

Q2 2021

ALIMENTATION COUCHE-TARD INC.
MANAGEMENT DISCUSSION & ANALYSIS
12 and 24-week periods ended October 11, 2020



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 position and results of the operations of Alimentation Couche-Tard Inc. (“Couche-Tard”) as well as its performance during the second quarter of the fiscal year ending April 25, 2021. 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 2020 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 November 24, 2020, 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. Additionally, we are uncertain of the duration and impacts of the current COVID-19 pandemic on our business. We are actively monitoring the effect of the COVID-19 pandemic on all aspects of our business and geographies, including how it will impact our people, our customers, our suppliers, our business partners and distribution channels.

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 2020 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 October 11, 2020, our network comprised 9,261 convenience stores throughout North America, including 8,085 stores with road transportation fuel dispensing. Our North American network consists of 18 business units, including 14 in the United States covering 47 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 Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through 10 business units. As of October 11, 2020, our network comprised 2,722 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 22,000 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, more than 2,220 stores are operated under the Circle K banner in 15 other countries and territories (Cambodia, Egypt, Guam, Guatemala, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings the worldwide total network to more than 14,200 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 are a customer-centric, financially disciplined organization that routinely compares best practices, and uses our global experience to enhance our operational expertise and continually invests in our people and our stores.

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:

Average for period ⁽¹⁾	12-week periods ended		24-week periods ended	
	October 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
Canadian dollar	0.7541	0.7547	0.7416	0.7531
Norwegian krone	0.1101	0.1115	0.1064	0.1134
Swedish krone	0.1136	0.1032	0.1097	0.1044
Danish krone	0.1582	0.1482	0.1538	0.1494
Zloty	0.2653	0.2551	0.2568	0.2589
Euro	1.1777	1.1063	1.1453	1.1150
Ruble	0.0134	0.0154	0.0137	0.0155

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

Period end	As at October 11, 2020	As at April 26, 2020
Canadian dollar	0.7589	0.7118
Norwegian krone	0.1086	0.0941
Swedish krone	0.1132	0.0993
Danish krone	0.1585	0.1448
Zloty	0.2639	0.2385
Euro	1.1795	1.0800
Ruble	0.0130	0.0134

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 Second Quarter of Fiscal 2021

Financial Results

Net earnings attributable to shareholders of the Corporation (“net earnings”) amounted to \$757.0 million for the second quarter of fiscal 2021, compared with \$578.6 million for the second quarter of fiscal 2020. Diluted net earnings per share stood at \$0.68, compared with \$0.51 for the corresponding quarter of the previous fiscal year.

The results for the second quarter of fiscal 2021 were affected by a pre-tax gain on disposal of \$40.9 million related to the sale of a property located in Toronto, Canada, a pre-tax net foreign exchange loss of \$8.9 million, as well as pre-tax acquisition costs of \$1.2 million.

The results for the second quarter of fiscal 2020 were affected by a pre-tax net foreign exchange gain of \$11.8 million, pre-tax acquisition costs of \$0.8 million, as well as a tax benefit from the second tranche of the December 2018 asset exchange agreement with CAPL, of which \$0.7 million was attributable to shareholders of the Corporation.

Excluding these items, the adjusted net earnings were approximately \$735.0 million¹ (\$0.66¹ per share on a diluted basis) for the second quarter of fiscal 2021, compared with \$569.0 million¹ (\$0.50¹ per share on a diluted basis) for the second quarter of fiscal 2020, an increase of \$166.0 million or 29.2%, driven by strong growth in merchandise and service and in road transportation fuel gross profit, as well as by good cost control.

Changes in our Network During the Second Quarter of Fiscal 2021

Asset Exchange Agreement with CrossAmerica Partners LP (“CAPL”)

On December 17, 2018, we entered into an asset exchange agreement with CAPL which aimed at exchanging 192 Circle K U.S. stores against the real estate property 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., and 17 company-operated stores owned and operated by CAPL in the U.S. Upper Midwest (the “December 2018 asset exchange agreement”). The aggregate value of this agreement totaled approximately \$184.0 million.

During the second quarter of fiscal 2021, we closed the sixth and final transaction of the December 2018 asset exchange agreement with CAPL. In this sixth transaction, we transferred 24 Circle K U.S. stores for a total value of approximately \$20.0 million. In exchange, CAPL transferred the real estate for 4 properties of an equivalent value. This transaction resulted in a gain of \$2.3 million.

Multi-site acquisition²

We acquired 10 company-operated stores from Wadsworth Oil Company of Clanton, Inc., all located in Alabama, within the United States. We settled this transaction using our available cash and existing credit facilities.

Single-site acquisitions

We acquired one company-operated store, reaching a total of two stores since the beginning of fiscal 2021.

Store construction

We completed the construction of 13 stores and the relocation or reconstruction of 1 store, reaching a total of 38 stores since the beginning of fiscal 2021. As of October 11, 2020, another 51 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 MD&A for additional information on this performance measure not defined by IFRS.

² A multi-site acquisition is defined as an acquisition of seven stores or more.

Summary of changes in our store network during the second quarter and first half-year of fiscal 2021

The following tables present certain information regarding changes in our store network over the 12 and 24-week periods ended October 11, 2020⁽¹⁾:

Type of site	12-week period ended October 11, 2020				Total
	Company-operated ⁽²⁾	CODO ⁽³⁾	DODO ⁽⁴⁾	Franchised and other affiliated ⁽⁵⁾	
Number of sites, beginning of period	9,647	435	662	1,244	11,988
Acquisitions	11	—	—	3	14
Openings / constructions / additions	13	1	9	16	39
Closures / disposals / withdrawals	(40)	(4)	(5)	(9)	(58)
Store conversion	2	(26)	24	—	—
Number of sites, end of period	9,633	406	690	1,254	11,983
Circle K branded sites under licensing agreements					2,221
Total network					14,204
Number of automated fuel stations included in the period-end figures ⁽⁶⁾	986	—	9	—	995

Type of site	24-week period ended October 11, 2020				Total
	Company-operated ⁽²⁾	CODO ⁽³⁾	DODO ⁽⁴⁾	Franchised and other affiliated ⁽⁵⁾	
Number of sites, beginning of period	9,691	453	689	1,291	12,124
Acquisitions	12	—	—	4	16
Openings / constructions / additions	29	1	16	29	75
Closures / disposals / withdrawals	(96)	(34)	(31)	(71)	(232)
Store conversion	(3)	(14)	16	1	—
Number of sites, end of period	9,633	406	690	1,254	11,983
Circle K branded sites under licensing agreements					2,221
Total network					14,204

- (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.

Transaction subsequent to quarter end

On November 5, 2020, subsequent to the end of the quarter, we entered into an agreement to acquire all the issued and outstanding shares of Convenience Retail Asia (BVI) Limited ("Circle K HK") for a purchase price of HK \$2.8 billion, or approximately \$360.0 million, subject to working capital and other balance sheet adjustments. The acquisition would be financed using our available cash and existing credit facilities. Circle K HK, a subsidiary of Convenience Retail Asia Limited, operates a network of Circle K-licensed convenience stores, with 340 company-operated stores in Hong Kong and 33 franchised stores in Macau. The transaction is still subject to Convenience Retail Asia Limited shareholders' approval and we expect it to close before the end of calendar year 2020.

On November 12, 2020, subsequent to the end of the quarter, we acquired seven company-operated stores from Pride C-Stores Inc., all located in Indiana, within the United States. We settled this transaction using our available cash and existing credit facilities.

COVID-19 Pandemic

The COVID-19 pandemic continues to have a meaningful impact on our quarterly financial results. Traffic remained soft throughout our network due to ongoing restrictive social measures and continued work from home trends across the various geographies in which we operate. The impact of lower traffic on the merchandise sales was however more than offset by an increase in the average basket size as consumers consolidated their trips and took advantage of new shopping options and diversified product offerings. From a fuel perspective, volumes improved compared to the prior quarter, particularly in Europe which benefited from favorable summer weather, but remained challenged by work from home trends and evolving local restrictions, while fuel margins remained healthy. Lastly, from an operating expense perspective, the initiatives implemented across our network to reduce our controllable expenses had a favorable impact while we continued to promote and support the wellness of our employees and customers.

Fire & Flower

During the quarter, the terms and conditions of our investments in Fire & Flower Holdings Corp. (“Fire & Flower”) in the form of convertible debentures and common share purchase warrants were amended mainly to modify the maturity and expiry dates of the financial instruments, as well as their respective conversion and exercise price to a lower strike price or to a market-based price. The amendments also gave rise to a commitment to exercise a portion of the common share purchase warrants for an amount of CA \$19.0 million, no later than December 31, 2020, of which CA \$10.3 million (\$7.8 million) was exercised during the second quarter of fiscal 2021. For more information on these amendments, please refer to Note 5 of our unaudited interim condensed consolidated financial statements.

On September 17, 2020, we assessed that the impact of the amendments mentioned above on our potential voting rights, along with our already existing voting rights, provide us with significant influence over Fire & Flower, which is therefore considered to be an associated company. From this date, our existing ownership interest in Fire & Flower is accounted for using the equity method.

Disposal of a High Value Property

During the quarter, we disposed of a property located in Toronto, Canada, for a cash consideration of \$54.7 million and recognized to earnings a gain on disposal of \$40.9 million.

Debt Repayment

During the quarter, we fully repaid, at maturity, our CA \$300.0 million (\$227.1 million) Canadian-dollar-denominated senior unsecured notes issued on August 21, 2013.

Share Repurchase Program Renewal

On November 24, 2020, subsequent to the end of the quarter, the Toronto Stock Exchange approved the renewal of our share repurchase program which will allow us to repurchase up to 4.0% of the public float of our Class B subordinate voting shares.

Dividends

During its November 24 meeting, 2020, the Board of Directors approved an increase in the quarterly dividend of CA 1.75¢ per share bringing it to CA 8.75¢ per share, an increase of 25.0%.

During the same meeting, the Board of Directors declared a quarterly dividend of CA 8.75¢ per share for the second quarter of fiscal 2021 to shareholders on record as at December 3, 2020, and approved its payment for December 17, 2020. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

Outstanding Shares and Stock Options

As at November 20, 2020, Couche-Tard had 253,803,700 Class A multiple-voting shares and 859,144,568 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 3,263,092 outstanding stock options for the purchase of Class B subordinate voting shares.

Summary Analysis of Consolidated Results for the Second Quarter and First Half-year of Fiscal 2021

The following table highlights certain information regarding our operations for the 12 and 24-week periods ended October 11, 2020, and October 13, 2019. CAPL refers to CrossAmerica Partners LP.

	12-week periods ended			24-week periods ended		
	October 11, 2020	October 13, 2019	Variation %	October 11, 2020	October 13, 2019	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>						
Statement of Operations Data:						
Merchandise and service revenues ⁽¹⁾ :						
United States	2,736.4	2,629.8	4.1	5,587.8	5,287.6	5.7
Europe	394.6	331.3	19.1	737.8	684.4	7.8
Canada	629.8	568.4	10.8	1,293.0	1,144.0	13.0
CAPL	—	9.8	(100.0)	—	29.6	(100.0)
Elimination of intercompany transactions with CAPL	—	(0.3)	(100.0)	—	(0.8)	(100.0)
Total merchandise and service revenues	3,760.8	3,539.0	6.3	7,618.6	7,144.8	6.6
Road transportation fuel revenues:						
United States	4,438.3	6,519.0	(31.9)	8,344.3	13,320.5	(37.4)
Europe	1,496.2	1,876.5	(20.3)	2,678.6	3,796.3	(29.4)
Canada	875.7	1,130.8	(22.6)	1,552.7	2,332.2	(33.4)
CAPL	—	530.1	(100.0)	—	1,097.5	(100.0)
Elimination of intercompany transactions with CAPL	—	(116.1)	(100.0)	—	(237.5)	(100.0)
Total road transportation fuel revenues	6,810.2	9,940.3	(31.5)	12,575.6	20,309.0	(38.1)
Other revenues ⁽²⁾ :						
United States	9.5	8.1	17.3	17.0	15.0	13.3
Europe	69.5	161.8	(57.0)	144.7	316.9	(54.3)
Canada	5.4	5.3	1.9	9.3	10.1	(7.9)
CAPL	—	27.0	(100.0)	—	52.8	(100.0)
Elimination of intercompany transactions with CAPL	—	(3.5)	(100.0)	—	(7.6)	(100.0)
Total other revenues	84.4	198.7	(57.5)	171.0	387.2	(55.8)
Total revenues	10,655.4	13,678.0	(22.1)	20,365.2	27,841.0	(26.9)
Merchandise and service gross profit ⁽¹⁾ :						
United States	931.5	891.8	4.5	1,919.8	1,796.7	6.9
Europe	158.6	136.9	15.9	297.8	283.4	5.1
Canada	205.1	185.1	10.8	415.6	374.6	10.9
CAPL	—	2.2	(100.0)	—	6.8	(100.0)
Elimination of intercompany transactions with CAPL	—	(0.3)	(100.0)	—	(0.8)	(100.0)
Total merchandise and service gross profit	1,295.2	1,215.7	6.5	2,633.2	2,460.7	7.0
Road transportation fuel gross profit:						
United States	767.4	698.4	9.9	1,579.9	1,370.9	15.2
Europe	283.2	226.2	25.2	519.7	448.4	15.9
Canada	97.3	86.4	12.6	179.0	167.9	6.6
CAPL	—	23.9	(100.0)	—	47.0	(100.0)
Total road transportation fuel gross profit	1,147.9	1,034.9	10.9	2,278.6	2,034.2	12.0
Other revenues gross profit ⁽²⁾ :						
United States	9.5	8.1	17.3	17.0	15.0	13.3
Europe	27.4	31.9	(14.1)	58.3	63.2	(7.8)
Canada	5.4	5.2	3.8	9.3	10.0	(7.0)
CAPL	—	27.0	(100.0)	—	52.8	(100.0)
Elimination of intercompany transactions with CAPL	—	(3.5)	(100.0)	—	(7.6)	(100.0)
Total other revenues gross profit	42.3	68.7	(38.4)	84.6	133.4	(36.6)
Total gross profit	2,485.4	2,319.3	7.2	4,996.4	4,628.3	8.0
Operating, selling, administrative and general expenses						
Excluding CAPL ⁽¹¹⁾	1,194.4	1,214.8	(1.7)	2,365.4	2,439.1	(3.0)
CAPL	—	18.3	(100.0)	—	38.5	(100.0)
Elimination of intercompany transactions with CAPL	—	(3.7)	(100.0)	—	(8.1)	(100.0)
Total Operating, selling, administrative and general expenses	1,194.4	1,229.4	(2.8)	2,365.4	2,469.5	(4.2)
(Gain) loss on disposal of property and equipment and other assets	(35.1)	1.0	(3,610.0)	(43.9)	11.1	(495.5)
Depreciation, amortization and impairment						
Excluding CAPL	305.8	292.9	4.4	595.3	577.1	3.2
CAPL	—	23.3	(100.0)	—	46.2	(100.0)
Total depreciation, amortization and impairment	305.8	316.2	(3.3)	595.3	623.3	(4.5)
Operating income	1,020.3	763.0	33.7	2,079.6	1,506.0	38.1
Excluding CAPL	1,020.3	763.0	33.7	2,079.6	1,506.0	38.1
CAPL	—	9.8	(100.0)	—	18.7	(100.0)
Elimination of intercompany transactions with CAPL	—	(0.1)	(100.0)	—	(0.3)	(100.0)
Total operating income	1,020.3	772.7	32.0	2,079.6	1,524.4	36.4
Net financial expenses	77.2	60.1	28.5	165.2	147.1	12.3
Net earnings including non-controlling interests	757.0	579.4	30.7	1,534.1	1,115.4	37.5
Net (earnings) loss attributable to non-controlling interests	—	(0.8)	(100.0)	—	2.0	(100.0)
Net earnings attributable to shareholders of the Corporation	757.0	578.6	30.8	1,534.1	1,117.4	37.3
Per Share Data:						
Basic net earnings per share (dollars per share)	0.68	0.51	33.3	1.38	0.99	39.4
Diluted net earnings per share (dollars per share)	0.68	0.51	33.3	1.38	0.99	39.4
Adjusted diluted net earnings per share (dollars per share) ⁽¹¹⁾	0.66	0.50	32.0	1.37	0.99	38.4

	12-week periods ended			24-week periods ended		
	October 11, 2020	October 13, 2019	Variation %	October 11, 2020	October 13, 2019	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>						
Other Operating Data – excluding CAPL:						
Merchandise and service gross margin ⁽¹⁾ :						
Consolidated	34.4%	34.4%	—	34.6%	34.5%	0.1
United States	34.0%	33.9%	0.1	34.4%	34.0%	0.4
Europe	40.2%	41.3%	(1.1)	40.4%	41.4%	(1.0)
Canada	32.6%	32.6%	—	32.1%	32.7%	(0.6)
Growth of same-store merchandise revenues ⁽³⁾ :						
United States ⁽⁴⁾	4.4%	3.2%		6.1%	2.9%	
Europe	8.6%	3.3%		6.0%	2.0%	
Canada ⁽⁴⁾	11.4%	2.1%		15.7%	1.2%	
Road transportation fuel gross margin:						
United States (cents per gallon) ⁽⁴⁾	37.48	28.29	32.5	40.14	27.57	45.6
Europe (cents per liter)	11.10	8.34	33.1	10.82	8.39	29.0
Canada (CA cents per liter) ⁽⁴⁾	10.05	7.89	27.4	10.16	7.64	33.0
Total volume of road transportation fuel sold:						
United States (millions of gallons)	2,098.2	2,601.8	(19.4)	4,049.1	5,192.4	(22.0)
Europe (millions of liters)	2,550.7	2,713.2	(6.0)	4,801.2	5,346.8	(10.2)
Canada (millions of liters)	1,288.4	1,458.4	(11.7)	2,380.8	2,931.0	(18.8)
(Decrease in) growth of same-store road transportation fuel volume:						
United States ⁽⁴⁾	(15.5%)	0.6%		(18.4%)	0.6%	
Europe ⁽⁴⁾	(4.5%)	(0.6%)		(8.3%)	(1.1%)	
Canada ⁽⁴⁾	(11.8%)	0.2%		(18.7%)	0.3%	

	As at October 11, 2020	As at April 26, 2020	Variation \$
<i>(in millions of US dollars, unless otherwise stated)</i>			
Balance Sheet Data:			
Total assets	26,767.1	25,679.5	1,087.6
Interest-bearing debt ⁽⁵⁾	9,043.4	10,379.3	(1,335.9)
Equity	11,919.9	10,066.6	1,853.3
Indebtedness Ratios⁽⁶⁾:			
Net interest-bearing debt/total capitalization ⁽⁵⁾⁽⁷⁾	0.32 : 1	0.40 : 1	
Leverage ratio ⁽⁸⁾⁽¹¹⁾	1.13 : 1	1.54 : 1	
Returns⁽⁶⁾:			
Return on equity ⁽⁹⁾	25.7%	24.8%	
Return on capital employed ⁽¹⁰⁾	17.3%	15.0%	

(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 and energy for stationary engines.

(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) 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.

(6) Until November 2019, 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.

(7) 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. We believe this measure is useful to investors and analysts.

(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 EBITDA for the last 52 weeks (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. We believe this measure is useful to investors and analysts.

(9) 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 for the last 52 weeks 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. We believe this measure is useful to investors and analysts.

(10) 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 for the last 52 weeks 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. We believe this measure is useful to investors and analysts.

(11) Prior figures such as Adjusted EBITDA, Adjusted net earnings, as well as Adjusted diluted net earnings per share have been updated to remove the restructuring costs. This adjustment had no impact on the leverage ratio as of April 26, 2020. For additional information on these performance measures not defined by IFRS, please refer to the sections "Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA) and adjusted EBITDA", as well as "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 MD&A. In addition, Operating, selling, administrative and general expenses excluding CAPL for the 12 and 24-week periods ended October 13, 2019 now include the restructuring costs that were previously presented on a distinct line.

Revenues

Our revenues were \$10.7 billion for the second quarter of fiscal 2021, down by \$3.0 billion, a decrease of 22.1% compared with the corresponding quarter of fiscal 2020. This performance is mainly attributable to a lower average road transportation fuel selling price, to the negative impact of COVID-19 on fuel demand, and to the disposal of our interests in CAPL which had an impact of approximately \$447.0 million, partly offset by strong organic growth on merchandise and service sales, as well as by the net positive impact from the translation of revenues of our Canadian and European operations into US dollars, which had an impact of approximately \$154.0 million.

For the first half-year of fiscal 2021, our revenues decreased by \$7.5 billion or 26.9% compared with the corresponding period of fiscal 2020, mainly attributable to similar factors as those of the second quarter.

Merchandise and service revenues

Total merchandise and service revenues for the second quarter of fiscal 2021 were \$3.8 billion, an increase of \$221.8 million compared with the corresponding quarter of fiscal 2020. Excluding CAPL's revenues, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by approximately \$208.0 million or 5.9%. This increase is primarily attributable to growth in basket size, which more than offset continued softness in traffic. The tobacco, package beverage, alcohol and grocery products categories continued to perform well all across our regions while in Europe, our fresh food category outperformed last year results. Same-store merchandise revenues increased by 4.4% in the United States, by 8.6% in Europe, and by 11.4% in Canada.

For the first half-year of fiscal 2021, the growth in merchandise and service revenues was \$473.8 million compared with the first half-year of fiscal 2020. 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 \$512.0 million or 7.2%. Same-store merchandise revenues increased by 6.1% in the United States, by 6.0% in Europe and by 15.7% in Canada.

Road transportation fuel revenues

Total road transportation fuel revenues for the second quarter of fiscal 2021 were \$6.8 billion, a decrease of \$3.1 billion compared with the corresponding quarter of fiscal 2020. Excluding CAPL's revenues, as well as the net positive impact from the translation of revenues of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by approximately \$2.8 billion, or 29.8%. This decrease is mostly attributable to a lower average road transportation fuel selling price, which had a negative impact of approximately \$1.3 billion, as well as to the decrease on fuel demand in relation with the work from home trends due to the COVID-19 pandemic. Same-store road transportation fuel volume decreased by 15.5% in the United States, by 4.5% in Europe, and by 11.8% in Canada.

For the first half-year of fiscal 2021, the road transportation fuel revenues decreased by \$7.7 billion compared with the first half-year of fiscal 2020. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by approximately \$6.9 billion or 35.3%. The negative impact of the lower average road transportation fuel selling price was approximately \$3.1 billion. Same-store road transportation fuel volume decreased by 18.4% in the United States, by 8.3% in Europe, and by 18.7% in Canada.

The following table shows the average selling price of road transportation fuel of our company-operated stores in our various markets for the last eight quarters, starting with the third quarter of the fiscal year ended April 28, 2019:

Quarter	3 rd	4 th	1 st	2 nd	Weighted average
<u>52-week period ended October 11, 2020</u>					
United States (US dollars per gallon) – excluding CAPL	2.51	2.21	2.04	2.14	2.26
Europe (US cents per liter)	73.92	60.95	56.89	63.19	64.91
Canada (CA cents per liter)	103.47	88.78	86.89	92.00	94.34
<u>52-week period ended October 13, 2019</u>					
United States (US dollars per gallon) – excluding CAPL	2.42	2.51	2.66	2.55	2.53
Europe (US cents per liter)	75.28	74.59	77.35	70.86	74.55
Canada (CA cents per liter)	97.59	103.45	111.16	105.14	103.86

Other revenues

Total other revenues for the second quarter and first half-year of fiscal 2021 were \$84.4 million and \$171.0 million, respectively, a decrease of \$114.3 million and \$216.2 million compared with the corresponding periods of fiscal 2020. Excluding CAPL's revenues, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, other revenues decreased by \$101.3 million and by \$175.9 million in the second quarter and first half-year of fiscal 2021, respectively, primarily driven by lower demand and lower average selling prices in our other fuel products, which had a minimal impact on gross profit.

Gross profit

Our gross profit was \$2.5 billion for the second quarter of fiscal 2021, up by \$166.1 million, or 7.2%, compared with the corresponding quarter of fiscal 2020, mainly attributable to higher road transportation fuel gross margins, to strong organic growth in our convenience activities, as well as to the net positive impact from the translation of our Canadian and European operations into US dollars, which had an impact of approximately \$25.0 million, partly offset by the negative impact of COVID-19 on fuel demand, and by the disposal of our interests in CAPL which had an impact of approximately \$49.0 million.

For the first half-year of fiscal 2021, our gross profit increased by \$368.1 million, or 8.0%, compared with the first half-year of fiscal 2020, mainly attributable to similar factors as those of the second quarter.

Merchandise and service gross profit

In the second quarter of fiscal 2021, our merchandise and service gross profit was \$1.3 billion, an increase of \$79.5 million compared with the corresponding quarter of fiscal 2020. Excluding CAPL's gross profit, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, merchandise and service gross profit increased by approximately \$72.0 million, or 5.9%, mainly attributable to strong organic growth, despite lower traffic in our network due to COVID-19. Our gross margin increased by 0.1% in the United States to 34.0%, while it decreased by 1.1% in Europe to 40.2% due to our product mix towards lower margin categories. It remained steady at 32.6% in Canada.

During the first half-year of fiscal 2021, our merchandise and service gross profit was \$2.6 billion, an increase of \$172.5 million compared with the first half-year of fiscal 2020. 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 \$181.0 million, or 7.4%. The gross margin increased by 0.4% to 34.4% in the United States, while it decreased by 1.0% in Europe to 40.4%, and by 0.6% in Canada to 32.1%.

Road transportation fuel gross profit

In the second quarter of fiscal 2021, our road transportation fuel gross profit was \$1.1 billion, an increase of \$113.0 million compared with the corresponding quarter of fiscal 2020. Excluding CAPL's gross profit, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, our road transportation fuel gross profit increased by approximately \$124.0 million, or 12.2%. In the United States, our road transportation fuel gross margin was 37.48¢ per gallon, an increase of 9.19¢ per gallon, in Europe, it was US 11.10¢ per liter, an increase of US 2.76¢ per liter, and in Canada, it was CA 10.05¢ per liter, an increase of CA 2.16¢ per liter. Growth in road transportation fuel gross margins were driven by decline in fuel product costs, changes in the competitive landscape and improved supply conditions.

During the first half-year of fiscal 2021, our road transportation fuel gross profit was \$2.3 billion, an increase of \$244.4 million compared with the first half-year of fiscal 2020. Excluding CAPL's gross profit, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, road transportation fuel gross profit increased by approximately \$291.0 million, or 14.7%. The road transportation fuel gross margin was 40.14¢ per gallon in the United States, US 10.82¢ per liter in Europe, and CA 10.16¢ per liter in Canada.

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 third quarter of the fiscal year ended April 28, 2019, were as follows:

(US cents per gallon)

Quarter	3 rd	4 th	1 st	2 nd	Weighted average
52-week period ended October 11, 2020					
Before deduction of expenses related to electronic payment modes	27.04	46.88	42.99	37.48	37.10
Expenses related to electronic payment modes	4.54	4.97	4.88	4.79	4.76
After deduction of expenses related to electronic payment modes	22.50	41.91	38.11	32.69	32.34
52-week period ended October 13, 2019					
Before deduction of expenses related to electronic payment modes	29.42	18.51	26.86	28.29	26.00
Expenses related to electronic payment modes	4.31	4.40	4.70	4.63	4.50
After deduction of expenses related to electronic payment modes	25.11	14.11	22.16	23.66	21.50

Generally, during normal economic cycles, road transportation fuel margins in the United States can be volatile from one quarter to another but have historically trended higher over longer periods. The historical trends for Europe and Canada are similar, while the margin volatility and expenses related to electronic payment modes are not as significant.

Other revenues gross profit

In the second quarter and first half-year of fiscal 2021, other revenues gross profit was \$42.3 million and \$84.6 million, respectively, a decrease of \$26.4 million and of \$48.8 million, compared with the corresponding periods of fiscal 2020. Excluding CAPL's gross profit, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, other revenues gross profit decreased by approximately \$5.0 million and \$4.0 million in the second quarter and first half-year of fiscal 2021, respectively, mainly driven by a decrease in rental income.

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

For the second quarter and first half-year of fiscal 2021, expenses decreased by 2.8% and 4.2%, respectively, compared with the corresponding periods of fiscal 2020. If we exclude certain items that are not considered indicative of future trends, expenses decreased by 0.8% and 0.6%, respectively.

	12-week period ended October 11, 2020	24-week period ended October 11, 2020
Total variance, as reported	(2.8%)	(4.2%)
Adjusted for:		
Decrease from lower electronic payment fees, excluding acquisitions	1.6%	2.0%
Decrease from the disposal of our interests in CAPL	1.5%	1.6%
Increase from the net impact of foreign exchange translation	(1.2%)	—
Impact from the December 2018 asset exchange agreement with CAPL, net of electronic payment fees	0.4%	0.5%
Increase from incremental expenses related to acquisitions	(0.3%)	(0.3%)
Acquisition costs recognized to earnings of fiscal 2021	(0.1%)	(0.2%)
Acquisition costs recognized to earnings of fiscal 2020	0.1%	—
Remaining variance	(0.8%)	(0.6%)

We were able to achieve this decrease while maintaining the investments in our stores to support our strategic initiatives, even though we continue to see higher labor costs from minimum wage increases in certain regions, normal inflation and COVID-19 related expenses. This decrease was a result of cost and labor efficiencies, as well as rigorous work and activities initiated to streamline and minimize our controllable expenses. COVID-19 related expenses of the second quarter of fiscal 2021 include, but are not limited to, severance costs, additional cleaning and sanitizing supplies, as well as masks and gloves for our employees. For the first half-year of fiscal 2021, it also includes an emergency appreciation pay premium of \$2.50 per hour in North America for hourly store employees and distribution center employees, and *Thank you* bonuses in North America following the end of the appreciation pay premium.

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

During the second quarter of fiscal 2021, EBITDA increased from \$1.1 billion to \$1.3 billion, an increase of 21.7% compared with the same quarter last year. Excluding the specific items shown in the table below, the adjusted EBITDA for the second quarter of fiscal 2021 increased by \$223.5 million, or 20.9%, compared with the corresponding period of the previous fiscal year, mainly from higher road transportation fuel gross margins, organic growth on merchandise and service sales, as well as

from the net positive impact from the translation of our Canadian and European operations into US dollars, partly offset by the negative impact of COVID-19 on our traffic. The variation in exchange rates had a net positive impact of approximately \$11.0 million.

During the first half-year of fiscal 2021, EBITDA increased from \$2.2 billion to \$2.7 billion, an increase of 24.5% compared with the same period last year. Excluding the specific items shown in the table below from EBITDA of the first half-year of fiscal 2021 and of the first half-year of fiscal 2020, the adjusted EBITDA for the first half-year of fiscal 2021 increased by \$543.9 million or 25.8% compared with the corresponding period of the previous fiscal year, mainly attributable to similar factors as those of the second quarter. The variation in exchange rates had a net negative impact of approximately \$1.0 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		24-week periods ended	
	October 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
Net earnings including non-controlling interests, as reported	757.0	579.4	1,534.1	1,115.4
Add:				
Income taxes	193.6	139.7	396.3	275.0
Net financial expenses	77.2	60.1	165.2	147.1
Depreciation, amortization and impairment	305.8	316.2	595.3	623.3
EBITDA	1,333.6	1,095.4	2,690.9	2,160.8
Adjusted for:				
Gain on disposal of a property	(40.9)	—	(40.9)	—
Acquisition costs	1.2	0.8	5.1	1.0
EBITDA attributable to non-controlling interests	—	(25.8)	—	(50.6)
Adjusted EBITDA	1,293.9	1,070.4	2,655.1	2,111.2

Depreciation, amortization and impairment (“depreciation”)

For the second quarter of fiscal 2021, our depreciation expense decreased by \$10.4 million compared with the second quarter of fiscal 2020. Excluding CAPL’s results, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, the depreciation expense increased by approximately \$10.0 million. This increase is mainly driven by the replacement of equipment and the ongoing improvement of our network.

For the first half-year of fiscal 2021, our depreciation expense decreased by \$28.0 million compared with the corresponding period of fiscal 2020. Excluding CAPL’s results, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, the depreciation expense increased by approximately \$19.0 million for the first half-year of fiscal 2021, mainly attributable to similar factors as those of the second quarter.

Net financial expenses

Net financial expenses for the second quarter of fiscal 2021 were \$77.2 million, an increase of \$17.1 million compared with the second quarter of fiscal 2020. Excluding the items shown in the table below, net financial expenses for the second quarter of fiscal 2021 increased by \$5.9 million compared to the second quarter of fiscal 2020, driven by a higher average cost of debt.

Net financial expenses for the first half-year of fiscal 2021 were \$165.2 million, an increase of \$18.1 million compared with the first half-year of fiscal 2020. Excluding the items shown in the table below, net financial expenses for the first half-year of fiscal 2021 increased by \$6.3 million compared to corresponding period of fiscal 2020, driven by the same factor as the one of the second quarter.

(in millions of US dollars)	12-week periods ended		24-week periods ended	
	October 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
Net financial expenses, as reported	77.2	60.1	165.2	147.1
Adjusted for:				
Net foreign exchange (loss) gain	(8.9)	11.8	(27.3)	5.3
CAPL’s financial expenses	—	(9.5)	—	(20.8)
Net financial expenses excluding items above	68.3	62.4	137.9	131.6

Income taxes

The income tax rate for the second quarter of fiscal 2021 was 20.4% compared with 19.4% for the corresponding period of fiscal 2020. Excluding the item shown in the table below, the income tax rate for the second quarter of fiscal 2020 would have been 19.5%.

The income tax rate for the first half-year of fiscal 2021 was 20.5% compared with 19.8% for the first half-year of fiscal 2020. Excluding the item shown in the table below, the income tax rate would have been 19.6% for the first half-year of fiscal 2020. The increase for both the second quarter and first half-year is mainly stemming from the impact of a different mix in our earnings across the various jurisdictions in which we operate.

	12-week periods ended		24-week periods ended	
	October 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
Income tax rate, as reported	20.4%	19.4%	20.5%	19.8%
Adjusted for:				
Income tax benefit (expense) following the December 2018 asset exchange agreement with CAPL	—	0.1%	—	(0.2%)
Net income tax rate excluding items above	20.4%	19.5%	20.5%	19.6%

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 second quarter of fiscal 2021 were \$757.0 million, compared with \$578.6 million for the second quarter of the previous fiscal year, an increase of \$178.4 million or 30.8%. Diluted net earnings per share stood at \$0.68, compared with \$0.51 for the previous fiscal year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a net positive impact of approximately \$8.0 million on net earnings of the second quarter of fiscal 2021.

Excluding the items shown in the table below from net earnings of the second quarter of fiscal 2021 and fiscal 2020, adjusted net earnings for the second quarter of fiscal 2021 were approximately \$735.0 million, compared with \$569.0 million for the second quarter of fiscal 2020, an increase of \$166.0 million, or 29.2%. Adjusted diluted net earnings per share were \$0.66 for the second quarter of fiscal 2021, compared with \$0.50 for the corresponding period of fiscal 2020, an increase of 32.0%.

For the first half-year of fiscal 2021, net earnings were \$1.5 billion, compared with \$1.1 billion for the first half-year of fiscal 2020, an increase of \$416.7 million or 37.3%. Diluted net earnings per share stood at \$1.38, compared with \$0.99 for the previous fiscal year. The translation of revenues and expenses from our Canadian and European operations into US dollars had no significant impact on net earnings of the first half-year of fiscal 2021.

Excluding the items shown in the table below from net earnings of the first half-year of fiscal 2021 and fiscal 2020, adjusted net earnings for the first half-year of fiscal 2021 were approximately \$1.5 billion, compared with \$1.1 billion for the comparable period of the previous year, an increase of \$413.0 million or 37.0%. Adjusted diluted net earnings per share were \$1.37 for the first half-year of fiscal 2021, compared with \$0.99 for the first half-year of fiscal 2020, an increase of 38.4%.

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

(in millions of US dollars)	12-week periods ended		24-week periods ended	
	October 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
Net earnings attributable to shareholders of the Corporation, as reported	757.0	578.6	1,534.1	1,117.4
Adjusted for:				
Gain on disposal of a property	(40.9)	—	(40.9)	—
Net foreign exchange loss (gain)	8.9	(11.8)	27.3	(5.3)
Acquisition costs	1.2	0.8	5.1	1.0
Income tax (benefit) expense following the December 2018 asset exchange agreement with CAPL	—	(0.7)	—	2.7
Tax impact of the items above and rounding	8.8	2.1	—	1.2
Adjusted net earnings attributable to shareholders of the Corporation	735.0	569.0	1,530.0	1,117.0

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

Financial Position as at October 11, 2020

As shown by our indebtedness ratios included in the “Summary Analysis of Consolidated Results for the Second Quarter and First Half-year of Fiscal 2021” section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to \$26.8 billion as at October 11, 2020, an increase of \$1.1 billion over the balance as at April 26, 2020, primarily due to the net positive impact of the variation in exchange rates at the balance sheet date.

During the 52-week periods ended October 11, 2020 and April 26, 2020, we recorded a return on capital employed¹ of 17.3% and 15.0%, respectively.

Significant balance sheet variations are explained as follows:

Accounts receivable

Accounts receivable increased by \$330.8 million, from \$1.3 billion as at April 26, 2020, to \$1.6 billion as at October 11, 2020. The increase stems mainly from a higher selling price for road transportation fuel and organic growth, as well as the net positive impact of approximately \$86.0 million from the variation in exchange rates at the balance sheet date.

Inventories

Inventories increased by \$284.3 million, from \$1.2 billion as at April 26, 2020, to \$1.5 billion as at October 11, 2020. The increase stems mainly from higher cost for road transportation fuel and the positive net impact of approximately \$33.0 million from the variation in exchange rates at the balance sheet date.

Property and equipment

Property and equipment increased by \$358.1 million, from \$10.1 billion as at April 26, 2020, to \$10.5 billion as at October 11, 2020, mainly as a result of the investments we made to our network, the net positive impact of approximately \$338.0 million from the variation in exchange rates at the balance sheet date, partly offset by the depreciation, amortization and impairment expense.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$550.1 million, from \$2.8 billion as at April 26, 2020, to \$3.4 billion as at October 11, 2020. The increase stems mainly from higher cost for road transportation fuel purchases, the higher level of fuel purchases in response to the increase in fuel demand during the first half-year of fiscal 2021, as well as by the net impact of the strengthening of the Canadian and European currencies against the US dollar, which was approximately \$139.0 million.

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

Long-term debt and current portion of long-term debt decreased by \$1.5 billion, from \$7.7 billion as at April 26, 2020, to \$6.2 billion as at October 11, 2020, mainly as a result of the repayment of our term revolving unsecured operating credit, the repayment of our Canadian-dollar-denominated senior unsecured notes, partly offset by the net impact of the strengthening of the Canadian dollar, the Euro and the Norwegian krone against the US dollar, which was approximately \$176.0 million.

Equity

Equity amounted to \$11.9 billion as at October 11, 2020, up \$1.9 billion compared with April 26, 2020, mainly reflecting net earnings and other comprehensive income for the first half-year of fiscal 2021, partly offset by the dividends declared during the same period. For the 52-week period ended October 11, 2020, we recorded a return on equity¹ of 25.7%.

¹ Please refer to the section “Summary Analysis of Consolidated Results for the Second Quarter and First Half-year of Fiscal 2021” of this MD&A for additional information on these performance measures 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 facility. Our principal uses of cash are to repay our debt, finance our acquisitions and capital expenditures, pay dividends, as well as to provide for working capital. We expect that cash generated from operations and borrowings available under our revolving unsecured credit facility will be adequate to meet our liquidity needs in the foreseeable future.

Our credit facilities are detailed as follows:

Term revolving unsecured operating credit, maturing in December 2024 (“operating credit D”)

Credit agreement consisting of a revolving unsecured facility of a maximum amount of \$2.5 billion. As at October 11, 2020, our operating credit D was not used and standby letters of credit in the amount of \$6.9 million were outstanding.

US-dollar-denominated delayed draw term loan

During the second quarter of fiscal 2021, we entered into a new loan agreement consisting of an unsecured delayed draw term loan of an aggregate maximum amount of \$30.0 million, maturing on June 30, 2021. The delayed draw term loan is available in US dollars by way of loans bearing interest at variable rates based on LIBOR plus a fixed margin. As at October 11, 2020, the delayed drawn term loan was unused and we were in compliance with the restrictive provisions and ratios imposed by the loan agreement.

Available liquidities

As at October 11, 2020, a total of approximately \$2.5 billion was available under our operating credit D 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, we had access to approximately \$6.0 billion through our available cash and our operating credit D.

Selected Consolidated Cash Flow Information

(in millions of US dollars)	12-week periods ended			24-week periods ended		
	October 11, 2020	October 13, 2019	Variation	October 11, 2020	October 13, 2019	Variation
Operating activities						
Net cash provided by operating activities	880.8	910.5	(29.7)	2,228.5	1,776.3	452.2
Investing activities						
Purchase of property and equipment, intangible assets and other assets	(273.9)	(329.1)	55.2	(486.7)	(575.9)	89.2
Proceeds from disposal of property and equipment and other assets	59.5	17.9	41.6	87.8	26.8	61.0
Business acquisitions	(42.6)	(0.6)	(42.0)	(42.9)	(7.6)	(35.3)
Other investing activities	(0.6)	6.6	(7.2)	(5.9)	12.2	(18.1)
Net cash used in investing activities	(257.6)	(305.2)	47.6	(447.7)	(544.5)	96.8
Financing activities						
Repayment of senior unsecured notes	(227.1)	(150.0)	(77.1)	(227.1)	(300.0)	72.9
Cash dividends paid	(116.7)	(106.7)	(10.0)	(116.7)	(106.7)	(10.0)
Principal elements of lease payments and net decrease in other debts	(98.1)	(101.3)	3.2	(185.1)	(180.3)	(4.8)
Net (decrease) increase in term revolving unsecured operating credit D	—	36.0	(36.0)	(1,500.0)	(4.0)	(1,496.0)
Share repurchases	—	(158.3)	158.3	—	(172.7)	172.7
Other financing activities	(0.2)	(20.4)	20.2	(0.1)	(43.9)	43.8
Net cash used in financing activities	(442.1)	(500.7)	58.6	(2,029.0)	(807.6)	(1,221.4)
Credit ratings						
S&P Global Ratings – Corporate credit rating				BBB	BBB	
Moody’s – Senior unsecured notes credit rating				Baa2	Baa2	

Operating activities

During the second quarter of fiscal 2021, net cash from our operations reached \$880.8 million, down \$29.7 million compared with the second quarter of fiscal 2020, mainly due to negative changes in our working capital and decrease in other non cash items, partly offset by higher net earnings. During the first half-year of fiscal 2021, net cash from our operations reached \$2.2 billion, up \$452.2 million compared with the corresponding period of fiscal year 2020, mainly due to higher net earnings, as well as positive changes in our working capital.

Investing activities

During the second quarter of fiscal 2021, net investments in property and equipment, intangible assets and other assets amounted to \$214.4 million, and business acquisitions amounted to \$42.6 million. During the first half-year of fiscal 2021, net investments in property and equipment, intangible assets and other assets amounted to \$398.9 million, and business acquisitions amounted to \$42.9 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 the addition of new stores, for the ongoing improvement of our network, as well as for information technology.

Financing activities

During the second quarter of fiscal 2021, we repaid \$227.1 million on our senior unsecured notes, paid dividends in the amount of \$116.7 million and repaid \$98.1 million on the principal element of our lease liabilities and other debts.

In the first half-year of fiscal 2021, we repaid \$1.5 billion on our operating credit D, \$227.1 million on our senior unsecured notes, repaid \$185.1 million on the principal elements of our lease liabilities and other debts and paid dividends in the amount of \$116.7 million.

Contractual Obligations and Commercial Commitments

There were no major changes to our contractual obligations and commercial commitments during the 24-week period ended October 11, 2020. For more information, please refer to our 2020 Annual Report.

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 President and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As at October 11, 2020, our management, following its assessment, certifies the design and operating effectiveness of the Corporation's disclosure controls and procedures.

We undertake ongoing evaluations of the effectiveness of our internal controls over financial reporting and implement control enhancements, when appropriate. As at April 26, 2020, 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 2023, 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 recognized 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 per share data)	24-week period ended October 11, 2020		52-week period ended April 26, 2020				Extract from 52-week period ended April 28, 2019	
	2 nd	1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd
Quarter	12 weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks
Revenues	10,655.4	9,709.8	9,687.2	16,604.2	13,678.0	14,163.0	13,113.3	16,515.0
Operating income before depreciation, amortization and impairment	1,326.1	1,348.8	1,077.0	1,274.6	1,088.9	1,058.8	651.7	1,140.2
Depreciation, amortization and impairment	305.8	289.5	307.4	406.1	316.2	307.1	241.5	305.2
Operating income	1,020.3	1,059.3	769.6	868.5	772.7	751.7	410.2	835.0
Share of earnings of joint ventures and associated companies	7.5	8.5	7.3	5.1	6.5	6.6	3.6	7.3
Net financial expenses	77.2	88.0	53.2	84.2	60.1	87.0	78.6	90.1
Net earnings including non-controlling interests	757.0	777.1	578.3	663.9	579.4	536.0	289.9	611.8
Net (earnings) loss attributable to non-controlling interests	—	—	(2.0)	(4.0)	(0.8)	2.8	3.2	0.3
Net earnings attributable to shareholders of the Corporation	757.0	777.1	576.3	659.9	578.6	538.8	293.1	612.1
Net earnings per share								
Basic	\$0.68	\$0.70	\$0.52	\$0.59	\$0.51	\$0.48	\$0.26	\$0.54
Diluted	\$0.68	\$0.70	\$0.52	\$0.59	\$0.51	\$0.48	\$0.26	\$0.54

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 2021, we are adapting to the impact of the pandemic to protect our employees and to better serve our customers and make their lives a little easier every day. At the same time, we are progressing with our strategic vision by developing a differentiated customer experience both inside our stores and at our fuel courts, adapting and innovating our offering to meet changing customer needs, driving operational excellence and scale, growing the network, enhancing our people's talent base, and putting sustainability at the forefront of our priorities. We will also work on integrating our new activities in Asia and start sharing best practices. These actions bring us closer to reaching our five-year ambition of doubling the business.

It is because of our solid foundation that we are in a robust position to face the headwinds of the pandemic. We will continue, as always, to look for and seize opportunities to grow the business, always focusing on creating value for our employees, partners and shareholders.

November 24, 2020