24.7)
<i>Elimination of intercompany transactions with CAPL</i>	<i>(0.5)</i>	<i>(0.7)</i>	<i>(28.6)</i>
Total merchandise and service revenues	3,605.8	3,547.8	1.6
Road transportation fuel revenues:			
United States	6,801.5	7,159.5	(5.0)
Europe	1,919.8	1,952.5	(1.7)
Canada	1,201.4	1,291.8	(7.0)
CAPL	567.4	633.7	(10.5)
<i>Elimination of intercompany transactions with CAPL</i>	<i>(121.4)</i>	<i>(140.3)</i>	<i>(13.5)</i>
Total road transportation fuel revenues	10,368.7	10,897.2	(4.8)
Other revenues ⁽²⁾ :			
United States	6.9	5.4	27.8
Europe	155.1	319.0	(51.4)
Canada	4.8	6.2	(22.6)
CAPL	25.8	15.2	69.7
<i>Elimination of intercompany transactions with CAPL</i>	<i>(4.1)</i>	<i>(4.3)</i>	<i>(4.7)</i>
Total other revenues	188.5	341.5	(44.8)
Total revenues	14,163.0	14,786.5	(4.2)
Merchandise and service gross profit ⁽¹⁾ :			
United States	904.9	874.8	3.4
Europe	146.5	156.3	(6.3)
Canada	189.5	187.9	0.9
CAPL	4.6	6.4	(28.1)
<i>Elimination of intercompany transactions with CAPL</i>	<i>(0.5)</i>	<i>(0.6)</i>	<i>(16.7)</i>
Total merchandise and service gross profit	1,245.0	1,224.8	1.6
Road transportation fuel gross profit:			
United States	672.5	560.0	20.1
Europe	222.2	246.5	(9.9)
Canada	81.5	100.0	(18.5)
CAPL	23.1	26.6	(13.2)
Total road transportation fuel gross profit	999.3	933.1	7.1
Other revenues gross profit ⁽²⁾ :			
United States	6.9	5.3	30.2
Europe	31.3	36.8	(14.9)
Canada	4.8	6.2	(22.6)
CAPL	25.8	15.2	69.7
<i>Elimination of intercompany transactions with CAPL</i>	<i>(4.1)</i>	<i>(4.3)</i>	<i>(4.7)</i>
Total other revenues gross profit	64.7	59.2	9.3
Total gross profit	2,309.0	2,217.1	4.1
Operating, selling, administrative and general expenses			
Excluding CAPL	1,224.3	1,294.7	(5.4)
CAPL	20.2	22.6	(10.6)
<i>Elimination of intercompany transactions with CAPL</i>	<i>(4.4)</i>	<i>(4.8)</i>	<i>(8.3)</i>
Total Operating, selling, administrative and general expenses	1,240.1	1,312.5	(5.5)
Restructuring costs	-	1.5	(100.0)
Loss on disposal of property and equipment and other assets	10.1	0.2	4,950.0
Depreciation, amortization and impairment			
Excluding CAPL	284.2	213.2	33.3
CAPL	22.9	88.3	(74.1)
Total depreciation, amortization and impairment	307.1	301.5	1.9
Operating income	743.0	671.3	10.7
Excluding CAPL	8.9	(69.8)	(112.8)
CAPL	(0.2)	(0.1)	100.0
<i>Elimination of intercompany transactions with CAPL</i>	<i>(0.2)</i>	<i>(0.1)</i>	<i>100.0</i>
Total operating income	751.7	601.4	25.0
Net financial expenses	87.0	77.7	0.12
Net earnings including non-controlling interests	536.0	442.6	21.1
Net loss attributable to non-controlling interests	2.8	13.0	(78.5)
Net earnings attributable to shareholders of the Corporation	538.8	455.6	18.3
Per Share Data:			
Basic net earnings per share (dollars per share)	0.96	0.81	18.5
Diluted net earnings per share (dollars per share)	0.95	0.81	17.3
Adjusted diluted net earnings per share (dollars per share) ⁽¹³⁾	0.97	0.87	11.5

	12-week periods ended		
	July 21, 2019	July 22, 2018	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>			
Other Operating Data – excluding CAPL:			
Merchandise and service gross margin ⁽¹⁾ :			
Consolidated	34.6%	34.6%	-
United States	34.0%	33.5%	0.5
Europe	41.5%	42.4%	(0.9)
Canada	32.9%	34.5%	(1.6)
Growth of same-store merchandise revenues ⁽³⁾ :			
United States ⁽⁴⁾	2.5%	4.2%	(1.7)
Europe	0.7%	7.3%	(6.6)
Canada ⁽⁴⁾	0.3%	6.6%	(6.3)
Road transportation fuel gross margin:			
United States (cents per gallon) ⁽⁴⁾	26.86	22.70	18.3
Europe (cents per liter)	8.44	9.21	(8.4)
Canada (CA cents per liter) ⁽⁴⁾	7.40	8.91	(16.9)
Total volume of road transportation fuel sold:			
United States (millions of gallons)	2,590.6	2,574.6	0.6
Europe (millions of liters)	2,633.6	2,676.4	(1.6)
Canada (millions of liters)	1,472.6	1,469.2	0.2
Growth of (decrease in) same-store road transportation fuel volume ⁽⁴⁾ :			
United States	0.6%	0.6%	-
Europe	(1.6%)	(0.1%)	(1.5)
Canada	0.4%	(3.3%)	3.7

(in millions of US dollars, unless otherwise stated)

	July 21, 2019	April 28, 2019	Variation \$
Balance Sheet Data⁽⁵⁾:			
Total assets (including \$1.3 billion and \$1.1 billion for CAPL as at July 21, 2019 and as at April 28, 2019, respectively)	25,431.6	25,033.0	398.6
Interest-bearing debt (including \$686.1 million and \$696.0 million for CAPL as at July 21, 2019 and as at April 28, 2019, respectively) ⁽⁶⁾	9,410.4	9,575.3	(164.9)
Equity attributable to shareholders of the Corporation	9,409.8	8,913.7	496.1
Indebtedness Ratios⁽⁷⁾:			
Net interest-bearing debt/total capitalization ⁽⁶⁾⁽⁸⁾	0.45 : 1	0.48 : 1	
Leverage ratio ⁽⁹⁾	1.94 : 1	2.09 : 1	
Adjusted leverage ratio ⁽¹⁰⁾	2.03 : 1	2.18 : 1	
Returns⁽⁷⁾:			
Return on equity ⁽¹¹⁾	22.0%	21.9%	
Return on capital employed ⁽¹²⁾	13.2%	12.6%	

(1) Includes revenues derived from franchise fees, royalties, suppliers' rebates on some purchases made by franchisees and licensees, as well as from wholesale of merchandise.

(2) Includes revenues from the rental of assets and from the sale of aviation fuel, energy for stationary engines and marine fuel (until November 30, 2018).

(3) Does not include services and other revenues (as described in footnotes 1 and 2 above). Growth in Canada and in Europe is calculated based on local currencies.

(4) For company-operated stores only.

(5) The balance sheet data as at April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16.

(6) This measure is presented including the following balance sheet accounts: Current portion of long-term debt, Long-term debt, Current portion of lease liabilities, and Lease liabilities.

(7) These measures are presented as if our investment in CAPL was reported using the equity method as we believe it allows a more relevant presentation of the underlying performance of the Corporation.

(8) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt, net of cash and cash equivalents and temporary investments divided by the addition of shareholders' equity and interest-bearing debt, net of cash and cash equivalents and temporary investments. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 0.39 : 1. We believe this measure is useful to investors and analysts.

(9) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt, net of cash and cash equivalents and temporary investments divided by EBITDA (Earnings before Interest, Tax, Depreciation, Amortization and Impairment) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 1.61 : 1. We believe this measure is useful to investors and analysts.

(10) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt plus the product of eight times rent expense, net of cash and cash equivalents and temporary investments divided by EBITDAR (Earnings before Interest, Tax, Depreciation, Amortization, Impairment and Rent expense) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's interest bearing debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 2.29 : 1. We believe this measure is useful to investors and analysts.

(11) This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: net earnings divided by average equity for the corresponding period. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 22.3%. We believe this measure is useful to investors and analysts.

(12) This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: earnings before income taxes and interests divided by average capital employed for the corresponding period. Capital employed represents total assets less short-term liabilities not bearing interests. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 14.1%. We believe this measure is useful to investors and analysts.

(13) This performance measure, for the 12-week period ended July 22, 2018, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously reported adjusted net earnings per share was \$0.88.

Revenues

Our revenues were \$14.2 billion for the first quarter of fiscal 2020, down by \$623.5 million, a decrease of 4.2% compared with the corresponding quarter of fiscal 2019, mainly attributable to a net lower average road transportation fuel selling price, the net negative impact from the translation of our Canadian and European operations into US dollars, and the disposal of our marine fuel business, partly offset by organic growth.

Merchandise and service revenues

Total merchandise and service revenues for the first quarter of fiscal 2020 were \$3.6 billion, an increase of \$58.0 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by approximately \$97.0 million or 2.7%. This increase is primarily attributable to continued organic growth, despite unfavorable weather and cycling against an exceptional first quarter last year. Same-store merchandise revenues increased by 2.5% in the United States, by 0.7% in Europe and by 0.3% in Canada, driven by the improvements made to our offering, as well as by our various initiatives to drive traffic in our stores.

Road transportation fuel revenues

Total road transportation fuel revenues for the first quarter of fiscal 2020 were \$10.4 billion, a decrease of \$528.5 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by approximately \$338.0 million or 3.3%. This decrease is attributable to a net lower average road transportation fuel selling price, which had a net negative impact of approximately \$354.0 million, partly offset by organic growth. Same-store road transportation fuel volume in the United States increased by 0.6%. In Europe, same-store road transportation fuel volume decreased by 1.6% due to the competitive landscape and unfavorable weather. In Canada, same-store road transportation fuel volume increased by 0.4%, another sequential improvement.

The following table shows the average road transportation fuel selling price of our company-operated stores in our various markets for the last eight quarters, starting with the second quarter of the fiscal year ended April 29, 2018:

Quarter	2 nd	3 rd	4 th	1 st	Weighted average
<u>52-week period ended July 21, 2019</u>					
United States (US dollars per gallon) – excluding CAPL	2.72	2.42	2.51	2.66	2.57
Europe (US cents per liter)	80.56	75.28	74.59	77.35	76.86
Canada (CA cents per liter)	115.22	97.59	103.45	111.16	106.23
<u>52-week period ended July 22, 2018</u>					
United States (US dollars per gallon) – excluding CAPL	2.47	2.30	2.51	2.76	2.50
Europe (US cents per liter)	68.23	71.19	78.32	75.07	73.01
Canada (CA cents per liter)	101.46	108.11	110.39	117.95	109.37

Other revenues

Total other revenues for the first quarter of fiscal 2020 were \$188.5 million, a decrease of \$153.0 million compared with the corresponding period of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, other revenues decreased by approximately \$146.0 million in the first quarter of fiscal 2020. The decrease is primarily driven by the disposal of our marine fuel business, which had an impact of approximately \$80.0 million, as well as lower aviation fuel revenues which had a minimal impact on gross profit.

Gross profit

Our gross profit was \$2.3 billion for the first quarter of fiscal 2020, up by \$91.9 million, or 4.1%, compared with the corresponding quarter of fiscal 2019, mainly attributable to higher fuel margins in the United States and organic growth, partly offset by the net negative impact from the translation of our Canadian and European operations into US dollars, which totalled approximately \$33.0 million.

Merchandise and service gross profit

In the first quarter of fiscal 2020, our merchandise and service gross profit was \$1.2 billion, an increase of \$20.2 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service gross profit increased by approximately \$35.0 million or 2.9%, mainly attributable to our organic growth. Our gross margin increased by 0.5% in the United States to 34.0% and decreased by 0.9% in Europe to 41.5%, both driven by changes in product mix. In Canada, our

gross margin decreased by 1.6% to 32.9%, mainly as a result of the conversion of our Esso stores from the agent model to the corporate model, as well as from a change in product mix.

Road transportation fuel gross profit

In the first quarter of fiscal 2020, our road transportation fuel gross profit was \$999.3 million, an increase of \$66.2 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, our first quarter of fiscal 2020 road transportation fuel gross profit increased by approximately \$87.0 million or 9.6%. Our road transportation fuel gross margin was 26.86¢ per gallon in the United States, an increase of 4.16¢ per gallon supported by the volatility in crude oil prices as well as improved sourcing conditions. In Europe, the road transportation fuel gross margin was US 8.44¢ per liter, a decrease of US 0.77¢ per liter mainly due to the net negative impact of foreign exchange and a higher bio-fuel blending ratio taking advantage of favorable conditions. The remaining variance is driven by competitive pressure in some of our markets. In Canada, the road transportation fuel gross margin was CA 7.40¢ per liter, a decrease of CA 1.51¢ per liter due to competitive pressure in some of our markets.

The road transportation fuel gross margin of our company-operated stores in the United States and the impact of expenses related to electronic payment modes for the last eight quarters, starting with the second quarter of the fiscal year ended April 29, 2018, were as follows:

(US cents per gallon)

Quarter	2 nd	3 rd	4 th	1 st	Weighted average
52-week period ended July 21, 2019					
Before deduction of expenses related to electronic payment modes	21.88	29.42	18.51	26.86	24.50
Expenses related to electronic payment modes ⁽¹⁾	4.55	4.31	4.40	4.70	4.50
After deduction of expenses related to electronic payment modes	17.33	25.11	14.11	22.16	20.00
52-week period ended July 22, 2018					
Before deduction of expenses related to electronic payment modes	24.70	15.66	17.29	22.70	19.42
Expenses related to electronic payment modes ⁽¹⁾	4.31	4.06	3.86	4.67	4.20
After deduction of expenses related to electronic payment modes	20.39	11.60	13.43	18.03	15.22

(1) Please note that this information has been restated to reflect the cost of electronic payment expenses per corporate-store road transportation fuel gallons instead of per total road transportation fuel gallons.

As demonstrated by the table above, road transportation fuel margins in the United States can be volatile from one quarter to another but tend to be relatively stable or to increase over longer periods. Margin volatility and expenses related to electronic payment modes are not as significant in Europe and Canada.

Other revenues gross profit

In the first quarter of fiscal 2020, other revenues gross profit was \$64.7 million, an increase of \$5.5 million compared with the corresponding period of fiscal 2019. Excluding CAPL's gross profit, other revenues gross profit decreased by \$5.3 million in the first quarter of fiscal 2020. The decrease is primarily driven by the disposal of our marine fuel business, which had an impact of approximately \$3.0 million on the first quarter of fiscal 2020.

Operating, selling, administrative and general expenses (“expenses”)

For the first quarter of fiscal 2020, expenses decreased by 5.5%, compared with the corresponding period of fiscal 2019. If we exclude certain items that are not considered indicative of future trends, expenses increased by 2.3%:

	12-week period ended July 21, 2019
Total variance, as reported	(5.5)%
Adjusted for:	
Decrease in rent expense from transition to IFRS 16	6.2%
Decrease from the net impact of foreign exchange translation	1.4%
Decrease in CAPL's expenses	0.2%
Disposal of our marine fuel business	0.1%
Increase from higher electronic payment fees, excluding acquisitions	(0.1)%
Remaining variance	2.3%

Excluding the conversion of our Esso stores from the agent model to the corporate model, the remaining variance for the first quarter of fiscal 2020 would have been only 1.7%. Growth in expenses was driven by normal inflation, higher expenses needed to support our growth and higher minimum wages in certain regions. We continue to rigorously focus on controlling costs throughout our organization, while ensuring we maintain the quality of service we offer to our customers.

Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA) and adjusted EBITDA

During the first quarter of fiscal 2020, EBITDA increased from \$910.0 million to \$1,065.4 million, an increase of 17.1% compared with the same quarter last year. Excluding the specific items shown in the table below from EBITDA of the first quarter of fiscal 2020 and of the corresponding period of fiscal 2019, the adjusted EBITDA for the first quarter of fiscal 2020 increased by \$58.3 million or 5.9% compared with the corresponding period of the previous fiscal year, driven by increased fuel margins in the United States and by organic growth, partly offset by the net negative impact from the translation of our Canadian and European operations into US dollars. The variation in exchange rates had a net negative impact of approximately \$15.0 million.

It should be noted that EBITDA and adjusted EBITDA are not performance measures defined by IFRS, but we, as well as investors and analysts, consider that those performance measures facilitate the evaluation of our ongoing operations and our ability to generate cash flows to fund our cash requirements, including our capital expenditures program and payment of dividends. Note that our definition of these measures may differ from the one used by other public corporations.

(in millions of US dollars)	12-week periods ended	
	July 21, 2019	July 22, 2018
Net earnings including non-controlling interests, as reported	536.0	442.6
Add:		
Income taxes	135.3	88.2
Net financial expenses	87.0	77.7
Depreciation, amortization and impairment	307.1	301.5
EBITDA	1,065.4	910.0
Adjusted for:		
EBITDA attributable to non-controlling interests	(24.8)	(14.5)
Acquisition costs	0.2	0.5
Restructuring costs attributable to shareholders of the Corporation	-	1.5
Adjusted EBITDA, as previously reported	1,040.8	897.5
Estimated pro forma impact from transition to IFRS 16 attributable to shareholders of the Corporation	-	85.0
Adjusted EBITDA	1,040.8	982.5

Depreciation, amortization and impairment (“depreciation”)

For the first quarter of fiscal 2020, our depreciation expense increased by \$5.6 million. Excluding CAPL’s results as well as the \$55.0 million impairment charge on CAPL’s goodwill recognized during the first quarter of fiscal 2019, the depreciation expense increased by \$71.0 million, mainly driven by the additional depreciation expense arising from right-of-use assets due to the adoption of IFRS 16, which had an impact of approximately \$81.0 million, to the replacement of equipment, partly offset by the divestiture of stores and our marine fuel business.

Net financial expenses

Net financial expenses for the first quarter of fiscal 2020 were \$87.0 million, an increase of \$9.3 million compared with the first quarter of fiscal 2019. Excluding the items shown in the table below, net financial expenses decreased by \$14.5 million, mainly attributable to our lower average long-term debt following the significant repayments made.

(in millions of US dollars)	12-week periods ended	
	July 21, 2019	July 22, 2018
Net financial expenses, as reported	87.0	77.7
Adjusted for:		
CAPL’s financial expenses	(11.3)	(7.0)
Net foreign exchange loss	(6.5)	(1.0)
Estimated pro forma impact from transition to IFRS 16	-	14.0
Net financial expenses excluding items above	69.2	83.7

Income taxes

The income tax rate for the first quarter of fiscal 2020 was 20.2% compared with 16.6% for the corresponding period of fiscal 2019. Excluding the income tax expense of \$4.5 million from the re-evaluation of the deferred tax assets and liabilities following the asset exchange transaction with CAPL, the income tax rate would have been 19.5%. The increase of the income tax rate of the first quarter of fiscal 2020 stems from the impact of a different mix in our earnings across the various jurisdictions.

Net earnings attributable to shareholders of the Corporation (“net earnings”) and adjusted net earnings attributable to shareholders of the Corporation (“adjusted net earnings”)

Net earnings for the first quarter of fiscal 2020 were \$538.8 million, compared with \$455.6 million for the first quarter of the previous fiscal year, an increase of \$83.2 million or 18.3%. Diluted net earnings per share stood at \$0.95, compared with \$0.81 for the corresponding quarter of the previous year. The translation of revenues and expenses from our Canadian and European operations into United States dollars had a net negative impact of approximately \$10.0 million on net earnings of the first quarter of fiscal 2020.

Excluding the items shown in the table below from net earnings of the first quarter of fiscal 2020 and of fiscal 2019, adjusted net earnings for the first quarter of fiscal 2020 would have been approximately \$548.0 million, compared with \$490.0 million for the first quarter of fiscal 2019, an increase of \$58.0 million or 11.8%. Adjusted diluted net earnings per share would have been approximately \$0.97 for the first quarter of fiscal 2020 compared with \$0.87 for the corresponding period of fiscal 2019, an increase of 11.5%.

The table below reconciles reported net earnings to adjusted net earnings:

(in millions of US dollars)	12-week periods ended	
	July 21, 2019	July 22, 2018
Net earnings attributable to shareholders of the Corporation, as reported	538.8	455.6
Adjusted for:		
Net foreign exchange loss	6.5	1.0
Income tax expense following asset exchange transaction	3.5	-
Acquisition costs	0.2	0.5
Impairment charge on CAPL's goodwill	-	55.0
Restructuring costs	-	1.5
Tax impact of the items above and rounding	(1.0)	(15.6)
Adjusted net earnings attributable to shareholders of the Corporation, as previously reported	548.0	498.0
Estimated pro forma impact from transition to IFRS 16	-	(8.0)
Adjusted net earnings attributable to shareholders of the Corporation	548.0	490.0

It should be noted that adjusted net earnings is not a performance measure defined by IFRS, but we, as well as investors and analysts, consider this measure useful for evaluating the underlying performance of our operations on a comparable basis. Note that our definition of this measure may differ from the one used by other public corporations.

Financial Position as at July 21, 2019

As shown by our indebtedness ratios included in the “Summary Analysis of Consolidated Results for the First Quarter of Fiscal 2020” section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to \$25.4 billion as at July 21, 2019, an increase of \$2.8 billion over the balance as at April 28, 2019, primarily due to the adoption of IFRS 16 and the variation in exchange rates at the balance sheet date. It should be noted that, as permitted under the specific transition provisions in the standard, we did not adjust our balance sheet as at April 28, 2019, to reflect the impact of IFRS 16 on our assets and liabilities.

During the 52-week periods ended July 21, 2019, and April 28, 2019, we recorded return on capital employed¹ of 13.2% and of 12.6%, respectively.

Significant balance sheet variations are explained as follows:

Property and equipment

Property and equipment decreased by \$296.3 million, from \$11.1 billion as at April 28, 2019, to \$10.8 billion as at July 21, 2019, mainly as a result of the adoption of IFRS 16, as finance leases are now part of the Right-of-use assets, as well as the depreciation, amortization and impairment expenses of the quarter, partly offset by the investment we made to our network as well as by the net positive impact of approximately \$74.0 million from the exchange rates variation at the balance sheet date.

Right-of-use assets

Right-of-use assets stood at \$2.8 billion as at July 21, 2019, following the adoption of IFRS 16, partly offset by depreciation, amortization and impairment expenses of the quarter.

Long-term debt and current portion of long-term debt

Long-term debt and current portion of long-term debt decreased by \$452.8 million, from \$7.0 billion as at April 28, 2019 to \$6.5 billion as at July 21, 2019, mainly as a result of the adoption of IFRS 16, as our finance lease obligations are now part of the Lease liabilities, as well as the repayment of \$150.0 million made on our senior unsecured notes, partly offset by the impact of the strengthening of the Canadian dollar and Euro against the US dollar, which was approximately \$68.0 million.

Lease liabilities and current portion of lease liabilities

Long-term lease liabilities and current portion of lease liabilities stood at \$2.9 billion as at July 21, 2019, following the adoption of IFRS 16, partly offset by the principal portion of the lease payment made during the quarter.

Equity

Equity attributable to shareholders of the Corporation amounted to \$9.4 billion as at July 21, 2019, up \$486.6 million compared with April 28, 2019, mainly reflecting net earnings of the first quarter of fiscal 2020, partly offset by other comprehensive loss, as well as dividends declared during the first quarter of fiscal year 2020 and the impact of share repurchases. For the 12-week period ended July 21, 2019, we recorded a return on equity² of 22.0%.

As at July 21, 2019, non-controlling interests amounted to \$247.2 million, a decrease of \$10.7 million compared to April 28, 2019, mainly reflecting non-controlling interests' shares in CAPL's losses and distributions.

¹ Please refer to the section “Summary Analysis of Consolidated Results for the First Quarter of Fiscal 2020” of this Management Discussion & Analysis for additional information on this performance measure not defined by IFRS. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated impact of IFRS 16, the previously reported return on capital employed was 14.1%.

² Please refer to the section “Summary Analysis of Consolidated Results for the First Quarter of Fiscal 2020” of this Management Discussion & Analysis for additional information on this performance measure not defined by IFRS

Liquidity and Capital Resources

Our principal sources of liquidity are our net cash provided by operating activities and borrowings available under our revolving unsecured credit facilities. Our principal uses of cash are to repay our debt, finance our acquisitions and capital expenditures, pay dividends and repurchase shares, as well as to provide for working capital. We expect that cash generated from operations and borrowings available under our revolving unsecured credit facilities will be adequate to meet our liquidity needs in the foreseeable future.

Our revolving credit facilities are detailed as follow:

Term revolving unsecured operating credit, maturing in December 2023 (“operating credit D”)

Credit agreement consisting of a revolving unsecured facility of a maximum amount of \$2,525.0 million. As at July 21, 2019, our operating credit D was not used and standby letters of credit in the amount of \$12.6 million were outstanding.

CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation, maturing in April 2024

CAPL has a credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of \$750.0 million, maturing on April 25, 2024, under which swing-line loans may be drawn up to \$35.0 million and standby letters of credit may be issued up to an aggregate of \$65.0 million. This facility is without recourse to the Corporation.

As at July 21, 2019, the effective interest rate was 4.660% (4.550% as at July 22, 2018) and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

Available liquidities

As at July 21, 2019, excluding CAPL’s US dollar-denominated senior secured revolving credit facility, a total of approximately \$2.5 billion was available under our revolving unsecured operating credit facility and we were in compliance with the restrictive covenants and ratios imposed by the credit agreement at that date. Thus, as at the same date, excluding CAPL’s cash and revolving credit facility, we had access to approximately \$3.6 billion through our available cash and revolving unsecured operating credit facility.

Selected Consolidated Cash Flow Information

(in millions of US dollars)	12-week periods ended		
	July 21, 2019	July 22, 2018	Variation
Operating activities			
Net cash provided by operating activities	865.8	714.5	151.3
Investing activities			
Purchase of property and equipment, intangible assets and other assets	(246.8)	(202.0)	(44.8)
Proceeds from disposal of property and equipment and other assets	8.9	54.2	(45.3)
Business acquisitions	(7.0)	-	(7.0)
Restricted cash	5.6	(5.5)	11.1
Net cash used in investing activities	(239.3)	(153.3)	(86.0)
Financing activities			
Repayment of senior unsecured notes	(150.0)	-	(150.0)
Principal elements of lease payments and net decrease in other debts	(79.0)	(8.3)	(70.7)
Net decrease in term revolving unsecured operating credit D	(40.0)	(458.8)	418.8
Share repurchase	(14.4)	-	(14.4)
CAPL distributions paid to non-controlling interests	(14.3)	(14.0)	(0.3)
Net (decrease) increase in CAPL senior secured revolving credit facility	(9.2)	5.1	(14.3)
Settlement of derivative financial instruments	-	3.0	(3.0)
Net cash used in financing activities	(306.9)	(473.0)	166.1
Credit ratings			
S&P Global Ratings – Corporate credit rating	BBB	BBB	
Moody's - Senior unsecured notes credit rating	Baa2	Baa2	

Operating activities

During the first quarter of fiscal 2020, net cash from our operations reached \$865.8 million, up \$151.3 million compared with the first quarter of fiscal 2019, mainly due to higher net earnings as well as the impact of the payment on principal elements of leases now classified as financing activities.

Investing activities

During the first quarter of fiscal 2020, net investments in property and equipment, intangible assets and other assets amounted to \$237.9 million.

The investments were primarily for the replacement of equipment in some of our stores in order to enhance our offering of products and services, for our rebranding project, for the addition of new stores, for the ongoing improvement of our network, as well as for information technology.

Financing activities

During the first quarter of fiscal 2020, we repaid \$150.0 million on our senior unsecured notes. We also repaid \$40.0 million on our revolving unsecured operating credit D and net amounts of \$79.0 million on the principal element of our lease liabilities and other debts.

In addition, during the same period, CAPL distributions to non-controlling interests amounted to \$14.3 million.

Contractual Obligations and Commercial Commitments

Other than the impact of IFRS 16, there were no major changes to our contractual obligations and commercial commitments during the 12-week period ended July 21, 2019. For more information, please refer to our 2019 Annual Report and to the notes related to IFRS 16 in our unaudited interim condensed consolidated financial statements.

Internal Controls over Financial Reporting

We maintain a system of internal controls over financial reporting designed to safeguard assets and ensure that financial information is reliable. We also maintain a system of disclosure controls and procedures designed to ensure, in all material respects, the reliability, completeness and timeliness of the information we disclose in this MD&A and other public disclosure documents. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed with securities regulatory agencies is recorded and/or disclosed on a timely basis, as required by law, and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As at July 21, 2019, our management, following its assessment, certifies the design and operating effectiveness of the Corporation's disclosure controls and procedures.

As a result of the adoption of IFRS 16, we adjusted our internal controls and implemented processes to enable the adoption of the new standard.

We undertake ongoing evaluations of the effectiveness of our internal controls over financial reporting and implement control enhancements, when appropriate. As at April 28, 2019, our management and our external auditors reported that these internal controls were effective.

Selected Quarterly Financial Information

Our 52-week reporting cycle is divided into quarters of 12 weeks each except for the third quarter, which comprises 16 weeks. When a fiscal year, such as fiscal 2017, contains 53 weeks, the fourth quarter comprises 13 weeks. The following is a summary of selected consolidated financial information derived from our interim consolidated financial statements for each of the eight most recently completed quarters.

We have adopted IFRS 16 retrospectively from April 29, 2019, but have not restated comparatives for fiscal year 2019, as permitted under the specific transition provisions in the standard. Therefore, the cumulative effect of initially applying the new standard was recognised in the opening balance sheet on April 29, 2019 and comparatives for the 2019 fiscal year continue to be reported under IAS 17.

(in millions of US dollars except for per share data)	12-week period ended	52-week period ended				52-week period ended		
	July 21, 2019	April 28, 2019				April 29, 2018		
Quarter	1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd	2 nd
Weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks	12 weeks
Revenues	14,163.0	13,113.3	16,515.0	14,702.8	14,786.5	13,614.8	15,791.8	12,140.6
Operating income before depreciation, amortization and impairment	1,058.8	651.7	1,140.2	864.8	902.9	705.2	714.9	846.3
Depreciation, amortization and impairment	307.1	241.5	305.2	222.5	301.5	240.8	290.2	209.3
Operating income	751.7	410.2	835.0	642.3	601.4	464.4	424.7	637.0
Share of earnings of joint ventures and associated companies	6.6	3.6	7.3	5.4	7.1	5.9	9.2	8.3
Net financial expenses	87.0	78.6	90.1	73.7	77.7	75.6	110.9	89.6
Net earnings including non-controlling interests	536.0	289.9	611.8	477.0	442.6	395.2	489.3	433.5
Net loss (earnings) attributable to non-controlling interests	2.8	3.2	0.3	(3.9)	13.0	(4.2)	(6.9)	(1.0)
Net earnings attributable to shareholders of the Corporation	538.8	293.1	612.1	473.1	455.6	391.0	482.4	432.5
Net earnings per share								
Basic	\$0.96	\$0.52	\$1.08	\$0.84	\$0.81	\$0.69	\$0.86	\$0.76
Diluted	\$0.95	\$0.52	\$1.08	\$0.84	\$0.81	\$0.69	\$0.85	\$0.76

The volatility of road transportation fuel gross margins, mostly in the United States, seasonality and changes in the exchange rates have an impact on the variability of our quarterly net earnings.

Outlook

For the remaining portion of fiscal 2020, we want to continue building on our success and drive to attain our very ambitious objective to double our business again in the next five years. We will continue to work on optimizing our global business functions while maintaining our super local focus on regional business units that understand the needs and appetites of our customers. We will keep developing and building upon our global brand, Circle K, throughout our network, leveraging all of our learnings as well as our scale, delivering on local demand while remaining true to our mission – to make our customers' lives a little easier every day.

We will, as always, look for and seize opportunities to grow the business, relying on our customary financial discipline – embedded in our DNA – and always focusing on creating value for our shareholders and employees.

September 4, 2019