

Q4 2017 Supplementary Slides

February 22, 2018

Loblaw
Companies
Limited

Forward-looking Statements

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

Forward-looking statements reflect the Company’s estimates, beliefs and assumptions, which are based on management’s perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company’s expectation of operating and financial performance in 2018 is based on certain assumptions including assumptions about anticipated minimum wage increases, healthcare reform impacts, cost savings, operating efficiencies and anticipated benefits from strategic initiatives. The Company’s estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company’s actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 12 “Enterprise Risks and Risk Management” of the Company’s MD&A in the 2017 Annual Report and the Company’s Annual Information Form (“AIF”) (for the year ended December 30, 2017).

Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company’s materials filed with the Canadian securities regulatory authorities from time to time, including, without limitation, the section entitled “Risks” in the Company’s AIF (for the year ended December 30, 2017). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company’s expectations only as of the date of this presentation. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation uses certain non-GAAP measures, such as Adjusted EBITDA, Adjusted EBITDA Margin, Retail Segment Adjusted Gross Profit, Retail Segment Adjusted Gross Profit Percentage, Adjusted Diluted Net Earnings Per Common Share and Free Cash Flow which the Company believes provide useful information to both management and investors in measuring the financial performance of the Company. These measures do not have a standardized meaning prescribed by GAAP, and therefore, they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Key Financial Metrics Consolidated

Q4
2017

			Margin/Growth	B/(W)
Consolidated Revenue (excluding disposition of gas bar operations)	 	\$ 11,030M	-0.9% approx. +2.3%	
Adjusted EBITDA and Margin (excluding disposition of gas bar operations)		\$ 1,013M	9.2%/+6.0% approx. +8.2%	+60bps approx. +50bps
Adjusted Diluted Net Earnings Per Common Share (excluding disposition of gas bar operations)		\$ 1.13	+16.5% approx. +20.0%	
Free Cash Flow		\$ 515M	(2016 \$313M)	
Capex		\$ 487M	(2016 \$470M)	

Key Financial Metrics

Retail Segment

Q4
2017

		Margin/Growth	B/(W)
Total Retail Revenue (excluding disposition of gas bar operations)	↓ \$ 10,718M	-1.2% approx. +2.1%	
Retail Revenue - Food Retail (excluding disposition of gas bar operations)	↓ \$ 7,546M	-3.1% approx. +1.4%	
Retail Revenue - Drug Retail	↑ \$ 3,172M	+3.8%	
Retail Adjusted Gross Profit and Margin (excluding the impact of the consolidation of franchises)	↑ \$ 2,893M (As Reported: \$3,095M; 28.9%; +170bps to PY)	27.5%	+110bps
Retail Adjusted SG&A and Rate (excluding the impact of the consolidation of franchises)	↓ \$ 1,984M (As Reported: \$2,159 million; 20.1%; unfavourable 110 bps to PY)	18.8%	Unfavourable 40bps
Retail Adjusted EBITDA and Margin	↑ \$ 936M	8.7%/+5.3%	+50bps

Key Operational Metrics

Food Retail (Loblaw)

Q4
2017

Food Retail SSS Growth ex gas bar	↑	0.5%
Basket Size	↑	
Traffic	↓	
Internal Food Price Index	↑	Loblaw Food Price Index was marginally higher than CPI of 1.0%
Loblaw STM Square Footage Growth	=	
Industry STM Square Footage Growth	↑	

Key Operational Metrics

Drug Retail (Shoppers Drug Mart)

Q4
2017

Pharmacy Sales	↑	\$ 1,419M	+4.3%
Pharmacy SSS	↑	+3.9%	
# Rx Dispensed (Rx Count)	↑	Absolute + 4.5%	Same-store basis +4.3%
Average Rx Value	↓	-0.1%	
Front of Store Sales	↑	\$ 1,753M	+3.4%
Front of Store SSS	↑	+3.5%	