



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 998 263 158  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: CTC TRIANGLE (NORWAY) I AS  
Forretningsadresse: Munkedamsveien 35  
0250 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

### Konsern

Mørselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

Regler for små foretak benyttet: Ja  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler  
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Kari Kaugerud  
Dato for fastsettelse av årsregnskapet: 28.04.2021

### Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert  
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 21.08.2022



## Resultatregnskap

Beløp i: NOK	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Driftsresultat</b>			
Annen rentekostnad	3	10 000 000	16 000 000
<b>Sum finanskostnader</b>		<b>10 000 000</b>	<b>16 000 000</b>
<b>Netto finans</b>		<b>-10 000 000</b>	<b>-16 000 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-10 000 000</b>	<b>-16 000 000</b>
Skattekostnad på ordinært resultat	2	0	0
<b>Ordinært resultat etter skattekostnad</b>		<b>-10 000 000</b>	<b>-16 000 000</b>
<b>Årsresultat</b>		<b>-10 000 000</b>	<b>-16 000 000</b>
<b>Overføringer og disponeringer</b>			
Udekket tap	5	-10 000 000	-16 000 000
<b>Sum overføringer og disponeringer</b>		<b>-10 000 000</b>	<b>-16 000 000</b>



## Balanse

Beløp i: NOK	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	4	1 760 000 000	1 760 000 000
<b>Sum finansielle anleggsmidler</b>		<b>1 760 000 000</b>	<b>1 760 000 000</b>
<b>Sum anleggsmidler</b>		<b>1 760 000 000</b>	<b>1 760 000 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Sum omløpsmidler</b>		<b>0</b>	<b>0</b>
<b>SUM EIENDELER</b>		<b>1 760 000 000</b>	<b>1 760 000 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	5	285 000 000	285 000 000
Overkurs	5	3 374 000 000	3 374 000 000
<b>Sum innskutt egenkapital</b>		<b>3 659 000 000</b>	<b>3 659 000 000</b>
<b>Opptjent egenkapital</b>			
Udekket tap	5	2 204 000 000	2 194 000 000
<b>Sum opptjent egenkapital</b>		<b>-2 204 000 000</b>	<b>-2 194 000 000</b>
<b>Sum egenkapital</b>		<b>1 455 000 000</b>	<b>1 465 000 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Langsiktig konserngjeld	3	153 000 000	295 000 000



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Sum annen langsiktig gjeld</b>		<b>153 000 000</b>	<b>295 000 000</b>
<b>Sum langsiktig gjeld</b>		<b>153 000 000</b>	<b>295 000 000</b>
<b>Kortsiktig gjeld</b>			
Kortsiktig konserngjeld	3	152 000 000	0
<b>Sum kortsiktig gjeld</b>		<b>152 000 000</b>	<b>0</b>
<b>Sum gjeld</b>		<b>305 000 000</b>	<b>295 000 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>1 760 000 000</b>	<b>1 760 000 000</b>



## Brønnøysundregistrene

### ÅRSREGNSKAP FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Journalnummer: 2021 457015

#### Enheten

Organisasjonsnummer: 998 263 158  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: CTC TRIANGLE (NORWAY) I AS  
Forretningsadresse: c/o Helly Hansen AS  
6. etasje  
Munkedamsveien 35  
0250 OSLO

#### Regnskapsår

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Benyttet ved utarbeidelsen av  
årsregnskapet til konsernet: -

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Brønnøysundregistrene, 08.07.2021



Organisasjonsnr: 998 263 158  
CTC TRIANGLE (NORWAY) I AS

## RESULTATREGNSKAP

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
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Organisasjonsnr: 998 263 158  
CTC TRIANGLE (NORWAY) I AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note  
4

#### Antall aksjer og aksjeeiere

<u>Aksjeklasse</u>	<u>Ant. aksjer</u>	<u>Pålydende</u>	<u>Bokført verdi</u>
A-aksjer	84412154.00	0.10	8441215.40
B-aksjer	2761976583.0	0.10	276197658.30
	0		

<u>Aksjeeiere - fritekst</u>	<u>Antall</u>	<u>Eierandel</u>	<u>Aksjeklasse</u>
CTC Triangle BV	84412154.00	3.00%	A-aksjer
CTC Triangle BV	2761976583.0	97.00%	B-aksjer
	0		

<u>Sum</u>	<u>Sum antall</u>	<u>Sum eierandel</u>
	2846388737.0	100.00%
	0	

Note

**Ytelser til ledende personer**  
Er det gitt ytelser til ledende person: Nei

#### Ytelser til daglig leder

<u>Ytelser</u>	<u>Lønn</u>	<u>Pensj.forpl.</u>	<u>Andre godtgj.</u>
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Note

#### Antall årsverk i regnskapsåret

Virksomheten har hatt følgende antall årsverk:  
0.00

Note

#### Lån og sikkerhetsstillelse til ledende personer og aksjeeiere

Er det gitt lån eller sikkerhetsstillelse til ledende personer: Nei

Note

#### Konsern, tilknyttet selskap og datterselskap



## Tilknyttet selskap/datterselskap

<u>Navn og adresse</u>	<u>Eierandel</u>	<u>Stemmeandel</u>	<u>Egenkapital</u>	<u>Resultat</u>
Helly Hansen Holding AS	100.00%	100.00%	1795.00	-5.00

Konsernregnskapet inngår i konsolideringen til morselskap: Ja

<u>Navn</u>	<u>Forretningskontor</u>
Canadian Tire Corporation Ltd	Canada



**Skattedirektoratet**

Saksbehandler Torstein Kinden Helleland	Deres dato 12.10.2012	Vår dato 18.10.2012
Telefon 22078139	Deres referanse Knut Are Høgberg	Vår referanse 2012/786874

HELLY HANSEN AS  
Postboks 1653 Vika  
0120 OSLO

**Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk**

Det vises til deres brev av 12. oktober 2012 samt telefonsamtale i sakens anledning. Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for;

**Teodin Holdco AS org. nr. 998 263 158**  
**Teodin Acquico AS org. nr. 998 406 323**

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Teodin Holdco AS og Teodin Acquico AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

**Bakgrunn**

Helly Hansen Group AS var morselskap i konsernet og har i vedtak (12/51825) av 17. januar 2012 fått tillatelse til å utarbeide årsregnskapet og årsberetningen på engelsk språk. I august 2012 ble litt over 70 % av aksjene i Helly Hansen Group AS solgt til Ontario Teachers Pension Plan som har hovedkontor i Canada. Av de resterende aksjene eier utenlandske investorer 20 % og ledelsen de siste 10 %. Konsernet har fått to nye selskaper, Teodin Holdco AS og Teodin Acquico AS, som er morselskaper til Helly Hansen Group AS. Teodin Holdco AS er nå konsernets ultimate morselskap. Konsernet produserer og selger teknisk bekledning og fritidstøy innen vintersport, sjøsport og utendørsaktiviteter så vel som arbeidstøy. Konsernet har per i dag ca. 75 – 80 % av salgsinntektene sine utenfor Norges grenser. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. Konsernets rapporterings- og arbeidsspråk er engelsk. Den norske versjonen utarbeides kun for å tilfredsstille regnskapsloven.

**Skattedirektoratets vurdering**

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>	Besøksadresse Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a> Org. nr: 996250318 <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>	Sentralbord 800 80 000 Telefaks 22 17 08 60
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I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet tidligere konsernspiss er gitt tillatelse til å utarbeide konsernregnskapet på engelsk språk. Konsernets rapporterings- og arbeidsspråk er engelsk. Eierkretsen er begrenset og majoritetseier er hjemmehørende i utlandet. Videre er det vektlagt at 75 - 80 % av omsetningen foregår utenfor Norges grenser.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Rune Tystad  
seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Torstein Kinden Helleland



Skatteetaten

Vår dato 18.10.2018	Din dato 13.09.2018	Saksbehandler Henning Stokke
800 80 000 Skatteetaten.no	Din referanse Kari Kaugerud	Telefon 800 80 000
Org.nr 996250318	Vår referanse 2018/1103229	Postadresse Postboks 9200 Grønland 0134 Oslo

Helly Hansen AS  
PB 1115 Sentrum  
0104 OSLO

## Fritak for konsernregnskapsplikten for underkonsernet CTC Triangle (Norway) I AS, org.nr. 998 263 158

Det vises til deres brev av 13. september 2018 hvor det søkes om fritak fra plikten til å utarbeide konsernregnskap for CTC Triangle (Norway) I AS, org.nr. 998 263 158.

Fra søknaden gjengis:

*CTC Triangle (Norway) IAS - Tidligere Teodin Holdco AS, org. nr. 998 263 158, eier 100 % av aksjene i:*

- CTC Triangle (Norway) 11 AS — Tidligere Teodin Acquico AS, org.nr. 998 406 323, som videre eier 100% av aksjene i*
- Helly Hansen Group AS, org.nr 989 689 967, som videre eier 100% av aksjene i*
- Helly Hansen Holding AS, org.nr 977 466 482, som videre eier 100% av aksjene i*
- Helly Hansen AS, org.nr 912 359 999, som videre eier 100% av aksjene i en rekke internasjonale selskaper - se vedlagt selskapsstruktur for ytterligere informasjon.*

*CTC Triangle (Norway) I AS vil for regnskapsåret 2018 i utgangspunktet ha plikt til å utarbeide konsernregnskap, jf. regnskapsloven § 3—2. Vi søker med dette om unntak for konsernregnskapsplikten, da CTC Triangle (Norway) I AS selv er datterselskap, jf. regnskapsloven § 3-7 første ledd og fjerde ledd.*

*CTC Triangle (Norway) I AS er 100 % eid av morselskapet Canadian Tire Corporation Ltd (CTC) som er hjemmehørende i Ontario, Canada og notert på Toronto børsen (TSX — CTC, CTC.A). Det ultimate morselskapet avlegger sitt konsernregnskap på engelsk etter IFRS, og CTC Triangle [Norway] I AS med datterselskaper konsolideres inn i konsernregnskapet til Canadian Tire Corporation Ltd.*

*CTC Triangle (Norway) IAS har dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk, jf. dispensasjon gitt av Skattedirektoratet 18 oktober 2012, ref. 786874.*

*Konsernregnskapet til Canadian Tire Corporation Ltd er tilgjengelig på selskapets nettside: [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca)*



Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for CTC Triangle (Norway) I AS. Det forutsettes at Canadian Tire Corporation Ltd utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskap. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med IFRS og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7.9.2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten på norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

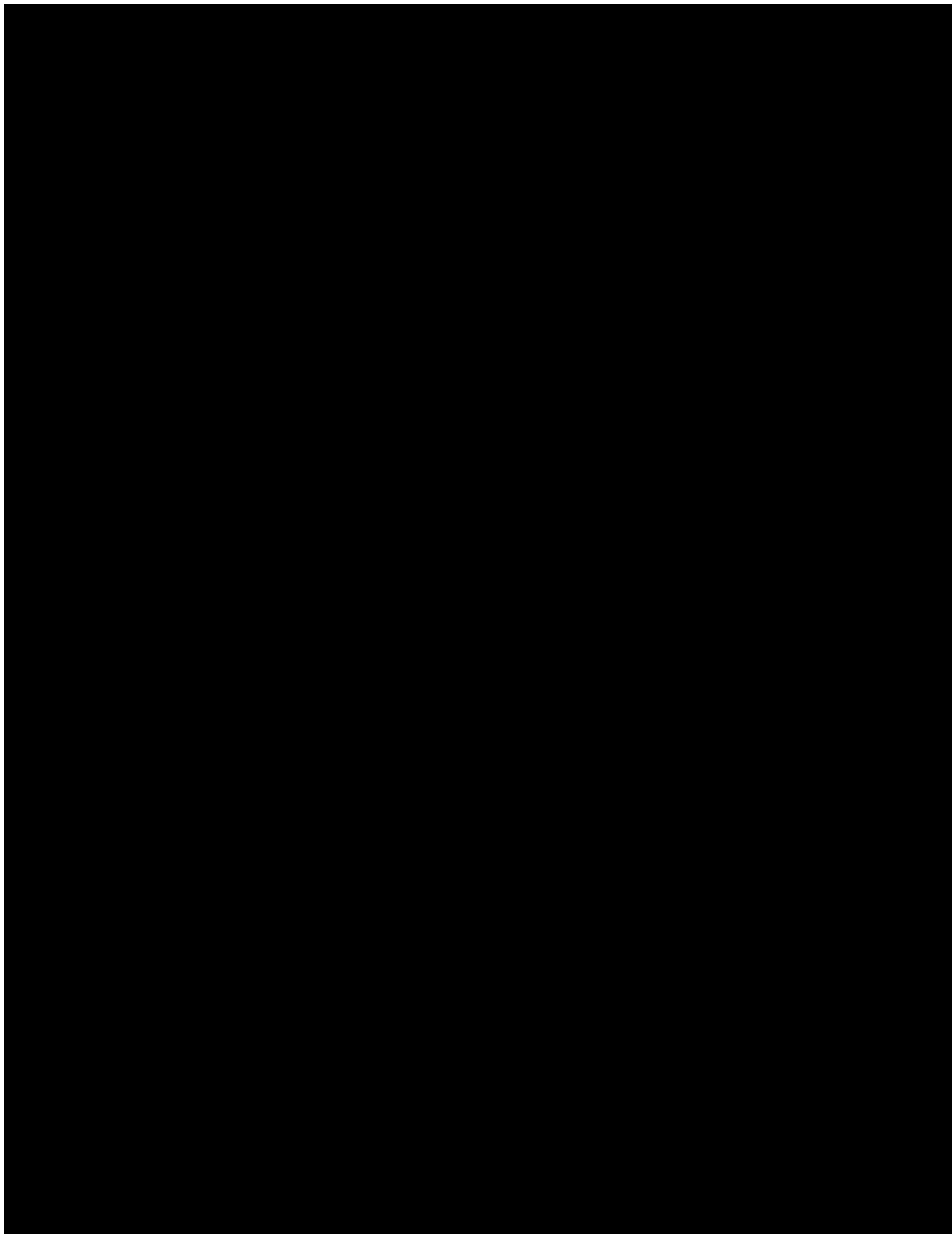
Jeanette Munkvold Skovholt  
seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Henning Stokke

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*



CANADIAN TIRE CORPORATION  
2020 REPORT TO SHAREHOLDERS



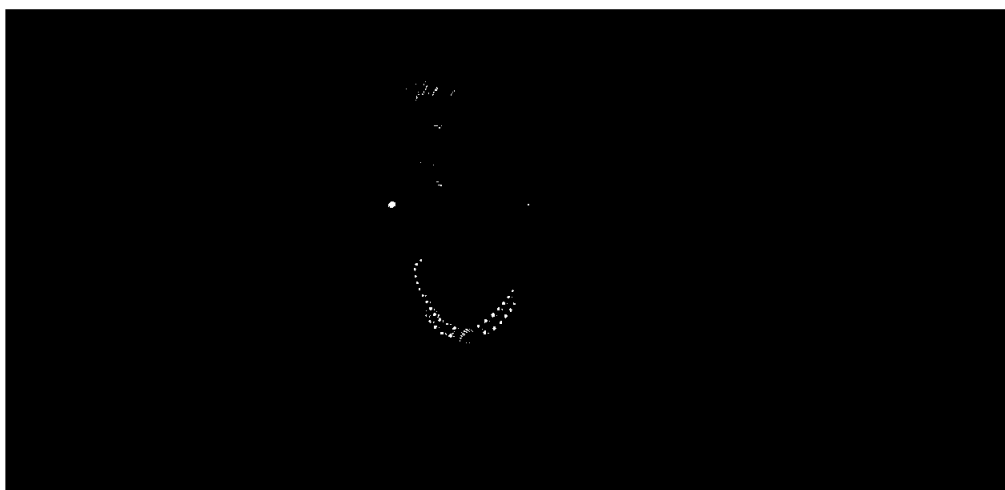


CANADIAN TIRE CORPORATION  
2020 REPORT TO SHAREHOLDERS



01

## MESSAGE FROM MAUREEN J. SABIA, CHAIRMAN OF THE BOARD



### DEAR SHAREHOLDERS,

We have all been through a tumultuous year. It has been challenging for my colleagues on the Board, for our management and for all of you. It has been especially challenging for our CEO, Greg Hicks, who was confronted, a mere day after he was appointed CEO, with leading the Company in a world dominated by COVID-19 and the restrictions that followed in its wake. Greg understood how difficult the road ahead would be, but viewed the situation as providing opportunities as well as challenges. Our strong results in 2020 have shown how resilient Canadian Tire proved to be under his leadership, despite the unprecedented impacts on the Company's business.

Given the circumstances, your Board of Directors quickly stepped up and, in the first few months, held weekly calls with management to address the Company's response to the pandemic and to support management in its efforts to operate the business in unprecedented times. The Board also established an ad hoc subcommittee to serve as a resource to management on key strategic issues.

Throughout the year, the Board has continued to oversee the impacts of COVID-19 on the Company and management's responses thereto, with particular emphasis on its impacts on operations, customers, employees, financial performance, risk management and liquidity. At the same time, the Board worked with management on opportunities to grow the Company's business, especially in eCommerce where Canadian Tire experienced record growth. The Board spent much of its time on the strategic direction of the Tire both during and after the pandemic and overseeing the huge number of internal communications with our employees and external communications with our customers and shareholders.

With the support of the Board, our skilled management navigated through the pandemic effectively. The Company was able to move with agility and purpose, implementing swift operational changes as circumstances changed. Our goal was (and still is) to ensure that Canadian Tire remains strong and even more relevant to Canadians.

What we accomplished in 2020 could not have been done without hard work, and very long hours and days. On behalf of the Board, I say a BIG thank you to our management at every level for their energy, their stamina and their commitment to making the Tire resilient in the face of overwhelming adverse conditions. Their goal was to ensure that Canadian Tire continued to be there for Canadians.



Going forward, Canadian Tire is committed to transforming the Company to focus on being customer-centric and digitally savvy. We are committed to an omni-channel strategy which includes both bricks and mortar stores and online business. This has served us very well during COVID-19 and will serve us well in the months and years post the pandemic.

Based on my personal experience and the experience of many others, working from home is not sustainable. It is stressful, time-consuming and lacks the value of human interaction. Working virtually made our job so much harder.

In spite of the fact that working from home has not been optimal, our employees have been magnificent in ensuring that their work continued unabated. So many worked and are still working a seven-day week.

Our Associate Dealers worked tirelessly, often on short notice, to adapt to ever-changing circumstances in a superb effort to continue to serve their customers. I am very proud of their efforts.

Given the importance of ESG-related issues, we have decided to transform the Board's Brand and Community Committee into a Brand and Corporate Responsibility Committee. This Committee will be responsible for all matters that could impact our iconic brand. An important part of its duties will be ESG matters as we believe these are critical to the health of our brand.

I have long believed that business must be successful in order to provide the jobs, products and services that Canadians need. Therefore, business should be proactive in finding ways to encourage public policies that promote business profitability and growth.

The private sector — and Canadian Tire in particular — has an important role to play in working with the public sector to get Canada on the path to economic recovery. Indeed, only through a true partnership between the private sector and governments at all levels can we overcome the challenges posed by the pandemic.

Jim Goodfellow will not be standing for re-election to our Board in May. Jim has been one of our leading directors and he will be missed. He has had a long association with the Tire and my colleagues and I have always considered him a mentor and a friend. He has contributed much to our success and I am pleased that he has agreed to remain on the Board of Canadian Tire Bank.

It is with deep regret that we must say farewell to Claude L'Heureux. His place on the Board will be taken by Sylvain Leroux, a fellow Associate Dealer, subject to shareholder approval. Claude has been the gold standard of Associate Dealers on the Board. His knowledge of the Company, his courage, his insights and his statesmanlike approach to issues made him a hugely valuable contributor to our discussions and decisions. We will miss his wise counsel and his friendship.

I am very pleased to welcome Steve Frazier to our Board of Directors, subject to shareholder approval. Mr. Frazier has recently retired from Amazon where for some 20 years he was a senior executive with both international and domestic responsibilities. He led the U.K., China and Brazil businesses, private brands, and Amazon's B2B marketplace in multiple global markets.

Finally, I want to thank you, our shareholders, for your continued support and trust.

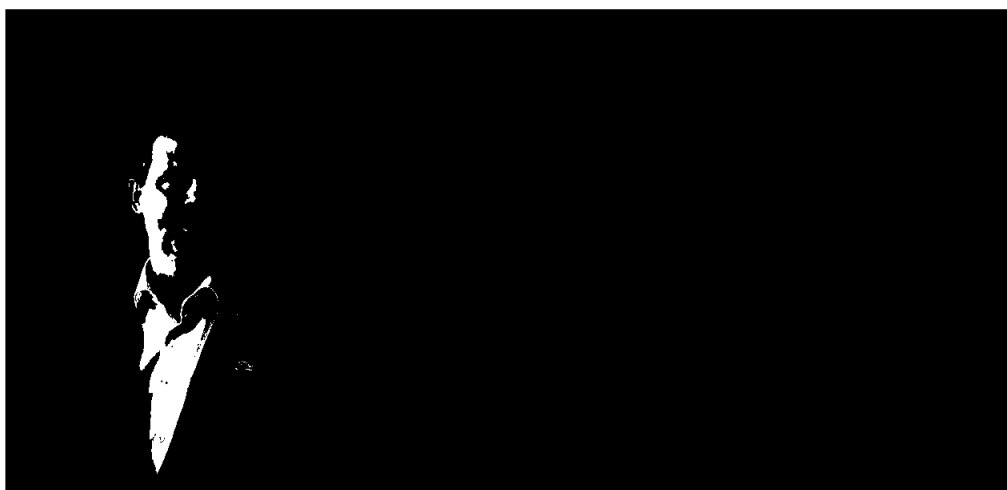
The resilience shown by Canadian Tire during 2020 is yet another indication of the strength of our iconic Company, a company that refuses to accept anything less than the best it can be in the service of its customers in spite of very challenging circumstances. In a matter of weeks, we ramped up our eCommerce business to unprecedented levels — a billion dollars in 2020. Circumstances drove us to do in weeks what, in normal circumstances, we planned to do in three years. As our founder A.J. Billes always counselled: strive always to make things better. That counsel has become our mantra.

I want to say once again what a privilege it is for me to work for Canadian Tire, a company that is endlessly fascinating, a company that has a tradition of going from success to success. It is a company that is, truly, part of the fabric of Canada. I know that an even more impressive future lies ahead.

Maureen Sabia, Chairman of the Board



MESSAGE FROM GREG HICKS, PRESIDENT AND CHIEF EXECUTIVE OFFICER



## Striving Always To Make Things Better

**DEAR SHAREHOLDERS,**

It is with great pride that I write my first letter to you as CEO of Canadian Tire Corporation. It's an honour and a privilege to lead an iconic Company that is woven into the fabric of our nation's culture.

2020 was a year unlike any other. We all faced significant personal and professional challenges, many of which continue today. Although we were navigating uncharted waters, we had a powerful compass in the words of our founder, A.J. Billes, who instilled in our great Company the value of "striving always to make things better." In turn, our team rallied around our purpose of being there for our customers, communities, and each other. To our Associate Dealers and the tens of thousands of team members across our family of companies: thank you. Thank you for your unshakeable resilience, grit and determination in the face of complex and relentless obstacles.



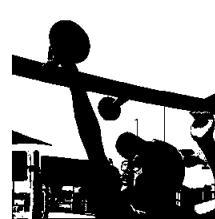
## WHAT 2020 TAUGHT US

Internally, the challenges of COVID-19 gave us an opportunity to reshape the culture of our Company, including how we communicate, how we show up for each other, and how we work. Managing the crisis snapped our teams together around shared objectives: no longer was there time for meetings before meetings, vertical hierarchies and egos. By working horizontally towards common outcomes focused on the customer, we were faster and more agile than ever before. We recognized that we were living in a time that would redefine us and we weren't going to waste the chance to learn, grow and, ultimately, be better connected to our customers, our communities, and each other.

We aligned to a common goal: protecting the health and safety of our employees and customers while ensuring Canadians had access to the products, services and support they needed. Our frontline store, contact centre and Distribution Centre staff, as well as Dealers and corporate employees, collaborated to solve problems and implement new and better processes for our customers. Our customers wanted and needed more options when it came to how and when they could shop. So, in addition to enhancing the capacity and stability of our website to process an unprecedented volume of eCommerce orders, we launched Curbside Pick Up in a matter of days, enabling our customers to get products that simply couldn't wait for shipping.

Knowing that being there for life in Canada is about more than the products we sell or services we provide, our stores and Dealers stepped up for their communities with donations and support. In 2020 we launched Canadian Tire's \$5 million COVID-19 Response Fund and Jumpstart initiated its \$8 million Sport Relief Fund. And through the creation of a formal Diversity, Inclusion and Belonging (DIB) team and ongoing DIB initiatives and programs, we embarked on a journey to ensure our culture is one where our people feel seen, heard and that they belong.

Not all of our solutions were perfect, but we quickly realized that striving always to make things better doesn't mean striving always to make things perfect. We evolved — developing newfound agility by embracing the mindset of **progress over perfection**.





## OUR RESULTS

Although it was out of necessity that we embraced new ways of working, our results prove that we have tapped into something powerful. Following decades of investment to build a resilient and sustainable business model, our diversified segments serve as a strategic advantage and solid defence against uncertainty. The year was unquestionably difficult: the challenges of 2020 impacted all parts of our business. However, our core Retail segment proved integral, safely providing the products and services Canadians needed throughout the pandemic. Our retail sales (excluding Petroleum) grew a remarkable 11% in the year. We continued to make progress in improving our operating leverage, a goal of our Operational Efficiency program, and achieved an impressive 15.7% growth in our normalized retail income before tax. And while the first two quarters of the year were significantly impacted by the pandemic, the team drove outstanding results in the second half, with EPS eclipsing 2019's full year performance and growing 48% year-over-year. Our full year normalized diluted EPS was \$13.00, essentially flat to the 2019 level of \$13.04.

At the onset of the pandemic, there were questions about the risk in our Financial Services portfolio, but our team navigated remarkably. With demonstrated risk management capabilities, access to multiple sources of liquidity, and a robust provision for potential credit losses, we enter 2021 prepared for the future.

We also welcomed 1.8 million new members into our Triangle Rewards credit card and loyalty program in 2020. The crisis reintroduced many Canadians to Canadian Tire. The real opportunity now is to engage with and prove to new members that we have the right assortment of products for life in Canada, and the omni-channel presence to enable shopping where and how they want. Customers experienced new ways of shopping our family of companies, and our eCommerce business grew to \$1.6 billion – a 183% increase over the prior year.





Our differentiated Owned Brands portfolio performed extremely well, with penetration across our business now at 37%. Our Helly Hansen business also demonstrated resiliency and is strengthening our core business by differentiating our positioning at SportChek and Mark's, and we see runway in the U.S. and internationally.

Foundational to our resilience is our capital strength. With \$2 billion in cash and short-term investments, and \$3 billion, \$3.9 billion and \$299 million in liquidity at our Retail, Financial Services and REIT segments, respectively, we have the capacity to absorb impacts of an uncertain environment while retaining the flexibility to invest and grow in areas of strategic importance. Additionally, in November, we approved a 3.3% increase in our annual dividend, reflecting 11 years of consecutive increases.

Despite the challenging retail environment, we remain focused on accelerating our shift to greater digitization and delivering relevant experiences for our customers. We're expediting larger structural cost improvements and changing the way we work to make the efforts permanent. We are adopting hybrid, agile work models across the enterprise, all focused on improving experiences for our customers.





### BEING THERE FOR YOU: OUR SHAREHOLDERS

I want to thank you — our shareholders — for your continued belief in, support of, and commitment to CTC. We in turn are committed to you, and I want you to know what you can expect from me.

The crisis helped me recognize that the barriers to boldness and speed are less about technology, scale and capital, and more about mindset regarding what is possible and what one is willing to do, including being committed to collaboration and having the courage to challenge bureaucratic chains of command and the processes that slow us down. This learning and the management of our Operational Efficiency program serve as our blueprint for changing the way we operate to enable our strategy, become more efficient, and secure our competitive position. Financially, Operational Efficiency is focused on streamlining our business, doing things once, and reducing our expenses to help us improve our bottom line performance and return value to our shareholders, including over \$200 million in run rate savings by 2022.

I will ensure we are good stewards of capital: COVID-19 pushed the organization's focus on capital into purview. I will urge our teams to prioritize the best areas of our business in which to invest. I will challenge conventional capital allocation and eliminate the phrase "because we have always done it this way" from our vocabulary.

Finally, I've heard from shareholders and investors that we have not been adequately telling our story. Among the lessons of 2020 was the power of frequent and transparent communication with all our stakeholders. My initial commitment to communication has not wavered over the last year, and I hope you are beginning to feel the difference. Trust that going forward, we will be focused on furthering your understanding of our performance and where we intend to go in the future.





## THE NEXT 100 YEARS

When we finally reach the other side of the pandemic, there will be another challenge, a new competitor, the next disruption. But we will always overcome because CTC is nothing if not resilient. Between the combination of our unique Dealer model, the strength of our Triangle Rewards program, and the relevance, breadth and depth of our assortment, we are well-positioned to continue engaging with and supporting our customers in 2021 and beyond.

Know that as CEO, my number one job is to bring together all our assets to deliver a truly connected customer experience. To do this, we will need to invest accordingly and be bolder about our strategic agenda. We need to focus and allocate greater resources to the businesses that maximize our potential and are well-positioned to deliver strong returns. Given changing consumer needs, disruptive technologies and competitors, our businesses must work together to ensure we are continuing to engage and drive relevance with our customers. Consider for a moment our network of stores in a different way: we have 12.5 million square feet of warehouse space with \$4 billion worth of inventory, all within a 15-minute drive of 90% of Canadians. What's more, these warehouses just happen to be attached to 34 million square feet of product showrooms where customers can touch, feel, and buy product. Through Triangle Rewards, over 70% of Canadian households, or 10 million Canadians, are enrolled in our best-in-class loyalty program, and in 2020, we had 800 million visits to our websites. We have the assets needed to compete. But if we want to win, we must connect these assets to create and deliver relevant experiences for our customers.

In closing, I want to thank our Board of Directors for their confidence in me — both in March 2020 and today, following more than a year of COVID-19 turbulence. I am extremely grateful for the Board's unwavering support and guidance.

For me, 2020 was a **masterclass in leadership**. The pandemic illuminated a fact that would have come to light eventually: "the way we've always done things" was simply not going to work. So, we've changed course when it comes to how we work and are charting a new path to growth. Know that we will continue to be there for our employees, customers, communities and shareholders, not by standing still, but by embracing **progress over perfection**, and striving always to make life in Canada better.

Sincerely,

Greg Hicks,  
President and CEO, Canadian Tire Corporation





10

MANAGEMENT'S DISCUSSION  
AND ANALYSIS

AND

CONSOLIDATED FINANCIAL  
STATEMENTS



# Management's Discussion and Analysis

Canadian Tire Corporation, Limited  
Fourth Quarter and Full-Year 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

## 1.0 Preface

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### 1.1 Definitions

In this document, the terms "we", "us", "our", "Company", "Canadian Tire Corporation", "CTC", and "Corporation" refer to Canadian Tire Corporation, Limited, on a consolidated basis. This document also refers to the Corporation's three reportable operating segments: the "Retail segment", the "Financial Services segment", and the "CT REIT segment".

The financial results for the Retail segment are delivered by the businesses operated by the Company under the Company's retail banners, which include Canadian Tire, PartSource, Petroleum, Gas+, Party City, Mark's, Mark's Work Wearhouse, L'Équipeur, Helly Hansen, SportChek, Sports Experts, Atmosphere, Pro Hockey Life ("PHL"), National Sports, Sports Rousseau, and Hockey Experts.

In this document:

"Canadian Tire" refers to the general merchandise retail and services businesses carried on under the Canadian Tire, PartSource, PHL, and Party City names and trademarks, and the retail petroleum business carried on by Petroleum.

"Canadian Tire stores" and "Canadian Tire gas bars" refer to stores and gas bars (which may include convenience stores, car washes, and propane stations) that operate under the Canadian Tire and Gas+ names and trademarks.

"Owned brands" refers to brands owned by the Company and are managed by the consumer brands division of the Retail segment.

"CT REIT" refers to the business carried on by CT Real Estate Investment Trust and its subsidiaries, including CT REIT Limited Partnership ("CT REIT LP").

"Financial Services" refers to the business carried on by the Company's Financial Services subsidiaries, namely Canadian Tire Bank ("CTB" or "the Bank") and CTFS Bermuda Ltd. ("CTFS Bermuda"), a Bermuda reinsurance company.

"Helly Hansen" refers to the international wholesale and retail businesses that operate under the Helly Hansen and Musto brands.

"Jumpstart" refers to Canadian Tire Jumpstart Charities.

"Mark's" refers to the retail and commercial wholesale businesses carried on by Mark's Work Wearhouse Ltd., and "Mark's stores" including stores that operate under the Mark's, Mark's Work Wearhouse, and L'Équipeur names and trademarks.

"PartSource stores" refers to stores that operate under the PartSource name and trademarks.

"Party City" refers to the party supply business that operate under the Party City name and trademarks in Canada.

"Petroleum" refers to the retail petroleum business carried on under the Canadian Tire and Gas+ names and trademarks.

"SportChek" refers to the retail business carried on by FGL Sports Ltd., including stores that operate under the SportChek, Sports Experts, Atmosphere, National Sports, Sports Rousseau, and Hockey Experts names and trademarks.

Other terms that are capitalized in this document are defined the first time they are used.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This document contains trade names, trademarks, and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks, and service marks referred to herein appear without the ® or TM symbol.

### 1.2 Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking and may constitute "forward-looking information" within the meaning of applicable securities legislation. Actual results or events may differ materially from those forecasted and from statements of the Company's plans or aspirations that are made in this MD&A because of the risks and uncertainties associated with the Corporation's businesses and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans, or aspirations will actually be achieved or, if achieved, will result in an increase in the Company's share price. Refer to section 13.0 in this MD&A for a more detailed discussion of the Company's use of forward-looking statements.

### 1.3 Review and Approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on February 17, 2021.

### 1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q4 2020 (14 weeks ended January 2, 2021) are compared against Q4 2019 (13 weeks ended December 28, 2019) and all comparisons of results for the full year 2020 (53 weeks ended January 2, 2021) are compared against results for full year 2019 (52 weeks ended December 28, 2019).

### 1.5 Accounting Framework

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 3 to the consolidated financial statements.

### 1.6 Accounting Estimates and Assumptions

The preparation of consolidated financial statements that conform to IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 9.1 in this MD&A for further information.

### 1.7 Key Operating Performance Measures and Additional GAAP and Non-GAAP Financial Measures

The Company has identified several key operating performance measures and non-GAAP financial measures which Management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 and 9.3.2 for additional information on these metrics.

### 1.8 Rounding and Percentages

Rounded numbers are used throughout the MD&A. All year-over-year percentage changes are calculated on whole dollar amounts except in the presentation of basic and diluted earnings per share ("EPS"), in which year-over-year percentage changes are based on fractional amounts.



MANAGEMENT'S DISCUSSION AND ANALYSIS

## 2.0 Company and Industry Overview

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Canadian Tire Corporation, Limited, (TSX: CTC.A) (TSX: CTC), is a family of businesses that includes a Retail segment, a Financial Services division and CT REIT. Our retail business is led by Canadian Tire, which was founded in 1922 and provides Canadians with products for life in Canada across its Living, Playing, Fixing, Automotive and Seasonal & Gardening divisions. PartSource, Gas+, Party City and Pro Hockey Life are key parts of the Canadian Tire network. The Retail segment also includes Mark's, a leading source for casual and industrial wear; and SportChek, Hockey Experts, Sports Experts, National Sports, Intersport and Atmosphere, which offer the best active wear brands. The approximately 1,741 retail and gasoline outlets are supported and strengthened by our Financial Services division and the tens of thousands of people employed across Canada and around the world by the Company and its Canadian Tire Associate Dealers ("Dealers"), franchisees and petroleum retailers. In addition, Canadian Tire Corporation owns and operates Helly Hansen, a leading global brand in sportswear and workwear based in Oslo, Norway. A description of the Company's business and select core capabilities can be found in the Company's 2020 Annual Information Form ("2020 AIF"), including section 2 "Description of the Business" and on the Company's Corporate (<https://corp.canadiantire.ca/English/home/default.aspx>) and Investor Relations (<https://corp.canadiantire.ca/English/investors/default.aspx>) websites.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 3.0 Historical Performance Highlights

#### 3.1 Selected Annual Consolidated Financial Trends

The following table provides selected annual consolidated financial and non-financial information for the last three fiscal periods. The financial information has been prepared in accordance with IFRS. As a result of COVID-19, consolidated earnings and EPS were impacted by a number of items in 2020, refer to section 4.0 in this MD&A for further information regarding the events that impacted the Company in 2020. The fourth quarter and full year 2020 results include one additional week of retail operations compared to the fourth quarter and full year 2019 results.

(C\$ in millions, except per share amounts and number of retail locations)	2020 <sup>1</sup>	2019	2018
Consolidated comparable sales growth <sup>2</sup>	<b>NM</b>	3.6%	2.2%
Retail Sales excluding Petroleum	\$ <b>15,172.7</b>	\$ 13,669.0	\$ 13,151.1
Revenue	\$ <b>14,871.0</b>	\$ 14,534.4	\$ 14,058.7
Net income	<b>862.6</b>	894.8	783.0
Normalized <sup>4</sup> net income	<b>904.9</b>	923.3	870.4
Basic EPS	<b>12.35</b>	12.60	10.67
Diluted EPS	<b>12.31</b>	12.58	10.64
Normalized <sup>3</sup> diluted EPS	<b>13.00</b>	13.04	11.95
Total assets	<b>20,377.1</b>	19,518.3	17,286.8
Total non-current financial liabilities <sup>4</sup>	<b>8,353.3</b>	7,535.3	7,597.1
Financial Services gross average accounts receivables (total portfolio)	<b>6,008.6</b>	6,253.5	5,825.3
Number of retail locations	<b>1,741</b>	1,746	1,700
Cash dividends declared per share	\$ <b>4.5875</b>	\$ 4.2500	\$ 3.7375
Stock price (CTC.A) <sup>5</sup>	<b>167.33</b>	140.63	142.08

<sup>1</sup> The full year 2020 results include one additional week of retail operations compared to the full year 2019.

<sup>2</sup> Does not include Helly Hansen. Due to the pervasive temporary store closures across all banners in the first half of 2020, Management believes that consolidated comparable sales growth for the full year 2020 is not a meaningful metric.

<sup>3</sup> Refer to section 5.1.1 for details on normalized items.

<sup>4</sup> Includes short and long-term deposits, long-term debt including the current portion, long-term derivative liabilities included in other long-term liabilities, and the redeemable financial instrument.

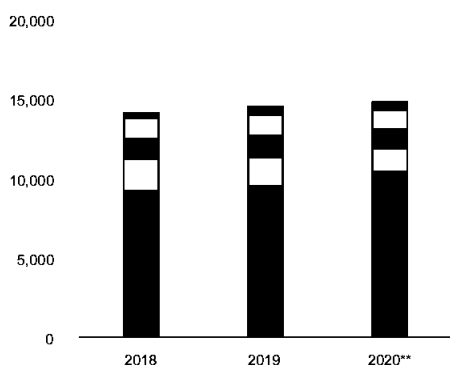
<sup>5</sup> Closing share price as of the date closest to the Company's fiscal year end.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### REVENUE BY BANNER/UNIT\*

(\$ millions)

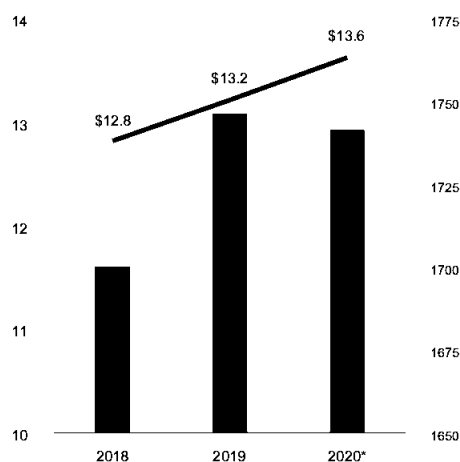


Canadian Tire  
 SportChek  
 Petroleum  
 Helly Hansen  
 Financial Services  
 Mark's  
*\* Excludes CT REIT*  
*\*\*2020 results are based on a 53 week period.*

### STORES AND RETAIL REVENUE

Retail revenue  
(\$ billions)

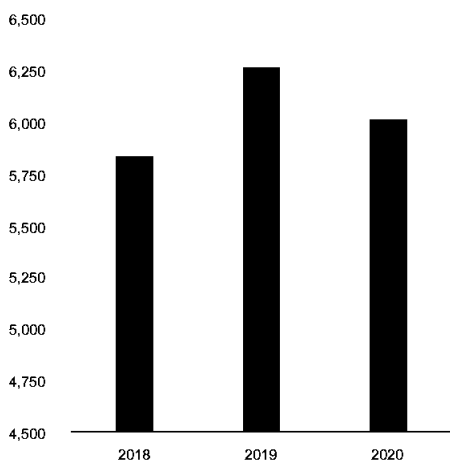
Number of stores



Store count  
 Retail revenue  
*\* 2020 results are based on a 53 week period.*

### FINANCIAL SERVICES GROSS AVERAGE ACCOUNTS RECEIVABLE

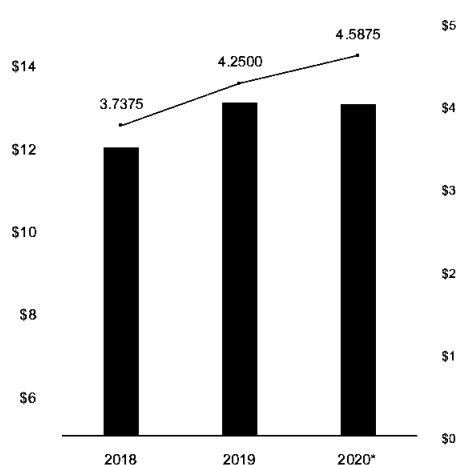
(\$ millions)



### NORMALIZED DILUTED EPS AND DIVIDENDS PER SHARE

(\$ per share)

(Dividends \$ per share)



Normalized Diluted EPS  
 Dividends per share  
*\* 2020 results are based on a 53 week period.*



MANAGEMENT'S DISCUSSION AND ANALYSIS

## 4.0 Events that Impacted the Company this Year

During 2020, the Coronavirus ("COVID-19") pandemic had an impact on the Canadian and global economies and on consumer purchasing behaviours. These impacts, combined with the temporary closure of certain stores and the introduction of new safety protocols, significantly affected the Company's operations and financial performance in the year.

In response to the COVID-19 pandemic, the Company implemented a number of comprehensive operational and risk management strategies to support its businesses and to protect the health and well-being of its employees, customers, Dealers and franchisees through the pandemic. These strategies also allowed the Company to continue to provide Canadians and their communities with essential products and services and demonstrated the resilience of the Company's business model.

The issuance of COVID-19 related government guidelines and restrictions, as well as the Company's focus on the health and well-being of its employees, customers, Dealers and franchisees, impacted the Company's operations in several areas.

- In the second quarter, 203 Canadian Tire Retail stores in Ontario were temporarily closed for five weeks and, for the majority of the quarter, all SportChek and Mark's were also temporarily closed. With the resurgence of COVID-19 in the second half of the fourth quarter, stores across the Retail banners in Manitoba, Ontario, and Quebec were subject to further restrictions and store closures. These restrictions and closures in the fourth quarter did not have a material impact to the Company's financial results. Throughout this time, the Company continued to serve customers online, offering curbside pickup and deliver-to-home across its Retail banners.
- Helly Hansen operations were also impacted by store closures and restrictions throughout 2020, which affected its stores as well as the stores and operations of its wholesale customers.
- Reduced store hours and customer capacity limitations also impacted all banners.
- The Company introduced enhanced cleaning protocols and actions to support physical distancing, including the installation of plexiglass and floor decals.
- The ability of Financial Services to acquire new credit card customers was affected by the temporary store closures and reduced store hours throughout the year.
- From March 22, 2020 to mid-August 2020 the Company and its Dealers implemented a special support payment for all active front-line employees in recognition of their commitment to serve their communities during the pandemic.

On April 9, 2020, the Company launched a \$5 million Canadian Tire COVID-19 Response Fund to help Canadians and their communities respond to the pandemic. The COVID-19 pandemic has also had a significant impact on community sports and recreation. During the year, with the Company's support, Jumpstart launched the \$8 million Jumpstart Sport Relief Fund - a fund developed to help sport and recreation organizations deliver programming. In December 2020, CTC donated \$12 million of funding to the Jumpstart Sport Relief Fund to provide further support of this initiative in 2021.

### *Impact on Customers*

The Company's multi-category assortment continues to provide Canadians with the things they need for the jobs and joys of life in Canada. Throughout the year, the Company saw a significant shift in customer shopping behaviour by increasingly moving to online purchasing. For the full year, eCommerce sales were approximately \$1.6 billion and penetration rates were more than double 2019 rates for all banners.

The Company's ongoing ability to satisfy its customers' shopping preferences and achieve its operational objectives depends upon its ability to maintain key supply chain operations, distribution, logistics and transportation arrangements. These arrangements were significantly challenged in 2020 by the COVID-19 pandemic as a result of unprecedented customer demand for certain products. The Company's supply chain processes and technologies provide visibility across the end-to-end supply chain network and support the Company's ability to proactively address potential disruptions as a result of consumer demand arising from the



## MANAGEMENT'S DISCUSSION AND ANALYSIS

COVID-19 pandemic. Key strategic relationships with vendors and the ability to utilize inventory across banners aided the Company's ability to address customer demand during the year.

The Financial Services segment continued to support its cardholders throughout the COVID-19 pandemic by implementing various relief programs to meet cardholders' needs.

### *Impact on Financial Performance*

During the first three quarters of the year, Retail segment income before taxes was negatively impacted by \$92.7 million, driven primarily by: (1) \$59.5 million of additional selling, general and administrative expenses ("SG&A") attributable to the Company's COVID-19 efforts in the second and third quarters of 2020, including special support payments for active front-line employees which ended in August and enhanced safety protocols for employees and customers; and (2) \$27.9 million of impairment costs recognized in other expenses (income) during the second quarter of 2020 related to the impact that the macro-economic environment is expected to have on the timing of certain growth strategies related to the Company's Musto sailing brand and on future cash flows of select SportChek stores. While the Company continues to incur costs in relation to enhanced safety protocols, no material non-recurring costs were incurred in the fourth quarter.

The Company also saw a reduction in customer spending in the Financial Services segment during the year due to the COVID-19 pandemic and experienced lower account acquisition as a result of restrictions in the Company's store network. In the first quarter, at the onset of the pandemic, the Company recorded an expense of \$44.9 million relating to an increase in the expected credit loss ("ECL") allowance resulting from assumption changes relating to COVID-19. Over the balance of the year, the Company continued to assess and update the underlying assumptions in the ECL allowance in the normal course of business, including with regards to the impacts of the COVID-19 pandemic.

On a full year basis, the Company has estimated that the above COVID-19 related net expenses have negatively impacted consolidated results by \$137.6 million, or \$1.60 in earnings per share.

Given the considerable ongoing uncertainty regarding the duration and severity of COVID-19 and its impact on the economy, consumer demand, and operations, the Company withdrew its financial aspirations previously provided in the Company's 2019 Report to Shareholders and does not believe it is appropriate at this time to provide forward-looking information.

### *Impact on Liquidity*

The heightened uncertainty arising from COVID-19 and its impact on the economic environment and capital markets in 2020 led to an increased emphasis within the Company on liquidity and capital management. Management believes the Company's multi-category assortment, healthy balance sheet, Triangle Rewards program, credit card value proposition, access to multiple sources of liquidity for all its businesses, and the essential role it plays in communities across Canada have positioned the Company well to manage through these unprecedented times.

During the year, the Company took appropriate actions to ensure a strong ongoing cash position and financial flexibility, including reducing operating costs at head office and corporate stores, reducing discretionary capital expenditures and working capital requirements across the Company, and pausing its share repurchases other than for anti-dilutive purposes.

The Company is in a strong liquidity position with the ability to access capital from multiple sources as outlined in Section 6.5 of this MD&A. To strengthen this position, in 2020, the Company secured additional credit by entering into a committed bank credit facility for \$710 million with five Canadian financial institutions. This facility is available until June 30, 2022. The Company ended the year with a strong balance sheet, no outstanding borrowing on any of its Canadian credit facilities and was in compliance with all of its financial covenants.

On March 31, 2020, related to the COVID-19 pandemic, S&P downgraded the Company's long-term issuer rating and medium-term notes rating from "BBB+" to "BBB" and placed a "Negative" outlook on the Company's long-term issuer rating. On April 7, 2020, related to the COVID-19 pandemic, DBRS Morningstar placed the Company's long-term issuer rating and medium-term notes rating to "under review with negative implications" and on June 5,



## MANAGEMENT'S DISCUSSION AND ANALYSIS

2020 downgraded the Company's long-term issuer rating and medium-term notes rating from "BBB (high)" to "BBB", with "Stable" trends.

## 5.0 Financial Performance

### 5.1 Consolidated Financial Performance

The fourth quarter and full year 2020 results include one additional week of retail operations compared to the fourth quarter and full year 2019 results.

#### 5.1.1 Consolidated Financial Results

(C\$ in millions, except where noted)	Q4 2020	Q4 2019	Change	2020	2019	Change
Retail sales <sup>1</sup>	\$ 5,317.2	\$ 4,838.2	9.9 %	\$ 16,864.4	\$ 15,879.0	6.2 %
Revenue	\$ 4,874.5	\$ 4,316.7	12.9 %	\$ 14,871.0	\$ 14,534.4	2.3 %
Gross margin dollars	\$ 1,849.9	\$ 1,503.0	23.1 %	\$ 5,076.6	\$ 4,873.8	4.2 %
Gross margin as a % of revenue	37.9 %	34.8 %	313 bps	34.1 %	33.5 %	60 bps
Other expense (income)	\$ 18.9	\$ 2.0	NM <sup>2</sup>	\$ 48.7	\$ (13.4)	NM <sup>2</sup>
Selling, general and administrative expenses	1,053.6	943.7	11.6 %	3,599.3	3,437.5	4.7 %
Net finance costs	58.8	66.0	(11.0)%	256.5	266.8	(3.9)%
Income before income taxes	\$ 718.6	\$ 491.3	46.3 %	\$ 1,172.1	\$ 1,182.9	(0.9)%
Income taxes expense	196.8	125.4	57.0 %	309.5	288.1	7.4 %
Effective tax rate	27.4 %	25.5 %		26.4 %	24.4 %	
Net income	\$ 521.8	\$ 365.9	42.6 %	\$ 862.6	\$ 894.8	(3.6)%
Net income attributable to:						
Shareholders of Canadian Tire Corporation	\$ 488.8	\$ 334.1	46.3 %	\$ 751.8	\$ 778.4	(3.4)%
Non-controlling interests	33.0	31.8	3.6 %	110.8	116.4	(4.8)%
	\$ 521.8	\$ 365.9	42.6 %	\$ 862.6	\$ 894.8	(3.6)%
Basic EPS	\$ 8.04	\$ 5.42	48.2 %	\$ 12.35	\$ 12.60	(2.0)%
Diluted EPS	\$ 7.97	\$ 5.42	47.0 %	\$ 12.31	\$ 12.58	(2.2)%
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	60,807,577	61,592,583	NM <sup>2</sup>	60,896,809	61,794,565	NM <sup>2</sup>
Diluted	61,358,623	61,669,335	NM <sup>2</sup>	61,090,111	61,861,486	NM <sup>2</sup>

<sup>1</sup> Retail sales is a key operating performance measure. Refer to section 9.3.1 in this MD&A for additional information.

<sup>2</sup> Not meaningful.

### Non-Controlling Interests

The following table outlines the net income attributable to the Company's non-controlling interests. For additional details, refer to Note 15 to the Company's 2019 consolidated financial statements.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Financial Services				
Non-controlling interest percentage 20.0% (2019 – 20.0%)	\$ 16.7	\$ 15.9	\$ 47.2	\$ 61.7
CT REIT				
Non-controlling interest percentage 30.8% (2019 – 30.6%)	15.7	15.2	62.4	51.3
Retail segment subsidiary				
Non-controlling interest percentage 50.0% (2019 – 50.0%)	0.6	0.7	1.2	3.4
Net income attributable to non-controlling interests	\$ 33.0	\$ 31.8	\$ 110.8	\$ 116.4



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operational Efficiency program

During 2020, the Company continued to focus on executing its Operational Efficiency program and related initiatives and remains committed and on track to deliver its targeted \$200+ million in annualized savings by 2022.

As part of this program, and, as the Company continues to evolve and grow its brand, a decision was made to close all 18 National Sports retail stores and eCommerce channel to eliminate duplication across banners. The costs associated with these closures included \$9.5 million in inventory write-offs recorded in cost of producing revenue and \$17.2 million in asset write-offs recorded in other expenses (income). The items were considered normalizing items as described in the next section.

### Normalizing Items

The results of operations in 2020 and 2019 include costs related to the Company's Operational Efficiency program and Party City acquisition-related costs which were considered as normalizing items. The Company's Operational Efficiency program includes costs in relation to severance, consulting, IT-project related costs, and the costs associated with the closure of the National Sports banner as described above.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Operating Efficiency program	\$ 35.3	\$ 6.5	\$ 56.7	\$ 34.4
Party City:				
Acquisition-related costs	—	—	—	2.3
Fair value adjustment for inventories acquired <sup>1</sup>	—	2.4	—	2.4
<b>Total</b>	<b>\$ 35.3</b>	<b>\$ 8.9</b>	<b>\$ 56.7</b>	<b>\$ 39.1</b>

<sup>1</sup> Relates to the fair value adjustment to Party City's inventory recorded as part of the acquisition on October 1, 2019.

Normalized results are non-GAAP measures and do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. For further information and a reconciliation to GAAP measures, refer to section 9.3.2 in this MD&A.

### Selected Normalized Metrics – Consolidated

(C\$ in millions, except where noted)	Q4 2020	Normalizing Items <sup>1</sup>	Normalized Q4 2020	Q4 2019	Normalizing Items <sup>1</sup>	Normalized Q4 2019	Change <sup>2</sup>
Revenue	\$ 4,874.5	\$ —	\$ 4,874.5	\$ 4,316.7	\$ —	\$ 4,316.7	12.9%
Cost of producing revenue	3,024.6	(9.5)	3,015.1	2,813.7	(2.4)	2,811.3	7.2%
Gross margin	\$ 1,849.9	\$ 9.5	\$ 1,859.4	\$ 1,503.0	\$ 2.4	\$ 1,505.4	23.5%
Gross margin rate	37.9%	20 bps	38.1%	34.8%	6 bps	34.9%	327 bps
Other expense	\$ 18.9	\$ (17.2)	\$ 1.7	\$ 2.0	\$ (1.3)	\$ 0.7	142.9%
Selling, general and administrative expenses	1,053.6	(8.6)	1,045.0	943.7	(5.2)	938.5	11.3%
Net finance costs	58.8	—	58.8	66.0	—	66.0	(11.0)%
Income before income taxes	\$ 718.6	\$ 35.3	\$ 753.9	\$ 491.3	\$ 8.9	\$ 500.2	50.7%
Income tax expense	196.8	8.7	205.5	125.4	2.4	127.8	60.8%
Net income	\$ 521.8	\$ 26.6	\$ 548.4	\$ 365.9	\$ 6.5	\$ 372.4	47.3%
Net income attributable to shareholders of CTC	488.8	26.6	515.4	334.1	6.5	340.6	51.3%
Diluted EPS	\$ 7.97	\$ 0.43	\$ 8.40	\$ 5.42	\$ 0.11	\$ 5.53	51.9%

<sup>1</sup> Refer to Normalizing Items table in this section for more details.

<sup>2</sup> Change is between normalized results.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

(C\$ in millions, except where noted)	2020	Normalizing Items <sup>1</sup>	Normalized 2020	2019	Normalizing Items <sup>1</sup>	Normalized 2019	Change <sup>2</sup>
Revenue	\$ 14,871.0	\$ —	\$ 14,871.0	\$ 14,534.4	\$ —	\$ 14,534.4	2.3%
Cost of producing revenue	9,794.4	(9.5)	9,784.9	9,660.6	(2.4)	9,658.2	1.3%
Gross margin	\$ 5,076.6	\$ 9.5	\$ 5,086.1	\$ 4,873.8	\$ 2.4	\$ 4,876.2	4.3%
Gross margin rate	34.1%	6 bps	34.2%	33.5%	2 bps	33.5%	64 bps
Other expense (income)	\$ 48.7	\$ (17.2)	\$ 31.5	\$ (13.4)	\$ (1.3)	\$ (14.7)	NM <sup>3</sup>
Selling, general and administrative expenses	3,599.3	(30.0)	3,569.3	3,437.5	(35.4)	3,402.1	4.9%
Net finance costs	256.5	—	256.5	266.8	—	266.8	(3.9)%
Income before income taxes	\$ 1,172.1	\$ 56.7	\$ 1,228.8	\$ 1,182.9	\$ 39.1	\$ 1,222.0	0.6%
Income tax expense	309.5	14.4	323.9	288.1	10.6	298.7	8.4%
Net income	\$ 862.6	\$ 42.3	\$ 904.9	\$ 894.8	\$ 28.5	\$ 923.3	(2.0)%
Net income attributable to shareholders of CTC	751.8	42.3	794.1	778.4	28.5	806.9	(1.6)%
Diluted EPS	\$ 12.31	\$ 0.69	\$ 13.00	\$ 12.58	\$ 0.46	\$ 13.04	(0.3)%

<sup>1</sup> Refer to Normalizing Items table in this section for more details.

<sup>2</sup> Change is between normalized results.

<sup>3</sup> Not meaningful.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Consolidated Results Commentary

Diluted EPS for the fourth quarter of 2020 increased significantly, driven by shipments to Dealers at Canadian Tire and strong sales at Mark's. The Retail segment normalized income before taxes increased by 70.1 percent, with Retail revenue growing by 20.1 percent and normalized gross margin rate (excluding Petroleum) increasing by 168 bps, led by strong performance at Canadian Tire. The Financial Services segment income before taxes grew by 5.6 percent, driven mainly by a \$27.3 million reduction in the allowance for loans receivable due largely to a year over year decline in receivables. Despite lower growth in cardholder sales and receivables volume, Financial Services' aging metrics continued to be favourable.

Strong performance in the Retail segment in the last half of 2020 resulted in normalized diluted EPS of \$13.00 for the full year 2020, only slightly lower than 2019, despite the impact of the COVID-19 pandemic on the operations and financial results of the Company in the first half of the year.

As a result of COVID-19, consolidated earnings and EPS were impacted by a number of items in 2020. Refer to section 4.0 in this MD&A for further information regarding the events that impacted the Company this year. The fourth quarter and full year 2020 results include one additional week of retail operations compared to the fourth quarter and full year 2019 results.

	Q4 2020	Full Year
<b>Consolidated Results Summary</b>	<p>▲ Diluted EPS: \$2.55 per share, or 47.0%</p> <ul style="list-style-type: none"> <li>Consolidated revenue increased \$557.8 million, or 12.9 percent. Excluding Petroleum, consolidated revenue increased 17.4 percent mainly attributable to exceptional revenue growth in the Retail segment, partially offset by lower revenue in the Financial Services segment. Retail segment revenue increased mainly due to strong growth at Canadian Tire driven primarily by higher shipments and the Company's cost and margin-sharing arrangement with its Dealers, an increase in revenue at Mark's and Helly Hansen, and one additional week of retail operations, which were partially offset by lower revenue at SportChek. The revenue decline in the Financial Services segment was mainly attributable to lower credit charges and lower card sales revenue.</li> <li>Consolidated gross margin dollars increased \$346.9 million, or 23.1 percent. Normalized gross margin increased by \$354.0 million, or 23.5 percent, which is primarily attributable to the Retail segment driven primarily by growth at Canadian Tire as well as Mark's, Helly Hansen and one additional week of retail operations. Gross margin increased in the Financial Services segment attributable mainly to a decrease in ECL allowance compared to prior year.</li> <li>Other expense increased by \$16.9 million primarily attributable to asset write-offs relating to the Operational Efficiency program initiatives during the quarter. Normalized other expense was relatively flat compared to prior year with an increase of \$1.0 million.</li> </ul>	<p>▼ Diluted EPS: \$0.27 per share, or 2.2%</p> <ul style="list-style-type: none"> <li>Consolidated revenue increased \$336.6 million, or 2.3 percent. Excluding Petroleum, consolidated revenue increased 6.9 percent driven by the exceptional revenue growth in the Retail segment in the second half of the year partially offset by a decline in revenue in the Financial Services segment. Retail segment revenue increase was driven by strong growth in Canadian Tire, the inclusion of Party City, and one additional week of retail operations partially offset by temporary store closures during the second quarter. The revenue decline in the Financial Services segment was mainly attributable to lower card sales revenue and lower credit charges.</li> <li>Consolidated gross margin dollars increased \$202.8 million, or 4.2 percent. Normalized gross margin increased by \$209.9 million, or 4.3 percent, which is primarily attributable to the Retail segment driven by strong growth at Canadian Tire, inclusion of Party City, and, one additional week of retail operations during the year, partially offset by temporary store closures during the second quarter. The Financial Services segment gross margin declined due to lower revenue and an increase in the ECL allowance compared to prior year.</li> <li>Other income decreased by \$62.1 million mainly related to the Retail segment, mainly attributable to asset write-offs related to the Operational Efficiency program initiatives in fourth quarter of 2020, an impairment charge of \$27.9 million in the second quarter of 2020, higher real estate gains related to property disposition incurred in the prior year, and, higher non-operating foreign exchange losses at Helly Hansen.</li> </ul>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Consolidated Results Commentary (continued)

Q4 2020	Full Year
<p>Consolidated SG&amp;A expenses increased by \$109.9 million, or 11.6 percent. Normalized consolidated SG&amp;A increased \$106.5 million, or 11.3 percent. The increase was mainly attributable to an increase in personnel costs driven by one additional week of retail operations in the quarter and the impact of higher shipment volumes on supply chain costs, an increase in IT-related costs, marketing spend and other expenses which include a donation made to Jumpstart in the quarter, partially offset by lower variable compensation expenses and Operational Efficiency program savings compared to the prior year.</p> <ul style="list-style-type: none"> <li>Net finance costs during the quarter decreased primarily due to lower medium-term and short-term funding volume and rates compared to the prior year.</li> <li>Income taxes for the quarter was an expense of \$196.8 million, compared to \$125.4 million in the prior year. The increase in income tax expense was primarily due to higher income and higher non-deductible stock-option expense in the quarter.</li> <li>Normalized diluted EPS for the quarter was \$8.40, an increase of \$2.87, or 51.9 percent from prior year. The increase in earnings was primarily driven by strong growth in the Retail segment driven by Canadian Tire and one additional week of retail operations during the quarter, partially offset by, lower earnings in the Financial Services segment and higher income taxes.</li> </ul>	<p>Consolidated SG&amp;A expenses increased by \$161.8 million or 4.7 percent. Normalized consolidated SG&amp;A expenses increased by \$167.2 million, or 4.9 percent. This increase was mainly attributable to higher SG&amp;A expenses in the fourth quarter of 2020 and included net costs in relation to the events that impacted the year.</p> <ul style="list-style-type: none"> <li>Net finance costs were lower compared to the prior year mainly attributable to lower medium-term and short-term funding volume and rates which was partially offset by a one-time benefit of \$6.9 million relating to interest income on tax settlement in the prior year.</li> <li>Income taxes for the period was \$309.5 million compared to \$288.1 million, an increase of \$21.4 million compared to the prior year due to higher non-deductible stock-option expense, favourable tax settlement in the prior year which was partially offset by higher non-controlling interest relating to CT REIT.</li> <li>Normalized diluted EPS was \$13.00, a decrease of \$0.04, or 0.3 percent from prior year. Earnings were relatively flat for the full year as the growth in the Retail segment in the second half of the year was offset by temporary store closures in the Retail segment banners during the first half of the year, and, higher income taxes. Diluted EPS and Normalized diluted EPS was negatively impacted by \$1.60, due to the net expenses relating to events that impacted the Company this year. Refer to Section 4.0 of this MD&amp;A for further details on the events that impacted the Company this year.</li> </ul>

### 5.1.2 Consolidated Key Operating Performance Measures, Excluding Petroleum

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information.

(C\$ in millions) increase/(decrease)	Q4 2020	Q4 2019	Change
Normalized <sup>1</sup> SG&A expenses adjusted for rent expense <sup>2</sup> (excluding depreciation and amortization <sup>3</sup> ) and excluding Petroleum, as a percentage of revenue <sup>4,5</sup>	21.4 %	22.4 %	(102) bps
Normalized <sup>1</sup> EBITDA adjusted for rent expense <sup>2</sup> and excluding Petroleum, as a percentage of revenue <sup>4,5</sup>	18.7 %	15.7 %	299 bps

<sup>1</sup> Refer to section 5.1.1 for a description of normalizing items.

<sup>2</sup> Adjustments to SG&A include an addition of depreciation on right-of-use assets and net finance costs relating to lease liability as an estimate for rent expense.

<sup>3</sup> Depreciation and amortization excluded amounted to \$100.3 million (2019 - \$100.7 million).

<sup>4</sup> Revenue excludes Petroleum revenue, EBITDA excludes Petroleum gross margin.

<sup>5</sup> Normalized SG&A adjusted for rent expense and normalized EBITDA adjusted for rent expense are non-GAAP measures; refer to section 9.3.2 in this MD&A for a reconciliation of these non-GAAP measures to the related GAAP measure and additional information.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

(C\$ in millions) increase/(decrease)	2020	2019	Change
Normalized <sup>1</sup> SG&A expenses adjusted for rent expense <sup>2</sup> (excluding depreciation and amortization <sup>3</sup> ) and excluding Petroleum, as a percentage of revenue <sup>4,5</sup>	24.1 %	24.7 %	(53 bps)
Normalized <sup>1</sup> EBITDA adjusted for rent expense <sup>2</sup> and excluding Petroleum, as a percentage of revenue <sup>4,5</sup>	12.1 %	12.8 %	(67) bps

<sup>1</sup> Refer to section 5.1.1 for a description of normalizing items.

<sup>2</sup> Adjustments to SG&A include an addition of depreciation on right-of-use assets and net finance costs relating to lease liability as an estimate for rent expense.

<sup>3</sup> Depreciation and amortization excluded amounted to \$399.8 million (2019 - \$385.1 million).

<sup>4</sup> Revenue excludes Petroleum revenue, Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") excludes Petroleum gross margin.

<sup>5</sup> Normalized SG&A adjusted for rent expense and normalized EBITDA adjusted for rent expense are non-GAAP measures; refer to section 9.3.2 in this MD&A for a reconciliation of these non-GAAP measures to the related GAAP measure and additional information.

### Consolidated Key Operating Performance Measures, Excluding Petroleum, Commentary

As a result of COVID-19, key operating performance measures, excluding Petroleum, were impacted by a number of items. Refer to section 4.0 in this MD&A for further information regarding the events that impacted the Company this year.

	Q4 2020	Full Year
<b>Normalized SG&amp;A expenses adjusted for rent expense (excluding depreciation and amortization) and excluding Petroleum as a percentage of Revenue</b>	<b>▼ 102 bps</b> <ul style="list-style-type: none"> <li>Normalized SG&amp;A expenses adjusted for rent (excluding depreciation and amortization) and Petroleum, as a percentage of revenue, decreased 102 bps. The decrease in rate was mainly attributable to the growth in revenue, excluding Petroleum of \$671.3 million, or 17.4 percent compared to prior year driven by the Retail segment attributable mainly to Canadian Tire and Mark's. The rate of growth in revenue outpaced the increase in SG&amp;A which benefited from lower variable compensation expenses and Operational Efficiency program savings compared to the prior year.</li> </ul>	<b>▼ 53 bps</b> <ul style="list-style-type: none"> <li>Normalized SG&amp;A expenses adjusted for rent (excluding depreciation and amortization) and Petroleum, as a percentage of revenue, decreased 53 bps. The decrease in rate was mainly attributable to the increase in revenue, excluding Petroleum compared to prior year driven by the Retail segment. The increase in revenue was partially offset by an increase in SG&amp;A, which included net costs in relation to events that impacted the Company during the year as outlined in section 4.0 of this MD&amp;A.</li> </ul>
<b>Normalized EBITDA adjusted for rent expense and excluding Petroleum, as a percentage of Revenue</b>	<b>▲ 299 bps</b> <ul style="list-style-type: none"> <li>Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum, increased 299 bps. The increase in rate was mainly driven by the increase in Retail segment revenue attributable mainly to strong growth in Canadian Tire and Mark's.</li> <li>The rate also benefited from lower variable compensation expenses and Operational Efficiency program savings in the Retail segment which was partially offset by lower earnings in Financial Services segment.</li> </ul>	<b>▼ 67 bps</b> <ul style="list-style-type: none"> <li>Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum decreased 67 bps. The decrease in rate was mainly attributable to the increase in SG&amp;A which included net costs of \$137.6 million relating to events that impacted the Company this year and lower earnings from the Financial Services segment compared to last year. These decreases were partially offset by an increase in earnings in the Retail segment driven by strong growth at Canadian Tire.</li> </ul>

### 5.1.3 Seasonal Trend Analysis

The following table shows the consolidated financial performance of the Company by quarter for the last two years. The quarterly trend could be impacted by non-operational items, such as those items referenced in section 4.0 of this MD&A.

(C\$ in millions, except per share amounts)	Q4 2020 <sup>1</sup>	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	\$ 4,874.5	\$ 3,986.4	\$ 3,161.8	\$ 2,848.3	\$ 4,316.7	\$ 3,636.7	\$ 3,686.6	\$ 2,894.4
Net income	521.8	326.3	2.3	12.2	365.9	227.7	203.8	97.4
Normalized net income <sup>2</sup>	548.4	331.9	6.9	17.7	372.4	243.8	209.7	97.4
Diluted EPS	7.97	4.84	(0.33)	(0.22)	5.42	3.20	2.87	1.12
Normalized diluted EPS <sup>2</sup>	8.40	4.93	(0.25)	(0.13)	5.53	3.46	2.97	1.12

<sup>1</sup> The fourth quarter of 2020 results include one additional week of retail operations compared to the fourth quarter of 2019.

<sup>2</sup> Refer to section 5.1.1 for a description of normalizing items.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 5.2 Retail Segment Performance

The fourth quarter and full year 2020 results include one additional week of retail operations compared to the fourth quarter and full year 2019 results except for comparable sales growth and comparable gasoline volume growth.

#### 5.2.1 Retail Segment Financial Results

(C\$ in millions)	Q4 2020	Q4 2019	Change	2020	2019	Change
Retail sales <sup>1</sup>	\$ 5,317.2	\$ 4,838.2	9.9%	\$ 16,864.4	\$ 15,879.0	6.2%
Revenue	\$ 4,582.2	\$ 3,989.2	14.9%	\$ 13,620.0	\$ 13,209.8	3.1%
Gross margin dollars	\$ 1,630.3	\$ 1,304.2	25.0%	\$ 4,358.7	\$ 4,075.8	6.9%
Gross margin as a % of revenue	35.6%	32.7%	289 bps	32.0%	30.9%	115 bps
Other (income)	\$ (10.1)	\$ (28.3)	(64.0%)	\$ (70.8)	\$ (138.8)	(49.0)%
Selling, general and administrative expenses	1,011.9	923.0	9.7%	3,471.0	3,326.6	4.3%
Net finance costs	50.6	57.9	(12.7%)	220.2	240.2	(8.3)%
Income before income taxes	\$ 577.9	\$ 351.6	64.4%	\$ 738.3	\$ 647.8	14.0%

<sup>1</sup> Retail sales is a key operating performance measure. Refer to section 9.3.1 in this MD&A for additional information.

Normalized results are non-GAAP measures and do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. For further information and a reconciliation to GAAP measures, refer to section 9.3.2 in this MD&A.

#### Selected Normalized Metrics – Retail

(C\$ in millions, except where noted)	Q4 2020	Normalizing Items <sup>1</sup>	Normalized Q4 2020	Q4 2019	Normalizing Items <sup>1</sup>	Normalized Q4 2019	Change <sup>2</sup>
Revenue	\$ 4,582.2	\$ —	\$ 4,582.2	\$ 3,989.2	\$ —	\$ 3,989.2	14.9%
Cost of producing revenue	2,951.9	(9.5)	2,942.4	2,685.0	(2.4)	2,682.6	9.7%
Gross margin	\$ 1,630.3	\$ 9.5	\$ 1,639.8	\$ 1,304.2	\$ 2.4	\$ 1,306.6	25.5%
Gross margin rate	35.6%	20 bps	35.8%	32.7%	6 bps	32.8%	303 bps
Other (income)	\$ (10.1)	\$ (17.2)	\$ (27.3)	\$ (28.3)	\$ (1.3)	\$ (29.6)	(7.8)%
Selling, general and administrative expenses	1,011.9	(8.6)	1,003.3	923.0	(5.2)	917.8	9.3%
Net finance costs	50.6	—	50.6	57.9	—	57.9	(12.7)%
Income before income taxes	\$ 577.9	\$ 35.3	\$ 613.2	\$ 351.6	\$ 8.9	\$ 360.5	70.1%

<sup>1</sup> Refer to section 5.1.1 for a description of normalizing items.

<sup>2</sup> Change is between normalized results.

(C\$ in millions, except where noted)	2020	Normalizing Items <sup>1</sup>	Normalized 2020	2019	Normalizing Items <sup>1</sup>	Normalized 2019	Change <sup>2</sup>
Revenue	\$ 13,620.0	\$ —	\$ 13,620.0	\$ 13,209.8	\$ —	\$ 13,209.8	3.1%
Cost of producing revenue	9,261.3	(9.5)	9,251.8	9,134.0	(2.4)	9,131.6	1.3%
Gross margin	\$ 4,358.7	\$ 9.5	\$ 4,368.2	\$ 4,075.8	\$ 2.4	\$ 4,078.2	7.1%
Gross margin rate	32.0%	7 bps	32.1%	30.9%	2 bps	30.9%	120 bps
Other (income)	\$ (70.8)	\$ (17.2)	\$ (88.0)	\$ (138.8)	\$ (1.3)	\$ (140.1)	(37.2)%
Selling, general and administrative expenses	3,471.0	(30.0)	3,441.0	3,326.6	(35.4)	3,291.2	4.6%
Net finance costs	220.2	—	220.2	240.2	—	240.2	(8.3)%
Income before income taxes	\$ 738.3	\$ 56.7	\$ 795.0	\$ 647.8	\$ 39.1	\$ 686.9	15.7%

<sup>1</sup> Refer to section 5.1.1 for a description of normalizing items.

<sup>2</sup> Change is between normalized results.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 5.2.2 Retail Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for further information. Due to the pervasive temporary store closures across all banners in the first half of the year, Management believes that comparable sales year to date is not a meaningful metric. Due to the fact that the Company's sales per square foot metric utilizes comparable sales, Management believes that the metric is also materially impacted by store closures during the year. The fourth quarter and full year 2020 results include one additional week of retail operations compared to the fourth quarter and full year 2019 results, except for comparable sales growth and comparable gasoline volume growth, which are calculated on a comparable 13 week and 52 week period for the quarter and full year respectively.

		(Year-over-year percentage change, C\$ in millions, except as noted)					
		Q4 2020	Q4 2019	Change	2020	2019	Change
	Revenue <sup>1</sup>	\$ 4,582.2	\$ 3,989.2	14.9 %	\$ 13,620.0	\$ 13,209.8	3.1 %
	Revenue, excluding Petroleum	4,227.3	3,520.8	20.1 %	12,261.3	11,315.3	8.4 %
	Store count	1,741	1,746				
	Retail square footage (in millions)	34.5	34.6				
	Retail sales growth	9.9 %	4.3 %		6.2 %	2.5 %	
	Retail sales growth, excluding Petroleum	13.6 %	5.1 %		11.0 %	3.9 %	
	Consolidated comparable sales growth <sup>2</sup>	9.5 %	3.9 %		NM <sup>12</sup>	3.6 %	
Retail ROIC <sup>3</sup>	9.4 %	9.0 %		n/a	n/a		
	Revenue <sup>1,4</sup>	\$ 2,864.0	\$ 2,233.7	28.2 %	\$ 8,639.5	\$ 7,418.0	16.5 %
	Store count <sup>5</sup>	667	667				
	Retail square footage (in millions)	23.4	23.5				
	Sales per square foot <sup>6</sup>	\$ 501	\$ 441	13.6 %	n/a	n/a	
	Retail sales growth <sup>7</sup>	17.1 %	6.6 %		17.6 %	4.5 %	
	Comparable sales growth <sup>2</sup>	12.8 %	4.8 %		NM <sup>12</sup>	3.8 %	
	Revenue <sup>1</sup>	\$ 604.8	\$ 619.4	(2.3)%	\$ 1,814.8	\$ 2,036.3	(10.9)%
	Store count	397	402				
	Retail square footage (in millions)	7.5	7.5				
	Sales per square foot <sup>8</sup>	\$ 277	\$ 305	(9.0)%	n/a	n/a	
	Retail sales growth <sup>9</sup>	0.5 %	1.3 %		(8.5)%	2.6 %	
	Comparable sales growth <sup>2</sup>	(3.0)%	2.0 %		NM <sup>12</sup>	3.3 %	
	Revenue <sup>1,10</sup>	\$ 533.4	\$ 476.3	12.0 %	\$ 1,213.2	\$ 1,274.3	(4.8)%
	Store count	381	380				
	Retail square footage (in millions)	3.6	3.6				
	Sales per square foot <sup>8</sup>	\$ 334	\$ 360	(7.2)%	n/a	n/a	
	Retail sales growth <sup>11</sup>	11.9 %	1.5 %		(5.5)%	2.4 %	
Comparable sales growth <sup>2</sup>	7.6 %	1.8 %		NM <sup>12</sup>	2.5 %		
	Revenue <sup>1</sup>	\$ 196.1	\$ 176.0	11.4 %	\$ 541.9	\$ 554.2	(2.2)%
	Revenue <sup>1</sup>	\$ 354.9	\$ 468.4	(24.2)%	\$ 1,358.7	\$ 1,894.5	(28.3)%
	Gas bar locations	296	297				
	Gross margin dollars	\$ 48.7	\$ 40.7	19.6 %	\$ 170.1	\$ 168.2	1.1 %
	Retail sales growth	(18.8)%	(1.1)%		(23.4)%	(5.7)%	
	Gasoline volume growth in litres	(14.8)%	(2.4)%		(19.1)%	(0.6)%	
	Comparable store gasoline volume growth in litres <sup>2</sup>	(18.9)%	(2.7)%		(20.1)%	(0.5)%	
	Revenue <sup>1</sup>	\$ 354.9	\$ 468.4	(24.2)%	\$ 1,358.7	\$ 1,894.5	(28.3)%
	Gas bar locations	296	297				
	Gross margin dollars	\$ 48.7	\$ 40.7	19.6 %	\$ 170.1	\$ 168.2	1.1 %
	Retail sales growth	(18.8)%	(1.1)%		(23.4)%	(5.7)%	
	Gasoline volume growth in litres	(14.8)%	(2.4)%		(19.1)%	(0.6)%	
Comparable store gasoline volume growth in litres <sup>2</sup>	(18.9)%	(2.7)%		(20.1)%	(0.5)%		

<sup>1</sup> Revenue reported for Canadian Tire, SportChek, Mark's and Petroleum include inter-segment revenue. Helly Hansen revenue represents external revenue only (the prior period figures for Helly Hansen have been restated to align with current year presentation). Therefore, in aggregate, revenue for Canadian Tire, SportChek, Mark's, Petroleum, and Helly Hansen will not equal total revenue for the Retail segment.

<sup>2</sup> Comparable sales growth excludes Petroleum. Canadian Tire banner includes PartSource, PHL and Party City. Comparable sales growth and comparable store gasoline volume growth in litres have been calculated by aligning the 2019 fiscal calendar to match the 2020 fiscal calendar (i.e., sales from the last week in 2020 are not included in the calculation for comparable purposes), and, includes the impact of temporary store closures in the fourth quarter of 2020. Refer to section 9.3.1 in this MD&A for additional information on comparable sales growth.

<sup>3</sup> Retail Return on Invested Capital ("ROIC") is calculated on a rolling 12-month basis based on normalized earnings. Refer to section 9.3.1 in this MD&A for additional information.

<sup>4</sup> Revenue includes revenue from Canadian Tire, PartSource, PHL, Party City and Franchise Trust.

<sup>5</sup> Store count includes stores from Canadian Tire, and other banner stores of 163 (2019: 163 stores). Other banners include PartSource, PHL and Party City.

<sup>6</sup> Sales per square foot figures are calculated on a rolling 12-month basis, for the current year, this calculation includes the period in which the stores were temporarily closed in the Retail segment. Retail space does not include seasonal outdoor garden centres, auto service bays, or warehouse and administrative space.

<sup>7</sup> Retail sales growth includes sales from Canadian Tire, PartSource, PHL, Party City and the labour portion of Canadian Tire's auto service sales.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

<sup>8</sup> Sales per square foot figures are calculated on a rolling 12-month basis, include both corporate and franchise stores and warehouse and administrative space. For the current year, this calculation includes the period in which the stores were temporarily closed in the Retail segment.

<sup>9</sup> Retail sales growth includes sales from both corporate and franchise stores.

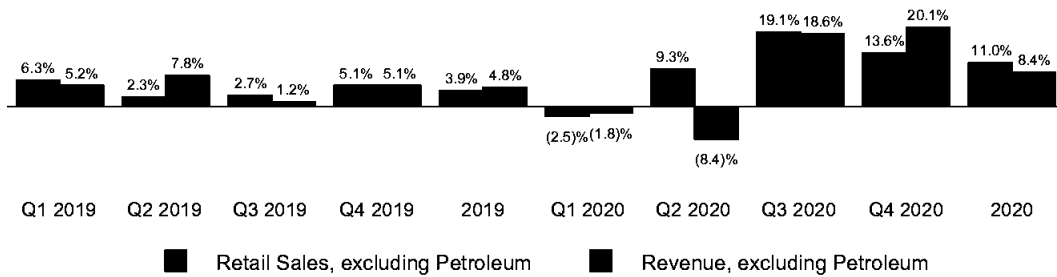
<sup>10</sup> Revenue includes the sale of goods to Mark's franchise stores, retail sales from Mark's corporate stores, Mark's wholesale revenue from its commercial division, and includes ancillary revenue relating to embroidery and alteration services.

<sup>11</sup> Retail sales growth includes retail sales from Mark's corporate and franchise stores, but excludes ancillary revenue relating to alteration and embroidery services.

<sup>12</sup> Not meaningful.

The following chart shows the Retail Segment, excluding Petroleum, retail sales and revenue performance by quarter for the last two years. The quarterly trend could be impacted by non-operational items, such as those referenced in section 4.0 of this MD&A. The fourth quarter and full year 2020 results include one additional week of retail operations compared to the fourth quarter and full year 2019.

**Year-over-year Retail Sales and Revenue Growth**





## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Retail Segment Commentary

Strong omni-channel performance in the fourth quarter of 2020 drove comparable sales growth of 9.5 percent, led by strong performance at Canadian Tire. eCommerce sales also contributed to healthy top line growth, up 142 percent compared to the prior year, with penetration rate more than double 2019 levels. Retail segment normalized income before taxes was up 70.1 percent, again, driven by strong performance at Canadian Tire.

Despite domestic and global store closures and other restrictions throughout the year, full year 2020 retail sales (excluding Petroleum) grew 11 percent, primarily driven by Canadian Tire. eCommerce sales reached \$1.6 billion, up \$1.0 billion, or 183 percent, with Canadian Tire delivering eCommerce sales growth of over 250 percent. For 2020, Retail segment normalized income before taxes grew 15.7 percent, driven by strong top line performance.

As a result of COVID-19, Retail segment earnings were impacted by a number of items in 2020. Refer to section 4.0 in this MD&A for further information regarding the events that impacted the Company in 2020. The fourth quarter and full year 2020 results include one additional week of retail operations compared to the fourth quarter and full year 2019 results except for comparable sales growth which is calculated on a comparable 13 week period.

	Q4 2020	Full Year
<b>Retail Sales</b>	<p>▲ <b>\$479.0 million or 9.9%</b></p> <p>▲ <b>9.5% in comparable sales growth</b></p> <ul style="list-style-type: none"> <li>The fourth quarter results reflect exceptional omni-channel growth in retail sales across all Retail banners and growth in comparable sales driven by Canadian Tire and Mark's, partially offset by a decline in SportChek. Retail sales across all banners benefited from an additional week of operations in the quarter compared to prior year.</li> <li>Retail sales, excluding Petroleum, grew 13.6 percent or \$581.7 million. All banners experienced strong growth in the digital channel, almost doubling their eCommerce penetration rates compared to prior year.</li> <li>▼ <b>Canadian Tire</b> retail sales had strong growth of 17.1 percent. The increase in retail sales was across almost all lines of business, with approximately two thirds of categories generating double digit growth led by Seasonal, Kitchen, and Tools, which were partially offset by declines in automotive repairs categories as Canadians continue to commute less and tires partially driven by warmer winter. The banner saw strong growth in basket size compared to prior year.</li> <li>SPORTCHEK retail sales were relatively flat for the quarter, up by 0.5 percent. Strong sales in the first half of the quarter were offset by temporary store closures and restrictions in certain provinces in the second half of the quarter. eCommerce sales continued to deliver strong growth.</li> <li>■ <b>Mark's</b> retail sales were higher by 11.9 percent. eCommerce sales continued to contribute to retail sales growth as did the Industrial Businesses, Accessories, and Ladies Casualwear categories.</li> <li>▼ <b>GAS*</b> Petroleum retail sales decreased 18.8 percent due to lower gas volume and lower per litre gas prices compared to the prior year, partially offset by higher non-gas sales.</li> </ul>	<p>▲ <b>\$985.4 million or 6.2%</b></p> <ul style="list-style-type: none"> <li>Strong retail sales growth for the year was attributable to strong sales growth at Canadian Tire, which was partially offset by retail sales decline across other retail banners that were negatively impacted by temporary store closures during the first half of the year.</li> <li>Excluding Petroleum, retail sales grew by 11.0 percent, or \$1,503.7 million. Strong eCommerce penetration growth across all banners contributed to growth in retail sales with all banners ending the year with more than double the penetration rate compared to prior year. Retail sales across all banners also benefited from an additional week of operations in the year.</li> <li>▼ <b>Canadian Tire</b> retail sales had strong growth of 17.6 percent despite the temporary closures during the first half of the year. Retail sales growth was driven by strength in product assortment with top performing categories of Kitchen, Tools, Back Yard Living, and, Gardening being the largest contributors to growth, which was partially offset by declines in the automotive related categories. The inclusion of Party City and strong demand for eCommerce also contributed to the increase in retail sales.</li> <li>SPORTCHEK retail sales decreased 8.5 percent primarily attributable to temporary store closures in the first half of the year. Growth in eCommerce partially offset the temporary store closures with an increase in penetration rates to more than double of 2019.</li> <li>■ <b>Mark's</b> retail sales decreased 5.5 percent primarily attributable to temporary store closures during the first half of the year. Growth in eCommerce partially offset the temporary store closures with an increase in penetration rates to more than double of 2019.</li> <li>▼ <b>GAS*</b> Petroleum retail sales decreased by 23.4 percent mainly attributable to lower per litre gas prices and lower gas volume, which were partially offset by higher non-gas sales.</li> </ul>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Retail Segment Commentary (*continued*)

	Q4 2020	Full Year
<b>Revenue</b>	<ul style="list-style-type: none"> <li>▲ <b>\$593.0 million or 14.9%</b></li> <li>▲ <b>20.1% excluding Petroleum</b></li> </ul> <p>• The exceptional growth in revenue was led by performance at Canadian Tire driven primarily by strong shipment growth and the impact of the Company's cost and margin-sharing arrangement with its Dealers. Strong retail sales growth at Mark's and Helly Hansen also contributed to the growth in revenue. Revenue across all banners also benefited from an additional week of operations in the quarter.</p> <p>These increases were partially offset by revenue declines attributable to temporary store closures in certain provinces during the second half of the quarter.</p>	<ul style="list-style-type: none"> <li>▲ <b>\$410.2 million or 3.1%</b></li> <li>▲ <b>8.4% excluding Petroleum</b></li> </ul> <p>• Retail revenue increased during the year driven by strong growth at Canadian Tire primarily attributable to strong shipment growth, the impact of the Company's cost and margin-sharing arrangement with its Dealers, and the inclusion of Party City. Revenue across all banners also benefited from an additional week of operations in the year.</p> <p>These increases were partially offset by revenue declines at other banners that were negatively impacted by temporary store closures during the first half of the year.</p>
<b>Gross Margin</b>	<ul style="list-style-type: none"> <li>▲ <b>\$326.1 million or 25.0%</b></li> <li>▲ <b>289 bps in gross margin rate</b></li> <li>▲ <b>25.2% excluding Petroleum</b></li> <li>▲ <b>153 bps in gross margin rate, excluding Petroleum</b></li> </ul> <p>• Excluding Petroleum, gross margin dollars increased by \$318.1 million, despite the inclusion of inventory write-downs related to the Operational Efficiency program, primarily driven by a strong increase in revenue attributable to the reasons described above.</p> <p>• Normalized gross margin rate excluding Petroleum increased by 168 bps. The increase in the normalized gross margin rate was driven by Canadian Tire, attributable mainly to favourable product mix and the impact of the Company's cost and margin-sharing arrangement with its Dealers. Most other Retail banners, including Helly Hansen, also saw rate increases.</p>	<ul style="list-style-type: none"> <li>▲ <b>\$282.9 million or 6.9%</b></li> <li>▲ <b>115 bps in gross margin rate</b></li> <li>▲ <b>7.2% excluding Petroleum</b></li> <li>▼ <b>37 bps in gross margin rate, excluding Petroleum</b></li> </ul> <p>• Excluding Petroleum, gross margin dollars increased by \$281.0 million, despite the inclusion of inventory write-downs related to the Operational Efficiency program recorded in the fourth quarter of 2020, primarily driven by a strong increase in revenue attributable to the reasons as described above.</p> <p>• Normalized gross margin rate excluding Petroleum decreased by 32 bps. The decrease in the gross margin rate was mainly attributable to unfavourable sales mix among banners and higher eCommerce sales driven by the temporary store closures, which typically have a lower margin at SportChek and Mark's. These decreases were partially offset by a gross margin rate increase at Canadian Tire mainly attributable to favourable business mix and the impact of the Company's cost and margin-sharing arrangement with its Dealers.</p>



MANAGEMENT'S DISCUSSION AND ANALYSIS

## Retail Segment Commentary (continued)

	Q4 2020	Full Year
<b>Other Income</b>	▼ <b>\$18.2 million or 64.0%</b>	▼ <b>\$68.0 million or 49.0%</b>
	<ul style="list-style-type: none"> <li>Other income was lower by \$18.2 million primarily attributable to asset write-offs during the quarter. Normalized other income was relatively flat compared to prior year with a decrease of \$2.3 million.</li> </ul>	<ul style="list-style-type: none"> <li>Other income was lower by \$68 million, including asset write-offs recorded in the fourth quarter of 2020. Normalized other income decreased by \$52.1 million attributable to an impairment charge of \$27.9 million, a decline in real estate gains, and non-operational foreign exchange losses at Helly Hansen compared to the prior year.</li> </ul>
<b>Selling, General &amp; Administrative Expenses</b>	▲ <b>\$88.9 million or 9.7%</b>	▲ <b>\$144.4 million or 4.3%</b>
	<ul style="list-style-type: none"> <li>Normalized SG&amp;A expenses increased by \$85.5 million, or 9.3 percent, primarily attributable to an increase in personnel, marketing spend, and other expenses. Personnel costs increased mainly attributable to one additional week of operations in the quarter as well as higher volume related supply chain costs. Marketing costs increased mainly due to timing of spend between quarters, and other expenses increased in part due to the donation to Jumpstart in the quarter. These increases were partially offset by lower variable compensation expenses and Operational Efficiency program savings compared to the prior year.</li> </ul>	<ul style="list-style-type: none"> <li>Normalized SG&amp;A expenses increased by \$149.8 million, or 4.6 percent. This increase was attributable to the inclusion of Party City, one additional week of operations in the year, an increase in personnel costs relating to supply chain volume related increases, IT-related costs, other expenses and the events that impacts the Company during the year as outlined in Section 4 of this MD&amp;A. These increases were partially offset by a decrease in marketing spend and Operational Efficiency program savings compared to the prior year.</li> </ul>
<b>Earnings Summary</b>	▲ <b>\$226.3 million or 64.4%</b>	▲ <b>\$90.5 million or 14.0%</b>
	<ul style="list-style-type: none"> <li>Normalized income before income taxes increased \$252.7 million. The increase in income was attributable mainly to a strong increase in gross margin partially offset by an increase in the SG&amp;A expenses attributable to the reasons described above.</li> </ul>	<ul style="list-style-type: none"> <li>Normalized income before income taxes increased by \$108.1 million. The increase was primarily driven by strong growth at Canadian Tire attributable to strong shipment growth and the Company's margin sharing arrangement with its Dealer's. Strong growth in eCommerce sales across all banners and an additional week of operations in the quarter compared to prior year. These increases were partially offset by the impact of store closures across all banners, lower other income and higher SG&amp;A expenses attributable to the reasons described above.</li> </ul>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 5.2.3 Retail Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenues and earnings, and the first quarter the least. The following table shows the retail segment financial performance of the Company by quarter for the last two years. The quarterly trend could be impacted by non-operational items, such as those items referenced in section 4.0 of this MD&A.

(C\$ in millions, except per share amounts)	Q4 2020 <sup>1</sup>	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Retail sales	\$ 5,317.2	\$ 4,414.4	\$ 4,375.7	\$ 2,757.1	\$ 4,838.2	\$ 3,904.3	\$ 4,303.7	\$ 2,832.8
Revenue	4,582.2	3,684.8	2,849.8	2,503.2	3,989.2	3,296.3	3,360.3	2,564.0
Income (loss) before income taxes	577.9	326.2	(66.2)	(99.6)	351.6	170.6	139.1	(13.5)
Normalized <sup>2</sup> (loss) income before income taxes	613.2	333.8	(59.9)	(92.1)	360.5	192.7	147.2	(13.5)

<sup>1</sup> The fourth quarter of 2020 results include one additional week of retail operations compared to the fourth quarter of 2019.

<sup>2</sup> Refer to section 5.1.1 for a description of normalizing items.

### 5.3 Financial Services Segment Performance

#### 5.3.1 Financial Services Segment Financial Results

(C\$ in millions)	Q4 2020	Q4 2019	Change	2020	2019	Change
Revenue	\$ 295.3	\$ 333.0	(11.3)%	\$ 1,248.4	\$ 1,334.1	(6.4)%
Gross margin dollars	\$ 206.6	\$ 186.5	10.8 %	\$ 645.7	\$ 737.2	(12.4)%
Gross margin as a % of revenue	69.9%	56.0%	1,395 bps	51.7%	55.3%	(354) bps
Other (income) expense	\$ (0.2)	\$ 0.5	(130.6)%	\$ 0.6	\$ 1.9	(67.0)%
Selling, general and administrative expenses	91.6	76.8	19.0 %	319.3	310.0	3.0 %
Net finance (income)	(0.4)	(0.3)	30.4 %	(1.5)	(1.0)	50.9 %
Income before income taxes	\$ 115.6	\$ 109.5	5.6 %	\$ 327.3	\$ 426.3	(23.2)%

#### Financial Services Segment Commentary

Refer to section 4.0 in this MD&A for further information regarding the events that impacted the Company this year.

During the fourth quarter, income before income taxes increased \$6.1 million resulting primarily from an increase in gross margin of \$20.1 million. Gross margin increased due primarily to lower net impairment losses of \$61.9 million driven by lower net write-offs and favourable changes in the allowance for loans receivable, partially offset by a \$37.7 million decline in revenue as a result of an 8.8 percent reduction in gross average accounts receivable ("GAAR"), and an increase in borrowing costs. GAAR was lower compared to the prior year due to customer payment trends and the reduction in new accounts acquired during the year. Allowance for loans receivable was reduced by \$27.3 million in the quarter due largely to a year over year decline in receivables. The credit card receivables portfolio continues to be operationally strong, having ended the quarter with an 80 bps improvement to the past due credit card receivables ("PD2+") rate.

Full year, income before income taxes declined \$99.0 million resulting primarily from a 6.4 percent, or \$85.7 million, decrease in revenue relative to the prior year. The decline in revenue was primarily attributable to lower credit card sales and continued strong customer payments which resulted in a year over year decline in receivables. Within the year, Financial Services increased its allowances for loans receivable by \$67.2 million primarily due to the economic uncertainty as a result of COVID-19, which was entirely offset by lower than expected insolvency volumes. Throughout the year, the portfolio remained operationally strong with historically low delinquency trends and an 80 bps improvement to the PD2+ rate.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Services Segment Commentary (continued)

	Q4 2020	Full Year
<b>Revenue</b>	▼ <b>\$37.7 million or 11.3%</b>	▼ <b>\$85.7 million or 6.4%</b>
	<ul style="list-style-type: none"> <li>The decline in revenue was mainly attributable to lower credit charges due to the decline in GAAR and lower insurance revenue compared to prior year.</li> </ul>	<ul style="list-style-type: none"> <li>The decline in revenue was primarily attributable to lower credit card sales leading to lower credit charges, transaction fee revenue and insurance revenue.</li> </ul>
<b>Gross Margin</b>	▲ <b>10.8% in gross margin dollars</b>	▼ <b>12.4% in gross margin dollars</b>
	<ul style="list-style-type: none"> <li>The increase in gross margin dollars was attributable to lower net impairment losses of \$61.9M driven by lower net write-offs and a reduction in the ECL allowance, which were partially offset by a decrease in revenue and higher funding costs.</li> </ul>	<ul style="list-style-type: none"> <li>The decrease in gross margin dollars was primarily attributable to a decline in revenue and higher funding costs which were partially offset by lower net impairment.</li> </ul>
<b>SG&amp;A Expenses</b>	▲ <b>\$14.8 million or 19.0%</b>	▲ <b>\$9.3 million or 3.0%</b>
	<ul style="list-style-type: none"> <li>The increase in SG&amp;A expenses was primarily due to an increase in marketing investments related to the continued expansion of digital acquisition and personnel related expenses.</li> </ul>	<ul style="list-style-type: none"> <li>The increase in SG&amp;A expenses was primarily due to increases in marketing, information systems and personnel related expenses, which were partially offset by lower volume-driven operational expenses.</li> </ul>
<b>Earnings Summary</b>	▲ <b>\$6.1 million or 5.6%</b>	▼ <b>\$99.0 million or 23.2%</b>
	<ul style="list-style-type: none"> <li>The increase in income before income taxes was primarily due to a higher gross margin which was partially offset by an increase in SG&amp;A expenses compared to the prior year.</li> </ul>	<ul style="list-style-type: none"> <li>Earnings were negatively impacted by a decline in gross margin partially offset by savings in volume-driven operational expenses.</li> </ul>

### 5.3.2 Financial Services Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(C\$ in millions) except where noted	Q4 2020	Q4 2019	Change	2020	2019	Change
Credit card sales growth <sup>1</sup>	1.1%	3.3%		(3.9)%	5.4%	
GAAR	\$ 5,833.9	\$ 6,398.3	(8.8)%	\$ 6,008.6	\$ 6,253.5	(3.9)%
Revenue <sup>2</sup> (as a % of GAAR)	20.78%	21.33%		n/a	n/a	
Average number of accounts with a balance <sup>3</sup> (thousands)	2,074	2,148	(3.5)%	2,060	2,112	(2.5)%
Average account balance <sup>3</sup> (whole \$)	\$ 2,813	\$ 2,978	(5.6)%	\$ 2,915	\$ 2,959	(1.5)%
Net credit card write-off rate <sup>2,3</sup>	5.82%	6.20%		n/a	n/a	
PD2+ <sup>3,4</sup>	1.97%	2.77%		n/a	n/a	
Allowance rate <sup>5</sup>	14.77%	12.18%		n/a	n/a	
Operating expenses <sup>2</sup> (as a % of GAAR)	5.31%	4.96%		n/a	n/a	
Return on receivables <sup>2</sup>	5.45%	6.82%		n/a	n/a	

<sup>1</sup> Credit card sales growth excludes balance transfers. Represents year-over-year percentage change.

<sup>2</sup> Figures are calculated on a rolling 12-month basis.

<sup>3</sup> Credit card portfolio only.

<sup>4</sup> Credit card receivables more than 30 days past due as a percentage of total-ending credit card receivables.

<sup>5</sup> The allowance rate was calculated based on the total-managed portfolio of loans receivable.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Services Segment Scorecard

To evaluate the overall financial performance of the Financial Services segment, the following scorecard provides a balanced view on how Financial Services is progressing towards achieving its strategic objectives.

#### Q4 2020 vs Q4 2019

<b>Growth</b>	<ul style="list-style-type: none"> <li>▼ <b>8.8% in GAAR</b></li> <li>▲ <b>1.1% in credit card sales growth</b></li> <li>▼ <b>3.5% in average number of accounts with a balance</b></li> <li>▼ <b>5.6% in average account balance</b></li> </ul> <ul style="list-style-type: none"> <li>• GAAR declined by 8.8 percent relative to last year due to a 5.6 percent decline in average account balances and a 3.5 percent decline in average active accounts. The decrease in average active accounts was primarily due to lower new credit card acquisitions as a result of temporary store closures in the first half of the year and continued restrictions in the Company's store network, which impacted the ability to acquire new credit card customers throughout the year.</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>▼ <b>137 bps in return on receivables</b></li> <li>▼ <b>56 bps in revenue as a % of GAAR</b></li> <li>▲ <b>36 bps in OPEX as a % of GAAR</b></li> </ul> <ul style="list-style-type: none"> <li>• Return on receivables declined by 137 bps compared to the prior year due to both a decrease in earnings and a decline in GAAR. Lower earnings were mainly due to a decrease in revenue and higher SG&amp;A and funding expenses.</li> <li>• Operating expenses as a percentage of GAAR increased by 36 bps compared to the prior year due to a lower GAAR and an increase in operating expenses resulting from increased marketing costs associated with the continued development and expansion of digital acquisition and personnel-related expenses.</li> </ul>
<b>Operational metrics</b>	<ul style="list-style-type: none"> <li>▼ <b>80 bps in PD2+ rate</b></li> <li>▼ <b>39 bps in net credit card write-off rate</b></li> <li>▲ <b>14.77% allowance rate, up 259 bps</b></li> </ul> <ul style="list-style-type: none"> <li>• Significant improvement in the PD2+ rate, which was a result of improved risk across the portfolio.</li> <li>• The decrease in the net write-off rate compared to the prior year is primarily driven by a decline in insolvencies, consistent within the industry.</li> <li>• The allowance rate increased by 259 bps to 14.77 percent largely due to the year over year decline in receivables and an increase in ECL allowance as a result of Management's expectations of increases in future losses associated with the ongoing impacts of COVID-19 on the economy and the eventual end of government-backed financial stimulus programs.</li> </ul>

### 5.3.3 Financial Services Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. In the first quarter, the Financial Services segment would typically contribute the majority of consolidated earnings. The following table shows the financial performance of the segment by quarter for the last two years. The quarterly trend could be impacted by non-operational items, such as those items referenced in section 4.0 of this MD&A.

(C\$ in millions, except per share amounts)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	\$ 295.3	\$ 301.3	\$ 309.9	\$ 341.9	\$ 333.0	\$ 343.0	\$ 329.3	\$ 328.8
Income before income taxes	115.6	90.5	51.0	70.2	109.5	108.9	95.5	112.4



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 5.4 CT REIT Segment Performance

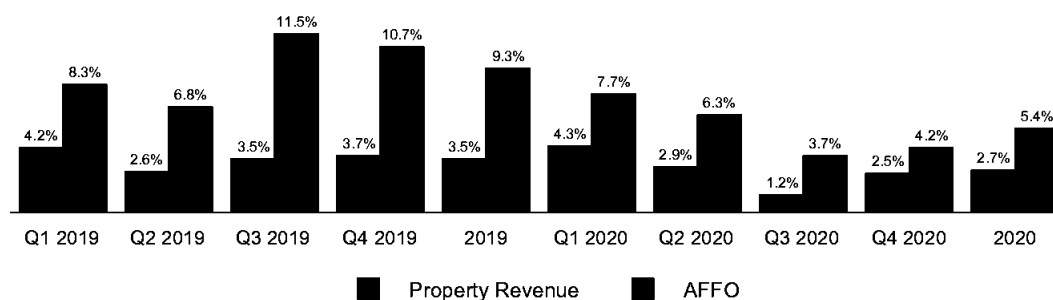
#### 5.4.1 CT REIT Segment Financial Results

(C\$ in millions)	Q4 2020	Q4 2019	Change	2020	2019	Change
Property revenue	\$ 126.8	\$ 123.7	2.5 %	\$ 502.3	\$ 489.0	2.7%
Property expense	27.8	26.8	3.7 %	110.8	106.1	4.4%
General and administrative expense ("G&A")	3.9	3.5	8.3 %	12.9	14.2	(8.9)%
Net finance costs	27.2	27.1	0.7 %	107.9	108.8	(0.8)%
Fair value loss (gain) adjustment	53.9	(10.6)	NM <sup>1</sup>	87.4	(47.3)	NM <sup>1</sup>
Income before income taxes	\$ 14.0	\$ 76.9	(81.8)%	\$ 183.3	\$ 307.2	(40.3)%

<sup>1</sup> Not meaningful.

The following shows the CT REIT year-over-year property revenue and AFFO performance by quarter for the last two years. The quarterly trend could be impacted by non-operational items, such as those items referenced in section 4.0 of this MD&A.

#### Year-over-year Property Revenue and AFFO Growth





## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CT REIT Segment Commentary

	Q4 2020	Full Year
<b>Property Revenue</b>	<p>▲ <b>\$3.1 million or 2.5%</b></p> <ul style="list-style-type: none"> <li>The \$3.1 million increase was mainly due to contractual rent escalation, additional base rent relating to properties acquired and intensifications completed during 2020 and 2019.</li> </ul>	<p>▲ <b>\$13.3 million or 2.7%</b></p> <ul style="list-style-type: none"> <li>The \$13.3 million increase was mainly due to contractual rent escalation, additional base rent relating to properties acquired and intensifications completed during 2020 and 2019.</li> </ul>
<b>Property Expense</b>	<p>▲ <b>\$1.0 million or 3.7%</b></p> <ul style="list-style-type: none"> <li>The increase of \$1.0 million in property expense was mainly attributable to property acquisitions in the current year and higher expected credit losses.</li> </ul>	<p>▲ <b>\$4.7 million or 4.4%</b></p> <ul style="list-style-type: none"> <li>The increase of \$4.7 million in property expense was mainly attributable to higher expected credit losses, gross rent abatements for some of REIT's tenants and increased operating expenses related to property acquisitions completed during 2020 and 2019.</li> </ul>
<b>G&amp;A Expenses</b>	<p>▲ <b>\$0.4 million or 8.3%</b></p> <ul style="list-style-type: none"> <li>G&amp;A is overall in line with prior year.</li> </ul>	<p>▼ <b>\$1.3 million or 8.9%</b></p> <ul style="list-style-type: none"> <li>The decrease of \$1.3 million in G&amp;A was mainly driven by lower operating costs, partially offset by higher personnel compensation and higher income tax expense.</li> </ul>
<b>Net Finance Cost</b>	<p>▲ <b>\$0.1 million or 0.7%</b></p> <ul style="list-style-type: none"> <li>Net finance cost is overall in line with prior year.</li> </ul>	<p>▼ <b>\$0.9 million or 0.8%</b></p> <ul style="list-style-type: none"> <li>Decrease was mainly attributable to lower interest on Class C LP Units, lower capitalized interest on development projects in 2020 and lower utilization of credit facilities, partially offset by costs related to the redemption of the Series C senior unsecured debentures and increased interest expense on lease liabilities.</li> </ul>
<b>Fair Value Adjustment on Investment Properties</b>	<p>▲ <b>\$64.5 million</b></p> <ul style="list-style-type: none"> <li>The fair value adjustment on investment properties was a loss mainly attributable to the updated inputs and assumptions in the property-appraisal models. This fair value adjustment is eliminated upon consolidation and, as such, has not been described in section 4.0 of this MD&amp;A.</li> </ul>	<p>▲ <b>\$134.7 million</b></p> <ul style="list-style-type: none"> <li>The fair value adjustment on investment properties was a loss mainly attributable to the updated inputs and assumptions in the property appraisal models. This fair value adjustment is eliminated upon consolidation and, as such, has not been described in section 4.0 of this MD&amp;A.</li> </ul>
<b>Earnings Summary</b>	<p>▼ <b>\$62.9 million or 81.8%</b></p> <ul style="list-style-type: none"> <li>The decrease in earnings was primarily due to the fair value adjustments on investment properties partially offset by an increase in property revenue.</li> </ul>	<p>▼ <b>\$123.9 million or 40.3%</b></p> <ul style="list-style-type: none"> <li>The decrease in earnings was primarily due to the fair value adjustments on investment properties and higher property expense, partially offset by an increase in property revenue and a decrease in G&amp;A and net finance costs.</li> </ul>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 5.4.2 CT REIT Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(C\$ in millions)	Q4 2020	Q4 2019	Change	2020	2019	Change
Net operating income <sup>1</sup>	\$ 96.8	\$ 93.4	3.7 %	\$ 381.5	\$ 368.8	3.5 %
Funds from operations <sup>1</sup>	68.1	66.6	2.0 %	270.8	261.9	3.4 %
Adjusted funds from operations <sup>1</sup>	59.8	57.3	4.2 %	236.5	224.3	5.4 %

<sup>1</sup> Non-GAAP measures exclude all fair value adjustments, refer to section 9.3.2 in this MD&A for additional information.

#### Net operating income (NOI)

NOI for the quarter and full year increased by 3.7 percent and 3.5 percent respectively compared to the prior year, primarily due to the acquisition of income-producing properties and Properties Under Development completed in 2020 and 2019. NOI is a non-GAAP measure. Refer to section 9.3.2 for additional information.

#### Funds from operations (FFO)

FFO for the quarter and full year increased by 2.0 percent and 3.4 percent respectively compared to the prior year, primarily due to the impact of NOI variances. FFO is a non-GAAP measure. Refer to section 9.3.2 for additional information.

#### Adjusted funds from operations (AFFO)

AFFO for the quarter and full year increased by 4.2 percent and 5.4 percent respectively compared to the prior year, primarily due to the impact of NOI variances. AFFO is a non-GAAP measure. Refer to section 9.3.2 for additional information.



MANAGEMENT'S DISCUSSION AND ANALYSIS

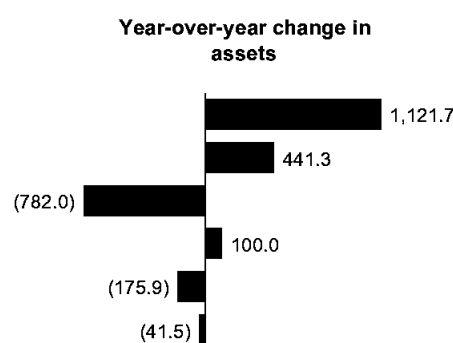
## 6.0 Balance Sheet Analysis, Liquidity, and Capital Resources

### 6.1 Selected Balance Sheet Highlights

Selected line items from the Company's assets and liabilities, as at January 2, 2021 and the year-over-year change versus December 28, 2019, are noted below:

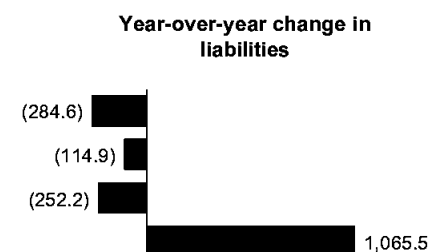
<b>Total change</b>	<b>▲ \$ 858.8</b>
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Selected Asset	2020 Balance
Cash and cash equivalents	1,327.2
Short-term investments	643.0
Loans receivable	5,031.8
Merchandise inventories	2,312.9
Long-term receivables and other assets	631.9
Goodwill and intangible assets	2,372.8



<b>Total change</b>	<b>▲ \$ 528.8</b>
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Selected Liability	2020 Balance
Short-term borrowings	165.4
Loans	506.6
Long-term debt (current and long-term portion)	4,266.2
Deposits (current and long term)	3,509.7



#### Assets

Cash and cash equivalents	▲ \$1,121.7 million	Increase was primarily due to cash generated from operating activities, partially offset by investing activities and financing activities. Refer to section 6.2 for further details.
Short-term investments	▲ \$441.3 million	Short-term investments increased as the Company ended the year with an improved liquidity position in both the Retail and Financial Services segments.
Loans receivable	▼ \$782.0 million	Decrease was mainly attributable to lower credit card sales, strong customer payments and lower active accounts, resulting in fewer credit card loans and lower Dealer loans.
Merchandise inventories	▲ \$100.0 million	Increase was mainly due to higher inventory at Canadian Tire, partially offset by a decline at SportChek, Mark's and Helly Hansen.
Long-term receivables and other assets	▼ \$175.9 million	Decrease was mainly attributable to timing of Dealer loans receivable.
Goodwill and intangible assets	▼ \$41.5 million	Decrease during the year was mainly attributable to impairment charge in the second quarter relating to Musto brand and higher amortization of software due to reduced spending on IT-related activities in the current year.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

<b>Liabilities</b>		
Short-term borrowings	▼ <b>\$284.6 million</b>	The decrease in the short-term borrowings was mainly due to lower borrowings on the bank credit facility and issuances of commercial paper in the Financial Services segment ending the year with an improved liquidity position.
Loans	▼ <b>\$114.9 million</b>	Decrease in loans was mainly attributable to lower Dealer loans receivable.
Long-term debt (current and long-term portion)	▼ <b>\$252.2 million</b>	Decrease was mainly attributable to the repayment of the \$250 million of medium-term notes.
Deposits (current and long term)	▲ <b>\$1,065.5 million</b>	Increase was mainly due to increases in High Interest Savings ("HIS") deposits and long-term guaranteed investment certificates ("GIC") in the Financial Services segment.

### 6.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was \$1,327.2 million as at January 2, 2021. Selected line items from the Company's Consolidated Statements of Cash Flows for the quarters and years ended January 2, 2021 and December 28, 2019 are noted in the following tables:

(C\$ in millions)	Q4 2020	Q4 2019	Change
Cash generated from operating activities	\$ 762.6	\$ 1,106.8	(344.2)
Cash (used for) investing activities	(332.5)	(354.0)	21.5
Cash (used for) financing activities	(398.9)	(744.3)	345.4
Cash generated in the period	\$ 31.2	\$ 8.5	22.7

(C\$ in millions)	2020	2019	Change
Cash generated from operating activities	\$ 2,442.8	\$ 1,087.6	1,355.2
Cash (used for) investing activities	(848.0)	(758.7)	(89.3)
Cash (used for) financing activities	(462.7)	(604.2)	141.5
Cash generated (used) in the period	\$ 1,132.1	\$ (275.3)	1,407.4



## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Q4 2020	Full Year
<b>Operating activities</b>	<b>▼ \$344.2 million change</b> <ul style="list-style-type: none"> <li>Excluding the impact of the change in loans receivable, operating activities used \$515.8 million more in cash compared to change in the prior year due to changes within Retail segment working capital driven by higher inventory and the timing of vendor payments. Conversely, loans receivable improved the cash balance by \$171.6 million as a result of lower cardholder activity.</li> </ul>	<b>▲ \$1,355.2 million change</b> <ul style="list-style-type: none"> <li>Excluding the impact of the change in loans receivable, cash generated from operating activities increased \$159.7 million primarily attributable to the timing of taxes paid in the current year. The change in loans receivable further improved the cash balance by \$1,195.5 million as less cash was used in the year. Loans receivable balance declined as a result of lower cardholder activity.</li> </ul>
<b>Investing activities</b>	<b>▼ \$21.5 million change</b> <ul style="list-style-type: none"> <li>The decrease in cash used for investing activities was due to lower spending on capital expenditures in the current year and the acquisition of Party City in the prior year. The decrease was partially offset by higher acquisition of short-term investments due to the Company's improved liquidity position.</li> </ul>	<b>▲ \$89.3 million change</b> <ul style="list-style-type: none"> <li>The increase in cash used for investing activities was primarily due to higher acquisition of short-term investments due to the Company's improved liquidity position, partially offset by lower spending on capital expenditures in the current year and the impact of the acquisition of Party City in 2019.</li> </ul>
<b>Financing activities</b>	<b>▼ \$345.4 million change</b> <ul style="list-style-type: none"> <li>The decrease in cash used for financing activities was primarily driven by an increase in long-term deposits due to the greater issuance of HIS deposits in the Financial Services segment.</li> </ul>	<b>▼ \$141.5 million change</b> <ul style="list-style-type: none"> <li>The decrease in cash used for financing activities was primarily driven by the increase in long-term deposits due to increases in HIS deposits and long-term GICs in the Financial Services segment and the repayment of \$250 million medium-term notes.</li> </ul> <p>Furthermore, in the prior year, additional cash was generated from net proceeds from the sale and issuance of CT REIT units amounting to \$228.9 million.</p>

### 6.3 Capital Management

The definition of capital varies from company to company, from industry to industry, and for different purposes. In the process of managing the Company's capital, Management includes the following items in its definition of capital and includes GCCT indebtedness but excludes Franchise Trust indebtedness:

(C\$ in millions)	2020	% of total	2019	% of total
<b>Capital components</b>				
Deposits	\$ 1,228.0	9.3 %	\$ 790.8	6.4 %
Short-term borrowings	165.4	1.3 %	450.0	3.7 %
Current portion of long-term debt	150.5	1.1 %	788.2	6.5 %
Long-term debt	4,115.7	31.1 %	3,730.2	30.3 %
Long-term deposits	2,281.7	17.2 %	1,653.4	13.4 %
<b>Total debt</b>	<b>\$ 7,941.3</b>	<b>60.0 %</b>	<b>\$ 7,412.6</b>	<b>60.3 %</b>
Redeemable financial instrument	567.0	4.3 %	567.0	4.6 %
Share capital	597.0	4.5 %	588.0	4.8 %
Contributed surplus	2.9	— %	2.9	— %
Retained earnings	4,136.9	31.2 %	3,729.6	30.3 %
<b>Total capital under management</b>	<b>\$ 13,245.1</b>	<b>100.0 %</b>	<b>\$ 12,300.1</b>	<b>100.0 %</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's objectives when managing capital are: ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans; maintaining healthy liquidity reserves and access to capital; and minimizing the after-tax cost of capital while taking into consideration current and future industry, market, and economic risks and conditions.

### 6.3.1 Canadian Tire Bank's Regulatory Environment

CTB manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). OSFI's regulatory capital guidelines are based on the international Basel Committee on Banking Supervision framework entitled Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems ("Basel III"), which came into effect in Canada on January 1, 2013, and measures capital in relation to credit, market and operational risks. The Bank has various capital policies and procedures and controls, including an Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

The Bank's objectives include:

- holding sufficient capital to maintain the confidence of investors and depositors; and
- being an appropriately capitalized institution, as measured internally, defined by regulatory authorities and compared with the Bank's peers.

As at Q4 2020 and 2019, CTB complied with all regulatory capital guidelines established by OSFI, its internal targets as determined by its ICAAP and all financial covenants under its bank credit agreement.

## 6.4 Investing

### 6.4.1 Capital Expenditures

The Company's capital expenditures for periods ended January 2, 2021 and December 28, 2019 were as follows:

(C\$ in millions)	2020	2019
Real estate	\$ 91.8	\$ 232.0
Information technology	75.4	124.1
Other operating	49.0	88.1
Operational Efficiency program	51.5	—
<b>Operating capital expenditures</b>	<b>267.7</b>	<b>444.2</b>
CT REIT acquisitions and developments excluding vend-ins from CTC	141.4	93.1
Distribution capacity	43.3	—
<b>Total capital expenditures<sup>1</sup></b>	<b>\$ 452.4</b>	<b>\$ 537.3</b>

<sup>1</sup> Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual properties, and tenant allowances received.

#### Full Year

<b>Total CAPEX</b>	▼ <b>\$84.9 million</b>
	• During the year, the Company took measures to ensure a strong cash position and financial flexibility. As a result of these measures, capital expenditures were reduced compared to the prior year.

Given the uncertainty regarding the future impact of COVID-19 on the economy, the Company believes it is not appropriate at this time to disclose the expected 2021 capital expenditures range. The Company is, however, committed to investing in the long-term health of the business and continues to allocate capital to strategic initiatives, such as eCommerce.

### Capital Commitments

The Company had commitments of approximately \$263.9 million as at January 2, 2021 (2019 – \$201.5 million) for the acquisition of tangible and intangible assets.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 6.5 Liquidity and Financing

The Company is in a strong liquidity position with the ability to access capital from multiple sources. A number of alternative financing sources are available to the Company, CT REIT, and CTB, to help ensure an appropriate level of liquidity is available to meet the Company's key initiatives.

The current economic, operating and capital market environment has led to increased emphasis on liquidity and capital management. Management is focused on maintaining a strong balance sheet and ensuring continued access to capital.

During the year ended January 2, 2021:

- CTC secured additional credit by entering into a committed bank credit facility for \$710.0 million with five Canadian financial institutions. The new facility expires on June 30, 2022 and has not yet been used.
- CTC repaid \$250.0 million of Series E unsecured medium-term notes;
- GCCT issued and repaid \$1.2 billion under Financial Services' note purchase facility with Scotiabank;
- GCCT repaid \$500.0 million of term notes, consisting of \$465.0 million of senior notes and \$35.0 million of subordinated notes;
- GCCT issued \$480.0 million of term notes that have an expected repayment date of September 22, 2025, consisting of \$448.8 million senior notes and \$31.2 million of subordinated notes; and
- CT REIT announced the issuance of \$150.0 million Senior Unsecured Debentures, that closed on January 6, 2021, with an expected repayment date of January 6, 2031. The net proceeds and cash on hand were used to redeem the entire outstanding principal amount of \$150.0 million Series C Debentures on January 10, 2021.

As at January 2, 2021

(C\$ in millions)	Consolidated	Retail	Financial Services	CT REIT
Committed Bank Lines of Credit	\$ 5,338.8	\$ 2,788.8	\$ 2,250.0	\$ 300.0
Less: Borrowings outstanding	(50.9)	(50.9)	—	—
Less: U.S. commercial paper outstanding	—	—	—	—
Less: Letters of credit outstanding	(5.6)	—	—	(5.6)
<b>Available Committed Bank Lines of Credit</b>	<b>\$ 5,282.3</b>	<b>\$ 2,737.9</b>	<b>\$ 2,250.0</b>	<b>\$ 294.4</b>
Cash and cash equivalents and short-term investments	1,970.2	306.2	1,659.5	4.5
<b>Liquidity</b>	<b>\$ 7,252.5</b>	<b>\$ 3,044.1</b>	<b>\$ 3,909.5</b>	<b>\$ 298.9</b>

The Company ended 2020 with \$2.0 billion cash and short-term investments and \$3.0 billion, \$3.9 billion and \$298.9 million in liquidity at its Retail, Financial Services, and REIT segments, respectively.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financing Source

Committed Bank Lines of Credit	<ul style="list-style-type: none"><li>• Provided by a syndicate of seven Canadian and three international financial institutions, \$1,975 million in a committed bank line is available to CTC for general corporate purposes, expiring in August 2024. CTC had no borrowings under its bank lines as at January 2, 2021.</li><li>• Provided by five Canadian financial institutions, CTC has a \$710 million committed bank line of credit. In Q4 2020, the expiry date was extended to June 30, 2022. There were no borrowings as of January 2, 2021.</li><li>• Provided by a syndicate of seven Canadian financial institutions, \$300 million in a committed bank line is available to CT REIT for general business purposes, expiring in December 2024. CT REIT had no borrowings under its bank lines as at January 2, 2021.</li><li>• Scotiabank has provided CTB with a \$250 million unsecured revolving committed credit facility and \$2.0 billion in committed note purchase facilities for the purchase of senior and subordinated notes issued by GCCT, each of which expire in October 2022. As at January 2, 2021, CTB had no borrowings under its bank line and note purchase facilities, other than a nominal balance on a note purchase facility to maintain GCCT's ownership interest.</li><li>• Helly Hansen has a 350 million Norwegian Krone ("NOK") secured revolving committed credit facility and a NOK 350 million factoring facility (both \$51.9 million C\$ equivalent) provided by a Norwegian bank which expire in October 2022. Helly Hansen had a total of \$50.9 million of C\$ equivalent borrowings (NOK 343 million) outstanding on its credit facilities as at January 2, 2021.</li></ul>
Commercial Paper Programs	<ul style="list-style-type: none"><li>• The Company has a commercial paper program that allows it to issue up to a maximum aggregate principal amount of US\$1.0 billion of short-term promissory notes in the United States. Terms to maturity for the promissory note range from one to 270 days. Notes are issued at a discount and rank equally in right of payment with all other present and future unsecured and unsubordinated obligations to creditors of the Company.</li><li>• As at January 2, 2021, the Company had no U.S. commercial paper outstanding.</li><li>• Concurrent with the Company's commercial paper issuances, the Company enters into foreign exchange derivatives to hedge the foreign currency risk associated with the principal and interest component of the borrowings under the program. The Company does not designate these debt derivatives as hedges for accounting purposes.</li><li>• As at January 2, 2021, GCCT had \$114.3 million of asset-backed commercial paper notes outstanding.</li></ul>
Medium-Term Notes and Senior Unsecured Debentures	<ul style="list-style-type: none"><li>• As at January 2, 2021, CTC had an aggregate principal amount of \$951.2 million of medium-term notes outstanding.</li><li>• As at January 2, 2021, CT REIT had an aggregate principal amount of \$1.075 billion of senior unsecured debentures outstanding.</li><li>• On July 6, 2020, CTC repaid \$250 million of medium-term notes, which bore interest of 2.646 percent per annum.</li></ul>
Asset-backed Senior and Subordinated Term Notes	<ul style="list-style-type: none"><li>• As at January 2, 2021, GCCT had an aggregate principal amount of \$2,184 million of asset-backed term notes outstanding consisting of \$2,042 million principal amount of senior term notes and \$142 million principal amount of subordinated term notes.</li><li>• On September 21, 2020, GCCT fully repaid \$465 million of series 2015-1 senior term notes, which bore an interest rate of 2.237 percent per annum as well as \$35.0 million of series 2015-1 subordinated term notes, which bore an interest rate of 3.237 percent per annum.</li><li>• On September 25, 2020, GCCT completed the issuance of \$480.0 million of series 2020-1 term notes that have an expected repayment date of September 22, 2025, consisting of \$448.8 million principal amount of senior term notes that bear an interest rate of 1.388 percent per annum and \$31.2 million principal amount of subordinated term notes that bear an interest rate of 2.438 percent per annum.</li></ul>
Broker GIC Deposits	<ul style="list-style-type: none"><li>• Funds continue to be readily available to CTB through broker networks. As at January 2, 2021, CTB held \$2,497.3 million in broker GIC deposits.</li></ul>
Retail Deposits	<ul style="list-style-type: none"><li>• Retail deposits consist of HIS and retail GIC deposits held by CTB, available both within and outside a Tax-free savings account. As at January 2, 2021, CTB held \$1,012.4 million in retail deposits.</li></ul>
Real Estate	<ul style="list-style-type: none"><li>• The Company can undertake strategic real estate transactions involving properties not owned by CT REIT. It also owns an investment in CT REIT in the form of publicly traded CT REIT Units.</li><li>• Additional sources of funding are available to CT REIT, as appropriate, including the ability to access equity and debt markets, subject to the terms and conditions of CT REIT's Declaration of Trust and all applicable regulatory requirements.</li></ul>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Credit Ratings

A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Ratings for long-term debt instruments range from highest credit quality (generally "AAA") to default in payment (generally "D"). Ratings for short-term debt instruments range from "R-1 (high)" (DBRS Morningstar), "A-1+" (S&P), "P-1" (Moody's), or "F1+" (Fitch), representing the highest credit quality to "D" (DBRS Morningstar), "C" (S&P and Fitch), and "not prime" (Moody's) for the lowest credit quality of securities rated. As a result of COVID-19, the Company's credit ratings were impacted as outlined in section 4.0 of this MD&A.

Credit Rating Summary	DBRS Morningstar		S&P		Moody's		Fitch	
	Rating	Trend	Rating	Outlook	Rating	Outlook	Rating	Outlook
<b>Canadian Tire Corporation</b>								
Issuer rating	BBB	Stable	BBB	Negative	—	—	—	—
Medium-term notes	BBB	Stable	BBB	—	—	—	—	—
U.S. Commercial Paper	—	—	A-2	—	P-2	Stable	—	—
<b>Glacier Credit Card Trust</b>								
Asset-backed senior term notes <sup>1</sup>	AAA (sf)	—	AAA (sf)	—	—	—	AAA (sf)	Negative
Asset-backed subordinated term notes <sup>1</sup>	A (sf)	—	A (sf)	—	—	—	A (sf)	Negative
Asset-backed commercial paper	R-1 (high) (sf)	—	—	—	—	—	F1+ (sf)	—
<b>CT REIT</b>								
Issuer rating	BBB	Stable	BBB	Negative	—	—	—	—
Senior unsecured debentures	BBB	Stable	BBB	—	—	—	—	—

<sup>1</sup> DBRS Morningstar rates all Series of term notes, S&P rates all Series of term notes except the Series 2018-1 term notes, and Fitch only rates the Series 2018-1 term notes.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 6.5.1 Contractual Obligations, Guarantees, and Commitments

The Company funds capital expenditures, working capital needs, dividend payments, and other financing needs, such as debt repayments and Class A Non-Voting Share purchases under a Normal Course Issuer Bid ("NCIB") program, from a combination of sources. The following table shows the Company's contractual obligations required to be paid over the next five years and beyond. The Company believes it has sufficient liquidity available to meet its contractual obligations as at January 2, 2021.

#### Contractual Obligations Due by Period

(C\$ in millions)	Total	2021	2022	2023	2024	2025	2026 & beyond
Current and long-term debt <sup>1,3</sup>	\$ 2,240.8	\$ 150.5	\$ 159.6	\$ 455.7	\$ —	\$ 200.0	\$ 1,275.0
Glacier Credit Card Trust debt <sup>2,3</sup>	2,184.0	—	560.0	584.0	560.0	480.0	—
Lease obligations <sup>4</sup>	2,235.0	347.1	346.8	295.3	239.1	206.4	800.3
Purchase obligations	4,448.3	3,069.7	433.5	161.4	148.1	145.8	489.8
Financial Services' deposits <sup>3</sup>	3,521.7	1,240.0	613.8	585.3	493.1	589.5	—
Other obligations	138.9	77.2	29.5	16.6	11.9	2.8	0.9
	<b>\$ 14,768.7</b>	<b>\$ 4,884.5</b>	<b>\$ 2,143.2</b>	<b>\$ 2,098.3</b>	<b>\$ 1,452.2</b>	<b>\$ 1,624.5</b>	<b>\$ 2,566.0</b>

<sup>1</sup> Excludes senior and subordinated term notes at GCCT.

<sup>2</sup> Represents senior and subordinated term notes.

<sup>3</sup> Excludes interest obligations on debt or deposits.

<sup>4</sup> Excludes reasonably certain options of \$571.6 million and excludes \$82.8 million (2019 – \$269.4 million) commitment for lease agreements signed but not yet commenced.

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee. For a discussion of the Company's significant guarantees and commitments, refer to Note 34 of the Company's consolidated financial statements. The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 of the Company's 2020 consolidated financial statements.

### 6.6 Funding Costs

The table below shows the funding costs relating to short-term and long-term debt, excludes deposits held by CTB, Franchise Trust indebtedness, and Helly Hansen credit facilities:

(C\$ in millions)	2020	2019
Interest expense <sup>1</sup>	\$ 170.0	\$ 161.2
Cost of debt <sup>2</sup>	3.06 %	3.14 %

<sup>1</sup> Represents the interest expense relating to short-term and long-term debt. Short-term debt includes lines of credit. Long-term debt includes medium-term, debentures, senior, and subordinated term notes.

<sup>2</sup> Represents the weighted average cost of short-term and long-term debt during the period.

For a discussion of the liquidity and credit risks associated with the Company's ability to generate sufficient resources to meet its financial obligations, refer to section 10.1 in this MD&A.



MANAGEMENT'S DISCUSSION AND ANALYSIS

## 7.0 Equity

### 7.1 Shares Outstanding

(C\$ in millions)	2020	2019
<b>Authorized</b>		
3,423,366 Common Shares		
100,000,000 Class A Non-Voting Shares		
<b>Issued</b>		
3,423,366 Common Shares (2019 – 3,423,366)	\$ 0.2	\$ 0.2
57,383,758 Class A Non-Voting Shares (2019 – 58,096,958)	596.8	587.8
	\$ 597.0	\$ 588.0

Each year, the Company files a NCIB with the Toronto Stock Exchange ("TSX") which allows it to purchase its Class A Non-Voting Shares on the open market.

On February 19, 2019, the TSX accepted the Company's notice of intention to make an NCIB to purchase up to 5.5 million Class A Non-Voting Shares during the period March 2, 2019 to March 1, 2020 and on February 14, 2020, the TSX accepted the Company's notice of intention to make an NCIB to purchase up to 5.5 million Class A Non-Voting Shares during the period March 2, 2020 to March 1, 2021.

On November 7, 2019, the Company announced its intention to purchase \$350 million of its Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes, by the end of fiscal 2020 (the "2020 Share Purchase Intention"). As a result of the COVID-19 pandemic, purchases of Class A Non-Voting shares pursuant to the 2020 Share Purchase Intention were paused on March 13, 2020 and no further purchases were made, other than for anti-dilutive purposes.

The following table summarizes the Company's purchases relating to the 2020 Share Purchase Intention:

(C\$ in millions)		
Shares purchased in 2019 under the November 7, 2019 announcement	\$	11.4
Shares purchased in 2020 under the November 7, 2019 announcement		96.4
Total shares purchased under the November 7, 2019 announcement	\$	107.8

*The following represents forward-looking information and readers are cautioned that actual results may vary.*

The Company intends to make a new NCIB to purchase up to 5.4 million Class A Non-Voting Shares during the period March 2, 2021 to March 1, 2022. The renewal of the Company's NCIB is subject to TSX approval. At this time, the Company intends only to purchase shares for anti-dilutive purposes in 2021. All purchases are made by means of open market transactions through the facilities of the TSX and/or alternative Canadian trading systems, if eligible, at the market price of the Class A Non-Voting Shares at the time of purchase or as otherwise permitted under the rules of the TSX and applicable securities laws. Class A Non-Voting Shares purchased by the Company pursuant to the NCIB will be restored to the status of authorized but unissued shares. Security holders may obtain a copy of the notice, without charge, by contacting the Corporate Secretary of the Company.

### 7.2 Dividends

The Company has a long-term payout ratio target of approximately 30 to 40 percent of the prior year normalized earnings, after giving consideration to the period-end cash position, future cash flow requirements, capital market conditions, and investment opportunities. The payout ratio may fluctuate in any particular year due to unusual or non-recurring events, such as the impact of COVID-19 on the Company.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of \$1.175 per share, payable on June 1, 2021 to shareholders of record as of April 30, 2021. The dividend is considered an "eligible dividend" for tax purposes.

### 7.3 Equity Derivative Contracts

The Company enters into equity-derivative contracts to partially offset its exposure to fluctuations in stock-option, performance share unit plan, and deferred share unit plan expenses. The Company currently uses floating-rate equity forwards.

During the year, 1,110,000 equity forwards that hedged stock-options and performance share units settled and resulted in a cash payment to the counterparties of approximately \$25.4 million. Also during the year, the Company entered into 2,005,000 floating-rate equity forwards at a weighted average purchase price of \$119.62 to offset its exposure to stock-options and performance share units.

## 8.0 Tax Matters

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company has determined that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

With respect to temporary differences relating to and arising from the Company's investment in its subsidiaries, the Company is able to control and has no plans that would result in the realization of the respective temporary differences. Accordingly, the Company has not provided for deferred taxes relating to these respective temporary differences that might otherwise occur from transactions relating to the Company's investment in its subsidiaries.

The Company regularly reviews the potential for adverse outcomes with respect to tax matters. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its liquidity, consolidated financial position, or net income, because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

Income taxes for the quarter ended January 2, 2021 were \$196.8 million compared to \$125.4 million in 2019. The effective tax rate for the quarter ended January 2, 2021 increased to 27.4 percent from 25.5 percent in 2019 primarily due to higher non-deductibility of stock option expense in the period.

Income taxes for the full year ended January 2, 2021 were \$309.5 million compared to \$288.1 million in 2019. The effective tax rate for the full year ended January 2, 2021 increased to 26.4 percent from 24.4 percent in 2019 primarily due to higher non-deductibility of stock option expense and lower favourable adjustments relating to prior years' tax settlements in the period.

Given the uncertainty regarding the future impact of COVID-19 on the economy, the Company believes it is not appropriate at this time to disclose the annual effective tax rate for fiscal 2021.

## 9.0 Accounting Policies, Estimates, and Non-GAAP Measures

### 9.1 Critical Accounting Estimates

The Company estimates certain amounts, which are reflected in its consolidated financial statements using detailed financial models based on historical experience, current trends, and other assumptions. Actual results could differ from those estimates. In Management's judgment, the accounting estimates and policies detailed in Note 2 and Note 3 to the Company's consolidated financial statements do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of those estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 – *Management Discussion and Analysis*, published by the Canadian Securities Administrators, except for the allowance for loan impairment in the Financial Services segment.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in its consolidated financial statements, including the extent to which the impacts of the COVID-19 pandemic affect the judgments and estimates, are described in Note 2 to the Company's consolidated financial statements and notes.

### 9.2 Changes in Accounting Policies

#### Standards, Amendments and Interpretations Issued and Adopted

##### ***Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)***

Effective in the first quarter 2020, the Company adopted "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7", issued in September 2019. The amendments provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates ("IBORs")).

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of certain debt issuances and deposits. The Company also enters into "swaption" derivative financial instruments that provide it with an option to enter into an interest rate swap as part of the Company's strategy to manage its interest rate exposure risk on the future interest payments of certain debt issuances and deposits. Where hedge accounting can be applied, the Company accounts for these derivatives as cash flow hedges.

The Company's hedging relationships have significant exposure to the Canadian Dollar Offered Rate ("CDOR"). Under IBOR reform, CDOR may be subject to discontinuance, changes in methodology, or become unavailable. The Bank of Canada has established the Canadian Alternative Reference Rate Working Group ("CARR") to identify and seek to develop new Canadian dollar interest rate benchmarks. The Canadian Overnight Repo Rate ("CORRA") has been recommended as the alternative to CDOR. Already available in the market, CORRA is currently being enhanced and reformed by its administrator, the Bank of Canada. As a result of these developments, uncertainty exists relating to timing and methods of transition for financial instruments affected by these changes, and also in determining whether hedging relationships that hedge the variability of cash flows due to changes in IBORs continue to qualify for hedge accounting. These adopted amendments modify hedge accounting requirements, allowing the Company to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue.

Management is closely monitoring the impacted hedge relationship for possible changes to CDOR and its possible replacement with a new Canadian dollar interest rate benchmark. If the new or revised rates differ from the prior benchmark rates, new or revised hedging strategies may be required to better align derivative hedging instruments with hedged items. However, given the market uncertainty, the assessment of the impact on the Company's hedging strategies and its mitigation plans is in the early stages.

Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present or when the hedging relationship is discontinued.

For aspects of hedge accounting not covered by the amendments and hedges that are not directly impacted by the IBOR reform, the accounting policies as described in Note 3 to the Company's consolidated financial statements and notes continue to apply.

#### Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending January 2, 2021 and, accordingly, have not been applied in preparing the consolidated financial statements.

##### ***Insurance Contracts***

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – *Insurance Contracts* ("IFRS 17"), which replaces IFRS 4 – *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods



## MANAGEMENT'S DISCUSSION AND ANALYSIS

beginning on or after January 1, 2021. In June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017. The amendment also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

### **Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)**

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 – *Presentation of Financial Statements*. The narrow-scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. In July 2020, due to COVID-19, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments. The implementation of these amendments is not expected to have a significant impact on the Company.

### **Amendment to IFRS 16 Leases – COVID-19-Related Rent Concessions**

In May 2020, the IASB issued an amendment to IFRS 16 – *Leases* ("IFRS 16") to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

### **Annual Improvements 2018-2020 and Package of Narrow-Scope Amendments**

In May 2020, the IASB issued the package of narrow-scope amendments to three Standards (IFRS 3 – *Business Combinations*, IAS 16 – *Property, Plant and Equipment*, and IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*) as well as the IASB's Annual Improvements 2018-2020, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. These amendments will be effective for annual periods beginning on or after January 1, 2022. The implementation of these narrow-scope amendments is not expected to have a significant impact on the Company.

### **Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

In August 2020, upon completion of the IFRS amendments to facilitate the IBOR reform, the IASB issued Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Phase 2 Amendments"). In relation to changes in financial instruments that are directly required by the IBOR reform, Phase 2 Amendments mainly provide (i) a practical expedient to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the IBOR reform by updating the effective interest rate of the financial asset or financial liability; (ii) exceptions to the hedge accounting requirements providing relief from discontinuing hedge relationships because of changes to hedge documentation required by the IBOR reform; and (iii) certain additional disclosures on additional information about the Company's exposure to risks arising from the IBOR reform and related risk management activities.

IFRS 16 has also been amended to provide a temporary exception addressing situations where lease agreements specifically refer to an IBOR and will need to be amended as a result of the IBOR reform. Lessees are required to remeasure their lease liabilities in a similar fashion to any other change in estimate, rather than as a lease modification. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset.

Phase 2 Amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The Company is assessing the potential impact of these amendments.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 9.3 Key Operating Performance Measures and Non-GAAP Financial Measures

The Company uses certain key operating performance measures and non-GAAP financial measures and believes that they provide useful information to both Management and investors in measuring the financial performance and financial condition of the Company for the following reasons.

#### 9.3.1 Key Operating Performance Measures

##### Retail Sales

Retail sales refers to the point-of-sale value of all goods and services sold to retail customers at stores operated by Dealers, Mark's and SportChek franchisees, and Petroleum retailers, at corporately-owned stores across all retail banners, services provided as part of the Home Services offering, and of goods sold through the Company's online sales channels, and in aggregate do not form a part of the Company's consolidated financial statements. Sales descriptions for the retail banners can be found in the footnotes to the table contained within section 5.2.2 of this MD&A. Retail sales excludes Helly Hansen retail sales at its retail stores.

Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help assess the size and financial health of the Company's retail network of stores. These measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance.

##### Comparable Sales

Comparable sales is a metric used by Management and is also commonly used in the retail industry to identify sales growth generated by a Company's existing store network and removes the effect of opening and closing stores in the period. The calculation includes sales from all stores that have been open for a minimum of one year and one week, as well as eCommerce sales. The Company also reviews consolidated comparable sales which include comparable sales at Canadian Tire (including PartSource, PHL, and Party City), SportChek, and Mark's but excludes comparable sales at Petroleum and Helly Hansen. Additional information on comparable sales and retail sales growth descriptions for Canadian Tire, Mark's, and SportChek can be found in section 5.2.2 of this MD&A.

##### Sales per Square Foot

Management and investors use comparisons of sales per square foot metrics over several periods to help identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Sales per square foot descriptions for Canadian Tire, Mark's, and SportChek can be found in section 5.2.2 of this MD&A.

##### Retail Return on Invested Capital

The Company believes that Retail ROIC is useful in assessing the return on capital invested in its retail assets. Retail ROIC is calculated as the rolling 12-month retail earnings divided by average invested retail capital. Retail earnings are defined as Retail segment after-tax earnings excluding interest expense, lease-related depreciation expense, inter-segment earnings, non-controlling interests, and any normalizing items. Average invested capital is defined as Retail segment total assets (excluding IFRS 16-related ROU assets), including operating leases capitalized at a factor of eight, less Retail segment current liabilities (excluding IFRS 16 lease liabilities) and inter-segment balances for the current and the prior year.

##### Return on Receivables ("ROR")

ROR is used by Management to assess the profitability of the Financial Services' total portfolio of receivables. ROR is calculated by dividing income before income tax and gains/losses on disposal of property and equipment by the average total-managed portfolio over a rolling 12-month period.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 9.3.2 Non-GAAP Financial Measures

#### Consolidated Normalized EBITDA Adjusted for Rent Expense, Normalized EBITDA and EBITDA

The following table reconciles the consolidated normalized income before income taxes, net finance costs, depreciation and amortization and certain one-time normalizing items, or normalized EBITDA adjusted for rent expense and normalized EBITDA respectively, to net income attributable to shareholders of Canadian Tire Corporation, which is a GAAP measure reported in the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019. Management uses normalizations to exclude one-time, non-operational items and has adjusted EBITDA to include an estimate of rent expense, a significant operating expense for its retail business. Normalized EBITDA adjusted for rent expense and normalized EBITDA, which include normalized gross margin and normalized selling, general and administrative expenses with adjustments for an estimate of rent expense, are used as a supplementary measure when assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Normalized EBITDA adjusted for rent expense	\$ 894.0	\$ 645.3	\$ 1,805.6	\$ 1,783.0
Add:				
Depreciation of right-of-use assets	71.9	69.8	282.6	262.3
Net finance costs, related to leases	22.2	24.8	92.4	101.0
Normalized EBITDA	\$ 988.1	\$ 739.9	\$ 2,180.6	\$ 2,146.3
Less normalizing items:				
Operating Efficiency program	35.3	6.5	56.7	34.4
Party City:				
Acquisition-related costs	—	—	—	2.3
Fair value adjustment for inventories acquired <sup>1</sup>	—	2.4	—	2.4
EBITDA	\$ 952.8	\$ 731.0	\$ 2,123.9	\$ 2,107.2
Less:				
Depreciation and amortization, other than right-of-use assets <sup>2</sup>	103.5	103.9	412.7	395.2
Depreciation of right-of-use assets	71.9	69.8	282.6	262.3
Net finance costs, other than those related to leases	36.6	41.2	164.1	165.8
Net finance costs, related to leases	22.2	24.8	92.4	101.0
Income before income taxes	\$ 718.6	\$ 491.3	\$ 1,172.1	\$ 1,182.9
Income taxes expense	196.8	125.4	309.5	288.1
Net income	\$ 521.8	\$ 365.9	\$ 862.6	\$ 894.8
Net income attributable to non-controlling interests	33.0	31.8	110.8	116.4
Net income attributable to shareholders of Canadian Tire Corporation	\$ 488.8	\$ 334.1	\$ 751.8	\$ 778.4

<sup>1</sup> Relates to the fair value adjustment to Party City's inventory recorded as part of the acquisition on October 1, 2019.

<sup>2</sup> Depreciation and amortization reported in cost of producing revenue for the 14 and 53 weeks ended January 2, 2021 was \$3.2 million (2019 – \$3.2 million) and \$12.9 million (2019 - \$10.1 million).



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Retail Segment Normalized EBITDA Adjusted for Rent Expense, Normalized EBITDA and EBITDA

The following table reconciles the Retail segment normalized income before income taxes, net finance costs, depreciation and amortization and certain one-time normalizing items, or normalized EBITDA adjusted for rent expense and normalized EBITDA respectively, to income before income taxes, which is a supplementary GAAP measure reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019. Management uses normalizations to exclude one-time, non-operational items and has adjusted EBITDA to include an estimate of rent expense, a significant operating expense for its retail business. Normalized EBITDA adjusted for rent expense and normalized EBITDA, which include normalized gross margin and normalized SG&A expenses with adjustments for an estimate of rent expense, are used as a supplementary measure when assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Normalized EBITDA adjusted for rent expense	\$ 694.1	\$ 448.2	\$ 1,132.6	\$ 1,017.9
Add:				
Depreciation of right-of-use assets	132.1	128.7	520.0	495.5
Net finance costs, related to leases	53.9	58.3	220.9	236.8
Normalized EBITDA	\$ 880.1	\$ 635.2	\$ 1,873.5	\$ 1,750.2
Less normalizing items:				
Operating Efficiency program	35.3	6.5	56.7	34.4
Party City:				
Acquisition-related costs	—	—	—	2.3
Fair value adjustment for inventories acquired <sup>1</sup>	—	2.4	—	2.4
EBITDA	\$ 844.8	\$ 626.3	\$ 1,816.8	\$ 1,711.1
Less:				
Depreciation and amortization, other than right-of-use assets <sup>2</sup>	84.2	88.1	338.3	327.6
Depreciation of right-of-use assets	132.1	128.7	520.0	495.5
Net finance (income) costs, other than related to leases	(3.3)	(0.4)	(0.7)	3.4
Net finance costs, related to leases	53.9	58.3	220.9	236.8
Income before income taxes	\$ 577.9	\$ 351.6	\$ 738.3	\$ 647.8

<sup>1</sup> Relates to the fair value adjustment to Party City's inventory recorded as part of the acquisition on October 1, 2019.

<sup>2</sup> Depreciation and amortization reported in cost of producing revenue for the 14 and 53 weeks ended January 2, 2021 was \$3.2 million (2019 – \$3.2 million) and \$12.9 million (2019 - \$10.1 million).



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Normalized Gross Margin

The following table reconciles normalized gross margin to gross margin which is a supplementary GAAP measure reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Normalized gross margin	\$ 1,859.4	\$ 1,505.4	\$ 5,086.1	\$ 4,876.2
Less normalizing items:				
Operational Efficiency program	9.5	—	9.5	—
Party City – Inventory fair value adjustment <sup>1</sup>	—	2.4	—	2.4
Gross margin	\$ 1,849.9	\$ 1,503.0	\$ 5,076.6	\$ 4,873.8

<sup>1</sup> Relates to the fair value adjustment to Party City's inventory recorded as part of the acquisition on October 1, 2019.

### Normalized Other Expense (Income)

The following table reconciles normalized other expense (income) to other expense (income) which is a supplementary GAAP measure reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Normalized other expense (income)	\$ 1.7	\$ 0.7	\$ 31.5	\$ (14.7)
Add normalizing items:				
Operational Efficiency program	17.2	1.3	17.2	1.3
Other expense (income)	\$ 18.9	\$ 2.0	\$ 48.7	\$ (13.4)

### Normalized Selling, General and Administrative Expenses Adjusted for Rent Expense

The following table reconciles the normalized SG&A expenses, adjusted for rent expenses, and normalized SG&A expenses to SG&A expenses, which is a supplementary GAAP measure reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019. Management uses normalizations to exclude one-time, non-operational items and has adjusted SG&A expenses to include an estimate of rent expense, a significant operating expense for our retail business. Normalized SG&A expenses adjusted for rent expense and normalized SG&A expenses, are used as a supplementary measure when assessing the performance of its ongoing operations.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Normalized selling, general and administrative expenses adjusted for rent expense	\$ 966.9	\$ 862.6	\$ 3,261.9	\$ 3,118.0
Add:				
Depreciation and amortization, other than right-of-use assets	100.3	100.7	399.8	385.1
Less:				
Net finance costs, related to leases	22.2	24.8	92.4	101.0
Normalized selling, general and administrative expenses	\$ 1,045.0	\$ 938.5	\$ 3,569.3	\$ 3,402.1
Add normalizing items:				
Operational Efficiency program	8.6	5.2	30.0	33.1
Party City - Acquisition-related costs	—	—	—	2.3
Selling, general and administrative expenses	\$ 1,053.6	\$ 943.7	\$ 3,599.3	\$ 3,437.5



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Retail Normalized Gross Margin

The following table reconciles Retail normalized gross margin to Retail gross margin which is a supplementary GAAP measure reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Retail normalized gross margin	\$ 1,639.8	\$ 1,306.6	\$ 4,368.2	\$ 4,078.2
Less normalizing items:				
Operational Efficiency program	9.5	—	9.5	—
Party City – Inventory fair value adjustment <sup>1</sup>	—	2.4	—	2.4
<b>Retail gross margin</b>	<b>\$ 1,630.3</b>	<b>\$ 1,304.2</b>	<b>\$ 4,358.7</b>	<b>\$ 4,075.8</b>

<sup>1</sup> Relates to the fair value adjustment to Party City's inventory recorded as part of the acquisition on October 1, 2019.

### Retail Normalized Other (Income)

The following table reconciles Retail normalized other (income) to Retail other (income) which is a supplementary GAAP measure reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Retail Normalized other (income)	\$ (27.3)	\$ (29.6)	\$ (88.0)	\$ (140.1)
Add normalizing items:				
Operational Efficiency program	17.2	1.3	17.2	1.3
<b>Retail other (income)</b>	<b>\$ (10.1)</b>	<b>\$ (28.3)</b>	<b>\$ (70.8)</b>	<b>\$ (138.8)</b>

### Retail Normalized Selling, General and Administrative Expenses Adjusted for Rent Expense

The following table reconciles the Retail normalized SG&A expenses, adjusted for rent expenses, and, Retail normalized SG&A expenses, to Retail SG&A expenses, which is a supplementary GAAP measure reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019. Management uses normalizations to exclude one-time, non-operational items and has adjusted SG&A expenses to include an estimate of rent expense, a significant operating expense for our retail business. Normalized SG&A expenses adjusted for rent expense and normalized SG&A expenses, are used as a supplementary measure when assessing the performance of its ongoing operations.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Normalized selling, general and administrative expenses adjusted for rent expense	\$ 976.2	\$ 891.2	\$ 3,336.5	\$ 3,210.5
Add:				
Depreciation and amortization, other than right-of-use assets	81.0	84.9	325.4	317.5
Less:				
Net finance costs, related to leases	53.9	58.3	220.9	236.8
<b>Normalized selling, general and administrative expenses</b>	<b>\$ 1,003.3</b>	<b>\$ 917.8</b>	<b>\$ 3,441.0</b>	<b>\$ 3,291.2</b>
Add normalizing items:				
Operational Efficiency program	8.6	5.2	30.0	33.1
Party City - Acquisition-related costs	—	—	—	2.3
<b>Selling, general and administrative expenses</b>	<b>\$ 1,011.9</b>	<b>\$ 923.0</b>	<b>\$ 3,471.0</b>	<b>\$ 3,326.6</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Normalized Net Income

The following table reconciles normalized net income to net income which is a GAAP measure reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019. Management believes that normalizing GAAP net income provides a useful method for assessing the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business.

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Normalized net income	\$ 548.4	\$ 372.4	\$ 904.9	\$ 923.3
Less normalizing items:				
Operating Efficiency program	26.6	4.7	42.3	25.1
Party City:				
Acquisition-related costs	—	—	—	1.6
Fair value adjustment for inventories acquired <sup>1</sup>	—	1.8	—	1.8
Net income	\$ 521.8	\$ 365.9	\$ 862.6	\$ 894.8

<sup>1</sup> Relates to the fair value adjustment to Party City's inventory recorded as part of the acquisition on October 1, 2019.

### Normalized Net Income Attributable to Shareholders and Earnings per Share

Management believes that normalizing GAAP net income attributable to shareholders of the Company and basic EPS for non-operating items provides a useful method for assessing the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business. The following table is a reconciliation of normalized net income attributable to shareholders of the Company and normalized basic and diluted EPS to the respective GAAP measures:

(C\$ in millions, except per share amounts)	Q4 2020	EPS	Q4 2019	EPS	2020	EPS	2019	EPS
Net income/basic EPS	\$ 488.8	\$ 8.04	\$ 334.1	\$ 5.42	\$ 751.8	\$ 12.35	\$ 778.4	\$ 12.60
Add the after-tax impact of the following, attributable to shareholders of the Company:								
Operational Efficiency program	26.6	0.43	4.7	0.08	42.3	0.69	25.1	0.40
Party City – acquisition-related costs and fair value adjustment <sup>1</sup>	—	—	1.8	0.03	—	—	3.4	0.06
Normalized net income/normalized basic EPS	\$ 515.4	\$ 8.47	\$ 340.6	\$ 5.53	\$ 794.1	\$ 13.04	\$ 806.9	\$ 13.06
Normalized net income/normalized diluted EPS	\$ 515.4	\$ 8.40	\$ 340.6	\$ 5.53	\$ 794.1	\$ 13.00	\$ 806.9	\$ 13.04

<sup>1</sup> Relates to the fair value adjustment to Party City's inventory recorded as part of the acquisition on October 1, 2019.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Adjusted Net Debt

The following tables reconcile adjusted net debt to GAAP measures. The Company believes that adjusted net debt is relevant in assessing the amount of financial leverage employed.

As at January 2, 2021

(C\$ in millions)	Consolidated	Retail	Financial Services	REIT
Consolidated net debt				
Bank indebtedness	\$ —	\$ —	\$ —	\$ —
Short-term deposits	1,228.0	—	1,228.0	—
Long-term deposits	2,281.7	—	2,281.7	—
Short-term borrowings	165.4	51.1	114.3	—
Current portion of long-term debt	150.5	—	—	150.5
Long-term debt	4,115.7	950.9	2,177.6	987.2
Debt	7,941.3	1,002.0	5,801.6	1,137.7
Cash and cash equivalents and short-term investments <sup>1</sup>	(1,970.2)	(306.2)	(1,659.5)	(4.5)
Long-term investments <sup>1</sup>	(146.2)	—	(146.2)	—
Net debt	5,824.9	695.8	3,995.9	1,133.2
Inter-company debt	—	(1,568.5)	53.7	1,514.8
Adjusted net debt	\$ 5,824.9	\$ (872.7)	\$ 4,049.6	\$ 2,648.0

<sup>1</sup> Includes regulatory reserves.

As at December 28, 2019

(C\$ in millions)	Consolidated	Retail	Financial Services	REIT
Consolidated net debt				
Bank indebtedness	\$ 10.4	\$ 2.0	\$ 8.4	\$ —
Short-term deposits	790.8	—	790.8	—
Long-term deposits	1,653.4	—	1,653.4	—
Short-term borrowings	450.0	67.0	383.0	—
Current portion of long-term debt	788.2	250.5	500.0	37.7
Long-term debt	3,730.2	950.8	1,698.0	1,081.4
Debt	7,423.0	1,270.3	5,033.6	1,119.1
Cash and cash equivalents and short-term investments <sup>1,2</sup>	(407.2)	(110.2)	(287.3)	(9.7)
Long-term investments <sup>1,2</sup>	(138.9)	—	(138.9)	—
Net debt	6,876.9	1,160.1	4,607.4	1,109.4
Inter-company debt <sup>2</sup>	—	(1,756.7)	303.1	1,453.6
Adjusted net debt	\$ 6,876.9	\$ (596.6)	\$ 4,910.5	\$ 2,563.0

<sup>1</sup> Includes regulatory reserves.

<sup>2</sup> The prior period figures have been restated to align with current year presentation.

### CT REIT Non-GAAP Financial Measures

#### Net Operating Income

NOI is defined as cash rental revenue from investment properties less property operating costs. NOI is used as a key indicator of performance as it represents a measure of property operations over which Management has control.

CT REIT evaluates its performance by comparing the performance of the portfolio adjusted for the effects of non-operational items and current-year acquisitions.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the relationship of NOI to GAAP property revenue and property expense in CT REIT's Consolidated Statements of Income and Comprehensive Income:

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Property revenue	\$ 126.8	\$ 123.7	\$ 502.3	\$ 489.0
Less:				
Property expense	27.8	26.8	110.8	106.1
Property straight-line rent revenue	2.2	3.5	10.0	14.1
Net operating income	\$ 96.8	\$ 93.4	\$ 381.5	\$ 368.8

### Funds from Operations and Adjusted Funds from Operations

CT REIT calculates its FFO and AFFO in accordance with the *Real Property Association of Canada's* White Paper on FFO and AFFO for IFRS issued in February 2019. FFO and AFFO should not be considered as alternatives to net income or cash flow provided by operating activities determined in accordance with IFRS.

Management believes that FFO provides an operating performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back items to net income that do not arise from operating activities, such as fair-value adjustments. FFO, however, still includes non-cash revenues relating to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

AFFO is a supplemental measure of recurring economic earnings used in the real estate industry to assess an entity's distribution capacity. CT REIT calculates AFFO by adjusting net income for all adjustments used to calculate FFO as well as adjustments for non-cash income and expense items such as amortization of straight-line rents. Net income is also adjusted by a reserve for maintaining productive capacity required to sustain property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly during the fiscal year or from year to year. The capital expenditure reserve in the AFFO calculation is intended to reflect an average annual spending level.

The following table reconciles income before income taxes, as reported in the notes to the consolidated financial statements for the periods ended January 2, 2021 and December 28, 2019, to FFO and AFFO:

(C\$ in millions)	Q4 2020	Q4 2019	2020	2019
Income before income taxes	\$ 14.0	\$ 76.9	\$ 183.3	\$ 307.2
Fair-value loss (gain) adjustment	53.9	(10.6)	87.4	(47.3)
Deferred taxes	(0.6)	(0.5)	—	(0.4)
Lease principal payments on right-of-use assets	(0.3)	(0.1)	(0.8)	(0.1)
Fair value of equity awards	0.8	0.7	0.1	2.0
Internal leasing expense	0.3	0.2	0.8	0.5
Funds from operations	68.1	66.6	270.8	261.9
Properties straight-line rent adjustment	(2.2)	(3.5)	(10.0)	(14.1)
Capital expenditure reserve	(6.1)	(5.8)	(24.3)	(23.5)
Adjusted funds from operations	\$ 59.8	\$ 57.3	\$ 236.5	\$ 224.3



MANAGEMENT'S DISCUSSION AND ANALYSIS

## 10.0 Key Risks and Risk Management

### Overview

In the normal course of its business activities, CTC is regularly faced with risks and opportunities. The effective management of risk is a key priority for the Company to support CTC in achieving its strategies and business objectives. Accordingly, CTC has adopted an Enterprise Risk Management Framework ("ERM Framework") for identifying, assessing, monitoring, mitigating and reporting risks and opportunities facing CTC. Refer to section 2.6 in the 2020 AIF for further details of CTC's ERM Framework.

### 10.1 Key Risks

The Company regularly assesses its businesses to identify and assess key risks that alone, or in combination with other interrelated risks, could have a significant adverse impact on the Company's brand, financial performance, and/or ability to achieve its strategic objectives. The following section provides a high-level view of CTC's risks that have the most potential to impact its businesses and CTC's approaches to mitigate such risks.

The mitigation and management of risk is approached holistically with a view to ensuring all risk exposures are considered. Although the Company believes the measures taken to mitigate risks described below are reasonable, there can be no assurance that they will effectively mitigate risks that may have a negative impact on the Company's financial performance, brand, and/or ability to achieve its strategic objectives. In addition, there are numerous other risk factors, such as macroeconomic, geopolitical, pandemics or new technologies that are difficult to predict and could adversely impact financial performance, plans, and objectives.

The duration and severity of the COVID-19 pandemic remain uncertain as does its adverse, long-term impact on CTC. The Company implemented a number of comprehensive and evolving operational and risk management strategies to support its businesses and protect the health and well-being of its employees and customers through the pandemic, as described below. For additional information on COVID-19 impacts to the Company's operations, customers and financial performance, please refer to Section 4.0 in this MD&A.

### Strategy

CTC operates in a number of industries which are highly competitive and constantly evolving. The Company selects strategies intended to address opportunities and risks, and positively differentiate its performance in the marketplace. Should the Company be unable to appropriately respond to fluctuations in the external business environment as a result of inaction, ineffective strategies, or poor implementation of strategies, there could be adverse impacts on CTC's financial performance, brand, and/or ability to achieve its strategic objectives. Factors affecting these risks may include, but are not limited to:

- changes in the competitive landscape in the retail, banking, or real estate sectors, impacting the attractiveness of shopping at CTC's businesses and the value of its real estate holdings;
- economic recession, depression, or high inflation, impacting consumer spending;
- changes in the domestic or international political environments, impacting the cost of products and/or ability to do business;
- shifts in the buying behaviour of consumers, demographics, or weather patterns, impacting the relevance of the products and services offered by CTC;
- transition and integration of significant acquisitions into the CTC business model and ability to achieve expected performance and growth plans;
- introduction of new technologies and trends impacting the relevance of the products, channels, or services offered by CTC; and
- health crises, such as the COVID-19 pandemic, impacting the Company's operations, customer behaviours and financial performance.

### *Risk management strategy:*

The Company regularly assesses strategies to enable achievement of its financial aspirations. These strategies take the form of a number of strategic objectives. On at least a quarterly basis, the Company identifies and assesses the external and internal risks that may impede the achievement of its strategic objectives. This includes the regular monitoring of economic, political, health, demographic, geographic and competitive developments in Canada and other countries where CTC conducts business, as well as the capabilities, strategic fit, and other benefits of key initiatives and acquisitions. The goal of this approach is to provide early warning and



## MANAGEMENT'S DISCUSSION AND ANALYSIS

escalation within the Company regarding significant risks and engage in appropriate Management activities to mitigate these risks. In addition to supporting strategy execution, this approach enables Management to assess the effectiveness of its strategies considering external and internal conditions and propose changes to strategic objectives as appropriate.

### **Key Business Relationships**

CTC's business model relies on certain significant business relationships. Such relationships include, but are not limited to, relationships with its Dealers, agents, franchisees, suppliers and service providers.

The scope, complexity, materiality, and/or criticality of these key business relationships can affect customer service, procurement, product and service delivery, information security and expense management. Failure to effectively manage these relationships may have a negative impact on CTC's financial performance, brand and/or ability to achieve its strategic objectives.

#### *Risk management strategy:*

The Company regularly assesses the capabilities, strategic fit, and other realized benefits of key business relationships in the context of supporting its strategies. Governance structures, including policies, processes, contracts, service agreements, and other management activities, are in place to maintain and strengthen the relationships that are critical to the success of the Company's performance and aligned with its overall strategic needs.

A key relationship for the Company is with its Dealers. Management of the Canadian Tire Dealer relationship is led by Senior Management with oversight by the Chief Executive Officer ("CEO") and Board of Directors.

In response to the COVID-19 pandemic, the Company has also worked closely with its Dealers, agents, franchisees, suppliers and service providers to help maintain safe business operations and meet the needs of Canadians and communities by continuing to provide the essential products and services they require.

### **Brand**

The strength of CTC's brand significantly contributes to the success of the Company and is sustained through its culture and processes. Maintaining and enhancing brand equity enables the Company to innovate to better serve its customers, as well as grow and achieve its financial goals and strategic aspirations. CTC's reputation, and consequently brand, may be negatively affected by various factors, some of which may be outside its control. Should these factors materialize, stakeholders' trust in the Company, the perception of what its brand stands for, its connection with customers, and subsequently its brand equity, may significantly diminish. As a result, CTC's financial position, brand and/or ability to achieve its strategic objectives may be negatively affected.

#### *Risk management strategy:*

The Company's strategies include plans and investments to protect and enhance its significant brands. All employees are expected to manage risks that can impact those brands. Most risks that could impact the Company's brand are managed through its risk frameworks. In addition, Senior Management is accountable to ensure that employees identify and escalate matters that could create brand risk. The Company's communications department monitors a variety of sources to identify publicly-reported issues that could create brand risk and supports Senior Management in managing its response to those issues. The Company's Code of Conduct provides all employees, contractors, suppliers, and Directors with guidance on ethical values and expected behaviours that enable it to sustain its culture of integrity. To further protect its brands, CTC has established requirements with respect to materials used, and the quality of its products, packaging and labelling, that meet or exceed regulatory standards. Since the onset of the COVID-19 pandemic, the health and well-being of its employees and customers have remained the Company's top priority in serving to protect its brands and reputation.

### **Financial**

Macroeconomic conditions are highly cyclical, volatile and can have a material effect on the ability of the Company to achieve strategic goals and aspirations. In response to the COVID-19 pandemic, the Company implemented a plan to reduce operating costs, reduced discretionary capital expenditures and working capital requirements, and paused share repurchases other than for anti-dilutive purposes. The Company also secured



## MANAGEMENT'S DISCUSSION AND ANALYSIS

additional credit with Canadian financial institutions. CTC manages a number of financial risks with respect to financial instruments, liquidity, foreign currency exchange and interest rates, which are outlined in more detail below.

### Financial Instrument Risk

The Company's primary financial instrument risk exposures relate to credit card loans receivable and allowances for credit losses therein and the value of the Company's financial instruments (including derivatives and investments) employed to manage exposure to foreign currency risk, interest rate risk, and equity risk, all of which are subject to financial market volatility. For further disclosure of the Company's financial instruments, their classification, their impact on financial statements, and determination of fair value refer to Note 33 of the consolidated financial statements.

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to reasonably ensure that it will have sufficient liquidity to meet its liabilities when due, under normal circumstance, with the ability to reach to some uncertainty. As a result of the COVID-19 pandemic, the Company increased its focus on maintaining liquidity and a strong balance sheet and ensuring continued access to capital.

For a comprehensive discussion of the Company's liquidity risk, see Note 5 of the consolidated financial statements.

### Foreign Currency Risk

The Company sources its merchandise globally. Approximately 40%, 38%, and 10% of the value of the inventory purchased for the Canadian Tire, Mark's, and SportChek banners, respectively, is sourced directly from vendors outside North America, primarily denominated in U.S. dollars. The majority of Helly Hansen's purchases are denominated in U.S. dollars and Euros. To mitigate the impact of fluctuating foreign exchange rates on the cost of these purchases, the Company has an established foreign exchange risk management program that governs the proportion of forecasted U.S. dollar purchases that are hedged through entering into foreign exchange derivative contracts. The purpose of the program is to provide certainty with respect to a portion of the foreign exchange component of future merchandise purchases.

As the Company has hedged a significant portion of the cost of its near-term U.S. dollar-denominated forecast purchases, a change in foreign currency rates will not materially impact that portion of the cost of those purchases. The Company operates its hedging program on a continual basis to ensure that any sustained change in rates are reflected in the cost of the Company's U.S. dollar purchases over the entirety of its hedging horizon. This ensures that the cost of U.S. dollar purchases is smoothed relative to the foreign exchange market allowing the Company to defer the impact of sudden exchange rate movements on margins and allow it time to develop strategies to mitigate the impact of a sustained change in foreign exchange rates. Some vendors have an underlying exposure to U.S. currency fluctuations which may affect the price they charge the Company for merchandise; and the Company's hedging program does not mitigate that risk. While the Company may be able to pass on changes in foreign currency exchange rates through pricing, any decision to do so would be subject to market conditions.

### Interest Rate Risk

The Company may use interest rate derivatives to manage interest rate risk. The Company has a policy in place whereby, on a consolidated basis, a minimum of 75 percent of its consolidated debt (short-term and long-term) should be at fixed versus floating interest rates.

Failure to develop, implement, and execute effective strategies to manage these risks may result in insufficient capital to absorb unexpected losses and/or decreases in margin and/or changes in asset value, negatively affecting CTC's financial position, brand, and/or ability to achieve its strategic objectives.



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### *Risk management strategy:*

The Company has a Board-approved Financial Risk Management Policy in place that governs the management of financial instruments, liquidity, foreign currency, interest rate and other financial risks. The Treasurer and Chief Financial Officer ("CFO") provide assurances with respect to policy compliance. Refer to section 6.3 for further details.

In particular, the Company's hedging activities, are governed by this policy. Hedge transactions are executed with highly rated financial institutions and are monitored against policy limits.

### **Talent**

To support its strategies, objectives and normal business operations, CTC needs to maintain a sufficient, appropriately-skilled, focused and committed workforce. CTC's financial position, brand, and/or ability to achieve its strategic objectives may be negatively affected by its failure to manage its talent risk.

### *Risk management strategy:*

The Company manages its talent risk through its organizational design, employee recruitment programs, succession planning, compensation structures, ongoing training, professional development programs, code of conduct, and performance management. The Company also continues to adopt strategies to attract and retain talent, in particular to support key and emerging business areas such as cyber, digital, and consumer data analytics.

### **Technology Innovation and Investment**

CTC's business is affected by the introduction of new technologies, which may positively or adversely impact CTC's products, channels, and services. CTC's choices of investments in technology may support its ability to achieve its strategic objectives, or may negatively affect its financial position, brand, and/or ability to achieve its strategic objectives. The COVID-19 pandemic caused a rapid shift in consumer behaviour to online shopping, and the majority of the Company's corporate employees have shifted to a work-from-home model, increasing the risk to Company's digital platforms and IT systems.

### *Risk management strategy:*

The Company manages its risks through its investments in people, processes, and technology to meet operational and security requirements, and leverage technological advances in the marketplace.

The Company maintains policies, processes, and controls to address capabilities, performance, security, and availability including resiliency and disaster recovery for systems, infrastructure, and data.

The Company regularly monitors and analyzes its technology needs and performance to determine the effectiveness of its investments and its investment priorities. CTC implemented a series of enhancements to its digital platforms to effectively meet the increased online customer demand resulting from the COVID-19 pandemic and improve both the customer and Dealer eCommerce experiences. IT improvements pertaining to network infrastructure, devices, security and incident management are effectively supporting the work from home model.

### **Cyber**

CTC relies on IT systems in all areas of operations. The Company's information systems are subject to an increasing number of sophisticated cyber threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. A breach of sensitive information or its systems may negatively impact CTC's financial position, brand, and/or ability to achieve its strategic objectives. Around the world, threat actors are taking an incrementally higher concerted effort to take advantage of disruptions associated with the COVID-19 pandemic.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Risk management strategy:*

The Company maintains policies, processes, and controls to address capabilities, performance, security, and availability including resiliency and disaster recovery for systems, infrastructure, and data. Security protocols, along with information security policies, address compliance with information security standards, including those relating to information belonging to the Company's customers and employees. The Company actively monitors, manages, and continues to enhance its ability to mitigate cyber risk through enterprise-wide programs. As a result of related heightened risks CTC has implemented additional security measures with respect to employee training, monitoring and testing, systems protection, and business continuity and contingency planning.

### **Data and Information**

In the normal course of business, the Company collects and stores sensitive data, including the personal information of its customers and employees, information of its business partners and internal information. The integrity, reliability and security of information are critical to its business operations and strategy. The work-from-home model has heightened the importance of data and information security and privacy.

The lack of integrity and reliability of information for decision-making, loss or inappropriate disclosure or misappropriation of sensitive information could negatively affect CTC's financial position, brand, and/or ability to achieve its strategic objectives.

### *Risk management strategy:*

The Company has policies, processes, and controls designed to manage and safeguard the information of its customers, employees, and internal information throughout its lifecycle. The Company continues to enhance its ability to mitigate information risk in conjunction with its cyber risk management programs. The Company monitors and enforces its practices supporting the security, privacy and confidentiality of sensitive data and information.

### **Operations**

CTC has complex and diverse operations across its business units and functional areas. Sources of operational risk include, but are not limited to, merchandising, supply chain, store networks, property management and development, financial services, business disruptions, regulatory requirements, and reliance on technology.

Operations risk is the risk of potential for loss resulting from inadequate or failed internal processes or systems, human interactions, or external events. Should this risk materialize, CTC's financial position, brand, and/or ability to achieve its strategic objectives could be negatively affected.

Government-issued guidelines and restrictions in response to the COVID-19 pandemic have resulted in the implementation of several operational measures that impacted the Company's offices, call centres, store and distribution networks, including the temporary closures of facilities, reduced store hours and capacity, enhanced cleaning protocols, and actions to promote physical distancing. Further government-response actions could have additional adverse impacts on the Company's operations and financial performance.

The COVID-19 pandemic has also increased the Company's exposure to risks such as employee health and safety, absenteeism due to illness or quarantine, and with a significant portion of employees working from home, connectivity and the continuity of critical business functions. Furthermore, the Company, its Dealers, agents and franchisees could experience a shortage of labour for front-line positions over concern for heightened exposure to the virus.

### *Risk management strategy:*

Management in charge of each banner and corporate function is accountable for providing assurances that policies, processes, and procedures are adequately designed and operating effectively to support the strategic and performance objectives, availability of business services, and regulatory compliance of the banner that they operate or support. To ensure continuity of business activities and services, the Company has identified critical processes and developed robust business continuity plans to mitigate and respond to significant disruptions.

Throughout the COVID-19 pandemic, the Company has been focused on maintaining safe and resilient business operations to support Canadians and communities by providing essential products and services for the jobs and



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joys of life in Canada. CTC has continued to take the necessary measures and precautions to protect the health and well-being of its employees and customers, including the implementation of physical distancing protocols, enhanced cleaning activities and protective equipment, all reflecting best guidance from public health authorities.

The Company and its Dealers implemented a supplemental support payment for all active front-line employees in recognition of their commitment to serve the Company and their communities. Understanding the importance of timely and reliable information, CTC has also increased its communication to employees with frequent updates on the state of business and the availability of tools and resources to help support health and wellness.

Further information regarding the Company's exposure to this risk for each business segment is provided in section 10.2.

### **Financial Reporting**

Public companies such as CTC are subject to risks relating to the restatement and reissuance of financial statements, which may be due to:

- failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting;
- fraudulent activity and/or failure to maintain an effective system of internal controls; and/or
- inadequate explanation of a Company's operating performance, financial condition, and future prospects.

The realization of one or more of these risks may result in regulatory-related issues or may negatively impact CTC's financial position, brand and/or ability to achieve its strategic objectives.

### *Risk management strategy:*

Internal controls, which include policies, processes and procedures, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other disclosure documents. This includes monitoring and responding to changing regulations and standards governing accounting and financial presentation. Further details are set out in section 11.0.

### **Credit**

CTC's credit risk, which may result if a customer or counterparty fails to meet its contractual obligations, arises principally from operations of the Bank's credit card loan portfolio, CTC's interaction with its Dealer and franchisee networks, and financial instruments, which are discussed in more detail below.

#### Consumer Credit Risk

Through the granting of credit cards to the Bank's customers, the Company assumes certain risks with respect to the ability and willingness of the Bank's customers to repay loans owing to it. In response to the COVID-19 pandemic, government authorities have implemented, and are continuing to implement, significant assistance programs to provide economic support to individuals and businesses. While in the short term these measures have mitigated some effects of the pandemic, over the long term they may not be sufficient to fully offset negative impact or adverse recessionary conditions on the Company. Upon cessation of these measures, CTC expects to see an increase in cardholder delinquencies or impairments, which could negatively impact its financial performance and strategic objectives.

#### Dealer and Other Wholesale Customer Credit Risk

Accounts receivable credit risk is primarily from Dealers, franchisees, and wholesale customers. In addition, the Company is required to provide credit enhancement to Franchise Trust for certain individual Dealer's borrowings in the form of standby letters of credit issued by highly-rated financial institutions and guaranteed by the Company (the "LCs") and may also provide guarantees of third-party bank debt agreements or inventory buy-back agreements, with respect to the financing programs available to the Dealers and franchisees.

#### Financial Instrument Counterparty Risk

The Company's Financial Risk Management Policy is in place to manage the various risks including counterparty credit risk relating to cash balances, investment activity, and the use of financial derivatives. The Company limits its exposure to counterparty credit risk by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term-to-maturity. The Company's



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financial instrument portfolio is spread across financial institutions, provincial and federal governments, and, to a lesser extent, corporate and asset-backed issuers that are at least dual rated and have a lowest (if dual rated) or median (if three or more ratings) credit rating in the "A(low)" equivalent category or better.

Failure to effectively manage this risk may negatively impact CTC's financial position, brand, and/or ability to achieve its strategic objectives.

### *Risk management strategy:*

Various Board-approved policies, processes and controls are employed to manage and mitigate the Company's credit risk exposure and are monitored for compliance with policy limits.

As the COVID-19 pandemic has evolved, the Company has seen a reduction in customer credit card spending. Financial Services provided various relief programs to support its cardholders during this time of economic uncertainty. Further information regarding the Company's exposure to consumer lending risk is provided in section 10.2.2.

For further disclosure of the Company's maximum exposure to credit risk, over and above amounts recognized in the Consolidated Balance Sheets, refer to Note 5.3.2 in the consolidated financial statements.

For further disclosure of the Company's allowance for impairment on loans receivable, refer to Note 9 in the consolidated financial statements.

### **Legal, Regulatory and Litigation**

The Company is or may become subject to claims, disputes, legal proceedings, and regulatory compliance issues arising in the ordinary course of business. The outcome of litigation cannot be predicted or guaranteed. Unfavourable rulings may have a material adverse effect on CTC's financial position, brand, and/or ability to achieve its strategic objectives. As a response to the COVID-19 pandemic, additional legislation, regulations, regulatory initiatives or proceedings may be adopted or instituted that impose additional constraints on CTC's operations, which may adversely impact its financial performance.

Regulatory risk may have a negative impact on business activities, earnings or capital, regulatory relationships, Company's brand or reputation as a result of failure to comply with or failure to adapt to current and changing regulations or regulatory expectations.

### *Risk management strategy:*

Various Board-approved policies, processes and controls address requirements for compliance with applicable laws, regulations, and regulatory policies, including those related to the COVID-19 pandemic response. A team of legal professionals assists employees with mitigating and managing risks relating to claims or potential claims, disputes, and legal proceedings. The Company's Legislative Compliance department provides compliance oversight and guidance to the organization, including the development and maintenance of a regulatory compliance management system. Specific activities that assist the Company in adhering to regulatory standards include communication of regulatory requirements, advice, training, testing, monitoring, reporting, and escalation of control deficiencies to Senior Management.

## **10.2 Business Segment Risks**

### **10.2.1 Retail Segment Business Risks**

The Retail segment is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. Certain risks have been further compounded by the COVID-19 pandemic. The following are the business risks most relevant to the Retail segment's operations. Refer to section 10.1 of this MD&A for further details of the Company's risk management strategies.

### **Seasonality Risk**

Canadian Tire derives a significant amount of its revenue from the sale of seasonal merchandise and, accordingly, derives a degree of sales volatility from abnormal weather patterns. Canadian Tire mitigates this risk, to the extent possible, through the breadth of its product mix and proactive assortment management, effective



## MANAGEMENT'S DISCUSSION AND ANALYSIS

procurement and inventory management practices, as well as the development of products and offers to stimulate customer demand for 'non-seasonal' and year-round products not directly affected by weather patterns.

Mark's business remains seasonal, with the fourth quarter typically producing the largest share of sales and annual earnings. Detailed sales reporting and merchandise-planning modules assist Mark's in mitigating the risks and uncertainties associated with unseasonable weather and consumer behaviour during the important winter selling season but cannot eliminate such risks completely because inventory orders, especially for a significant portion of merchandise purchased offshore, must be placed well ahead of the season.

SportChek is affected by general seasonal trends that are characteristic of the apparel, footwear and hard goods industries. SportChek strives to minimize the impact of the seasonality of the business by altering its merchandise mix at certain times of the year to reflect consumer demand.

### ***Evolving Consumer Behaviour and Shopping Habits***

Prior to the COVID-19 pandemic, the retail business was rapidly evolving as consumers increasingly embraced online shopping and mobile eCommerce applications. As a result of COVID-19 restrictions, the Company saw a further shift in consumer behaviour with an unprecedented increase in online shopping demand. Failure to provide attractive, user-friendly, and secure digital platforms that continually meet the changing expectations of online shoppers could negatively impact the Company's reputation, place the Company at a competitive disadvantage and/or have a negative impact on business operations. In order to mitigate this risk, the Company monitors the competitive landscape, digital evolutions and eCommerce trends to ensure its strategic initiatives are designed to maintain competitive positioning and continue to be relevant. In response to COVID-19, the Company enhanced its digital platforms and adopted a curbside pickup model to support eCommerce growth and continue to serve customers in areas impacted by temporary store closures.

### ***Supply Chain Risk***

A substantial portion of the Company's product assortment is sourced from foreign suppliers, lengthening the supply chain and extending the time between order and delivery. Canadian Tire, Mark's, and SportChek use internal resources and third-party logistics providers to manage the movement of foreign-sourced goods from suppliers to the Company's Distribution Centres and to their retail stores. Accordingly, the Company is exposed to potential supply chain disruptions due to foreign supplier failures, health crises such as the COVID-19 pandemic, extreme weather events, geopolitical risk, labour disruption or insufficient capacity at ports, and risks of delays or loss of inventory in transit. The Company mitigates these risks through the use of advanced tracking systems and visibility tools, effective supplier selection and procurement practices and through strong relationships with transportation companies and port and other shipping authorities, supplemented by marine insurance coverage. The Company's ongoing ability to satisfy its customer shopping habits has been significantly challenged by the COVID-19 pandemic as a result of unprecedented demand for certain products. Key strategic relationships with vendors as well as the capability to utilize inventory across retail banners have aided the Company's ability to address customer demand.

### ***Conduct Risk***

Products that are sourced from factories in less developed countries for which there is a high level of public scrutiny pertaining to working conditions and labour regulations, introduces a heightened level of reputational and brand risk to CTC. In order to mitigate these risks, CTC works with its suppliers to ensure that products are sourced, manufactured, and transported according to the standards outlined in the Canadian Tire Supplier Code of Conduct. The Company also works with the Business Social Compliance Initiative (BSCI) factory audit methodology to assess the hiring and employment practices, as well as the health and safety standards of its foreign suppliers.

### ***Environmental Risk***

Environmental risk within CTC is primarily associated with the storage, handling, and recycling of certain materials. The Company has established and follows comprehensive environmental policies and practices to avoid a negative impact on the environment, to comply with environmental laws, and protect its reputation. It addresses applicable environmental stewardship requirements and takes the necessary steps to manage the end-of-first life of product in accordance with these requirements. Petroleum is also subject to federal and provincial regulations relating to combating climate change, such as carbon taxes, and cap and trade. Petroleum's



## MANAGEMENT'S DISCUSSION AND ANALYSIS

comprehensive regulatory compliance program includes environmental reviews and the remediation of contaminated sites as required, supplemented by environmental insurance coverage.

### **Commodity Price and Disruption Risk**

The operating performance of Petroleum can be affected by fluctuations in the commodity cost of oil. The wholesale price of gasoline is subject to global oil supply and demand conditions, domestic and foreign political policy, commodity speculation, global economic conditions, and potential supply chain disruptions from natural and human-caused disasters or health crises such as pandemics. To mitigate this risk to profitability, Petroleum maintains tight controls over its operational costs and enters into long-term gasoline purchase arrangements with integrated gasoline wholesalers. Petroleum also enhances profitability through a comprehensive cross-marketing strategy with other retail banners and higher-margin, ancillary businesses such as convenience store and car wash sales.

### **Market Obsolescence Risk**

Clothing and apparel retailers are exposed to ever-changing consumers' fashion preferences. The risk has increased due to the impact of the COVID-19 pandemic on consumer behaviour. SportChek and Mark's mitigate this risk through brand positioning, consumer preference monitoring, demand forecasting and merchandise selection efforts; as well as the product development process at Mark's. SportChek offers a comprehensive assortment of brand-name products under its various banners and partners with strong, national-branded suppliers that continually evolve their assortments to reflect customer preferences. In addition, SportChek employs a number of inventory management practices, including certain agreements with vendors to manage unsold product or offer markdown dollars to offset margin deterioration in liquidating aged inventory. Mark's specifically targets consumers of durable everyday casual wear and is less exposed to changing fashions than apparel retailers offering high-fashion apparel and accessories. Mark's industrial wear category is exposed to fluctuations in the resource and construction industry.

### **Global Sourcing Risk**

Similar to other retailers that source products internationally, CTC is exposed to risks associated with foreign suppliers which can include, but are not limited to, currency fluctuations, the stability of manufacturing operations in other countries, health crises such as pandemics, labour practices in other countries (see Conduct Risk), and transportation and port disruptions (see Supply Chain Risk). The Company uses internal resources and third-party quality assurance providers to proactively manage product quality with vendors in the foreign sourcing regions. The Company believes that its business practices are appropriate to mitigate the risks. Further information regarding the Company's exposure to foreign currency risk is provided in section 10.1.

## **10.2.2 Financial Services Segment Business Risks**

Financial Services is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. Certain risks have been further compounded by the COVID-19 pandemic. The following are the business risks most relevant to Financial Services' operations. Refer to section 10.1 for further details of the Company's risk management strategies.

### **Consumer Credit Risk**

Financial Services grants credit to its customers on its credit cards, which may include various payment options. With the granting of credit, Financial Services assumes certain risks with respect to the ability and willingness of its customers to repay debt. Financial Services manages credit risk to optimize profitability, within the scope of internal risk policy, by:

- employing sophisticated credit-scoring models to constantly monitor the creditworthiness of customers;
- using the latest technology to make informed credit decisions for each customer account to limit credit risk exposure;
- adopting technology to improve the effectiveness of the collection process; and
- monitoring the macroeconomic environment, especially with respect to consumer debt levels, interest rates, employment levels, and income levels.

As a result of the COVID-19 pandemic, Financial Services expects to see an increase in cardholder delinquencies or impairments once the various government assistance programs come to an end. Financial Services has seen a reduction in consumer credit card spending due to the pandemic and has supported its cardholders with various relief programs that cater to individual cardholders' needs during this time of economic uncertainty.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Liquidity and Funding Risk**

Liquidity and funding risk is the risk that Financial Services will be unable to meet its funding obligations or obtain funding at a reasonable cost. Financial Services mitigates its liquidity and funding risk by maintaining diversified funding sources that include securitization of receivables, broker GIC deposits, retail deposits, and committed bank lines of credit. The importance of maintaining diversified funding sources was demonstrated during the disruptions in the capital markets during the early stages of the COVID-19 pandemic. Further mitigation is provided by maintaining a pool of high-quality marketable securities that can be used as a source of liquidity under a short-term stress scenario. Scotiabank has provided CTB with a \$250.0 million unsecured revolving committed credit facility and \$2.0 billion in note purchase facilities for the purchase of senior and subordinated notes issued by GCCT, both of which are committed to October 2022. A number of regulatory metrics are monitored including the Liquidity Coverage Ratio and Net Cumulative Cash Flow. Further details on financing sources for Financial Services are included in section 6.5.

### **Interest Rate Risk**

The Financial Services segment is exposed to interest-rate risk to the extent that changes in interest rates impact net interest income and net economic value. A significant portion of the funding liabilities for Financial Services are fixed rate, which reduces interest-rate risk. A one percent change in interest rates does not materially affect net interest income or net economic value.

### **Regulatory Risk**

Regulatory risk is the risk of negative impact to business activities, earnings or capital, regulatory relationships, or reputation as a result of failure to comply with or failure to adapt to current and changing regulations or regulatory expectations. The Bank's Compliance department is responsible for the development and maintenance of a regulatory compliance management system. Specific activities that assist the Company in adhering to regulatory standards include communication of regulatory requirements, advice, training, testing, monitoring, reporting, escalation of control deficiencies, and regulatory risks.

### **10.2.3 CT REIT Segment Business Risks**

CT REIT is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. Certain risks have been further compounded by the COVID-19 pandemic. The following are the key business risks specific to the operations of CT REIT. Please refer to section 4 in CT REIT's Annual Information Form and Section 12.0 Enterprise Risk Management in CT REIT's Management's Discussion and Analysis for the period ended December 31, 2020, which are not incorporated herein by reference, for a discussion of risks that affect CT REIT's operations and also to section 10.1 in this MD&A for further details of the Company's risk management strategies.

### **External Economic Environment**

CT REIT is subject to risks resulting from fluctuations or fundamental changes in the external business environment, which could include changes in the current and future economic environment, the economic stability of local markets, geographic and industry concentrations, retail shopping behaviours and habits of consumers, and increased competition amongst investors, developers, owners, and operators of similar properties.

In response to the COVID-19 pandemic, government authorities have implemented, and are continuing to implement, significant assistance programs to provide economic support to individuals and businesses. While in the short term these measures have mitigated some effects of the pandemic, over the long term they may not be sufficient to fully offset its negative impact or avert recessionary conditions. Upon cessation of these measures, CT REIT may see an increase in tenant rental payment delinquencies, which could negatively impact its financial performance.

### **Key Business Relationship**

CT REIT's relationship with its majority unitholder, CTC, is integral to its business strategy. Key factors inherent in this relationship include situations where the interests of CTC and CT REIT are in conflict, including dependence of CT REIT's revenues on the ability of CTC to meet its rent obligations and renew its tenancies, tenant concentration, reliance on the services of key personnel including certain CTC personnel, and CTC lease renewals, and rental increases.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Financial**

Risks associated with macroeconomic conditions which are highly cyclical and volatile could have a material effect on CT REIT. Such risks include changes in interest rates, the availability of capital, unit price risks, and CT REIT's degree of leverage.

### **Legal and Regulatory Compliance**

Failure to adhere to laws and regulations and changes to laws and regulations applicable to CT REIT's operations may have an adverse affect, including tax-related risks, regulatory risks, and environmental risks.

### **Operations**

CT REIT is subject to the risk that a direct or indirect loss of operating capabilities may occur due to property, development, redevelopment and renovation risks, disasters, health crises such as pandemics, cyber incidents, climate change, ineffective business continuity and contingency planning, and talent shortages.

Government issued guidelines and restrictions in response to the COVID-19 pandemic have resulted in the implementation of several operational measures that impacted CT REIT and its tenants, including the temporary closures of retail stores and other businesses, reduced business hours and capacity, enhanced cleaning protocols, and actions to promote physical distancing. Further government response actions could have additional adverse impact on the REIT's operations and financial performance.

The health and well-being of CT REIT's employees, tenants, tenants' employees and customers, has remained a top priority throughout the pandemic and the REIT has continued to take necessary measures and precautions to help protect and support them, reflecting best guidance by government and public health authorities.

## **11.0 Internal Controls and Procedures**

### **11.1 Disclosure Controls and Procedures**

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to Senior Management, including the CEO and the CFO, so that they can make appropriate decisions regarding public disclosure.

The Company's system of disclosure controls and procedures include, but is not limited to, its Disclosure Corporate Operating Directive, its Code of Conduct, the effective functioning of its Disclosure Committee, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee, verification processes for individual financial and non-financial metrics, and information contained in annual and interim filings, including the consolidated financial statements, MD&A, Annual Information Form, and other documents and external communications.

As required by CSA National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of the Company's disclosure controls and procedures was conducted under the supervision of Management, including the CEO and the CFO, as at January 2, 2021. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at January 2, 2021.

### **11.2 Internal Control over Financial Reporting**

Management is also responsible for establishing and maintaining appropriate internal control over financial reporting. The Company's internal control over financial reporting includes, but is not limited to, detailed policies and procedures relating to financial accounting, reporting, and controls over systems that process and summarize transactions. The Company's procedures for financial reporting also include the active involvement of qualified financial professionals, Senior Management, and its Audit Committee.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As also required by NI 52-109, Management, including the CEO and the CFO, evaluated the adequacy of the design (quarterly) and the effective operation (annually) of the Company's internal control over financial reporting as defined in NI 52-109, as at January 2, 2021. In making this assessment, Management, including the CEO and the CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the internal control over financial reporting were effective as at January 2, 2021 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

### 11.3 Changes in Internal Control over Financial Reporting

During the quarter and year ended January 2, 2021, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## 12.0 Environmental and Social Responsibility

### 12.1 Overview

As a proud Canadian company and responsible corporate citizen, CTC has made environmental sustainability a priority. In line with global and Canadian efforts to combat climate change, the Company has set targets to reduce its Greenhouse Gas (GHG) emissions and is making progress in executing sustainability initiatives that reduce both energy consumption and waste, as well as using more sustainable materials in its products. For additional detail on the Company's sustainability strategy please refer to section 2.8 of the 2020 Annual Information Form. A copy of the Environmental Sustainability Report is available at <https://corp.canadiantire.ca/English/sustainability/default.aspx>.

CTC supports a variety of social causes, but the largest single beneficiary is Jumpstart Charities. For detail on the Company's commitment to various social causes aimed at improving social outcomes for Canadians, refer to section 2.8 of the 2020 Annual Information Form. Additional information regarding Jumpstart is available on their website at: <http://jumpstart.canadiantire.ca>.

### 12.1.2 Environmental Sustainability - Economic Benefits

The table below presents the economic and environmental benefits realized from sustainability initiatives that contribute to the Company's GHG reduction targets and additional initiatives that enhance productivity and reduce its environmental footprint. For further detail on these initiatives and an explanation of how benefits are calculated, please refer to the Sustainability Performance Report at <https://corp.canadiantire.ca/English/sustainability/performance-reports/default.aspx>.

(C\$ in millions, except where indicated)	2020 Economic Benefit <sup>1</sup> (\$M)	Energy Use Avoidance <sup>2</sup> (GJ)	Low-Carbon Energy Generation <sup>3</sup> (GJ)	Greenhouse Gas Emissions Avoidance <sup>2</sup> (tonnes CO <sub>2</sub> e)	Waste Avoidance <sup>2</sup> (tonnes)	Waste Diversion <sup>4</sup> (tonnes)	(%)	Lifetime Economic Benefit <sup>5</sup> (\$M)
Product and Packaging <sup>6</sup>	\$ 59.1	137,089	—	3,847	17,716	—	—	\$ 396.9
Product Transport <sup>7</sup>	\$ 1.5	21,913	—	928	106	—	—	\$ 30.4
Business and Retail Operations <sup>8</sup>	\$ 6.7	53,585	39,236	3,350	4,862	26,472	77.3 %	\$ 114.7
<b>Total</b>	<b>\$ 67.3</b>	<b>212,587</b>	<b>39,236</b>	<b>8,125</b>	<b>22,684</b>	<b>26,472</b>	<b>77.3 %</b>	<b>\$ 542.0</b>

<sup>1</sup> Economic benefit refers to cost avoidance (e.g. energy costs) and income earned (e.g. from the sale of recyclable materials) associated with sustainability initiatives.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

<sup>2</sup> Avoidance refers to savings in comparison to the baseline scenario, where the baseline scenario is defined as "what would have most likely occurred in the absence of the sustainability initiative". Improvements are related to the specific initiatives reported and do not represent total improvements to the value-chain segment.

<sup>3</sup> Refers to energy generated from on-site solar installations. To be considered "low-carbon", the GHG emissions associated with the energy generated must be lower than traditional power generation. This energy is fed into the Ontario electrical grid for general consumption in the province.

<sup>4</sup> Materials diverted from landfill through reuse, recycling, or composting.

<sup>5</sup> Economic benefit to the Company, its Dealers and franchisees realized since our baseline year of 2011 for the entire useful life of the initiative (e.g. in-store lighting upgrades completed in our baseline year of 2011 will continue to reap benefits every year for the expected lifetime of the asset). Each initiative has a unique useful life ranging from one to 25 years.

<sup>6</sup> Realized reductions in energy use resulting from the transportation of optimized product and packaging, realized reductions in customer energy use resulting from the sale of energy efficient products, and waste reductions stemming from reduced packaging, damages, product waste at end-of-life, and as of 2019, paper-saving initiatives such as flyer reductions which were previously classified under Business and Retail Operations.

<sup>7</sup> Realized reductions in energy use from increased fuel efficiency in transportation modes and vehicles (e.g. use of long-combination vehicles).

<sup>8</sup> Realized reductions in energy use in buildings and their operations through energy efficiency initiatives (e.g. new construction, retrofits), renewable energy generated from rooftop solar installations, and percentage of waste diverted from landfill as a result of waste management initiatives at stores and DCs.

## 13.0 Forward-Looking Statements and Other Investor Communication

### Caution Regarding Forward-looking Statements

This document contains forward-looking statements that reflect Management's current expectations relating to matters such as future financial performance and operating results of the Company. Specific forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- the impacts of COVID-19, in section 4.0 and 10.0;
- the Company's Operational Efficiency program, including the target annualized savings in section 5.1.1; and
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 7.1.

Forward-looking statements provide information about Management's current expectations and plans, and allow investors and others to better understand the Company's anticipated financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes. Certain statements other than statements of historical facts included in this document may constitute forward-looking statements, including, but not limited to, statements concerning Management's current expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions and the economic and business outlook for the Company. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "estimate", "plan", "can", "could", "should", "would", "outlook", "forecast", "anticipate", "aspire", "foresee", "continue", "ongoing" or the negative of these terms or variations of them or similar terminology. Forward-looking statements are based on the reasonable assumptions, estimates, analyses, beliefs and opinions of Management, made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable at the date that such statements are made.

By their very nature, forward-looking statements require Management to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions, estimates, analyses, beliefs and opinions may not be correct and that the Company's expectations and plans will not be achieved. Examples of material assumptions and Management's beliefs, which may prove to be incorrect, include, but are not limited to, the duration and impact of COVID-19, including measures adopted by governmental or public authorities in response to the pandemic, the effectiveness of certain performance measures, current and future competitive conditions and the Company's position in the competitive environment, the Company's core capabilities, and expectations around the availability of sufficient liquidity to meet the Company's contractual obligations. Management's expectations with respect to the Operational Efficiency program are based on a number of assumptions relating to anticipated cost savings and operational efficiencies. Although the Company believes that the forward-looking information in this document is based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to a number of factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking statements. Some of the factors, many of which are beyond the Company's control and the effects of which can be difficult to predict, include: (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of the



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Company to attract and retain high-quality executives and employees for all of its businesses, Dealers, Canadian Tire Petroleum retailers, and Mark's and SportChek franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at its stores or acquire the Company's owned brands or its financial products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences and expectations relating to eCommerce, online retailing and the introduction of new technologies; (f) the possible effects on our business from international conflicts, political conditions, and other developments including changes relating to or affecting economic or trade matters as well as the outbreak of contagions or pandemic diseases; (g) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply-chain management, product safety, competition, seasonality, weather patterns, climate change, commodity prices and business continuity; (h) the Company's relationships with its Dealers, franchisees, suppliers, manufacturers, partners and other third parties; (i) changes in laws, rules, regulations and policies applicable to the Company's business; (j) the risk of damage to the Company's reputation and brand; (k) the cost of store network expansion and retrofits; (l) the Company's capital structure, funding strategy, cost management program, and share price; (m) the Company's ability to obtain all necessary regulatory approvals; (n) the Company's ability to complete any proposed acquisition; and (o) the Company's ability to realize the anticipated benefits or synergies from its acquisitions. With respect to the statements concerning the Company's Operational Efficiency program, such factors also include: (a) the possibility that the Company does not achieve the targeted annualized savings; (b) the possibility that the program results in unforeseen impacts to overall performance; (c) the possibility that the one-time costs and capital investments associated with the program are more significant than expected; and (d) the possibility that the Company does not achieve the expected payback during the anticipated timeframe for the severance, store closure and other related expenses recorded. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, refer to section 10.0 (Key Risks and Risk Management) of this MD&A and all subsections thereunder, as well as the Company's other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at [www.sedar.com](http://www.sedar.com) and at <https://investors.canadiantire.ca>.

The forward-looking information contained herein is based on certain factors and assumptions as of the date hereof and does not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this MD&A does not form part of this MD&A and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

This document contains trade names, trademarks and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks, and service marks referred to herein appear without the ® or ™ symbol.

### **Commitment to Disclosure and Investor Communication**

The Company strives to maintain a high standard of disclosure and investor communication and has been recognized as a leader in financial reporting practices. Reflecting the Company's commitment to full and transparent disclosure, the Investor Relations section of the Company's website at: <https://investors.canadiantire.ca>, includes the following documents and information of interest to investors:

- Report to Shareholders;
- the Annual Information Form;
- the Management Information Circular;
- quarterly reports;



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- quarterly fact sheets and other supplementary information;
- reference materials on the Company's reporting changes; and
- conference call webcasts (archived for one year).

The Company's Report to Shareholders, Annual Information Form, Management Information Circular and quarterly reports are also available at [www.sedar.com](http://www.sedar.com).

If you would like to contact the Investor Relations department directly, email [investor.relations@cantire.com](mailto:investor.relations@cantire.com).

## **14.0 Related Parties**

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The Company's majority shareholder is Martha Billes, who beneficially owns, or controls or directs approximately 61.4 percent of the Common Shares of the Company through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

Transactions with members of the Company's Board of Directors who were also Dealers represented less than one percent of the Company's total revenue and were in accordance with established Company policy applicable to all Dealers. Other transactions with related parties, as defined by IFRS, were not significant during the year.

February 17, 2021



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## Management's Responsibility for Financial Statements

The Management of Canadian Tire Corporation, Limited (the "Company") is responsible for the integrity and reliability of the accompanying consolidated financial statements. These consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards and include amounts based on judgments and estimates. All financial information in our Management's Discussion and Analysis is consistent with these consolidated financial statements.

Management is responsible for establishing and maintaining adequate systems of internal control over financial reporting. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Management has assessed the effectiveness of the Company's internal controls over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company's internal controls over financial reporting were effective as at the date of these consolidated statements.

The Board of Directors oversees Management's responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee, which is comprised solely of directors who are neither officers nor employees of the Company. This Committee meets with Management and the Company's independent auditors, Deloitte LLP, to review the consolidated financial statements and recommend approval by the Board of Directors. The Audit Committee is responsible for making recommendations to the Board of Directors with respect to the appointment of and, subject to the approval of the shareholders authorizing the Board of Directors to do so, approving the remuneration and terms of engagement of the Company's auditors. The Audit Committee also meets with the auditors, without the presence of Management, to discuss the results of their audit.

The consolidated financial statements have been audited by Deloitte LLP, in accordance with Canadian generally accepted auditing standards. Their report is presented on the following page.

**Greg Hicks**  
President and  
Chief Executive Officer

**Gregory Craig**  
Executive Vice-President  
and Chief Financial Officer

February 17, 2021



## Independent Auditor's Report

To the Shareholders of Canadian Tire Corporation, Limited

### Opinion

We have audited the consolidated financial statements of Canadian Tire Corporation, Limited (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as at January 2, 2021 and December 28, 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended January 2, 2021 and December 28, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 2, 2021 and December 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 2, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Key Audit Matter description - Impairment of assets*

The Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each cash generating unit to its carrying value. The goodwill balance was \$889.5 million as of January 2, 2021, of which \$398.4 million was related to the Helly Hansen cash generating unit ("CGU"). The recoverable amount of the Helly Hansen CGU is estimated based on fair value less costs of disposal, estimated using discounted cash flows based on an after-tax discount rate and supported using a market multiple approach. This requires management to make significant estimates and assumptions related to the projected revenues and associated earnings before income taxes, depreciation and amortization ("EBITDA") margins, terminal growth rate, discount rate and guideline public company (GPC) multiples. Changes in these assumptions could have a significant impact on the fair value. The recoverable amount of the CGU exceeded its carrying value as of the measurement date and, therefore, no impairment was recognized.

Given the significant judgments made by management to estimate the fair value of the Helly Hansen CGU, performing audit procedures to evaluate the reasonableness of the estimates and assumptions related to the projected cash flows, terminal growth rate, discount rate and GPC multiples required a high degree of auditor judgment and an increased extent of effort, including the need to involve fair value specialists.

#### *How the Key Audit Matter Was Addressed in the Audit*

Our audit procedures related to the projected revenues and associated EBITDA margins, terminal growth rate, discount rate and GPC multiples used by management to estimate the fair value of goodwill for the Helly Hansen CGU included the following, among others:

- Evaluated management's ability to accurately forecast future revenues and EBITDA margins by comparing actual results to management's historical forecasts.



## Independent Auditor's Report

- Evaluated the reasonableness of management's forecasts of future revenues and EBITDA margins by comparing forecasts to:
  - Historical revenues and operating margins.
  - Internal communications to management and the board of directors.
  - Underlying analyses detailing business strategies and growth plans.
  - Third-party economic research and projected and historical growth of Helly Hansen's peer group.
- With the assistance of our fair value specialists;
  - Compared the terminal growth rate to available industry data and expected long term inflation rates.
  - Evaluated the reasonableness of the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and compared those to the discount rate used.

Evaluated the reasonableness of the GPC multiples by testing the source information underlying the estimate and developing an independent estimate of the GPC multiples and compared that to those used by Management.

### Key Audit Matter description - Allowance on credit card loans receivable

The Company's estimate of allowance on credit card loans receivable is measured using an expected credit loss ("ECL") model. As disclosed in Note 2 and Note 9 to the consolidated financial statements, the Company recorded \$864 million in allowances on credit card receivables on its consolidated balance sheet as at January 2, 2021 using an ECL. The allowance on credit card loans receivable represents a complex accounting estimate based on an assessment of the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") of each cardholder. The Company's ECL model employs an analysis of historical data, economic indicators and experience of delinquency and default, to estimate the amount of credit card loans receivable that may default as a result of past or future events, with certain adjustments for other relevant circumstances influencing the recoverability of these credit card loans. ECL allowances are measured at amounts equal to either (i) 12-month ECL; or (ii) lifetime ECL for those credit card loans that have experienced a significant increase in credit risk ("SICR") since initial recognition or when there is objective evidence of impairment.

The allowance on credit card loans receivable was identified as a key audit matter given the inherent complexity of the models, assumptions, judgments and the interrelationship of these variables in measuring the ECL. Although many estimates and assumptions are required, those with the highest degree of subjectivity and impact on the allowance are related to the PD, EAD, LGD, SICR, lifetime credit losses, effective interest rate, forward looking scenarios including the weighting of those scenarios and the application of expert credit judgment, including the impact of COVID-19. These matters required a high degree of auditor judgment and increased audit effort, including the involvement of financial modelling specialists.

### How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the models, assumptions and judgements used by management to estimate the ECL included the following, among others:

- Evaluated the effectiveness of management's internal controls related to the credit card portfolio data, the governance and oversight over the modelled results and the use of expert credit judgement.
- Evaluated the completeness and accuracy of the data used in the estimate of ECL.
- With the assistance of financial modelling specialists:
  - Evaluated the Company's ECL methodology and key assumptions used for compliance with IFRS.
  - Evaluated the appropriateness of the methodology and inputs used in the models to estimate PD, EAD, LGD, SICR, lifetime credit losses, effective interest rate and the design of the forward-looking scenarios including the weighting of those scenarios.
  - Evaluated the quantitative assessments of the ECL by comparing management's estimate of PD to actual default rates and comparing management's estimates of EAD and LGD to actual loss experience.
  - On a sample basis, independently recalculated the ECL.
  - Evaluated the qualitative assessments included in the ECL by comparing management's expert credit judgements against macroeconomic trends and evaluating those judgements to ensure they are reflective of the credit quality of the credit card portfolio, including the impacts of COVID-19.



## Independent Auditor's Report

### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



## Independent Auditor's Report

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Adam Charles Burke.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants

February 17, 2021  
Toronto, Ontario



## Consolidated Balance Sheets

As at (C\$ in millions)	January 2, 2021	December 28, 2019
<b>ASSETS</b>		
Cash and cash equivalents (Note 7)	\$ 1,327.2	\$ 205.5
Short-term investments	643.0	201.7
Trade and other receivables (Note 8)	973.6	938.3
Loans receivable (Note 9)	5,031.8	5,813.8
Merchandise inventories	2,312.9	2,212.9
Income taxes recoverable	21.9	33.2
Prepaid expenses and deposits	193.8	139.3
Assets classified as held for sale	42.6	10.6
<b>Total current assets</b>	<b>10,546.8</b>	<b>9,555.3</b>
Long-term receivables and other assets (Note 10)	631.9	807.8
Long-term investments	146.2	138.9
Goodwill and intangible assets (Note 11)	2,372.8	2,414.3
Investment property (Note 12)	385.8	389.1
Property and equipment (Note 13)	4,298.2	4,283.3
Right-of-use assets (Note 14)	1,696.7	1,610.4
Deferred income taxes (Note 16)	298.7	319.2
<b>Total assets</b>	<b>\$ 20,377.1</b>	<b>\$ 19,518.3</b>
<b>LIABILITIES</b>		
Bank indebtedness (Note 7)	\$ —	\$ 10.4
Deposits (Note 17)	1,228.0	790.8
Trade and other payables (Note 18)	2,508.3	2,492.4
Provisions (Note 19)	196.7	190.2
Short-term borrowings (Note 21)	165.4	450.0
Loans (Note 22)	506.6	621.5
Current portion of lease liabilities	329.9	335.3
Income taxes payable	120.4	72.6
Current portion of long-term debt (Note 23)	150.5	788.2
<b>Total current liabilities</b>	<b>5,205.8</b>	<b>5,751.4</b>
Long-term provisions (Note 19)	70.3	61.1
Long-term debt (Note 23)	4,115.7	3,730.2
Long-term deposits (Note 17)	2,281.7	1,653.4
Long-term lease liabilities	1,896.6	1,871.0
Deferred income taxes (Note 16)	122.0	136.4
Other long-term liabilities (Note 24)	850.3	810.1
<b>Total liabilities</b>	<b>14,542.4</b>	<b>14,013.6</b>
<b>EQUITY</b>		
Share capital (Note 26)	597.0	588.0
Contributed surplus	2.9	2.9
Accumulated other comprehensive (loss)	(237.7)	(129.9)
Retained earnings	4,136.9	3,729.6
<b>Equity attributable to shareholders of Canadian Tire Corporation</b>	<b>4,499.1</b>	<b>4,190.6</b>
Non-controlling interests (Note 15)	1,335.6	1,314.1
<b>Total equity</b>	<b>5,834.7</b>	<b>5,504.7</b>
<b>Total liabilities and equity</b>	<b>\$ 20,377.1</b>	<b>\$ 19,518.3</b>

The related notes form an integral part of these consolidated financial statements.

**Maureen J. Sabia**  
Director

**Diana L. Chant**  
Director



## Consolidated Statements of Income

For the years ended

(C\$ in millions, except share and per share amounts)

	January 2, 2021	December 28, 2019
<b>Revenue</b> (Note 28)	<b>\$ 14,871.0</b>	\$ 14,534.4
Cost of producing revenue (Note 29)	<b>9,794.4</b>	9,660.6
<b>Gross margin</b>	<b>5,076.6</b>	4,873.8
Other expense (income)	<b>48.7</b>	(13.4)
Selling, general and administrative expenses (Note 30)	<b>3,599.3</b>	3,437.5
Net finance costs (Note 31)	<b>256.5</b>	266.8
<b>Income before income taxes</b>	<b>1,172.1</b>	1,182.9
<b>Income taxes</b> (Note 16)	<b>309.5</b>	288.1
<b>Net income</b>	<b>\$ 862.6</b>	\$ 894.8
Net income attributable to:		
Shareholders of Canadian Tire Corporation	<b>\$ 751.8</b>	\$ 778.4
Non-controlling interests (Note 15)	<b>110.8</b>	116.4
	<b>\$ 862.6</b>	\$ 894.8
<b>Basic earnings per share</b>	<b>\$ 12.35</b>	\$ 12.60
<b>Diluted earnings per share</b>	<b>\$ 12.31</b>	\$ 12.58
<b>Weighted average number of Common and Class A Non-Voting Shares outstanding:</b>		
<b>Basic</b>	<b>60,896,809</b>	61,794,565
<b>Diluted</b>	<b>61,090,111</b>	61,861,486

The related notes form an integral part of these consolidated financial statements.



## Consolidated Statements of Comprehensive Income

For the years ended

(C\$ in millions)

	January 2, 2021	December 28, 2019
<b>Net income</b>	<b>\$ 862.6</b>	<b>\$ 894.8</b>
<b>Other comprehensive (loss), net of taxes</b>		
<b>Items that may be reclassified subsequently to net income:</b>		
Net fair value (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	(34.7)	(4.5)
Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items	(12.0)	(18.7)
Reclassification of losses to income	2.8	0.6
Currency translation adjustment	(13.0)	(60.7)
<b>Items that will not be reclassified subsequently to net income:</b>		
Actuarial losses	(10.7)	(15.1)
Net fair value (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	(29.9)	(52.7)
<b>Other comprehensive (loss)</b>	<b>\$ (97.5)</b>	<b>\$ (151.1)</b>
Other comprehensive (loss) attributable to:		
Shareholders of Canadian Tire Corporation	\$ (88.4)	\$ (146.1)
Non-controlling interests	(9.1)	(5.0)
	<b>\$ (97.5)</b>	<b>\$ (151.1)</b>
<b>Comprehensive income</b>	<b>\$ 765.1</b>	<b>\$ 743.7</b>
Comprehensive income attributable to:		
Shareholders of Canadian Tire Corporation	\$ 663.4	\$ 632.3
Non-controlling interests	101.7	111.4
	<b>\$ 765.1</b>	<b>\$ 743.7</b>

The related notes form an integral part of these consolidated financial statements.



## Consolidated Statements of Cash Flows

For the years ended (C\$ in millions)	January 2, 2021	December 28, 2019
<b>Cash (used for) generated from:</b>		
<b>Operating activities</b>		
Net income	\$ 862.6	\$ 894.8
Adjustments for:		
Depreciation of property and equipment, investment property and right-of-use assets (Notes 29 and 30)	582.6	546.7
Impairment on property and equipment, intangible assets, investment property and right-of-use assets	46.9	1.9
Income taxes (Note 16)	309.5	288.1
Net finance costs (Note 31)	256.5	266.8
Amortization of intangible assets (Note 30)	112.7	110.8
(Gain) on disposal of property and equipment, investment property, assets held for sale and right-of-use assets	(12.1)	(25.8)
Total except as noted below	2,158.7	2,083.3
Interest paid	(272.6)	(297.3)
Interest received	15.8	27.3
Income taxes paid	(200.5)	(347.9)
Change in loans receivable	925.1	(270.4)
Change in operating working capital and other	(183.7)	(107.4)
<b>Cash generated from operating activities</b>	<b>2,442.8</b>	<b>1,087.6</b>
<b>Investing activities</b>		
Additions to property and equipment and investment property	(307.2)	(435.2)
Additions to intangible assets	(129.3)	(178.6)
Total additions	(436.5)	(613.8)
Acquisition of short-term investments	(710.0)	(297.3)
Proceeds from maturity and disposition of short-term investments	328.8	326.0
Proceeds on disposition of property and equipment, investment property and assets held for sale	13.3	20.2
Business combinations, net of cash acquired	—	(177.3)
Lease payments for finance subleases (principal portion)	16.8	16.4
Acquisition of long-term investments and other	(60.4)	(32.9)
<b>Cash (used for) investing activities</b>	<b>(848.0)</b>	<b>(758.7)</b>
<b>Financing activities</b>		
Dividends paid	(262.9)	(242.5)
Distributions paid to non-controlling interests	(96.2)	(84.1)
Total dividends and distributions paid	(359.1)	(326.6)
Net (repayment) issuance of short-term borrowings	(284.6)	71.9
Issuance of loans	248.9	259.2
Repayment of loans	(363.6)	(292.3)
Issuance of long-term debt	1,198.6	571.3
Repayment of long-term debt	(1,450.8)	(500.3)
Payment of lease liabilities (principal portion)	(367.9)	(313.3)
Payment of transaction costs related to long-term debt	(2.8)	(2.6)
Purchase of Class A Non-Voting Shares	(111.5)	(218.0)
Proceeds on disposal of partial interest in CT REIT	—	142.6
Net proceeds from issue of trust units to non-controlling interests	—	86.3
Payments on financial instruments	(30.9)	(51.6)
Change in deposits	1,061.0	(30.8)
<b>Cash (used for) financing activities</b>	<b>(462.7)</b>	<b>(604.2)</b>
<b>Cash generated (used) in the period</b>	<b>1,132.1</b>	<b>(275.3)</b>
<b>Cash and cash equivalents, net of bank indebtedness, beginning of period</b>	<b>195.1</b>	<b>470.4</b>
<b>Cash and cash equivalents, net of bank indebtedness, end of period (Note 7)</b>	<b>\$ 1,327.2</b>	<b>\$ 195.1</b>

The related notes form an integral part of these consolidated financial statements.



## Consolidated Statements of Changes in Equity

(C\$ in millions)	Total accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Cash flow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
Balance at December 28, 2019	\$ 588.0	\$ 2.9	\$ (28.3)	\$ (101.8)	\$ (129.9)	\$ 3,729.6	\$ 4,190.6	\$ 1,314.1	\$ 5,504.7
Net income	—	—	—	—	—	751.8	751.8	110.8	862.6
Other comprehensive income (loss)	—	—	(65.1)	(13.0)	(78.1)	(10.3)	(88.4)	(9.1)	(97.5)
Total comprehensive income (loss)	—	—	(65.1)	(13.0)	(78.1)	741.5	663.4	101.7	765.1
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(29.7)	—	(29.7)	—	(29.7)	—	(29.7)
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 26)	14.3	—	—	—	—	—	14.3	—	14.3
Purchase of Class A Non-Voting Shares (Note 26)	(110.7)	—	—	—	—	—	(110.7)	—	(110.7)
Reversal of accrued liability for automatic share purchase plan commitment (Note 26)	3.0	—	—	—	—	46.1	49.1	—	49.1
Excess of purchase price over average cost (Note 26)	102.4	—	—	—	—	(102.4)	—	—	—
Dividends	—	—	—	—	—	(277.9)	(277.9)	—	(277.9)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	16.2	16.2
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(96.4)	(96.4)
Total contributions and distributions	9.0	—	(29.7)	—	(29.7)	(334.2)	(354.9)	(80.2)	(435.1)
Balance at January 2, 2021	\$ 597.0	\$ 2.9	\$ (123.1)	\$ (114.6)	\$ (237.7)	\$ 4,136.9	\$ 4,499.1	\$ 1,335.6	\$ 5,834.7

(C\$ in millions)	Total accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Cash flow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
December 30, 2018, as previously reported	\$ 591.5	\$ 2.9	\$ 92.0	\$ (40.9)	\$ 51.1	\$ 3,720.7	\$ 4,366.2	\$ 1,048.8	\$ 5,415.0
Transition adjustments – IFRS 16	—	—	—	—	—	(246.9)	(246.9)	(0.1)	(247.0)
Restated balance at December 30, 2018	591.5	2.9	92.0	(40.9)	51.1	3,473.8	4,119.3	1,048.7	5,168.0
Net income	—	—	—	—	—	778.4	778.4	116.4	894.8
Other comprehensive (loss)	—	—	(70.8)	(60.7)	(131.5)	(14.6)	(146.1)	(5.0)	(151.1)
Total comprehensive (loss) income	—	—	(70.8)	(60.7)	(131.5)	763.8	632.3	111.4	743.7
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(49.5)	—	(49.5)	—	(49.5)	—	(49.5)
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 26)	14.3	—	—	—	—	—	14.3	—	14.3
Purchase of Class A Non-Voting Shares (Note 26)	(215.2)	—	—	—	—	—	(215.2)	—	(215.2)
Reversal of accrued liability for automatic share purchase plan commitment (Note 26)	(3.0)	—	—	—	—	(46.1)	(49.1)	—	(49.1)
Excess of purchase price over average cost (Note 26)	200.4	—	—	—	—	(200.4)	—	—	—
Dividends	—	—	—	—	—	(261.5)	(261.5)	—	(261.5)
Contributions and distributions to non-controlling interests									
Sale of ownership interests in the CT REIT business, net of transaction costs	—	—	—	—	—	—	—	142.7	142.7
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	96.7	96.7
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(85.4)	(85.4)
Total contributions and distributions	(3.5)	—	(49.5)	—	(49.5)	(508.0)	(561.0)	154.0	(407.0)
Balance at December 28, 2019	\$ 588.0	\$ 2.9	\$ (28.3)	\$ (101.8)	\$ (129.9)	\$ 3,729.6	\$ 4,190.6	\$ 1,314.1	\$ 5,504.7

The related notes form an integral part of these consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. The Company and its Operations

Canadian Tire Corporation, Limited is a Canadian public company primarily domiciled in Canada. Its registered office is located at 2180 Yonge Street, Toronto, Ontario, M4P 2V8, Canada. It is listed on the Toronto Stock Exchange (TSX – CTC, CTC.A). Canadian Tire Corporation, Limited and entities it controls are together referred to in these consolidated financial statements as the “Company”, “CTC” or “Canadian Tire Corporation”. Refer to Note 15 for the Company’s major subsidiaries.

The Company is comprised of three main business operations, which offer a wide range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, Financial Services including a bank, and real estate operations. Details of the Company’s three reportable operating segments are provided in Note 6.

This document contains trade names, trademarks and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks and service marks referred to herein appear without the ® or TM symbol.

### 2. Basis of Preparation

#### Fiscal Year

The fiscal year of the Company consists of a 52 or 53-week period ending on the Saturday closest to December 31. The fiscal years for the consolidated financial statements and notes presented for 2020 and 2019 are the 53-week and 52-week periods ended January 2, 2021 and December 28, 2019, respectively.

#### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on February 17, 2021.

#### Basis of Presentation

These consolidated financial statements have been prepared on the historical cost basis, except for the following items, which are measured at fair value:

- financial instruments at fair value through profit or loss (“FVTPL”);
- derivative financial instruments;
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in a business combination.

In addition, the post-employment defined benefit obligation is recorded at its discounted present value.

#### Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars (“\$” or “C\$”), the Company’s functional currency.

#### Judgments and Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires Management to make judgments and estimates that affect:

- the application of accounting policies;
- the reported amounts of assets and liabilities;
- disclosures of contingent assets and liabilities; and
- the reported amounts of revenue and expenses during the reporting periods.

Actual results may differ from estimates made in these consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

On March 12, 2020, the World Health Organization declared the outbreak of Coronavirus ("COVID-19") a pandemic. There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on the Company's operations. The extent to which the impacts of COVID-19 pandemic affects the judgments and estimates described further in this note depend on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these consolidated financial statements.

The following are the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these consolidated financial statements.

### **Impairment of Assets**

*Judgment* – The Company uses judgment in determining the grouping of assets to identify its Cash Generating Units ("CGUs") for purposes of testing for impairment of property and equipment and goodwill and intangible assets. The Company has determined that its Retail CGUs comprise individual stores or groups of stores. In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment of intangibles with indefinite lives, these assets are allocated to the CGUs to which they relate. Furthermore, on a quarterly basis, judgment is used in determining whether there has been an indication of impairment, which would require the completion of a quarterly impairment test, in addition to the annual requirement.

*Estimation* – The Company's estimate of a CGU's or group of CGUs' recoverable amount is based on value in use ("VIU") and involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on the Bank of Canada's target inflation rate or Management's estimate of the growth rate specific to the individual item being tested. The future cash flow estimates are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to each business.

The Company's determination of a CGU's or group of CGUs' recoverable amount based on fair value less cost to sell ("FVLCS") uses factors such as royalty rates or market rental rates for comparable assets or estimated using discounted cash flows based on an after-tax discount rate, consistent with the assumptions that a market participant would make. When using discounted cash flows based on an after-tax discount rate, the values assigned to the key assumptions represent Management's assessment of future trends in the relevant industry and are based on historical data from both external and internal sources, including review of historical and forecast growth rates, long-term inflationary and nominal Gross Domestic Product growth estimates for the primary countries in which CGU or group of CGUs operates, consistent with the assumptions that a market participant would make.

### **Fair Value Measurement of Redeemable Financial Instrument**

*Judgment* – The Company uses judgment in determining the fair value measurement of the redeemable financial instrument issued in conjunction with the sale of a 20 percent equity interest in the Company's Financial Services business. In calculating the fair value, judgment is used when determining the discount and growth rates applied to the forecasted earnings in the discounted cash flow valuation. Refer to Note 33 for further information regarding this financial instrument.

*Estimation* – The inputs to determine the fair value are taken from observable markets where possible, but where they are unavailable, assumptions are required in establishing fair value. The fair value of the redeemable



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

financial instrument is determined based on the Company's best estimate of forecasted earnings attributable to the Financial Services business, adjusted for any undistributed earnings.

### **Merchandise Inventories**

*Estimation* – Merchandise inventories are carried at the lower of cost and net realizable value. The estimation of net realizable value is based on the most reliable evidence available of the amount the merchandise inventories are expected to realize. Additionally, estimation is required for inventory provisions due to shrinkage.

### **Income and Other Taxes**

*Judgment* – In calculating current and deferred income and other taxes, the Company uses judgment when interpreting the tax rules in jurisdictions where the Company operates. The Company also uses judgment in classifying transactions and assessing probable outcomes of claimed deductions, which considers expectations of future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by tax authorities.

### **Consolidation**

*Judgment* – The Company uses judgment in determining the entities that it controls and consolidates accordingly. An entity is controlled when the Company has power over an entity, exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are the activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without giving it power over the entity.

### **Allowance on Loans Receivable**

*Estimation* – The Company's estimate of allowances on credit card loans receivable is based on an expected credit loss ("ECL") approach that employs an analysis of historical data, economic indicators and experience of delinquency and default, to estimate the amount of loans that may default as a result of past or future events, with certain adjustments for other relevant circumstances influencing the recoverability of these loans receivable. Impairment of loans is assessed based on whether there has been a significant increase in credit risk since origination and incorporation of forward-looking information in the measurement of expected credit losses. Default rates, loss rates and the expected timing of future recoveries are periodically benchmarked against actual outcomes to ensure that they remain appropriate. Future customer behaviour may be affected by a number of factors, including changes in interest and unemployment rates and program design changes.

### **Post-Employment Benefits**

*Estimation* – The accounting for the Company's post-employment benefit plan requires the use of assumptions. The accrued benefit liability is calculated using actuarial determined data and the Company's best estimates of future salary escalations, retirement ages of employees, employee turnover, mortality rates, market discount rates and expected health and dental care costs.

### **Lease Liabilities**

*Estimation* – For the measurement of lease liabilities, Management considers all factors that create an economic incentive to exercise extension options, or not exercise termination options available in its leasing arrangements. Extension options, or periods subject to termination options, are only included in the lease term if management determines it is reasonably certain to be extended or not terminated. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

*Estimation* – The Company generally uses the lessee's incremental borrowing rate when initially recording property leases. For property leases, the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the rate of interest that the lessee would pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **Other**

Other estimates include determining the useful lives and depreciation methods applied to investment property and intangible assets for the purposes of depreciation and amortization; in accounting for and measuring items such as deferred revenue, provisions and purchase price adjustments on business combinations; and in measuring certain fair values, including those related to the valuation of business combinations, share-based payments and financial instruments.

### **Standards, Amendments and Interpretations Issued and Adopted**

#### ***Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)***

Effective in the first quarter 2020, the Company adopted "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7", issued in September 2019. The amendments provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates ("IBORs")).

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of certain debt issuances and deposits. The Company also enters into "swaption" derivative financial instruments that provide it with an option to enter into an interest rate swap as part of the Company's strategy to manage its interest rate exposure risk on the future interest payments of certain debt issuances and deposits. Where hedge accounting can be applied, the Company accounts for these derivatives as cash flow hedges.

The Company's hedging relationships have significant exposure to the Canadian Dollar Offered Rate ("CDOR"). Under IBOR reform, CDOR may be subject to discontinuance, changes in methodology, or become unavailable. The Bank of Canada has established the Canadian Alternative Reference Rate Working Group ("CARR") to identify and seek to develop new Canadian dollar interest rate benchmarks. The Canadian Overnight Repo Rate ("CORRA") has been recommended as the alternative to CDOR. Already available in the market, CORRA is currently being enhanced and reformed by its administrator, the Bank of Canada. As a result of these developments, uncertainty exists relating to timing and methods of transition for financial instruments affected by these changes, and also in determining whether hedging relationships that hedge the variability of cash flows due to changes in IBORs continue to qualify for hedge accounting. These adopted amendments modify hedge accounting requirements, allowing the Company to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue.

Management is closely monitoring the impacted hedge relationship for possible changes to CDOR and its possible replacement with a new Canadian dollar interest rate benchmark. If the new or revised rates differ from the prior benchmark rates, new or revised hedging strategies may be required to better align derivative hedging instruments with hedged items. However, given the market uncertainty, the assessment of the impact on the Company's hedging strategies and its mitigation plans is in the early stages.

Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present or when the hedging relationship is discontinued.

For aspects of hedge accounting not covered by the amendments and hedges that are not directly impacted by the IBOR reform, the accounting policies as described in Note 3 continue to apply.

### **Standards, Amendments and Interpretations Issued but not yet Adopted**

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending January 2, 2021 and, accordingly, have not been applied in preparing these consolidated financial statements.

### ***Insurance Contracts***

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – *Insurance Contracts* ("IFRS 17"), which replaces IFRS 4 – *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In June 2020, the IASB issued 'Amendments to IFRS 17' to address



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

concerns and implementation challenges that were identified after IFRS 17 was published in 2017. The amendment also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

### **Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)**

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 – *Presentation of Financial Statements*. The narrow-scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. In July 2020, due to COVID-19, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments. The implementation of these amendments is not expected to have a significant impact on the Company.

### **Amendment to IFRS 16 Leases – COVID-19-Related Rent Concessions**

In May 2020, the IASB issued an amendment to IFRS 16 – *Leases* ("IFRS 16") to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

### **Annual Improvements 2018-2020 and Package of Narrow-Scope Amendments**

In May 2020, the IASB issued the package of narrow-scope amendments to three Standards (IFRS 3 – *Business Combinations*, IAS 16 – *Property, Plant and Equipment*, and IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*) as well as the IASB's Annual Improvements 2018-2020, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. These amendments will be effective for annual periods beginning on or after January 1, 2022. The implementation of these narrow-scope amendments is not expected to have a significant impact on the Company.

### **Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

In August 2020, upon completion of the IFRS amendments to facilitate the IBOR reform, the IASB issued Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Phase 2 Amendments"). In relation to changes in financial instruments that are directly required by the IBOR reform, Phase 2 Amendments mainly provide (i) a practical expedient to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the IBOR reform by updating the effective interest rate of the financial asset or financial liability; (ii) exceptions to the hedge accounting requirements providing relief from discontinuing hedge relationships because of changes to hedge documentation required by the IBOR reform; and (iii) certain additional disclosures on additional information about the Company's exposure to risks arising from the IBOR reform and related risk management activities.

IFRS 16 has also been amended to provide a temporary exception addressing situations where lease agreements specifically refer to an IBOR and will need to be amended as a result of the IBOR reform. Lessees are required to remeasure their lease liabilities in a similar fashion to any other change in estimate, rather than as a lease modification. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset.

Phase 2 Amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The Company is assessing the potential impact of these amendments.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's hedging relationships have significant exposure to the CDOR benchmark. Management is closely monitoring the impacted hedging relationship for possible changes to CDOR and its possible replacement with a new interest rate benchmark. In November 2020, Refinitiv Benchmark Services (UK) Limited, the administrator of CDOR, announced that the 6 and 12 month tenors of CDOR will cease to be published effective May 17, 2021. The 1, 2 and 3 month tenors of CDOR will continue to be published. As of the date of these financial statements, the Company's hedging instruments do not specify 6 and 12 month tenors of CDOR.

The practical expedients available under these amendments will be applied for the 2021 annual fiscal period and beyond once the IBOR reform starts impacting the basis for determining the contractual cash flows of a financial asset or financial liability and hedge accounting requirements.

### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as noted below and have been applied consistently throughout the Company.

#### **Basis of Consolidation**

These consolidated financial statements include the accounts of Canadian Tire Corporation and entities it controls. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity. Refer to Note 15.1 for details of the Company's significant entities.

The results of certain subsidiaries that have different year ends have been included in these consolidated financial statements for the 53-week periods ended January 2, 2021 and 52-week periods ended December 28, 2019. The year end of CT Real Estate Investment Trust ("CT REIT"), Helly Hansen, Franchise Trust and CTFS Holdings Limited and its subsidiaries is December 31.

Income or loss and each component of OCI are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance on consolidation.

#### **Business Combinations**

The Company applies the acquisition method in accounting for business combinations.

The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interests in the acquiree and the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, the fair value of any contingent consideration and equity interests issued by the Company.

Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date control is obtained and the resulting gain or loss, if any, is recognized in net income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in OCI are reclassified to net income.

The fair values of property and equipment recognized as a result of a business combination is based on either the cost approach or market approach, as applicable. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly. For the cost approach, the current replacement cost or reproduction cost for each major asset is calculated.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair values of banners and trademarks acquired in a business combination are determined using an income approach. The "relief from royalty" method has been applied to forecast revenue using an appropriate royalty rate. This results in an estimate of the value of the intangible assets acquired by the Company.

The fair values of franchise agreements and other intangibles, such as customer relationships, are determined using an income approach or multi-period excess earnings approach. This method is based on the discounted cash flows expected to be derived from ownership of the assets. The present value of the cash flows represents the value of the intangible asset. The fair value of off-market leases acquired in a business combination is determined based on the present value of the difference between market rates and rates in the existing leases.

The fair values of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale and a reasonable profit margin based on the effort required to complete and sell the inventories.

Transaction costs that the Company incurs in connection with a business combination are expensed immediately.

Lease liabilities and corresponding right-of-use assets are recognized for leases in which the acquiree is a lessee. The lease liability is measured at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. The right-of-use asset is equal to the lease liability, adjusted to reflect favourable or unfavourable market terms.

### **Joint Arrangement**

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that have joint control have rights to the assets and obligations for the liabilities related to the arrangement. The Company records its share of a joint operation's assets, liabilities, revenues, and expenses.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company records its interest in a joint venture as an investment and accounts for it using the equity method.

### **Functional and Presentation Currency**

Each of the Company's foreign subsidiaries determines its own functional currency and items included in the consolidated financial statements of each foreign subsidiary are measured using that functional currency. Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Gains or losses on translation are accumulated as a component of equity. On the disposal of a foreign operation, or the loss of control, the component of accumulated other comprehensive income ("AOCI") relating to that foreign operation is reclassified to net income.

### **Foreign Currency Transactions and Balances**

Transactions in foreign currencies are translated into the entity's functional currency at rates in effect at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the entity's functional currency at the closing exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost are translated into the entity's functional currency at the exchange rate at the date of the original transaction. Exchange gains or losses arising from translation are recorded in other (income) expense of producing revenue as applicable in the Consolidated Statements of Income.

### **Financial Instruments**

#### **Recognition and Initial Measurement**

Financial assets and financial liabilities, including derivatives, are recognized in the Consolidated Balance Sheets when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

### **Classification and Subsequent Measurement**

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories: a) amortized cost and b) fair value through profit or loss.

### **Financial Instruments at Amortized Cost**

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities, including derivative liabilities and the redeemable financial instrument, are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise to the extent they are not part of a designated hedging relationship. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method, with gains and losses recognized in net income in the period that the liability is derecognized.

### **Financial Instruments at Fair Value Through Profit or Loss**

Financial instruments are classified as FVTPL when the financial instrument is either held for trading or designated as such upon initial recognition. Financial instruments are classified as held for trading if acquired principally for the purpose of selling in the near future or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-making. All financial assets not classified as amortized cost are measured at FVTPL. This includes derivative financial assets that are not part of a designated hedging relationship.

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

### **Impairment of Financial Instruments**

The Company recognizes a loss allowance on a forward-looking basis at an amount equal to the lifetime ECL on its financial assets measured at amortized cost, except for the following, which are measured at 12-month ECL:

- debt investments that are determined to have low credit risk at the reporting date with a credit risk rating equivalent to investment grade; and
- other financial assets, such as loans receivable, for which credit risk has not increased significantly since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all probable default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Losses for impaired credit card loans are recognized when credit is granted. Twelve-month ECL is recognized on loans except when credit risk has increased significantly since initial recognition, in which case lifetime ECL is applied. A significant increase in credit risk is assessed based on changes in the probability of default since initial



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

recognition along with borrower specific qualitative information, or when the loan is more than 30 days past due. Credit card loans are considered impaired and in default when they are 90 days past due or there is sufficient doubt regarding the ultimate collectability of principal and/or interest. The estimate of credit card loans receivable for accounts wherein the customer has initiated the consumer proposal insolvency process is based on the present value of expected future cash flows based on the terms of consumer proposal agreements received during the year. Credit card loans that are over 180 days past due are written down to the present value of the expected future cash flows.

ECL is calculated as the product of the probability of default, exposure at default and loss given default over the remaining expected life of the loans and discounted to the reporting date. The ECL model also incorporates forward-looking information, which increases the degree of judgment required as to how changes in macro-economic factors will affect ECLs. Macro-economic factors taken into consideration include, but are not limited to, unemployment rate and require an evaluation of both the current and forecast direction of the macro-economic cycle. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All loans receivable are assessed for impairment. All loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

### ***Derecognition of Financial Instruments***

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when its contractual obligations are discharged, cancelled, or expire.

### ***Derivative Financial Instruments***

The Company enters into various derivative financial instruments as part of the Company's strategy to manage its foreign currency and interest rate exposures. The Company also enters into equity derivative contracts to hedge certain future share-based payment expenses. The Company does not hold or issue derivative financial instruments for trading purposes.

All derivative financial instruments, including derivatives embedded in financial or non-financial contracts not closely related to the host contracts, are measured at fair value. The gain or loss that results from remeasurement at each reporting period is recognized in net income immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in net income depends on the nature of the hedge relationship.

### ***Hedge Accounting***

Where hedge accounting can be applied, certain criteria are documented at the inception of the hedge and updated at each reporting date.

### ***Cash Flow Hedges***

For cash flow hedges, the effective portion of the changes in the fair value of the hedging derivative, net of taxes, is recognized in OCI, while the ineffective and unhedged portions are recognized immediately in net income. Amounts recorded in AOCI are reclassified to net income in the periods when the hedged item affects net income. However, when a forecasted transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously recognized in AOCI are directly transferred from AOCI and included in the initial measurement of the cost of the non-financial asset or liability without affecting other comprehensive income.

When hedge accounting is discontinued, the amounts previously recognized in AOCI are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. If hedge accounting is discontinued due to the hedged item no longer being expected to occur, the amount previously recognized in AOCI is reclassified immediately to net income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company enters into foreign currency derivative contracts to hedge the exposure against foreign currency risk on the future payment of certain foreign-currency-denominated inventory purchases and certain expenses. The Company's policy is for the critical terms of the foreign currency derivative contracts to align with the hedged item and applies a hedge ratio of 1:1. The changes in fair value of these derivative contracts are included in OCI to the extent the hedges continue to be effective. Hedge ineffectiveness may arise if the timing of the hedged transactions changes from what was originally estimated. Once the inventory is received, the Company transfers the related AOCI amount to merchandise inventories and subsequent changes in the fair value of the foreign currency derivative contracts are recorded in net income as they occur. When the expenses are incurred, the Company reclassifies the related AOCI amount to the expense.

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of certain debt issuances and deposits. The Company also enters into "swaption" derivative financial instruments that provide it with an option to enter into an interest rate swap as part of the Company's strategy to manage its interest rate exposure risk on the future interest payments of certain debt issuances and deposits.

The Company's policy is for the critical terms of the interest rate swap and swaptions contracts to align with the hedged item and applies a hedge ratio of 1:1. The changes in fair value of these derivative contracts are included in OCI to the extent that the hedges continue to be effective. The Company designates only the change in fair value of the intrinsic value of the instrument as the hedging instrument. The time value of the option relates to a time-period related to the hedged item. The change in time value is recognized in OCI and is subsequently amortized on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss. Hedge ineffectiveness may arise if the timing of the hedged transactions changes from what was originally estimated. When the interest expense is incurred, the Company reclassifies the related AOCI amount to finance costs.

### **Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash plus highly liquid and rated certificates of deposit or commercial paper with an original term to maturity of three months or less.

### **Short-Term Investments**

Short-term investments are investments in highly liquid and rated certificates of deposit, commercial paper or other securities, primarily Canadian and United States ("U.S.") government securities and notes of other creditworthy parties, with an original term to maturity of more than three months and remaining term to maturity of less than one year.

### **Trade and Other Receivables**

The lifetime ECL allowance for impairment is recognized for trade and other receivables. It is estimated based on the Company's historical loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current as well as forecast direction of conditions at the reporting date. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in Selling, general and administrative expenses in the Consolidated Statements of Income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as a recovery in Selling, general and administrative expenses in the Consolidated Statements of Income.

### **Loans Receivable**

Loans receivable consists of credit card and line of credit loans, as well as loans to certain Dealers, who are independent third-party operators of Canadian Tire stores. Loans receivable are recognized when cash is advanced to the borrower. They are derecognized when the borrower repays its obligations, the loans are sold or written off, or substantially all of the risks and rewards of ownership are transferred.

Losses for impaired loans are recognized when the loan is originated. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded in Cost of producing revenue in the Consolidated Statements of Income. The carrying amount of loans receivable in the Consolidated Balance Sheets is reduced through the use of impairment allowance accounts.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **Merchandise Inventories**

Merchandise inventories are carried at the lower of cost and net realizable value.

Cash consideration received from vendors is recognized as a reduction to the cost of related inventory, unless the cash consideration received is either a reimbursement of incremental costs incurred by the Company or a payment for assets or services delivered to the vendor.

The cost of merchandise inventories is determined based on weighted average cost and includes costs incurred in bringing the merchandise inventories to their present location and condition. All inventories are finished goods.

Net realizable value is the estimated selling price of inventory during the normal course of business less estimated selling expenses.

### **Long-Term Investments**

Investments in highly liquid and rated securities with a remaining term to maturity of greater than one year are classified as long-term investments. The Company's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 5.

### **Intangible Assets**

#### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill is measured at cost less any accumulated impairment and is not amortized.

#### **Finite Life and Indefinite Life Intangible Assets**

Intangible assets with finite useful lives are measured at cost and are amortized on a straight-line basis over their estimated useful lives, generally for a period of two to ten years. The estimated useful lives and amortization methods are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are measured at cost, less any accumulated impairment and are not amortized.

Expenditures on research activities are expensed as incurred.

### **Investment Property**

Investment property is property held to earn rental income or for appreciation of capital or both. The Company has determined that properties it provides to its Dealers, franchisees and agents are not investment property as these relate to the Company's operating activities. This was determined based on certain criteria such as whether the Company provides significant ancillary services to the lessees of the property. The Company includes property that it leases to third parties (other than Dealers, franchisees, or agents) in investment property. Investment property is measured and depreciated in the same manner as property and equipment.

### **Property and Equipment**

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment. Land is measured at cost less any accumulated impairment. Properties in the course of construction are measured at cost less any accumulated impairment. The cost of an item of property or equipment comprises costs that are directly attributed to its acquisition and initial estimates of the cost of dismantling and removing the item and restoring the site on which it is located.

Buildings, fixtures and equipment are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives, depreciation method and residual values are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis.

Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases or useful life, if shorter.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Estimated useful lives are as follows:

<b>Asset Category</b>	<b>Estimated Useful Lives</b>
Buildings	10 – 45 years
Fixtures and equipment (including software intangible assets)	3 – 25 years
Leasehold improvements	Shorter of term of lease or estimated useful life

### **Leased Assets**

#### **Lessee**

The Company assesses whether a contract is or contains a lease, at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the Consolidated Statements of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in Selling, general and administrative expenses in the Consolidated Statements of Income. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or subject to a fair market value renewal are expensed as incurred and recognized in Selling, general and administrative expenses in the Consolidated Statements of Income.

Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

#### **Lessor**

When the Company is the lessor in an operating lease, rental income is recognized in net income on a straight-line basis over the term of the lease.

#### **Subleases**

When the Company enters into sublease arrangements as an intermediate lessor, it determines whether the sublease is a finance sublease or operating sublease by reference to the right-of-use asset arising from the head lease. A sublease is a finance sublease if substantially all the risks and rewards of the related head lease right-of-use asset have been transferred to the sub-lessee. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

For finance subleases, the Company derecognizes the corresponding right-of-use asset and records a net investment in the finance sublease and corresponding interest income is recognized in net finance costs. The net investment in the sublease is recognized in trade and other receivables and long-term receivables and other assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### ***Sale and Leaseback***

The accounting treatment of a sale and leaseback transaction is assessed based upon the substance of the transaction and whether the transfer of an asset is considered as a sale when the control of the asset has been transferred to the purchaser.

If the transfer of the asset by the Company as seller-lessee is considered a sale, the Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by it. Accordingly, the amount of any gain or loss that relates to the rights transferred to the buyer-lessor are recognized in other income in the Consolidated Statements of Income.

If the transfer of an asset is not considered a sale, the asset continues to be recognized and a financial liability equal to the transfer proceeds is recorded.

### ***Impairment of Assets***

The carrying amounts of property and equipment, investment property, right-of-use assets and intangible assets with finite useful lives are reviewed at the end of each reporting period to determine whether there are any indicators of impairment. Indicators of impairment may include a significant decline in asset market value, material adverse changes in the external operating environment which affect the manner in which the asset is used or is expected to be used, obsolescence, physical damage of the asset, or expected permanent closing of the store related to a property lease. If any such indicators exist, then the recoverable amount of the asset is estimated. Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized but are tested for impairment at least annually or whenever there is an indicator that the asset may be impaired.

### ***Cash Generating Units***

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. The CGUs correspond to the smallest identifiable group of assets whose continuing use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill acquired in a business combination is allocated to each of the CGUs (or groups of CGUs) expected to benefit from the synergies of the combination. Intangible assets with indefinite useful lives are allocated to the CGU to which they relate.

### ***Determining the Recoverable Amount***

An impairment loss is recognized when the carrying amount of an asset, or of the CGU to which it belongs, exceeds the recoverable amount. The recoverable amount of an asset or CGU is defined as the higher of its FVLCS and its VIU.

In assessing VIU, the estimated future cash flows are discounted to their present value. Cash flows are discounted using a discount rate that includes a risk premium specific to each line of business. The Company estimates cash flows before taxes based on the most recent actual results or budgets. Cash flows are then extrapolated over a period of up to five years, taking into account a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal values is based on the Bank of Canada's target inflation rate or a growth rate specific to the individual item being tested based on Management's estimate.

### ***Recording Impairments and Reversals of Impairments***

Impairments and reversals of impairments are recognized in other expense (income) in the Consolidated Statements of Income. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU. Impairments of goodwill cannot be reversed. Impairments of other assets recognized in prior periods are assessed at the end of each reporting period to determine if the indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the carrying amount. The increased carrying amount of an asset attributable to a reversal of impairment may not exceed the carrying amount that would have been determined had no impairment been recognized in prior periods.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **Assets Classified as Held for Sale**

Non-current assets and disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale and it should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets (and disposal groups) classified as held for sale are measured at the lower of the carrying amount or FVLCS and are not depreciated. The fair value measurement of assets held for sale is categorized within Level 2 of fair value hierarchy (refer to Note 33.2 for definition of fair value hierarchy levels).

### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that require a minimum of three months to prepare for their intended use. All other borrowing costs are recognized in Cost of producing revenue or in Net finance costs in the Consolidated Statements of Income in the period in which they are incurred.

### **Employee Benefits**

#### **Short-Term Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company recognizes a liability and an expense for short-term benefits such as bonuses, profit-sharing and employee stock purchases if the Company has a present legal obligation or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be reasonably estimated.

#### **Post-Employment Benefits**

The Company provides certain health care, dental care, life insurance and other benefits, but not pensions, for certain retired employees pursuant to Company policy. The Company accrues the cost of these employee benefits over the periods in which the employees earn the benefits. The cost of employee benefits earned by employees is actuarially determined using the projected benefit method pro-rated on length of service and Management's best estimate of salary escalation, retirement ages of employees, employee turnover, life expectancy and expected health and dental care costs. The costs are discounted at a rate that is based on market rates as at the measurement date. Actuarial gains and losses are immediately recorded in OCI.

The Company also provides post-employment benefits with respect to contributions to a Deferred Profit Sharing Plan ("DPSP").

#### **Termination Benefits**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes a provision for termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### **Share-Based Payments**

Stock options with tandem stock appreciation rights ("stock options") are granted which enable the employee to exercise the stock option or receive a cash payment equal to the difference between the market price of the Company's Class A Non-Voting Shares as at the exercise date and the exercise price of the stock option. These stock options are considered to be compound instruments. The fair value of compound instruments is measured at each reporting date, taking into account the terms and conditions on which the rights to cash or equity instruments are granted. As the fair value of the settlement in cash is the same as the fair value of the settlement as a traditional stock option, the fair value of the stock option is the same as the fair value of the debt component. The corresponding expense and liability are recognized over the respective vesting period.

The fair value of the amount payable to employees with respect to share unit plans and trust unit plans, which are settled in cash, is recorded as the services are provided over the vesting period. The fair value of the liability is



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

remeasured at each reporting date with the change in the liability being recognized in Selling, general and administrative expenses in the Consolidated Statements of Income.

### **Insurance Reserve**

Included in Trade and other payables is an insurance reserve that consists of an amount determined from loss reports and individual cases and an amount, based on past experience, for losses incurred but not reported. These estimates are continually reviewed and are subject to the impact of future changes in such factors as claim severity and frequency. While Management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided and any adjustment will be reflected in net income during the periods in which they become known.

The Company uses actuarial valuations in determining its reserve for outstanding losses and loss-related expenses using an appropriate reserving methodology for each line of business. The Company does not discount its liabilities for unpaid claims.

### **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainty of cash flows. Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### **Sales and Warranty Returns**

The provision for sales and warranty returns relates to the Company's obligation for defective goods in current store inventories and defective goods sold to customers that have yet to be returned, after-sales service for replacement parts and future corporate store sales returns. Accruals for sales and warranty returns are estimated on the basis of historical returns and are recorded as a reduction to revenue. These accruals are reviewed regularly and updated to reflect Management's best estimate that is based on a most likely amount at each reporting date.

### **Site Restoration and Decommissioning**

Legal or constructive obligations associated with the removal of underground fuel storage tanks and site remediation costs on the retirement of certain property and equipment and with the termination of certain lease agreements are recognized in the period in which they are incurred, when it is probable that an outflow of resources embodying economic benefits will be required and a reasonable estimate of the amount of the obligation can be made. The obligations are initially measured at the Company's best estimate, using an expected value approach and are discounted to present value.

### **Onerous Contracts**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract.

### **Debt**

Debt is classified as current when the Company expects to settle the liability in its normal operating cycle, it holds the liability primarily for the purpose of trading, the liability is due to be settled within 12 months after the date of the Consolidated Balance Sheets, or it does not have an unconditional right to defer settlement of the liability for at least 12 months after the date of the Consolidated Balance Sheets.

### **Share Capital**

Shares issued by the Company are recorded at the value of proceeds received. Repurchased shares are removed from equity. No gain or loss is recognized in net income on the purchase, sale, issue, or cancellation of the Company's shares.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Share purchases are charged to Share capital at the average cost per share outstanding and the excess between the purchase price and the average cost is first allocated to the related contributed surplus, with any remainder allocated to retained earnings.

### **Dividends**

Dividends declared and payable to the Company's shareholders are recognized as a liability in the Consolidated Balance Sheets in the period in which the dividends are approved by the Company's Board of Directors.

### **Distributions**

Distributions to non-controlling interests are recognized as a liability in the Consolidated Balance Sheets in the period in which the distributions are declared.

### **Revenue**

#### ***Sale of Goods***

Revenue from the sale of goods includes merchandise sold to Dealers, Mark's and SportChek franchisees, the sale of gasoline through agents, the sale of goods to the general public by Mark's, PartSource, SportChek<sup>1</sup>, Helly Hansen and Party City<sup>2</sup> corporately-owned stores as well as the sale of goods through Helly Hansen's wholesale channels. This revenue is recognized when the goods are delivered, less an estimate for sales and warranty returns. Revenue from the sale of goods is measured at the fair value of the consideration received less an appropriate deduction for actual and expected returns, discounts, rebates and warranty and customer loyalty program costs, net of sales taxes.

#### ***Customer Loyalty Programs***

Loyalty reward credits issued as part of a sales transaction results in revenue being deferred until the loyalty reward is redeemed by the customer. In addition, an obligation arises from the loyalty program when the Company sells merchandise to the Dealers, for which reward credits may be issued as part of the subsequent sales transaction with the customer. The obligation is measured at fair value by reference to the fair value of the rewards for which they could be redeemed and based on the estimated probability of their redemption. The loyalty program costs are recorded as a reduction to revenue in the Consolidated Statements of Income.

#### ***Interest Income on Loans Receivable***

Interest income includes interest charged on loans receivable and fees that are an integral part of the effective interest rate on financial instruments. Interest income on financial assets is determined using the effective interest method.

#### ***Services Rendered***

Service revenue includes Roadside Assistance Club membership revenue; merchant, interchange and processing fees; cash advance fees; home services fees; foreign exchange fees; and service charges on the loans receivable of the Financial Services operating segment. Service revenue is recognized according to the contractual provisions of the arrangement, which is generally when the service is provided or over the contractual period.

Merchant, interchange and processing fees, cash advance fees and foreign exchange fees on credit card transactions are recognized as revenue at the time transactions are completed.

#### ***Reinsurance Revenue***

Reinsurance premiums are recorded on an accrual basis and are included in net income on a pro rata basis over the life of the insurance contract, with the unearned portion deferred in the Consolidated Balance Sheets. Premiums that are subject to adjustment are estimated based on available information. Any variances from the estimates are recorded in the periods in which they become known.

<sup>1</sup> "SportChek" refers to the retail business carried on by FGL Sports Ltd., including stores operated under the SportChek, Sports Experts, Atmosphere, National Sports, Sports Rousseau and Hockey Experts names and trademarks.

<sup>2</sup> "Party City" refers to the party supply business that operate under the Party City name and trademarks in Canada.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **Royalties and Licence Fees**

Royalties and licence fees include licence fees from Petroleum agents and Dealers and royalties from Mark's and SportChek franchisees. Royalties and licence fee revenues are recognized as they are earned in accordance with the substance of the relevant agreement, which is generally based on percentage of occurred sales.

### **Rental Income**

Rental income from operating leases where the Company is the lessor is recognized on a straight-line basis over the terms of the respective leases.

### **Vendor Rebates**

The Company records cash consideration received from vendors as a reduction in the price of vendors' products and recognizes it as a reduction to the cost of related inventory or, if the related inventory has been sold, to the cost of producing revenue. Certain exceptions apply where the cash consideration received is either a reimbursement of incremental selling costs incurred by the Company or a payment for assets or services delivered to the vendor, in which case the cost is reflected as a reduction in selling, general and administrative expenses.

The Company recognizes rebates that are at the vendor's discretion when the vendor either pays the rebates or agrees to pay them and payment is considered probable and can be reasonably estimated.

### **Net Finance Costs**

Finance income comprises interest income on funds invested and interest income on lease receivables for finance subleases. Interest income is recognized as it accrues using the effective interest method.

Finance costs comprises interest expense on borrowings (including borrowings relating to the Dealer Loan Program), unwinding of the discount on provisions, as well as finance cost on lease liabilities and is net of borrowing costs that have been capitalized. Interest on deposits is recorded in cost of producing revenue in the Consolidated Statements of Income.

### **Income Taxes**

The income tax expense for the year comprises of current and deferred income tax. Income tax expense is recognized in net income except to the extent that it relates to items recognized either in OCI or directly in equity. In this case, the income tax expense is recognized in OCI or in equity, respectively.

The income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Consolidated Balance Sheets in the countries where the Company operates and generates taxable income.

Deferred income tax is recognized using the liability method for unused tax losses, unused tax benefits and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these Consolidated Financial Statements. However, deferred income tax is not accounted for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the date of the Consolidated Balance Sheets and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Earnings per Share

Basic earnings per share ("Basic EPS") is calculated by dividing the net income attributable to the shareholders of the Company by the weighted average number of Common and Class A Non-Voting shares outstanding during the reporting period. Diluted earnings per share ("Diluted EPS") is calculated by adjusting the net income attributable to the shareholders of the Company and the weighted average number of shares outstanding for the effects of all potentially dilutive equity instruments, which comprise employee stock options. Net income attributable to the shareholders of the Company is the same for both the Basic EPS and Diluted EPS calculations.

### Non-controlling Interests

When the proportion of the equity held by non-controlling interests changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The Company recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attribute it to the shareholders of the Company.

## 4. Capital Management

The Company's objectives when managing capital are:

- ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintaining healthy liquidity reserves and access to capital; and
- minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The definition of capital varies from company to company, industry to industry and for different purposes. In the process of managing the Company's capital, Management includes the following items in its definition of capital, which includes Glacier Credit Card Trust ("GCCT") indebtedness but excludes Franchise Trust indebtedness:

(C\$ in millions)	2020	% of total	2019	% of total
<b>Capital components</b>				
Deposits	\$ 1,228.0	9.3 %	\$ 790.8	6.4 %
Short-term borrowings	165.4	1.3 %	450.0	3.7 %
Current portion of long-term debt	150.5	1.1 %	788.2	6.5 %
Long-term debt	4,115.7	31.1 %	3,730.2	30.3 %
Long-term deposits	2,281.7	17.2 %	1,653.4	13.4 %
Total debt	\$ 7,941.3	60.0 %	\$ 7,412.6	60.3 %
Redeemable financial instrument (Note 24)	567.0	4.3 %	567.0	4.6 %
Share capital	597.0	4.5 %	588.0	4.8 %
Contributed surplus	2.9	— %	2.9	— %
Retained earnings	4,136.9	31.2 %	3,729.6	30.3 %
<b>Total capital under management</b>	<b>\$ 13,245.1</b>	<b>100.0 %</b>	<b>\$ 12,300.1</b>	<b>100.0 %</b>

The Company monitors its capital structure by measuring debt-to-earnings ratios and manages its debt service and other fixed obligations by tracking its interest and other coverage ratios and forecasting corporate liquidity.

The Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility and risk mitigation. Management calculates its ratios to approximate the methodologies of credit-rating agencies and other market participants on a current and prospective basis. Many of these ratios include lease liabilities. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company has a policy in place to manage capital. As part of the overall management of capital, Management and the Audit Committee of the Board of Directors review the Company's compliance with and



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

performance against, the policy. In addition, periodic review of the policy is performed to ensure consistency with risk tolerances.

In order to maintain or adjust the capital structure, the Company has the flexibility to adjust discretionary capital spending, adjust the amount of shares purchased under its normal course issuer bid ("NCIB") program, adjust the amount of dividends paid to shareholders, repay debt, issue new debt and equity, monetize various assets, engage in additional sale and leaseback transactions of real estate properties and increase or decrease the amount of sales of co-ownership interests in credit card loans receivable to GCCT.

As a result of the economic impacts of the COVID-19 pandemic, the Company took actions to enhance its cash position and financial flexibility, including implementing a plan to reduce operating costs at the head office and corporate stores, reducing discretionary capital expenditure and working capital requirements across the Company, and pausing its share purchases other than for anti-dilutive purposes.

Financial covenants of the existing debt agreements are reviewed by Management on an ongoing basis to monitor compliance with the agreements. The key financial covenant for Canadian Tire Corporation is a requirement for the Retail segment to maintain, at all times, a ratio of total indebtedness to total capitalization equal to or lower than a specified maximum ratio (as defined in the Company's bank credit agreements, but which excludes consideration of CTFS Holdings Limited, CT REIT, Franchise Trust and their respective subsidiaries).

Helly Hansen is required to comply with covenants established under its bank credit agreements, and was in compliance with all financial covenants thereunder as at December 31, 2020 and 2019.

CT REIT is required to comply with covenants established under its Declaration of Trust, the Trust Indenture and bank credit agreement and was in compliance with all financial covenants thereunder as at December 31, 2020 and 2019.

The Company was in compliance with all financial covenants under its existing credit agreements as at January 2, 2021 and December 28, 2019. Under these covenants, the Company has sufficient flexibility to support business growth.

Canadian Tire Bank ("CTB" or "the Bank"), a federally chartered Schedule I bank, is required to comply with regulatory requirements for capital, other regulatory requirements that have an impact on its business operations and certain financial covenants established under its bank credit agreement.

CTB manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). OSFI's regulatory capital guidelines are based on the international Basel Committee on Banking Supervision framework entitled Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems ("Basel III"), which came into effect in Canada on January 1, 2013, and measures capital in relation to credit, market and operational risks. The Bank has various capital policies and procedures and controls, including an Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

The Bank's objectives include:

- holding sufficient capital to maintain the confidence of investors and depositors; and
- being an appropriately capitalized institution, as measured internally, defined by regulatory authorities and compared with the Bank's peers.

OSFI's regulatory capital guidelines under Basel III allow for two tiers of capital. Common Equity Tier 1 ("CET1") capital includes common shares, retained earnings and AOCI, less regulatory adjustments which are deducted from capital. The Bank currently does not hold any additional Tier 1 capital instruments; therefore, the Bank's CET1 is equal to its Tier 1 regulatory capital. Tier 2 capital consists of the eligible portion of general allowances. Risk-weighted assets ("RWAs") include a credit risk component for all on-balance-sheet assets weighted for the risk inherent in each type of asset, off-balance sheet financial instruments, an operational risk component based on a percentage of average risk-weighted revenues and a market-risk component for assets held for trade. For the purposes of calculating RWAs, securitization transactions are considered off-balance-sheet transactions and,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

therefore, securitized assets are not included in the RWAs calculation. Assets are classified as held for trade when they are held with trading intent.

The leverage ratio prescribed by OSFI's Leverage Requirements Guideline provides an overall measure of the adequacy of an institution's capital and is defined as the all-in Tier 1 capital divided by the leverage ratio exposure. The leverage ratio exposure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items.

As at December 31, 2020 and 2019, CTB complied with all regulatory capital guidelines established by OSFI, its internal targets as determined by its ICAAP and all financial covenants under its bank credit agreement.

## 5. Financial Risk Management

### 5.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign currency and interest rate risk).

This note presents information about the Company's exposure to each of the foregoing risks and the Company's objectives, policy and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements and notes thereto.

### 5.2 Risk Management Framework

The Company's Board-approved Financial Risk Management Policy serves to identify and analyze the risks faced by the Company, to set acceptable risk tolerance limits and controls and to monitor risks and adherence to limits. The financial risk management strategies and systems are reviewed regularly to ensure they remain consistent with the objectives and risk tolerance acceptable to the Company and current market trends and conditions. The Company, through its training and management standards and procedures, aims to uphold a disciplined and constructive control environment in which all employees understand their roles and obligations.

### 5.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, arises principally from operations of the Bank's credit card loan portfolio, CTC's interaction with its Dealer and franchisee networks, and financial instruments, which are discussed in more detail below.

#### 5.3.1 Financial Instrument Counterparty Credit Risk

The Company's Financial Risk Management Policy is in place to manage the various risks including counterparty credit risk relating to cash balances, investment activity, and the use of financial derivatives. The Company limits its exposure to counterparty credit risk by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term-to-maturity. The Company's financial instrument portfolio is spread across financial institutions, provincial and federal governments, and, to a lesser extent, corporate and asset-backed issuers that are at least dual rated and have a lowest (if dual rated) or median (if three or more ratings) credit rating in the "A(low)" equivalent category or better.

#### 5.3.2 Consumer and Dealer/Franchisee Credit Risk

Through the granting of credit cards to the Bank's customers, the Company assumes certain risks with respect to the ability and willingness of the Bank's customers to repay loans owing to it. In addition, the Company is required to provide credit enhancement to Franchise Trust for certain individual Dealer's borrowings in the form of standby letters of credit issued by highly-rated financial institutions and guaranteed by the Company (the "LCs") and may also provide guarantees of third-party bank debt agreements or inventory buy-back agreements, with respect to the financing programs available to the Dealers and franchisees (Note 34).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's maximum exposure to credit risk, over and above amounts recognized in the Consolidated Balance Sheets, include the following:

(C\$ in millions)	2020	2019
Undrawn loan commitments	\$ 9,993.9	\$ 10,695.9
Guarantees	377.0	414.9
Total	\$ 10,370.9	\$ 11,110.8

Refer to Note 9 for information on the credit quality and performance of loans receivable.

### 5.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to reasonably ensure that it will have sufficient liquidity to meet its liabilities when due, under normal circumstance, with the ability to reach to some uncertainty. As a result of the COVID-19 pandemic, the Company increased its focus on maintaining liquidity and a strong balance sheet and ensuring continued access to capital. The Company's Financial Risk Management Policy serves to manage its exposure to liquidity risk. The Company uses a detailed consolidated cash flow forecast model to regularly monitor its near-term and longer-term cash flow requirements, which assists in optimizing its short-term cash and indebtedness position while evaluating longer-term funding and capital allocation strategies.

In addition, CTB has in place an Asset Liability Management Policy. It is CTB's objective to ensure the availability of adequate funds by maintaining a strong liquidity management framework and to satisfy all applicable regulatory and statutory requirements.

Provided by a syndicate of seven Canadian and three international financial institutions, \$1.975 billion in an unsecured revolving committed bank credit facility is available to CTC for general corporate purposes, expiring in August 2024.

During the second quarter of 2020, in response to COVID-19, the Company entered into a new unsecured revolving committed bank credit facility for \$710 million with five Canadian financial institutions. This facility expires in June, 2022.

Provided by a syndicate of seven Canadian financial institutions, \$300.0 million in an unsecured revolving committed bank credit facility is available to CT REIT for general business purposes, expiring in December 2024.

The Bank of Nova Scotia ("Scotiabank") has provided CTB with a \$250.0 million unsecured revolving committed credit facility and \$2.0 billion in committed note purchase facilities for the purchase of senior and subordinated notes issued by GCCT, each of which expire in October 2022.

Provided by a syndicate of five Canadian financial institutions, \$300.0 million in a committed liquidity facility provides backstop protection to GCCT's Series 1997-1 asset-backed commercial paper ("ABCP") program, expiring in August 2022.

In addition to the key committed bank credit facilities outlined above, the Company has access to additional facilities and funding sources including internal cash generation, access to public and private financial markets, monetization of various assets, and strategic real estate transactions. Assets of CTB are funded through the securitization of credit card loans receivable using GCCT, broker guaranteed investment certificate ("GIC") deposits, retail GIC deposits and high-interest savings ("HIS") account deposits. CTB also holds high quality liquid assets, as required by regulators, which are available to address funding disruptions.

The Company has a U.S. dollar-denominated commercial paper ("U.S. CP") program that allows it to issue up to a maximum aggregate principal amount of U.S. \$1.0 billion of short-term promissory notes in the United States. Funds can be borrowed under this program with terms to maturity ranging from one to 270 days. Any issuances made under the program are issued at a discount and the notes rank equally in right of payment with all other present and future unsecured and unsubordinated obligations to creditors of the Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Due to the diversification of its funding sources, the Company is not overly exposed to any concentration risk. The following table summarizes the Company's contractual maturity for its financial liabilities, including both principal and interest payments:

(C\$ in millions)	2021	2022	2023	2024	2025	Thereafter	Total
<b>Non-derivative financial liabilities</b>							
Deposits <sup>1,2</sup>	\$ 1,240.0	\$ 613.8	\$ 585.3	\$ 493.1	\$ 589.5	\$ —	\$ 3,521.7
Trade and other payables (Note 18)	1,962.4	—	—	—	—	—	1,962.4
Short-term borrowings	165.4	—	—	—	—	—	165.4
Loans	506.6	—	—	—	—	—	506.6
Long-term debt	150.0	710.0	984.0	560.0	680.0	1,125.0	4,209.0
Mortgages	0.5	9.6	55.7	—	—	—	65.8
Interest payments <sup>3</sup>	187.5	167.6	126.8	93.1	70.3	272.9	918.2
<b>Total</b>	<b>\$ 4,212.4</b>	<b>\$ 1,501.0</b>	<b>\$ 1,751.8</b>	<b>\$ 1,146.2</b>	<b>\$ 1,339.8</b>	<b>\$ 1,397.9</b>	<b>\$ 11,349.1</b>

<sup>1</sup> Deposits exclude the GIC broker fee discount of \$12.0 million.

<sup>2</sup> The average remaining term of the GIC deposits is 32 months as at January 2, 2021.

<sup>3</sup> Includes interest payments on deposits, short-term borrowings, loans, and long-term debt.

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

### 5.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters while optimizing the return. The Company's Financial Risk Management Policy establishes guidelines on how the Company is to manage the market risk inherent to the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures.

All such transactions are carried out within the established guidelines and, generally, the Company seeks to apply hedge accounting in order to manage volatility in its net income.

#### 5.5.1 Foreign Currency Risk

The Company sources its merchandise globally. Approximately 40%, 38%, and 10% of the value of the inventory purchased for the Canadian Tire, Mark's, and SportChek banners, respectively, is sourced directly from vendors outside North America, primarily denominated in U.S. dollars. The majority of Helly Hansen's purchases are denominated in U.S. dollars and Euros. To mitigate the impact of fluctuating foreign exchange rates on the cost of these purchases, the Company has an established foreign exchange risk management program that governs the proportion of forecasted U.S. dollar purchases that are hedged through entering into foreign exchange derivative contracts. The purpose of the program is to provide certainty with respect to a portion of the foreign exchange component of future merchandise purchases.

As the Company has hedged a significant portion of the cost of its near-term U.S. dollar-denominated forecast purchases, a change in foreign currency rates will not materially impact that portion of the cost of those purchases. The Company operates its hedging program on a continual basis to ensure that any sustained change in rates are reflected in the cost of the Company's U.S. dollar purchases over the entirety of its hedging horizon. This ensures that the cost of U.S. dollar purchases is smoothed relative to the foreign exchange market allowing the Company to defer the impact of sudden exchange rate movements on margins and allow it time to develop strategies to mitigate the impact of a sustained change in foreign exchange rates. Some vendors have an underlying exposure to U.S. currency fluctuations which may affect the price they charge the Company for merchandise; and the Company's hedging program does not mitigate that risk. While the Company may be able to pass on changes in foreign currency exchange rates through pricing, any decision to do so would be subject to market conditions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5.5.2 Interest Rate Risk

The Company may use interest rate derivatives to manage interest rate risk. The Company has a policy in place whereby, on a consolidated basis, a minimum of 75 percent of its consolidated debt (short-term and long-term) should be at fixed versus floating interest rates.

A one percent change in interest rates would therefore not materially affect the Company's net income or equity as the Company has minimal floating interest rate exposure given the indebtedness of the Company is predominantly at fixed rates.

The Company's exposure to interest rate changes is predominantly driven by short-term Retail borrowings (on the bank lines or in the commercial paper markets) and the Financial Services business to the extent that the interest rates on future issuances of GIC deposits, HIS account deposits, tax-free savings account ("TFSA") deposits and securitization transactions are market-dependent. Partially offsetting this will be interest rates charged on credit cards and a significant portion of the funding liabilities for Financial Services are fixed rate, which reduces interest rate risk. In addition, CTB has entered into interest rate derivatives to hedge a portion of its planned issuances of GCCT term debt and GIC deposits in 2021 to 2025. Furthermore, CTB holds short-term interest-bearing investments held in reserve in support of its liquidity and regulatory requirements.

## 6. Operating Segments

The Company has three reportable operating segments: Retail, Financial Services, and CT REIT. The reportable operating segments are strategic business units offering different products and services. They are separately managed due to their distinct nature. The following summary describes the operations of each of the Company's reportable segments:

- The retail business is conducted under a number of banners including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, Helly Hansen, Party City and various SportChek banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to certain Dealers). Non-CT REIT real estate is included in Retail.
- Financial Services issues Canadian Tire's Triangle branded credit cards, including Triangle Mastercard, Triangle World Mastercard and Triangle World Elite Mastercard. Financial Services also offers Cash Advantage Mastercard and Gas Advantage Mastercard products, markets insurance and warranty products, and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally-regulated Schedule I bank that manages and finances the Company's consumer Mastercard and retail credit card portfolios, as well as an existing block of Canadian Tire branded line of credit loans. CTB also offers HIS account deposits, TFSA and GIC deposits, both directly and through third-party brokers. Financial Services includes GCCT, a structured entity established to purchase co-ownership interests in the Company's credit card loans receivable. GCCT issues debt to third-party investors to fund its purchases.
- CT REIT is an unincorporated, closed-end real estate investment trust. CT REIT holds a geographically-diversified portfolio of properties mainly comprising Canadian Tire banner stores, Canadian Tire anchored retail developments, mixed-use commercial property, and distribution centres.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Performance is measured based on segment income before income taxes, as included in the internal management reports. Management has determined that this measure is the most relevant in evaluating segment results and allocating resources. Information regarding the results of each reportable operating segment is as follows:

(C\$ in millions)	2020					2019				
	Retail	Financial Services	CT REIT	Eliminations and adjustments	Total	Retail	Financial Services	CT REIT	Eliminations and adjustments	Total
External revenue	\$ 13,617.2	\$ 1,208.7	\$ 53.7	\$ (8.6)	\$ 14,871.0	\$ 13,205.1	\$ 1,291.4	\$ 51.6	\$ (13.7)	\$ 14,534.4
Intercompany revenue	2.8	39.7	448.6	(491.1)	—	4.7	42.7	437.4	(484.8)	—
Total revenue	13,620.0	1,248.4	502.3	(499.7)	14,871.0	13,209.8	1,334.1	489.0	(498.5)	14,534.4
Cost of producing revenue	9,261.3	602.7	—	(69.6)	9,794.4	9,134.0	596.9	—	(70.3)	9,660.6
Gross margin	4,358.7	645.7	502.3	(430.1)	5,076.6	4,075.8	737.2	489.0	(428.2)	4,873.8
Other (income) expense	(70.8)	0.6	—	118.9	48.7	(138.8)	1.9	—	123.5	(13.4)
Selling, general and administrative expenses	3,471.0	319.3	123.7	(314.7)	3,599.3	3,326.6	310.0	120.3	(319.4)	3,437.5
Net finance costs (income)	220.2	(1.5)	107.9	(70.1)	256.5	240.2	(1.0)	108.8	(81.2)	266.8
Fair value loss (gain) on investment properties	—	—	87.4	(87.4)	—	—	—	(47.3)	47.3	—
Income before income taxes	\$ 738.3	\$ 327.3	\$ 183.3	\$ (76.8)	\$ 1,172.1	\$ 647.8	\$ 426.3	\$ 307.2	\$ (198.4)	\$ 1,182.9
Items included in the above:										
Depreciation and amortization	\$ 858.3	\$ 13.3	\$ —	\$ (176.3)	\$ 695.3	\$ 823.1	\$ 13.2	\$ —	\$ (178.8)	\$ 657.5
Interest income	87.9	1,059.0	0.1	(66.9)	1,080.1	105.3	1,115.1	0.3	(69.7)	1,151.0
Interest expense	295.3	147.2	108.0	(201.6)	348.9	325.0	137.5	109.1	(210.6)	361.0

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to net finance (income) costs;
- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- intersegment eliminations and adjustments including intercompany rent, property management fees, credit card processing fees and the change in fair value of the redeemable financial instrument.

While the Company primarily operates in Canada, it also operates in foreign jurisdictions primarily through Helly Hansen. Foreign revenue earned by Helly Hansen amounted to \$493.6 million for the year ended January 2, 2021 (2019 – \$513.3 million). Property and equipment and intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was \$963.3 million as at January 2, 2021 (2019 – \$984.7 million).

Capital expenditures by reportable operating segment are as follows:

(C\$ in millions)	2020				2019			
	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Capital expenditures <sup>1</sup>	\$ 304.9	\$ 6.1	\$ 141.4	\$ 452.4	\$ 432.2	\$ 12.0	\$ 93.1	\$ 537.3

<sup>1</sup> Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual property additions and tenant allowances received.

Right-of-use asset additions by reportable operating segment are as follows:

(C\$ in millions)	2020				2019			
	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Right-of-use asset additions	\$ 410.3	\$ 1.8	\$ 3.0	\$ 415.1	\$ 129.0	\$ —	\$ —	\$ 129.0



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Total assets by reportable operating segment are as follows:

(C\$ in millions)		2020		2019
Retail	\$	15,937.2	\$	15,995.4
Financial Services		7,134.2		6,606.4
CT REIT		6,176.1		6,024.5
Eliminations and adjustments		(8,870.4)		(9,108.0)
<b>Total assets<sup>1</sup></b>	<b>\$</b>	<b>20,377.1</b>	<b>\$</b>	<b>19,518.3</b>

<sup>1</sup> The Company employs a shared-services model for several of its back-office functions, including finance, information technology, human resources and legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

Total liabilities by reportable operating segment are as follows:

(C\$ in millions)		2020		2019
Retail	\$	9,534.6	\$	9,870.2
Financial Services		6,120.5		5,589.9
CT REIT		2,800.3		2,690.4
Eliminations and adjustments		(3,913.0)		(4,136.9)
<b>Total liabilities<sup>1</sup></b>	<b>\$</b>	<b>14,542.4</b>	<b>\$</b>	<b>14,013.6</b>

<sup>1</sup> The Company employs a shared-services model for several of its back-office functions, including finance, information technology, human resources and legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

The eliminations and adjustments include the following items:

- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- intersegment eliminations.

## 7. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

(C\$ in millions)		2020		2019
Cash	\$	750.7	\$	117.9
Cash equivalents		540.3		69.4
Restricted cash and cash equivalents <sup>1</sup>		36.2		18.2
<b>Total cash and cash equivalents<sup>2</sup></b>	<b>\$</b>	<b>1,327.2</b>	<b>\$</b>	<b>205.5</b>
Bank indebtedness		—		(10.4)
<b>Cash and cash equivalents, net of bank indebtedness</b>	<b>\$</b>	<b>1,327.2</b>	<b>\$</b>	<b>195.1</b>

<sup>1</sup> Restricted cash and cash equivalents relates to GCCT and is restricted for the purpose of paying principal and interest to note holders and additional funding costs of \$29.7 million (2019 – \$12.8 million) and Helly Hansen's other operational items \$6.6 million (2019 – \$5.4 million).

<sup>2</sup> Included in cash and cash equivalents are amounts held in reserve in support of CTB's liquidity and regulatory requirements (refer to Note 32.1).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. Trade and Other Receivables

Trade and other receivables include the following:

(C\$ in millions)	2020	2019
Trade receivables	\$ 697.4	\$ 747.9
Other receivables	190.3	151.7
Net investment in subleases	15.9	17.5
Derivatives (Note 33.2)	70.0	21.2
	\$ 973.6	\$ 938.3

Trade receivables are primarily from Dealers, franchisees and Helly Hansen's wholesale customers. This is a large and geographically-dispersed group whose receivables, individually, generally comprise less than one percent of the total balance outstanding. Other receivables are primarily receivables from vendors and tenants and insurance receivables.

Receivables from Dealers are in the normal course of business and include cost and margin-sharing arrangements. The credit range period on sale of goods is between 1 and 120 days.

### 9. Loans Receivable

Quantitative information about the Company's loans receivable portfolio is as follows:

(C\$ in millions)	Total principal amount of receivables <sup>1</sup>	
	2020	2019
Credit card loans <sup>2</sup>	\$ 4,983.8	\$ 5,794.1
Dealer loans <sup>3</sup>	507.7	622.5
Total loans receivable	5,491.5	6,416.6
Less: long-term portion <sup>4</sup>	459.7	602.8
Current portion of loans receivable	\$ 5,031.8	\$ 5,813.8

<sup>1</sup> Amounts shown are net of allowance for loans receivable.

<sup>2</sup> Includes line of credit loans and are expected to be recovered within one year of the reporting date.

<sup>3</sup> Loans issued to certain Dealers by Franchise Trust (refer to Note 22).

<sup>4</sup> The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of \$458.7 million (2019 – \$601.6 million).

For the year ended January 2, 2021, cash received from interest earned on credit cards and loans was \$1,014.6 million (2019 – \$1,043.9 million).

The carrying amount of loans includes loans to certain Dealers that are secured by the Canadian Tire store assets of the respective Dealers' corporations. The Company's exposure to loans receivable credit risk resides at Franchise Trust and at the Bank. Credit risk at the Bank is influenced mainly by the individual characteristics of each credit card customer. The Bank uses sophisticated credit scoring models, monitoring technology and collection modelling techniques to implement and manage strategies, policies and limits that are designed to control risk. Loans receivable are generated by a large and geographically-dispersed group of customers. Current credit exposure is limited to the loss that would be incurred if all of the Bank's counterparties were to default at the same time.

The Company's allowances for loans receivable increased by \$67.2 million from December 28, 2019 primarily due to the economic uncertainty as a result of COVID-19. This increase in allowance was driven by changes in Management's assumptions on forward-looking economic indicators and from increased probability of cardholder delinquency and default.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A continuity of the Company's allowances for loans receivable is as follows:

	<b>2020</b>			
(C\$ in millions)	12-month ECL (Stage 1)	Lifetime ECL – not credit-impaired (Stage 2)	Lifetime ECL – credit-impaired (Stage 3)	Total
Balance at December 28, 2019	\$ 300.5	\$ 192.1	\$ 304.2	\$ 796.8
Increase (decrease) during the period				
Write-offs	(11.3)	(32.3)	(397.5)	(441.1)
Recoveries	—	—	85.5	85.5
New loans originated	13.6	—	—	13.6
Transfers				
to Stage 1	121.0	(68.4)	(52.6)	—
to Stage 2	(14.9)	21.2	(6.3)	—
to Stage 3	(30.6)	(40.5)	71.1	—
Net remeasurements	30.8	89.2	289.2	409.2
Balance at January 2, 2021	\$ 409.1	\$ 161.3	\$ 293.6	\$ 864.0
				2019
(C\$ in millions)	12-month ECL (Stage 1)	Lifetime ECL – not credit-impaired (Stage 2)	Lifetime ECL – credit-impaired (Stage 3)	Total
Balance at December 29, 2018	\$ 253.0	\$ 186.1	\$ 325.5	\$ 764.6
Increase (decrease) during the period				
Write-offs	(14.1)	(28.9)	(436.8)	(479.8)
Recoveries	—	—	82.8	82.8
New loans originated	25.3	—	—	25.3
Transfers				
to Stage 1	147.1	(92.5)	(54.6)	—
to Stage 2	(26.8)	37.1	(10.3)	—
to Stage 3	(26.8)	(27.6)	54.4	—
Net remeasurements	(57.2)	117.9	343.2	403.9
Balance at December 28, 2019	\$ 300.5	\$ 192.1	\$ 304.2	\$ 796.8

Credit card loans are considered impaired when a payment is 90 days past due or there is sufficient doubt regarding the collectability of the outstanding balance. No collateral is held against loans receivable, except for loans to Dealers, as discussed above. The Bank continues to seek recovery on amounts that were written-off during the period, unless the Bank no longer has the right to collect, the receivable has been sold to a third party, or all reasonable efforts to collect have been exhausted.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table sets out information about the credit risk exposure of loans receivable:

				2020
(C\$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,364.6	\$ 58.9	\$ —	2,423.5
Moderate risk	1,799.3	108.4	—	1,907.7
High risk	698.1	168.8	649.7	1,516.6
Total gross carrying amount	4,862.0	336.1	649.7	5,847.8
ECL allowance	409.1	161.3	293.6	864.0
Net carrying amount	\$ 4,452.9	\$ 174.8	\$ 356.1	\$ 4,983.8

				2019
(C\$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,536.5	\$ 67.0	\$ —	2,603.5
Moderate risk	1,982.5	137.0	—	2,119.5
High risk	923.9	325.7	618.3	1,867.9
Total gross carrying amount	5,442.9	529.7	618.3	6,590.9
ECL allowance	300.5	192.1	304.2	796.8
Net carrying amount	\$ 5,142.4	\$ 337.6	\$ 314.1	\$ 5,794.1

### Transfers of Financial Assets

#### Glacier Credit Card Trust

GCCT is a structured entity that was created to securitize the Bank's credit card loans receivable. The Bank has transferred co-ownership interest in credit card loans receivable to GCCT and has determined, for the purposes of accounting, consolidation of GCCT is appropriate. The associated liabilities, as at January 2, 2021 and December 28, 2019, secured by these assets, include the commercial paper notes and term notes on the Consolidated Balance Sheets and are carried at amortized cost. The table below sets out the carrying amounts and the fair values of the Bank's transferred credit card loans receivable and the associated liabilities.

	2020		2019	
(C\$ in millions)	Carrying amount	Fair value	Carrying amount	Fair value
Credit card loans receivable transferred <sup>1</sup>	\$ 2,280.0	\$ 2,280.0	\$ 2,370.8	\$ 2,370.8
Associated liabilities	2,291.9	2,379.0	2,364.9	2,380.0
Net position	\$ (11.9)	\$ (99.0)	\$ 5.9	\$ (9.2)

<sup>1</sup> The fair value measurement of credit card loans receivable is categorized within Level 2 of the fair value hierarchy. For definitions of the levels refer to Note 33.2.

For legal purposes, the co-ownership interests in the Bank's credit card loans receivable owned by GCCT have been sold at law to GCCT and are not available to the creditors of the Bank. Furthermore, GCCT's liabilities are not legal liabilities of the Company.

The Bank has not identified any factors arising from current market circumstances that could lead to a need for the Bank to extend liquidity and/or credit support to GCCT over and above the existing arrangements or that could otherwise change the substance of the Bank's relationship with GCCT. There have been no relevant changes in the capital structure of GCCT since the Bank's assessment for consolidation.

#### Franchise Trust

The consolidated financial statements include a portion (silo) of Franchise Trust, a legal entity sponsored by a third-party bank that originates and services loans to certain Dealers for their purchases of inventory and fixed assets (the "Dealer loans"). The Company has arranged for several major Canadian banks to provide standby LCs to Franchise Trust as credit support for the Dealer loans. Franchise Trust has sold all of its rights in the LCs and outstanding Dealer loans to other independent trusts set up by major Canadian banks (the "Co-owner Trusts") that raise funds in the capital markets to finance their purchase of these undivided co-ownership interests. Due to the retention of substantially all of the risks and rewards relating to these Dealer loans, the transfers are



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

accounted for as secured financing transactions. Accordingly, the Company continues to recognize the current portion of these assets in loans receivable and the long-term portion in long-term receivables and other assets and records the associated liability secured by these assets as loans, being the loans that Franchise Trust has incurred to fund the Dealer loans. The Dealer loans and Loans are initially recorded at fair value and subsequently carried at amortized cost.

(C\$ in millions)	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Dealer loans <sup>1</sup>	\$ 506.6	\$ 506.6	\$ 621.5	\$ 621.5
Associated liabilities	506.6	506.6	621.5	621.5
Net position	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> The fair value measurement of Dealer loans is categorized within Level 2 of the fair value hierarchy. For definitions of the levels refer to Note 33.2

The Dealer loans have been sold at law and are not available to the creditors of the Company. Loans are not legal liabilities of the Company.

In the event that a Dealer defaults on a loan, the Company has the right to purchase such loan from the Co-owner Trusts, at which time the Co-owner Trusts will assign such Dealer's debt instrument and related security documentation to the Company. The assignment of this documentation provides the Company with first-priority security rights over all of such Dealer's assets, subject to certain prior ranking statutory claims.

In most cases, the Company would expect to recover any payments made to purchase a defaulted loan, including any associated expenses. In the event the Company does not choose to purchase a defaulted Dealer loan, the Co-owner Trusts may draw against the LCs.

The Co-owner Trusts may also draw against the LCs to cover any shortfalls in certain related fees owing to them. In any case, where a draw is made against the LCs, the Company has agreed to reimburse the bank issuing the LCs for the amount so drawn. Refer to Note 34 for further information.

## 10. Long-Term Receivables and Other Assets

Long-term receivables and other assets include the following:

(C\$ in millions)	2020	2019
Loans receivable (Note 9)	\$ 459.7	\$ 602.8
Net investment in subleases	103.9	112.5
Derivatives (Note 33.2)	42.6	42.9
Mortgages receivable	10.0	32.1
Other receivables	8.5	7.0
Total long-term receivables	624.7	797.3
Other	7.2	10.5
	\$ 631.9	\$ 807.8



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. Goodwill and Intangible Assets

The following table presents the changes in cost and accumulated amortization and impairment of the Company's goodwill and intangible assets:

	2020					
	Indefinite-life intangible assets and goodwill			Finite-life intangible assets		
(C\$ in millions)	Goodwill	Banners and trademarks	Franchise agreements and other intangibles	Software	Other intangibles	Total
<b>Cost</b>						
Balance, beginning of year	\$ 893.0	\$ 932.9	\$ 167.7	\$ 1,167.1	\$ 11.7	\$ 3,172.4
Additions	—	1.4	—	101.7	—	103.1
Disposals/retirements	—	—	—	(5.9)	—	(5.9)
Reclassifications and transfers	—	—	—	(10.6)	—	(10.6)
Currency translation adjustment	0.5	(0.2)	—	—	—	0.3
Balance, end of year	\$ 893.5	\$ 934.1	\$ 167.7	\$ 1,252.3	\$ 11.7	\$ 3,259.3
<b>Accumulated amortization and impairment</b>						
Balance, beginning of year	\$ (1.9)	\$ (0.6)	\$ —	\$ (743.9)	\$ (11.7)	\$ (758.1)
Amortization for the year	—	—	—	(112.7)	—	(112.7)
Impairment	(2.1)	(16.0)	—	—	—	(18.1)
Disposals/retirements	—	—	—	2.4	—	2.4
Balance, end of year	\$ (4.0)	\$ (16.6)	\$ —	\$ (854.2)	\$ (11.7)	\$ (886.5)
<b>Net carrying amount, end of year</b>	<b>\$ 889.5</b>	<b>\$ 917.5</b>	<b>\$ 167.7</b>	<b>\$ 398.1</b>	<b>\$ —</b>	<b>\$ 2,372.8</b>
						2019
	Indefinite-life intangible assets and goodwill			Finite-life intangible assets		
(C\$ in millions)	Goodwill	Banners and trademarks	Franchise agreements and other intangibles	Software	Other intangibles	Total
<b>Cost</b>						
Balance, as previously reported	\$ 863.5	\$ 832.7	\$ 165.5	\$ 1,048.1	\$ 23.1	\$ 2,932.9
IFRS 16 transition adjustment <sup>1</sup>	—	—	—	—	(11.4)	(11.4)
Balance, beginning of year	863.5	832.7	165.5	1,048.1	11.7	2,921.5
Additions	—	68.5	2.2	121.9	—	192.6
Additions related to business combinations	48.4	57.0	—	—	—	105.4
Disposals/retirements	—	—	—	(2.9)	—	(2.9)
Currency translation adjustment	(18.9)	(25.3)	—	—	—	(44.2)
Balance, end of year	\$ 893.0	\$ 932.9	\$ 167.7	\$ 1,167.1	\$ 11.7	\$ 3,172.4
<b>Accumulated amortization and impairment</b>						
Balance, as previously reported	\$ (1.9)	\$ (0.6)	\$ —	\$ (636.0)	\$ (22.4)	\$ (660.9)
IFRS 16 transition adjustment <sup>1</sup>	—	—	—	—	10.7	10.7
Balance, beginning of year	(1.9)	(0.6)	—	(636.0)	(11.7)	(650.2)
Amortization for the year	—	—	—	(110.8)	—	(110.8)
Disposals/retirements	—	—	—	2.9	—	2.9
Balance, end of year	\$ (1.9)	\$ (0.6)	\$ —	\$ (743.9)	\$ (11.7)	\$ (758.1)
<b>Net carrying amount, end of year</b>	<b>\$ 891.1</b>	<b>\$ 932.3</b>	<b>\$ 167.7</b>	<b>\$ 423.2</b>	<b>\$ —</b>	<b>\$ 2,414.3</b>

<sup>1</sup> Relates to SportChek off-market leases.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the details of the Company's goodwill:

(C\$ in millions)		2020	2019
Helly Hansen	\$	398.4	\$ 397.9
SportChek		362.5	364.6
Mark's		56.7	56.7
Canadian Tire		71.9	71.9
Total	\$	889.5	\$ 891.1

The Company's banners and trademarks, which include SportChek, Mark's, Helly Hansen and Party City store banners and trademarks and acquired private-label brands, represent legal trademarks of the Company with expiry dates ranging from 2021 to 2038 with further renewals at the Company's election and discretion dependent on use. As the Company currently has no approved plans to change its store banners and intends to continue to use and renew its trademarks and private-label brands at each expiry date for the foreseeable future, there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows. Therefore, these intangible assets are considered to have indefinite useful lives.

Franchise agreements have expiry dates with options to renew, or have indefinite lives. As the Company intends to renew these agreements at each renewal date for the foreseeable future, there is no foreseeable limit to the period over which the franchise agreements and franchise locations will generate net cash inflows. Therefore, these assets are considered to have indefinite useful lives.

Finite-life intangible assets are amortized over a term of two to 10 years.

The amount of borrowing costs capitalized in 2020 was \$4.8 million (2019 – \$5.9 million). The capitalization rate used to determine the amount of borrowing costs capitalized during the year was 4.9 percent (2019 – 4.4 percent).

Amortization expense of software and other finite-life intangible assets is included in Selling, general and administrative expenses in the Consolidated Statements of Income.

### Impairment of Intangible Assets and Subsequent Reversal

The Company performed its annual impairment test on goodwill and indefinite-life intangible assets for all CGUs based on VIU except as noted. The cash flow projections included specific estimates for up to five years and terminal growth rates ranging to extrapolate cash flow projections beyond the period covered by the most recent forecasts, except as noted below.

For all goodwill and intangible assets except as noted, the estimated recoverable amount is based on VIU exceeding the carrying amount. A material change in any of the assumptions used in testing goodwill and intangible assets could cause the carrying amount to exceed the estimated recoverable amount.

The Company recognized an impairment charge of \$16.0 million under its banners and trademarks reflecting the broader economic challenges COVID-19 is having on the timing of certain growth strategies, future cash flows and the discount rate related to the Company's Musto sailing brand.

In 2020, primarily as a result of Management's decision to close National Sports and to a lesser extent the impact of broader economic challenges COVID-19 is having on the future cash flows and the discount rate related to select SportChek stores, the Company recognized an impairment loss of \$30.9 million across goodwill, investment property, assets classified as held for sale, property and equipment and right-of-use assets. Impairment charges were recorded under Retail segment in Other expense (income) in the Consolidated Statements of Income.

During 2020, the recoverable amount of goodwill and intangibles assets of Helly Hansen was based on fair value less costs of disposal, estimated using discounted cash flows based on an after-tax discount rate and supported using the market multiple approach, under the Guideline Public Company (GPC) multiples. The fair value



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. The cash flow projections included specific estimates for 8 years, taking into account a terminal value calculated by discounting the final year in perpetuity. A material change in any of the assumptions used in testing Helly Hansen goodwill and intangible assets could cause the carrying amount to exceed the estimated recoverable amount.

The key assumptions used in the estimation of the recoverable amount for all CGUs are set out below.

	2020	2019
Discount rate	6.0 to 9.0 %	6.5 to 7.5 %
Terminal growth rate	2.0 to 3.0 %	2.0 to 2.5 %

There was no reversal of impairment of intangible assets in 2020 or 2019.

## 12. Investment Property

The following table presents changes in the cost and the accumulated depreciation and impairment on the Company's investment property:

(C\$ in millions)	2020	2019
<b>Cost</b>		
Balance, as previously reported	\$ 445.4	\$ 416.4
IFRS 16 transition adjustment	—	4.6
Balance, beginning of year	445.4	421.0
Additions	15.6	45.6
Other <sup>1</sup>	(14.0)	(21.2)
Balance, end of year	\$ 447.0	\$ 445.4
<b>Accumulated depreciation and impairment</b>		
Balance, beginning of year	\$ (56.3)	\$ (51.7)
Depreciation for the year	(7.0)	(6.2)
Other <sup>1</sup>	2.1	1.6
Balance, end of year	\$ (61.2)	\$ (56.3)
<b>Net carrying amount, end of year<sup>2</sup></b>	<b>\$ 385.8</b>	<b>\$ 389.1</b>

<sup>1</sup> Other includes disposals, retirements, impairment, reclassifications and transfers.

<sup>2</sup> Investment property includes \$6.8 million (2019 – 4.6 million) right-of-use assets related to operating subleases where the Company is an intermediate lessor.

The investment properties generated rental income of \$56.7 million (2019 – \$54.9 million). Direct operating expenses (including repairs and maintenance) arising from investment property recognized in net income were \$22.8 million (2019 – \$24.3 million).

The estimated fair value of investment property was \$542.7 million (2019 – \$541.0 million). This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (refer to Note 33.2 for definition of levels). The Company determines the fair value of investment property by applying a pre-tax capitalization rate to the annual rental income for the current leases. The capitalization rate ranged from 4.82 percent to 8.00 percent (2019 – 4.75 percent to 7.75 percent). The cash flows are for a term of five years, including a terminal value. The Company has real estate management expertise that is used to perform the valuation of investment property and has also completed independent appraisals on certain investment property owned by CT REIT.

### Impairment of Investment Property and Subsequent Reversal

Any impairment or reversals of impairment are reported in Other expense (income) in the Consolidated Statements of Income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Property and Equipment

The following table presents changes in the cost and the accumulated depreciation and impairment on the Company's property and equipment:

	2020					
(C\$ in millions)	Land	Buildings	Fixtures and equipment	Leasehold improvements	Construction in progress	Total
<b>Cost</b>						
Balance, beginning of year	\$ 1,054.3	\$ 3,543.6	\$ 1,680.4	\$ 1,238.6	\$ 118.0	\$ 7,634.9
Additions	18.2	148.0	80.4	56.6	31.9	335.1
Disposals/retirements <sup>1</sup>	—	(8.7)	(46.3)	(5.3)	—	(60.3)
Currency translation adjustment	—	—	(0.2)	0.2	0.2	0.2
Reclassifications and transfers	0.1	(38.6)	(6.5)	1.0	(0.4)	(44.4)
Balance, end of year	\$ 1,072.6	\$ 3,644.3	\$ 1,707.8	\$ 1,291.1	\$ 149.7	\$ 7,865.5
<b>Accumulated depreciation and impairment</b>						
Balance, beginning of year	\$ (7.0)	\$ (1,726.0)	\$ (999.0)	\$ (619.6)	\$ —	\$ (3,351.6)
Depreciation for the year	—	(85.5)	(136.5)	(71.0)	—	(293.0)
Impairment	—	(0.4)	(2.3)	(5.0)	—	(7.7)
Disposals/retirements <sup>1</sup>	—	7.3	44.7	5.2	—	57.2
Reclassifications and transfers	—	11.0	8.3	8.5	—	27.8
Balance, end of year	\$ (7.0)	\$ (1,793.6)	\$ (1,084.8)	\$ (681.9)	\$ —	\$ (3,567.3)
<b>Net carrying amount, end of year</b>	<b>\$ 1,065.6</b>	<b>\$ 1,850.7</b>	<b>\$ 623.0</b>	<b>\$ 609.2</b>	<b>\$ 149.7</b>	<b>\$ 4,298.2</b>

<sup>1</sup> Current year disposals includes \$40.1 million of zero net book value assets no longer in use.

	2019						
(C\$ in millions)	Land	Buildings	Fixtures and equipment	Leasehold improvements	Assets under finance lease	Construction in progress	Total
<b>Cost</b>							
Balance, as previously reported	\$ 971.8	\$ 3,390.1	\$ 1,535.1	\$ 1,319.4	\$ 199.6	\$ 165.6	\$ 7,581.6
IFRS 16 transition adjustments	—	—	(6.8)	(63.1)	(199.6)	—	(269.5)
Balance, beginning of year	971.8	3,390.1	1,528.3	1,256.3	—	165.6	7,312.1
Additions	113.6	109.8	152.8	66.4	—	(75.0)	367.6
Additions related to business combinations	—	—	9.3	11.1	—	—	20.4
Disposals/retirements <sup>1</sup>	(0.4)	(4.0)	(40.0)	(22.1)	—	—	(66.5)
Currency translation adjustment	—	—	—	(0.3)	—	—	(0.3)
Reclassifications and transfers	(30.7)	47.7	30.0	(72.8)	—	27.4	1.6
Balance, end of year	\$ 1,054.3	\$ 3,543.6	\$ 1,680.4	\$ 1,238.6	\$ —	\$ 118.0	\$ 7,634.9
<b>Accumulated depreciation and impairment</b>							
Balance, as previously reported	\$ (7.0)	\$ (1,652.5)	\$ (911.8)	\$ (583.3)	\$ (143.8)	\$ —	\$ (3,298.4)
IFRS 16 transition adjustments	—	—	3.1	—	143.8	—	146.9
Balance, beginning of year	(7.0)	(1,652.5)	(908.7)	(583.3)	—	—	(3,151.5)
Depreciation for the year	—	(84.8)	(127.5)	(65.2)	—	—	(277.5)
Impairment	—	—	(1.6)	—	—	—	(1.6)
Reversal of impairment losses	—	—	0.2	—	—	—	0.2
Disposals/retirements <sup>1</sup>	—	3.2	39.0	22.1	—	—	64.3
Reclassifications and transfers	—	8.1	(0.4)	6.8	—	—	14.5
Balance, end of year	\$ (7.0)	\$ (1,726.0)	\$ (999.0)	\$ (619.6)	\$ —	\$ —	\$ (3,351.6)
<b>Net carrying amount, end of year</b>	<b>\$ 1,047.3</b>	<b>\$ 1,817.6</b>	<b>\$ 681.4</b>	<b>\$ 619.0</b>	<b>\$ —</b>	<b>\$ 118.0</b>	<b>\$ 4,283.3</b>

<sup>1</sup> Disposals includes \$33.8 million of zero net book value assets no longer in use.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company capitalized borrowing costs of \$4.8 million (2019 – \$5.0 million) on indebtedness relating to property and equipment under construction. The rate used to determine the amount of borrowing costs capitalized during the year was 4.7 percent (2019 – 4.3 percent).

### Impairment of Property and Equipment and Subsequent Reversal

The amount of impairment of property and equipment in 2020 was \$7.7 million (2019 – \$1.6 million). There was no reversal of impairment in 2020 (2019 – \$0.2 million). Any impairment or reversal of impairment is reported in Other income in the Consolidated Statements of Income.

## 14. Leases

### 14.1 As a Lessee

Extension and termination options are included in a number of leases across the Company particularly for property related leases. These terms are used to maximize the operational flexibility in terms of managing contracts. The majority of the extension and termination options held are exercisable only by the Company and not by the respective Lessor.

#### 14.1.1 Right-of-use Assets

The following table presents changes to the carrying amount of the Company's right-of-use assets at the end of the reporting period:

(C\$ in millions)	2020		
	Property	Non-property <sup>1</sup>	Total
<b>Balance, beginning of year</b>	\$ 1,581.4	\$ 29.0	\$ 1,610.4
Additions	393.3	21.8	415.1
Depreciation for the year	(269.5)	(13.1)	(282.6)
Impairment	(19.9)	—	(19.9)
Disposals/retirements and other	(26.1)	(0.2)	(26.3)
<b>Balance, end of year</b>	\$ 1,659.2	\$ 37.5	\$ 1,696.7

<sup>1</sup> Non-property leases consist of leased IT equipment, supply chain and transportation related assets.

(C\$ in millions)	2019		
	Property	Non-property <sup>1</sup>	Total
Balance, beginning of year	\$ —	\$ —	\$ —
Transition adjustment	1,672.6	31.7	1,704.3
Additions	121.3	7.7	129.0
Additions related to business combinations	76.1	—	76.1
Depreciation for the year	(253.1)	(9.2)	(262.3)
Disposals/retirements and other	(35.5)	(1.2)	(36.7)
Balance, end of year	\$ 1,581.4	\$ 29.0	\$ 1,610.4

<sup>1</sup> Non-property leases consist of leased IT equipment, supply chain and transportation related assets.

#### 14.1.2 Undiscounted Cash Flows

The annual lease payments for property and non-property leases are as follows:

(C\$ in millions)	2020	2019
Less than one year	\$ 386.7	\$ 437.1
One to five years	1,427.6	1,446.5
More than five years	992.3	894.7
<b>Total undiscounted lease obligation<sup>1</sup></b>	\$ 2,806.6	\$ 2,778.3

<sup>1</sup> Excludes \$82.8 million (2019 – \$269.4 million) commitment for lease agreements signed but not yet commenced.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14.2 As a Lessor

The Company leases out a number of its investment properties (refer to Note 12), and has certain sublease arrangements with the majority having an option to renew after the expiry date. The lessee does not have an option to purchase the property at the expiry of the lease period.

#### 14.2.1 Net Investment in Subleases

The table below summarizes the Company's contractual cash flows from its net investment in subleases.

(C\$ in millions)		2020	2019
Less than one year	\$	21.9	\$ 23.2
One to two years		21.2	23.2
Two to three years		18.8	22.5
Three to four years		19.5	20.6
More than five years		57.2	66.2
Total undiscounted lease payments receivable		138.6	155.7
Unearned finance income		(18.8)	(25.7)
<b>Net investment in subleases</b>	<b>\$</b>	<b>119.8</b>	<b>\$ 130.0</b>

#### 14.2.2 Operating Leases

The table below summarizes the Company's future undiscounted annual minimum lease payments receivable from lessees under non-cancellable operating leases.

(C\$ in millions)		2020	2019
Less than one year	\$	31.6	\$ 31.0
One to two years		28.9	28.2
Two to three years		24.8	26.0
Three to four years		22.2	22.3
More than five years		99.9	101.2
<b>Total</b>	<b>\$</b>	<b>207.4</b>	<b>\$ 208.7</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. Subsidiaries

### 15.1 Control of Subsidiaries and Composition of the Company

These consolidated financial statements include entities controlled by Canadian Tire Corporation. Control exists when Canadian Tire Corporation has the ability to direct the relevant activities and the returns of an entity. The financial statements of these entities are included in these consolidated financial statements from the date that control commences until the date that control ceases. Details of the Company's significant entities are as follows:

Name of subsidiary	Principal activity	Country of incorporation and operation	Ownership Interest	
			2020	2019
CTFS Holdings Limited <sup>1</sup>	Marketing of insurance products, processing credit card transactions at Canadian Tire stores, banking and reinsurance	Canada	80.0 %	80.0 %
Canadian Tire Real Estate Limited	Real estate	Canada	100.0 %	100.0 %
CT Real Estate Investment Trust	Real estate	Canada	69.2 %	69.4 %
FGL Sports Ltd. ("SportChek") <sup>2</sup>	Retailer of sporting equipment, apparel and footwear	Canada	100.0 %	100.0 %
Franchise Trust <sup>3</sup>	Canadian Tire Dealer Loan Program	Canada	0.0 %	0.0 %
Glacier Credit Card Trust <sup>4</sup>	Financing program to purchase co-ownership interests in the Bank's credit card loans	Canada	0.0 %	0.0 %
Mark's Work Wearhouse Ltd.	Retailer of clothing and footwear	Canada	100.0 %	100.0 %
Helly Hansen Group AS	Holding company for "Helly Hansen" branded global wholesaler of sportswear and workwear	Norway	100.0 %	100.0 %

<sup>1</sup> Legal entity CTFS Holdings Limited, incorporated in 2014, is the parent company of CTB and CTFS Bermuda Ltd. CTB's principal activity is banking, marketing of insurance products and processing credit card transactions at the Company's stores. CTFS Bermuda Ltd.'s principal activity is reinsurance.

<sup>2</sup> "SportChek" refers to the retail business carried on by FGL Sports Ltd., including stores operated under the SportChek, Sports Experts, Atmosphere, National Sports, Sports Rousseau and Hockey Experts names and trademarks.

<sup>3</sup> Franchise Trust is a legal entity sponsored by a third-party bank that originates loans to certain Dealers under the Dealer Loan program. The Company does not have any share ownership in Franchise Trust; however, the Company has determined that it has the ability to direct the relevant activities and returns on the silo of assets and liabilities of Franchise Trust that relate to the Canadian Tire Dealer Loan Program. As the Company has control over this silo of assets and liabilities, it is consolidated in these financial statements.

<sup>4</sup> GCCT was formed to meet specific business needs of the Company, namely to buy co-ownership interests in the Company's credit card loans receivable. GCCT issues debt to third-party investors to fund such purchases. The Company does not have any share ownership in GCCT; however, the Company has determined that it has the ability to direct the relevant activities and returns of GCCT. As the Company has control over GCCT, it is consolidated in these financial statements.

### 15.2 Details of Non-wholly Owned Subsidiaries that have Non-controlling Interests

The portion of net assets and income attributable to third parties is reported as non-controlling interests and net income attributable to non-controlling interests in the Consolidated Balance Sheets and Consolidated Statements of Income, respectively. The non-controlling interests of CT REIT and CTFS Holdings Limited were initially measured at fair value on the date of acquisition.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the information relating to non-controlling interests:

	2020			
(C\$ in millions)	CTFS Holdings Limited <sup>1</sup>	CT REIT <sup>2</sup>	Other <sup>3</sup>	Total
Non-controlling interests	20.0 %	30.8 %	50.0 %	
Current assets	\$ 6,773.3	\$ 13.0	\$ 7.8	\$ 6,794.1
Non-current assets	360.9	6,163.1	51.8	6,575.8
Current liabilities	1,614.1	290.6	1.6	1,906.3
Non-current liabilities	4,506.4	2,509.7	42.3	7,058.4
Net assets	1,013.7	3,375.8	15.7	4,405.2
Revenue	\$ 1,345.2	\$ 502.3	\$ 137.4	\$ 1,984.9
Net income attributable to non-controlling interests	\$ 47.2	\$ 62.4	\$ 1.2	\$ 110.8
Equity attributable to non-controlling interests	500.6	827.2	7.8	1,335.6
Distributions to non-controlling interests	(38.9)	(56.0)	(1.5)	(96.4)

<sup>1</sup> Net income attributable to non-controlling interests is based on the net income of CTFS Holdings Limited adjusted for contractual requirements as stipulated in the Universal Shareholder Agreement.

<sup>2</sup> Net income attributable to non-controlling interests is based on net income of CT REIT adjusted to convert to the Company's cost method, including recording of depreciation.

<sup>3</sup> Net income attributable to non-controlling interests is based on net income of the subsidiary adjusted for contractual requirements as stipulated in the ownership agreement.

	2019			
(C\$ in millions)	CTFS Holdings Limited <sup>1</sup>	CT REIT <sup>2</sup>	Other <sup>3</sup>	Total
Non-controlling interests	20.0 %	30.6 %	50.0 %	
Current assets	\$ 6,157.4	\$ 15.8	\$ 12.8	\$ 6,186.0
Non-current assets	398.0	6,008.7	53.3	6,460.0
Current liabilities	2,140.9	343.0	3.8	2,487.7
Non-current liabilities	3,398.1	2,347.4	43.8	5,789.3
Net assets	1,016.4	3,334.1	18.5	4,369.0
Revenue	\$ 1,425.0	\$ 489.0	\$ 211.7	\$ 2,125.7
Net income attributable to non-controlling interests	\$ 61.7	\$ 51.3	\$ 3.4	\$ 116.4
Equity attributable to non-controlling interests	501.5	804.5	8.1	1,314.1
Distributions to non-controlling interests	(40.8)	(42.1)	(2.5)	(85.4)

<sup>1</sup> Net income attributable to non-controlling interests is based on the net income of CTFS Holdings Limited adjusted for contractual requirements as stipulated in the Universal Shareholder agreement.

<sup>2</sup> Net income attributable to non-controlling interests is based on net income of CT REIT adjusted to convert to the Company's cost method, including recording of depreciation.

<sup>3</sup> Net income attributable to non-controlling interests is based on net income of the subsidiary adjusted for contractual requirements as stipulated in the ownership agreement.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**16. Income Taxes**

**16.1 Deferred Income Tax Assets and Liabilities**

The amount of deferred tax assets or liabilities recognized in the Consolidated Balance Sheets and the corresponding movement recognized in the Consolidated Statements of Income, Consolidated Statements of Changes in Equity, or resulting from a business combination is as follows:

	2020					
(C\$ in millions)	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Other adjustments	Balance, end of year
Provisions, deferred revenue and reserves	\$ 247.8	\$ (47.9)	\$ —	\$ (0.1)	\$ —	\$ 199.8
Property and equipment	(52.7)	(1.4)	—	—	—	(54.1)
Intangible assets	(267.3)	(7.7)	—	(0.1)	—	(275.1)
Employee benefits	46.5	0.5	3.9	—	—	50.9
Cash flow hedges	11.9	—	26.4	10.7	—	49.0
Right-of-use asset and lease liabilities	155.9	(2.2)	—	—	—	153.7
Non-capital losses carryforward	34.6	9.6	—	0.3	—	44.5
Other	6.1	1.8	—	0.1	—	8.0
Net deferred tax asset (liability) <sup>1</sup>	\$ 182.8	\$ (47.3)	\$ 30.3	\$ 10.9	\$ —	\$ 176.7

<sup>1</sup> Includes the net amount of deferred tax assets of \$298.7 million and deferred tax liabilities of \$122.0 million.

	2019					
(C\$ in millions)	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Other adjustments	Balance, end of year
Provisions, deferred revenue and reserves	\$ 311.4	\$ 25.6	\$ —	\$ (89.2)	\$ —	\$ 247.8
Property and equipment	(60.4)	(16.8)	—	26.1	(1.6)	(52.7)
Intangible assets	(277.5)	1.5	—	6.0	2.7	(267.3)
Employee benefits	40.4	0.8	5.3	—	—	46.5
Cash flow hedges	(33.6)	—	27.4	18.1	—	11.9
Right-of-use asset and lease liabilities	—	(14.8)	—	171.2	(0.5)	155.9
Finance leases	13.6	—	—	(13.6)	—	—
Non-capital losses carryforward	33.7	2.3	—	(1.4)	—	34.6
Other	3.7	1.4	—	1.6	(0.6)	6.1
Net deferred tax asset (liability) <sup>1</sup>	\$ 31.3	\$ —	\$ 32.7	\$ 118.8	\$ —	\$ 182.8

<sup>1</sup> Includes the net amount of deferred tax assets of \$319.2 million and deferred tax liabilities of \$136.4 million.

No deferred tax is recognized on the amount of temporary differences arising from the difference between the carrying amount of the investment in subsidiaries, branches and associates and interests in joint arrangements accounted for in these consolidated financial statements and the cost amount for tax purposes of the investment. The Company is able to control the timing of the reversal of these temporary differences and believes it is probable that they will not reverse in the foreseeable future. The amount of these taxable temporary differences was approximately \$2.5 billion at January 2, 2021 (2019 – \$2.4 billion).

No deferred tax asset is recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is not probable that future taxable profit will be available against which they can be utilized. The amount of these deductible temporary differences was approximately \$156.5 million at January 2, 2021 (2019 – 153.4 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16.2 Income Tax Expense

The following are the major components of income tax expense:

(C\$ in millions)	2020	2019
<b>Current tax expense</b>		
Current period	\$ 303.3	\$ 282.2
Adjustments with respect to prior years	(41.1)	5.9
	\$ 262.2	\$ 288.1
<b>Deferred tax expense (benefit)</b>		
Deferred income tax expense relating to the origination and reversal of temporary differences	\$ 10.7	\$ 13.0
Deferred income tax expense (benefit) adjustments with respect to prior years	35.7	(13.5)
Deferred income tax expense resulting from change in tax rate	0.9	0.5
	47.3	—
Total income tax expense	\$ 309.5	\$ 288.1

Income tax benefit recognized in other comprehensive income was as follows:

(C\$ in millions)	2020	2019
Net fair value (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	\$ (12.5)	\$ (1.6)
Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items	(4.3)	(6.7)
Reclassification of losses to income	1.0	0.2
Net fair value (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	(10.6)	(19.3)
Actuarial losses	(3.9)	(5.3)
Total income tax (benefit)	\$ (30.3)	\$ (32.7)

### Reconciliation of Income Tax Expense

Income taxes in the Consolidated Statements of Income vary from amounts that would be computed by applying the statutory income tax rate for the following reasons:

(C\$ in millions)	2020	2019
Income before income taxes	\$ 1,172.1	\$ 1,182.9
Income taxes based on the applicable statutory tax rate of 26.49% (2019 – 26.65%)	\$ 310.5	\$ 315.3
Adjustment to income taxes resulting from:		
Income attributable to non-controlling interest in flow-through entities	(16.8)	(14.7)
Prior years' tax settlement	(0.2)	(5.3)
Non-taxable portion of capital gains	(0.2)	(3.0)
Non-deductible (non-taxable) stock option expense (recovery)	14.8	—
Other	1.4	(4.2)
Income tax expense	\$ 309.5	\$ 288.1

The applicable statutory tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (2019 – 15.0 percent) and the Canadian provincial income tax rate of 11.49 percent (2019 – 11.65 percent).

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company has determined that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company regularly reviews the potential for adverse outcomes with respect to tax matters. The Company believes that the ultimate disposition of these will not have a material adverse effect on its liquidity, Consolidated Balance Sheets, or net income because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

### 17. Deposits

Deposits consist of broker deposits and retail deposits.

Cash from broker deposits is raised through sales of GICs through brokers rather than directly to the retail customer. Broker deposits are offered for varying terms ranging from 30 days to five years and issued broker GICs are non-redeemable prior to maturity (except in certain rare circumstances). Total short-term and long-term broker deposits outstanding at January 2, 2021, were \$2,497.3 million (2019 – \$1,916.6 million).

Retail deposits consist of HIS deposits, retail GICs and TFSA deposits. Total retail deposits outstanding at January 2, 2021, were \$1,012.4 million (2019 – \$527.6 million).

For repayment requirements of deposits refer to Note 5.4. The following are the effective rates of interest:

	2020	2019
GIC deposits	2.81 %	2.87 %
HIS account deposits	1.82 %	1.78 %

### 18. Trade and Other Payables

Trade and other payables include the following:

(C\$ in millions)	2020	2019
Trade payables and accrued liabilities	\$ 1,962.4	\$ 2,087.0
Derivatives (Note 33.2)	119.3	28.3
Total financial liabilities	2,081.7	2,115.3
Deferred revenue	246.8	222.8
Insurance reserve	8.1	8.6
Other	171.7	145.7
	\$ 2,508.3	\$ 2,492.4

Deferred revenue consists mainly of unearned revenue relating to gift cards and customer loyalty program rewards. Deferred revenue will be recognized as revenue as the customer utilizes gift cards and loyalty rewards are redeemed. The majority of deferred revenue is expected to be redeemed within one year from issuance. \$199.9 million included in deferred revenue at the beginning of the period was recognized as revenue in 2020 (2019 – \$198.3 million).

Other consists primarily of the short-term portion of share based payment transactions and sales taxes payable.

The credit range period on trade payables is one to 150 days (2019 – one to 180 days).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. Provisions

The following table presents the changes to the Company's provisions:

(C\$ in millions)	2020			
	Sales and warranty returns	Site restoration and decommissioning	Other	Total
<b>Balance, beginning of year</b>	<b>\$ 183.7</b>	<b>\$ 50.6</b>	<b>\$ 17.0</b>	<b>\$ 251.3</b>
Charges, net of reversals	585.5	7.3	5.3	598.1
Utilizations	(571.9)	(9.5)	(6.1)	(587.5)
Discount adjustments	1.0	4.1	—	5.1
<b>Balance, end of year</b>	<b>\$ 198.3</b>	<b>\$ 52.5</b>	<b>\$ 16.2</b>	<b>\$ 267.0</b>
<b>Current provisions</b>	<b>187.1</b>	<b>3.6</b>	<b>6.0</b>	<b>196.7</b>
<b>Long-term provisions</b>	<b>11.2</b>	<b>48.9</b>	<b>10.2</b>	<b>70.3</b>

## 20. Contingencies

### Legal Matters

The Company is party to a number of legal and regulatory proceedings and has determined that each such proceeding constitutes a routine matter incidental to the business it conducts and that the ultimate disposition of the proceedings will not have a material effect on its consolidated net income, cash flows, or financial position.

The Bank's commodity tax assessments for the years 2011 through 2015 have been appealed to the Tax Court of Canada. In addition, the 2016 and 2017 tax years have also been reassessed. Management has objected to the reassessments and is awaiting a response from the Canada Revenue Agency. Upon receipt of the response, Management will take the necessary steps to add them to the appeal. The Bank is of the view that certain services provided by Credit Card Networks are exempt financial services under the Excise Tax Act (Canada). Although the Tax Court has recently ruled in a proceeding unrelated to the Bank, that similar services are subject to Federal and Quebec sales taxes, that decision has been recently overturned by a decision from the Federal Court of Appeal. Accordingly, the Bank's view continues to be that it is more likely than not that the services will be viewed by the Court as exempt financial services. Accordingly, no provision has been made for amounts that would be payable in the event of an adverse outcome. If the Court rules against the Bank, the total aggregate exposure as of 2020 would not be significant.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. Short-Term Borrowings

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Short-term borrowings include commercial paper notes issued by the Company and GCCT, note purchase facility borrowings issued by GCCT, bank credit and factoring facility borrowings. Short-term borrowings may bear interest payable at maturity or be sold at a discount and mature at face value.

The commercial paper notes are short-term notes issued with varying original maturities of one year or less for GCCT's ABCP and 270 days or less for the Company's US CP at interest rates fixed at the time of each renewal and are recorded at amortized cost. As at January 2, 2021, GCCT had \$114.3 million (2019 – \$166.9 million) of ABCP outstanding and no borrowings were outstanding on CTB's committed note purchase facilities, other than a nominal balance on one of them to maintain GCCT's co-ownership interest. CTB had no borrowings outstanding under its unsecured committed bank credit facility (2019 – \$216.0 million).

As at January 2, 2021, the Company (excluding Helly Hansen) had no borrowings on its unsecured committed bank credit facilities and no US CP outstanding. Helly Hansen had a total of \$50.9 million (2019 – \$67.0 million) of C\$ equivalent borrowings outstanding on its committed bank credit facility (180 million Norwegian Krone ["NOK"]) and its factoring facility (NOK 163.1 million). CT REIT had no borrowings under its committed bank credit facility (2019 – nil).

## 22. Loans

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Franchise Trust, a special purpose entity, is a legal entity sponsored by a third-party bank that originates loans to certain Dealers. Loans are what Franchise Trust incurs to fund loans to Dealers, which are secured by such Dealers' store assets. These loans are not direct legal liabilities of the Company but have been consolidated in the accounts of the Company as the Company effectively controls the silo of Franchise Trust containing the Dealer Loan Program.

Loans, which are initially recognized at fair value and are subsequently measured at amortized cost, are due within one year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. Long-Term Debt

Long-term debt includes the following:

(C\$ in millions)	2020		2019	
	Face value	Carrying amount	Face value	Carrying amount
<b>Senior term notes (GCCT)</b>				
Series 2015-1, 2.237%, September 21, 2020	—	—	465.0	464.8
Series 2017-1, 2.048%, September 20, 2022	523.6	522.8	523.6	522.2
Series 2018-1, 3.138%, September 20, 2023	546.0	544.5	546.0	544.0
Series 2019-1, 2.280%, June 6, 2024	523.6	521.7	523.6	521.3
Series 2020-1, 1.388%, September 22, 2025	448.8	446.6	—	—
<b>Subordinated term notes (GCCT)</b>				
Series 2015-1, 3.237%, September 21, 2020	—	—	35.0	35.0
Series 2017-1, 3.298%, September 20, 2022	36.4	36.4	36.4	36.4
Series 2018-1, 4.138%, September 20, 2023	38.0	37.9	38.0	38.0
Series 2019-1, 3.430%, June 6, 2024	36.4	36.4	36.4	36.4
Series 2020-1, 2.438%, September 22, 2025	31.2	31.2	—	—
<b>Debentures (CT REIT)</b>				
Series C, 2.159% due June 1, 2021	150.0	150.0	150.0	149.8
Series A, 2.852% due June 9, 2022	150.0	149.8	150.0	149.6
Series B, 3.527% due June 9, 2025	200.0	199.2	200.0	199.1
Series D, 3.289% due June 1, 2026	200.0	199.2	200.0	199.1
Series E, 3.469% due June 16, 2027	175.0	174.2	175.0	174.1
Series F, 3.865% due December 7, 2027	200.0	199.1	200.0	198.9
<b>Medium-term notes (CTC)</b>				
2.646% due July 6, 2020	—	—	250.0	249.8
3.167% due July 6, 2023	400.0	399.2	400.0	398.9
6.375% due April 13, 2028	150.0	150.8	150.0	150.6
6.445% due February 24, 2034	200.0	201.5	200.0	201.4
5.61% due September 4, 2035	200.0	199.7	200.0	199.7
<b>Mortgages</b>				
	65.8	66.0	47.7	48.0
<b>Promissory note and other</b>				
	—	—	1.3	1.3
<b>Total debt</b>	<b>\$ 4,274.8</b>	<b>\$ 4,266.2</b>	<b>\$ 4,528.0</b>	<b>\$ 4,518.4</b>
Current	150.5	150.5	788.2	788.2
Non-current	4,124.3	4,115.7	3,739.8	3,730.2

The carrying amount of long-term debt is net of debt issuance costs of \$13.8 million (2019 – \$14.6 million).

#### Senior and Subordinated Term Notes

Asset-backed senior and subordinated term notes issued by GCCT are recorded at amortized cost using the effective interest method.

Subject to the payment of certain priority amounts, the senior asset-backed term notes of a series have recourse on a priority basis to the allocable collections from such series' co-ownership interest in a securitized pool of credit card loans receivable originated by CTB. The subordinated asset-backed term notes of such series have recourse to such series' allocable collections on a subordinated basis to the senior asset-backed term notes of such series in terms of the priority of payment of principal and, in some circumstances, interest. The entitlement of note holders and other parties to such assets is governed by the priority and payment provisions set forth in



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GCCT's Trust Indenture dated as of November 29, 1995, as amended, and the related series supplements under which the outstanding series of notes were issued as well as the series purchase agreements which set forth the Bank's over collateralization.

Repayment of the principal of the series 2017-1, 2018-1, 2019-1 and 2020-1 term notes is scheduled for the expected repayment dates indicated in the preceding table. Subsequent to the expected repayment date, collections distributed to GCCT with respect to the related co-ownership interest will be applied to pay any remaining amount owing.

Principal repayments may commence earlier than the expected repayment dates (an amortization period) if certain events occur including:

- the Bank failing to make required payments to GCCT or failing to meet covenant or other contractual terms;
- the performance of the securitized credit card loans receivable failing to achieve set criteria; and
- insufficient credit card loans receivable in the securitized pool.

None of these events occurred in the Bank's year ended December 31, 2020.

During the second quarter of 2020, due to COVID-19, CTB pre-emptively raised funding through draws under its note purchase facilities provided by Scotiabank. \$500 million of funding was raised through GCCT's existing Series 2016-A variable funding notes which had been established to draw with same day notice. This funding was repaid during the second quarter of 2020 shortly after GCCT issued \$700 million of Series 2020-A two-year pre-payable term notes pursuant to the note purchase facility with 35-day notice. These Series 2020-A notes were repaid early, in full, during the third quarter of 2020.

On September 21, 2020, GCCT repaid at maturity \$500 million of Series 2015-1 term notes consisting of \$465 million of senior term notes, which bore an interest rate of 2.237 percent per annum as well as \$35 million of subordinated term notes, which bore an interest rate of 3.237 percent per annum.

On September 25, 2020, GCCT issued \$480 million of Series 2020-1 term notes that have an expected repayment date of September 22, 2025, consisting of \$448.8 million of senior term notes bearing an interest rate of 1.388 percent per annum and \$31.2 million of subordinated term notes bearing an interest rate of 2.438 percent per annum.

### Medium-Term Notes and Debentures

Medium-term notes and debentures are unsecured and those issued by the Company and CT REIT with terms greater than two years are redeemable by the Company or CT REIT, as applicable, in whole or in part, at any time, at the greater of par or a formula price based upon interest rates at the time of redemption.

On July 6, 2020, the Company repaid at maturity \$250 million of medium-term notes, which bore interest of 2.646 percent per annum.

On December 10, 2020 CT REIT announced that it has provided holders of its Series C debentures a notice of redemption to redeem the entire \$150.0 million outstanding principal amount of Series C debentures early on January 10, 2021 at a redemption price per \$1,000 principal amount equal to \$1,004.95 plus accrued and unpaid interest to but excluding the redemption date, of \$2.37. The Series C debentures were redeemed with the proceeds of a new \$150 million Series G debenture issuance that closed on January 6, 2021.

### Mortgages

Mortgages payable as at January 2, 2021 had a weighted average interest rate of 2.27% percent and maturity dates of July 1, 2022 and March 10, 2023.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24. Other Long-Term Liabilities

Other long-term liabilities include the following:

(C\$ in millions)	2020	2019
Redeemable financial instrument <sup>1</sup>	\$ 567.0	\$ 567.0
Employee benefits (Note 25)	194.7	176.4
Derivatives (Note 33.2)	10.4	5.6
Other	78.2	61.1
	\$ 850.3	\$ 810.1

<sup>1</sup> A financial liability; refer to Note 33 for further information on the redeemable financial instrument.

Other primarily includes the long-term portion of share-based payment transactions.

### 25. Employment Benefits

#### Profit-Sharing Program

The Company has a profit-sharing program for certain employees. The amount awarded to employees is contingent on the Company's profitability but shall be equal to at least one percent of the Company's previous year's net profits after income tax. A portion of the award ("Base Award") is contributed to a DPSP for the benefit of the employees. The maximum amount of the Company's Base Award contribution to the DPSP per employee per year is subject to limits set by the Income Tax Act. Each participating employee is required to invest and maintain 10 percent of the Base Award in a Company share fund of the DPSP. The share fund holds both Common Shares and Class A Non-Voting Shares. The Company's contributions to the DPSP, with respect to each employee, vest 20 percent after one year of continuous service and 100 percent after two years of continuous service.

In 2020, the Company contributed \$25.4 million (2019 – \$25.3 million) under the terms of the DPSP.

#### Defined Benefit Plan

The Company provides certain health care, dental care, life insurance and other benefits for certain retired employees pursuant to Company policy. The Company does not have a pension plan. Information about the Company's defined benefit plan is as follows:

(C\$ in millions)	2020	2019
<b>Change in the present value of defined benefit obligation</b>		
Defined benefit obligation, beginning of year	\$ 176.4	\$ 151.9
Current service cost	2.1	1.7
Interest cost	5.4	5.8
Actuarial loss arising from changes in financial assumptions	15.6	21.4
Actuarial gain arising from changes in experience assumptions	(1.0)	(1.0)
Benefits paid	(3.8)	(3.4)
Defined benefit obligation, end of year <sup>1</sup>	\$ 194.7	\$ 176.4

<sup>1</sup> The accrued benefit obligation is not funded because funding is provided when benefits are paid. Accordingly, there are no plan assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Significant actuarial assumptions used:

	2020	2019
Defined benefit obligation, end of year:		
Discount rate	2.60 %	3.10 %
Net benefit plan expense for the year:		
Discount rate	3.10 %	3.90 %

For measurement purposes, a 3.85 percent weighted average health care cost trend rate is assumed for 2020 (2019 – 3.96 percent). The rate is assumed to decrease gradually to 2.11 percent for 2040 and remain at that level thereafter.

The most recent actuarial valuation of the obligation was performed as of December 28, 2019.

The cumulative amount of actuarial losses before tax recognized in equity at January 2, 2021, was \$76.9 million (2019 – \$62.3 million).

### **Sensitivity Analysis:**

The Company's defined benefit plan is exposed to actuarial risks such as the health care cost trend rate, the discount rate and the life expectancy assumptions. The following table provides the sensitivity of the defined benefit obligation to these assumptions. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

(C\$ in millions)	2020	
	Accrued benefit obligation	
Sensitivity analysis	<i>Increase</i>	<i>Decrease</i>
A fifty basis point change in assumed discount rates	\$ (15.7)	\$ 17.8
A one-percentage-point change in assumed health care cost trend rates	20.5	(17.5)
A one-year change in assumed life expectancy	5.5	(5.5)

The weighted-average duration of the defined benefit plan obligation at January 2, 2021 is 17.2 years (2019 – 16.9 years).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. Share Capital

Share capital consists of the following:

(C\$ in millions)	2020	2019
Authorized		
3,423,366 Common Shares		
100,000,000 Class A Non-Voting Shares		
Issued		
3,423,366 Common Shares (2019 – 3,423,366)	\$ 0.2	0.2
57,383,758 Class A Non-Voting Shares (2019 – 58,096,958)	596.8	587.8
	\$ 597.0	\$ 588.0

All issued shares are fully paid. The Company does not hold any of its Common or Class A Non-Voting Shares. Neither the Common nor the Class A Non-Voting Shares have a par value.

During 2020 and 2019, the Company issued and purchased Class A Non-Voting Shares. The Company's share purchases were made pursuant to its NCIB program, in connection with its anti-dilutive policy and announced share purchase intentions.

During the fourth quarter of 2019, the Company provided notice to its broker under its Automatic Securities Purchase Plan ("ASPP") to purchase Class A Non-Voting Shares for cancellation under the NCIB during the Company's blackout period starting December 28, 2019. As at December 28, 2019, an obligation to purchase shares of \$49.1 million was recognized under the ASPP in trade and other payables. In the first quarter of 2020, upon completion of the purchases made pursuant to the notice issued in the fourth quarter of 2019 under the ASPP, the Company reversed the accrual previously recorded. During 2020, the Company did not provide notice to its broker under its ASPP to purchase Class A Non-Voting Shares for cancellation under the NCIB during the Company's blackout period starting January 2, 2021.

The following transactions occurred with respect to Class A Non-Voting Shares during 2020 and 2019:

(C\$ in millions)	2020		2019	
	Number	\$	Number	\$
Shares outstanding at beginning of the year	58,096,958	\$ 587.8	59,478,460	\$ 591.3
Issued under the dividend reinvestment plan	105,102	14.3	99,863	14.3
Purchased <sup>1</sup>	(818,302)	(110.7)	(1,481,365)	(215.2)
Accrued liability for ASPP commitment	—	3.0	—	(3.0)
Excess of purchase price over average cost	—	102.4	—	200.4
Shares outstanding at end of the period	57,383,758	\$ 596.8	58,096,958	\$ 587.8

<sup>1</sup> Purchased shares, pursuant to the Company's NCIB program, have been restored to the status of authorized but unissued shares. The Company records shares purchased on a transaction date basis.

#### Conditions of Class A Non-Voting Shares and Common Shares

The holders of Class A Non-Voting Shares are entitled to receive a fixed cumulative preferential dividend at the rate of \$0.01 per share per annum. After payment of fixed cumulative preferential dividends at the rate of \$0.01 per share per annum on each of the Class A Non-Voting Shares with respect to the current year and each preceding year and payment of a non-cumulative dividend on each of the Common Shares with respect to the current year at the same rate, the holders of the Class A Non-Voting Shares and the Common Shares are entitled to further dividends declared and paid in equal amounts per share without preference or distinction or priority of one share over another.

In the event of the liquidation, dissolution, or winding up of the Company, all of the property of the Company available for distribution to the holders of the Class A Non-Voting Shares and the Common Shares shall be paid or



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

distributed equally, share for share, to the holders of the Class A Non-Voting Shares and to the holders of the Common Shares without preference or distinction or priority of one share over another.

The holders of Class A Non-Voting Shares are entitled to receive notice of and to attend all meetings of the shareholders; however, except as provided by the *Business Corporations Act* (Ontario) and as hereinafter noted, they are not entitled to vote at those meetings. Holders of Class A Non-Voting Shares, voting separately as a class, are entitled to elect the greater of (i) three Directors or (ii) one-fifth of the total number of the Company's Directors.

The holders of Common Shares are entitled to receive notice of, to attend and to have one vote for each Common Share held at all meetings of holders of Common Shares, subject only to the restriction on the right to elect those directors who are elected by the holders of Class A Non-Voting Shares as set out above.

Common Shares can be converted, at any time and at the option of each holder of Common Shares, into Class A Non-Voting Shares on a share-for-share basis. The authorized number of shares of either class cannot be increased without the approval of the holders of at least two-thirds of the shares of each class represented and voted at a meeting of the shareholders called for the purpose of considering such an increase. Neither the Class A Non-Voting Shares nor the Common Shares can be changed in any manner whatsoever, whether by way of subdivision, consolidation, reclassification, exchange, or otherwise, unless at the same time the other class of shares is also changed in the same manner and in the same proportion.

Should an offer to purchase Common Shares be made to all, or substantially all of the holders of Common Shares, or be required by applicable securities legislation or by the Toronto Stock Exchange to be made to all holders of Common Shares in Ontario and should a majority of the Common Shares then issued and outstanding be tendered and taken up pursuant to such offer, the Class A Non-Voting Shares shall thereupon and thereafter be entitled to one vote per share at all meetings of the shareholders and thereafter the Class A Non-Voting Shares shall be designated as Class A Shares. The foregoing voting entitlement applicable to Class A Non-Voting Shares would not apply in the case where an offer is made to purchase both Class A Non-Voting Shares and Common Shares at the same price per share and on the same terms and conditions.

The foregoing is a summary of certain conditions attached to the Class A Non-Voting Shares of the Company and reference should be made to the Company's articles of amendment dated December 15, 1983 for a full statement of such conditions, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

As of January 2, 2021, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$70.5 million (2019 – \$70.0 million) at a rate of \$1.1750 per share (2019 – \$1.1375 per share).

On February 17, 2021 the Company's Board of Directors declared a dividend of \$1.1750 per share payable on June 1, 2021 to shareholders of record as of April 30, 2021.

Dividends per share declared were \$4.5875 in 2020 (2019 – \$4.2500).

The dilutive effect of employee stock options is 193,302 (2019 – 66,921).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. Share-Based Payments

The Company's share-based payment plans are described below.

#### Stock Options

The Company has granted stock options to certain employees that enable such employees to exercise their stock options and subscribe for Class A Non-Voting Shares or surrender their options and receive a cash payment. Such cash payment is calculated as the difference between the fair market value of Class A Non-Voting Shares as at the surrender date and the exercise price of the option. Stock options vest over a three-year period. All outstanding stock options have a term of seven years. At January 2, 2021, and December 28, 2019, the aggregate number of Class A Non-Voting Shares that were authorized for issuance under the stock option plan was 3.4 million.

Stock option transactions during 2020 and 2019 were as follows:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	1,286,007	\$ 146.71	1,026,545	\$ 144.91
Granted	1,021,688	80.49	446,227	144.08
Exercised and surrendered <sup>1</sup>	(134,521)	121.08	(134,928)	121.07
Forfeited	(227,846)	129.88	(51,837)	155.13
Outstanding at end of year	1,945,328	\$ 115.67	1,286,007	\$ 146.71
Stock options exercisable at end of year	620,716		362,552	

<sup>1</sup> The weighted average market price of the Company's shares when the options were exercised in 2020 was \$158.78 (2019 – \$146.73).

The following table summarizes information about stock options outstanding and exercisable at January 2, 2021:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of outstanding options	Weighted average remaining contractual life <sup>1</sup>	Weighted average exercise price	Number of exercisable options	Weighted average exercise price
\$ 177.09	212,402	5.17	\$ 177.09	—	—
156.29	199,160	4.17	156.29	199,160	156.29
144.35	362,716	6.16	144.35	138,280	144.35
129.14 to 129.92	189,899	2.81	129.63	189,899	129.63
80.49 to 99.72	981,151	7.08	80.98	93,377	85.67
\$ 80.49 to 177.09	1,945,328	5.99	\$ 115.67	620,716	\$ 134.85

<sup>1</sup> Weighted average remaining contractual life is expressed in years.

#### Performance Share Units and Performance Units

The Company grants Performance Share Units ("PSUs") to certain of its employees that generally vest after three years. Each PSU entitles the participant to receive a cash payment equal to the fair market value of the Company's Class A Non-Voting Shares on the date set out in the Performance Share Unit plan, multiplied by a factor determined by specific performance-based criteria and a relative total shareholder return modifier.

CT REIT grants Performance Units ("PUs") to certain of its employees that generally vest after three years. Each PU entitles the participant to receive a cash payment equal to the fair market value of Units of CT REIT on the date set out in the Performance Unit plan, multiplied by a factor determined by specific performance-based criteria.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair value of stock options and PSUs at the end of the year was determined using the Black-Scholes option pricing model with the following inputs:

	2020		2019	
	Stock options	PSUs	Stock options	PSUs
Share price at end of year (C\$)	\$ 167.33	\$ 167.33	\$ 140.63	\$ 140.63
Weighted average exercise price <sup>1</sup> (C\$)	\$ 117.99	N/A	\$ 146.80	N/A
Expected remaining life (years)	4.1	1.6	3.6	1.3
Expected dividends	3.0 %	3.3 %	4.0 %	4.5 %
Expected volatility <sup>2</sup>	29.5 %	35.6 %	19.8 %	18.3 %
Risk-free interest rate	0.7 %	0.5 %	2.0 %	2.1 %

<sup>1</sup> Reflects expected forfeitures.

<sup>2</sup> Reflects historical volatility over a period of time similar to the remaining life of the stock options, which may not necessarily be the actual outcome.

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### Deferred Share Units and Deferred Units

The Company offers Deferred Share Unit ("DSU") plans to certain of its Executives and to members of its Board of Directors. Under the Executives' DSU plan, eligible Executives may elect to receive all or a portion of their annual bonus in DSUs. The Executives' DSU plan also provides for the granting of discretionary DSUs. Under the Directors' DSU plan, eligible Directors may defer all or a portion of their annual director fees into DSUs. DSUs received under both the Executives' and Directors' DSU plans are settled in cash following termination of service with the Company and/or the Board based on the fair market value of the Company's Class A Non-Voting Shares on the settlement date.

CT REIT also offers a Deferred Unit ("DU") plan for members of its Board of Trustees. Under this plan, eligible trustees may elect to receive all or a portion of their annual trustee fees in DUs. DUs are settled through the issuance of an equivalent number of Units of CT REIT or, at the election of the trustee, cash, following termination of service with the Board.

### Restricted Unit Plan

CT REIT offers a Restricted Unit ("RU") plan for its Executives. RUs may be issued as discretionary grants or, Executives may elect to receive all or a portion of their annual bonus in RUs. At the end of the vesting period, which is generally three years from the date of grant (in the case of discretionary grants) and five years from the annual bonus payment date (in the case of deferred bonus), an Executive receives an equivalent number of Units issued by CT REIT or, at the Executive's election, the cash equivalent thereof.

The Company enters into equity derivative transactions to hedge share-based payments and does not apply hedge accounting. The expense recognized for share-based compensation is summarized as follows:

(C\$ in millions)	2020	2019
Expense arising from share-based payment transactions	\$ 115.5	\$ 31.6
Effect of hedging arrangements	(82.1)	4.9
Total expense included in net income	\$ 33.4	\$ 36.5

The total carrying amount of liabilities for share-based payment transactions at January 2, 2021, was \$172.9 million (2019 – \$86.7 million).

The intrinsic value of the liability for vested benefits at January 2, 2021, was \$55.6 million (2019 – \$33.6 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28. Revenue

Revenue by reportable operating segment is as follows:

(C\$ in millions)	2020					2019				
	Retail	Financial Services	CT REIT	Adjustments	Total	Retail	Financial Services	CT REIT	Adjustments	Total
Sale of goods	\$13,062.1	\$ —	\$ —	\$ —	\$13,062.1	\$12,708.3	\$ —	\$ —	\$ —	\$12,708.3
Interest income on loans receivable	12.9	1,056.6	—	(4.9)	1,064.6	20.5	1,113.4	—	(10.5)	1,123.4
Royalties and licence fees	50.0	—	—	—	50.0	55.4	—	—	—	55.4
Services rendered	21.1	152.1	—	(3.7)	169.5	19.4	178.0	—	(2.4)	195.0
Rental income	471.1	—	53.7	—	524.8	401.5	—	51.6	(0.8)	452.3
	\$13,617.2	\$ 1,208.7	\$ 53.7	\$ (8.6)	\$14,871.0	\$13,205.1	\$ 1,291.4	\$ 51.6	\$ (13.7)	\$14,534.4

Retail revenue breakdown is as follows:

(C\$ in millions)	2020	2019
Canadian Tire	\$ 8,639.5	\$ 7,418.0
SportChek	1,814.8	2,036.3
Mark's	1,213.2	1,274.3
Helly Hansen <sup>1</sup>	541.9	554.2
Petroleum	1,358.7	1,894.5
Other and intersegment eliminations	49.1	27.8
	\$ 13,617.2	\$ 13,205.1

<sup>1</sup> Helly Hansen revenue represents external revenue only. The prior period figures have been restated to align with current year presentation

### Major Customers

The Company does not rely on any one customer.

### 29. Cost of Producing Revenue

Cost of producing revenue consists of the following:

(C\$ in millions)	2020	2019
Inventory cost of sales <sup>1</sup>	\$ 9,260.4	\$ 9,116.8
Net impairment loss on loans receivable	405.9	409.5
Finance costs on deposits	76.8	66.6
Other	51.3	67.7
	\$ 9,794.4	\$ 9,660.6

<sup>1</sup> Inventory cost of sales includes depreciation for the year ended January 2, 2021 of \$12.9 million (2019 – \$10.1 million).

Inventory writedowns, as a result of net realizable value being lower than cost, recognized in the year ended January 2, 2021 were \$91.5 million (2019 – \$50.7 million).

Inventory writedowns recognized in prior periods and reversed in the year ended January 2, 2021 were \$8.3 million (2019 – \$7.8 million). The reversal of writedowns was the result of actual losses being lower than previously estimated.

The writedowns and reversals are included in inventory cost of sales.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

(C\$ in millions)	2020	2019
Personnel expenses	\$ 1,429.8	\$ 1,375.0
Occupancy	433.5	417.6
Marketing and advertising	301.9	312.8
Depreciation of property and equipment and investment property <sup>1</sup>	287.1	274.3
Depreciation of right-of-use assets	282.6	262.3
Amortization of intangible assets	112.7	110.8
Information systems	212.6	187.0
Other	539.1	497.7
	\$ 3,599.3	\$ 3,437.5

<sup>1</sup> Refer to Note 29 for depreciation included in cost of producing revenue.

### 31. Net Finance Costs

Net finance costs consists of the following:

(C\$ in millions)	2020	2019
Finance (income)	\$ (9.8)	\$ (21.5)
Finance (income) on lease receivables	(5.8)	(6.1)
Finance costs	173.9	187.3
Finance costs on lease liabilities	98.2	107.1
	\$ 256.5	\$ 266.8



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32. Notes to the Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities comprise the following:

	2020		
(C\$ in millions)	Lease liabilities	Deposits	Long-term debt
<b>Balance, beginning of year</b>	<b>\$ 2,206.3</b>	<b>\$ 2,444.2</b>	<b>\$ 4,518.4</b>
<b>Cash changes:</b>			
Payment of lease liabilities (principal portion)	(367.9)	—	—
Change in deposits	—	1,061.0	—
Long-term debt issuance	—	—	1,180.0
Long-term debt repayment	—	—	(1,450.4)
Mortgage issuance	—	—	18.6
Mortgage repayment	—	—	(0.4)
Payment of transaction costs related to long-term debt	—	—	(2.8)
<b>Total changes from financing cash flows</b>	<b>(367.9)</b>	<b>1,061.0</b>	<b>(255.0)</b>
<b>Non-cash changes:</b>			
New leases, interest accretion, currency translation adjustment and other	388.1	—	(1.0)
Amortization of broker commission	—	4.5	—
Amortization of debt issuance costs	—	—	3.8
<b>Balance, end of year</b>	<b>\$ 2,226.5</b>	<b>\$ 3,509.7</b>	<b>\$ 4,266.2</b>
	2019		
(C\$ in millions)	Lease liabilities	Deposits	Long-term debt
<b>Balance, beginning of year</b>	<b>\$ —</b>	<b>\$ 2,471.2</b>	<b>\$ 4,553.9</b>
<b>Cash changes:</b>			
Payment of lease liabilities (principal portion)	(313.3)	—	—
Change in deposits	—	(30.8)	—
Long-term debt issuance	—	—	560.4
Long-term debt repayment	—	—	(500.0)
Mortgage issuance	—	—	10.9
Mortgage repayment	—	—	(0.3)
Payment of transaction costs related to long-term debt	—	—	(2.6)
<b>Total changes from financing cash flows</b>	<b>(313.3)</b>	<b>(30.8)</b>	<b>68.4</b>
<b>Non-cash changes:</b>			
IFRS 16 transition adjustment	2,346.3	—	(108.0)
New leases, interest accretion and other	101.3	—	—
Acquisition through business combinations	74.1	—	—
Currency translation adjustment	(2.1)	—	—
Amortization of broker commission	—	3.8	—
Amortization of debt issuance costs	—	—	4.1
<b>Balance, end of year</b>	<b>\$ 2,206.3</b>	<b>\$ 2,444.2</b>	<b>\$ 4,518.4</b>

### 32.1 Cash and Marketable Investments Held in Reserve

Cash and marketable investments includes reserves held by the Financial Services segment in support of its liquidity and regulatory requirements. As at January 2, 2021, reserves held by Financial Services totaled \$398.3 million (2019 – \$347.4 million) and includes restricted cash disclosed in Note 7 as well as short-term investments.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33. Financial Instruments

### 33.1 Fair Value of Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the following:

The carrying amount of the Company's cash and cash equivalents, trade and other receivables, loans receivable, bank indebtedness, trade and other payables, short-term borrowings and loans approximate their fair value either due to their short-term nature or because they are derivatives, which are carried at fair value.

The carrying amount of the Company's long-term receivables and other assets approximate their fair value either because the interest rates applied to measure their carrying amount approximate current market interest or because they are derivatives, which are carried at fair value.

Fair values of financial instruments reflect the credit risk of the Company and counterparties when appropriate.

#### *Investments in Debt Securities*

The fair values of financial assets traded in active markets are determined by reference to their quoted closing bid price or dealer price quotations at the reporting date. For investments that are not traded in active markets, the Company determines fair values using a combination of discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models.

#### *Derivatives*

The fair value of a foreign exchange forward contract is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and swaptions reflect the estimated amounts the Company would receive or pay if it were to settle the contracts at the measurement date and is determined by an external valuator using valuation techniques based on observable market input data.

The fair value of equity derivatives is determined by reference to share price movement adjusted for interest using market interest rates specific to the terms of the underlying derivative contracts.

#### *Redeemable Financial Instrument*

On October 1, 2014, the Scotiabank acquired a 20.0 percent interest in the Financial Services business from the Company for proceeds of \$476.8 million, net of \$23.2 million in transaction costs. In conjunction with the transaction, Scotiabank was provided an option to sell and require the Company to purchase all of the interest owned by Scotiabank at any time during the six-month period following the tenth anniversary of the transaction. This obligation gives rise to a liability for the Company (the "redeemable financial instrument") and is recorded on the Company's Consolidated Balance Sheets in Other long-term liabilities. The purchase price will be based on the fair value of the Financial Services business and Scotiabank's proportionate interest in the Financial Services business, at that time.

The redeemable financial instrument was initially recorded at \$500.0 million and is subsequently measured at fair value with changes in fair value recorded in net income for the period in which they arise. The subsequent fair value measurements of the redeemable financial instrument are calculated based on a discounted cash flow analysis using earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the business. The Company estimates future annual earnings over the forecast time period, taking into account a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on an industry-based estimate of the Financial Services business. The discount rate reflects the cost of equity of the Financial Services business and is based on expected market rates adjusted to reflect the risk profile of the business. The fair value measurement is performed quarterly using internal estimates and judgment supplemented by input from a third party, as required. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (refer to Note 33.2).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33.2 Fair Value of Financial Assets and Financial Liabilities Classified Using the Fair Value Hierarchy

The Company uses a fair value hierarchy to categorize the inputs used to measure the fair value of financial assets and financial liabilities, the levels of which are:

- Level 1 – Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2 – Inputs are other than quoted prices included in Level 1 but are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs are not based on observable market data.

The following table presents the financial instruments measured at fair value classified by the fair value hierarchy:

(C\$ in millions)			2020		2019
	Category	Level		Level	
Trade and other receivables	FVTPL <sup>1</sup>	2	\$ 69.8	2	12.1
Trade and other receivables	Effective hedging instruments	2	0.2	2	9.1
Long-term receivables and other assets	FVTPL <sup>1</sup>	2	28.2	2	—
Long-term receivables and other assets	Effective hedging instruments	2	14.4	2	42.9
Trade and other payables	FVTPL <sup>1</sup>	2	25.6	2	9.2
Trade and other payables	Effective hedging instruments	2	93.7	2	19.1
Redeemable financial instrument	FVTPL	3	567.0	3	567.0
Other long-term liabilities	FVTPL <sup>1</sup>	2	2.2	2	0.4
Other long-term liabilities	Effective hedging instruments	2	8.2	2	5.2

<sup>1</sup> Relates to derivatives not designated as hedging instruments.

There were no transfers in either direction between categories in 2020 or 2019.

### Changes in Fair Value Measurement for Instruments Categorized in Level 3

Level 3 financial instruments include a redeemable financial instrument.

As of January 2, 2021, the fair value of the redeemable financial instrument was estimated to be \$567.0 million (2019 – \$567.0 million). The determination of the fair value of the redeemable financial instrument requires significant judgment on the part of Management. Refer to Note 2 of these consolidated financial statements for further information.

### 33.3 Fair Value Measurement of Investments, Debt and Deposits

The fair value measurement of investments, debt and deposits is categorized within Level 2 of the fair value hierarchy (refer to Note 33.2). The fair values of the Company's investments, debt and deposits compared to the carrying amounts are as follows:

As at	January 2, 2021		December 28, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
(C\$ in millions)				
Short-term investments	\$ 643.0	\$ 642.3	\$ 201.7	\$ 201.7
Long-term investments	146.2	146.1	138.9	139.5
Long-term debt	4,266.2	4,593.3	4,518.4	4,711.7
Deposits	3,509.7	3,613.3	2,444.2	2,459.0

The difference between the fair values and the carrying amounts (excluding transaction costs, which are included in the carrying amount of debt) is due to changes in market interest rates for similar instruments. The fair values are determined by discounting the associated future cash flows using current market interest rates for items of similar risk.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**33.4 Items of Income, Expense, Gains or Losses**

The following table presents certain amounts of income, expense, gains, or losses, arising from financial instruments that were recognized in net income or equity:

(C\$ in millions)	2020	2019
Net (loss) gain on:		
Financial instruments designated and/or classified as FVTPL <sup>1</sup>	\$ 71.0	\$ (20.5)
Interest income (expense):		
Total interest income calculated using effective interest method for financial instruments that are not at FVTPL	1,074.4	1,144.8
Total interest expense calculated using effective interest method for financial instruments that are not at FVTPL	(247.7)	(261.7)
Fee expense arising from financial instruments that are not at FVTPL:		
Other fee expense	(16.5)	(9.8)

<sup>1</sup> Excludes gains (losses) on cash flow hedges, which are effective hedging relationships and are reflected on the Consolidated Statements of Comprehensive Income.

**33.5 Derivatives Designated as Hedging Instruments**

The following table details the effectiveness of the hedging relationships and the amounts reclassified from hedging reserve to profit or loss:

(C\$ in millions)	2020		
	Current period hedging gains (losses) recognized in OCI	Amounts reclassified to profit or loss	
		Due to hedged item affecting profit or loss	Line item in profit or loss affected by the reclassification
Foreign currency risk	\$ (41.4)	\$ (1.5)	Other expense (income)
Interest rate risk	\$ (62.6)	\$ 5.3	Net finance costs

(C\$ in millions)	2019		
	Current period hedging gains (losses) recognized in OCI	Amounts reclassified to profit or loss	
		Due to hedged item affecting profit or loss	Line item in profit or loss affected by the reclassification
Foreign currency risk	\$ (73.7)	\$ (1.8)	Other (income)
Interest rate risk	\$ (29.8)	\$ 2.6	Net finance costs



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table shows a reconciliation of cash flow hedges, net of tax, in relation to hedge accounting:

(C\$ in millions)	2020	2019
<b>Balance, beginning of year</b>	<b>\$ (28.3)</b>	92.0
Changes in fair value:		
<i>Foreign currency risk</i>		
Hedging instruments entered into for cash flow hedges subject to basis adjustment	(40.5)	(72.0)
Hedging instruments entered into for cash flow hedges not subject to basis adjustment	(0.9)	(1.7)
<i>Interest rate risk</i>		
Hedging instruments entered into for cash flow hedges not subject to basis adjustment	(46.3)	(4.4)
Deferred cost of hedging not subject to basis adjustment – time value of an option in relation to time-period related hedged items	(16.3)	(25.4)
Amount reclassified to profit or loss:		
Foreign currency risk	(1.5)	(1.8)
Interest rate risk	5.3	2.6
Amount reclassified to non-financial assets:		
Foreign currency risk	(40.4)	(67.6)
Tax on movements on reserves during the year	37.1	45.5
Attributable to non-controlling interests	8.7	4.5
<b>Balance, end of year</b>	<b>\$ (123.1)</b>	(28.3)

## 34. Guarantees and Commitments

### Guarantees

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable that is related to an asset, a liability or an equity security of the counterparty; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

The Company has provided the following significant guarantees and other commitments to third parties:

### Standby Letters of Credit

Franchise Trust, a legal entity sponsored by a third-party bank, originates loans to certain Dealers for their purchase of Canadian Tire store inventory and fixed assets. While Franchise Trust is consolidated as part of these financial statements, the Company has arranged for several major Canadian banks to provide standby LCs to Franchise Trust to support the credit quality of the Dealer loan portfolio. Franchise Trust may also draw against the LCs to cover any shortfalls in certain related fees owing to it. In any case where a draw is made against an LC, the Company has agreed to reimburse the bank issuing such standby LC for the amount so drawn. The Company has not recorded any liability for these amounts due to the credit quality of the Dealer loans and to the nature of the underlying collateral represented by the inventory and fixed assets of the borrowing Dealers. In the unlikely event that all of the LCs have been fully drawn simultaneously, the maximum payment by the Company under this reimbursement obligation would have been \$71.9 million at January 2, 2021 (2019 – \$115.4 million).

The Company has obtained documentary and standby letters of credit aggregating \$28.7 million (2019 – \$42.2 million) relating to the importation of merchandise inventories and to facilitate various real estate activities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **Business and Property Dispositions**

In connection with agreements for the sale of all or part of a business or property and in addition to indemnifications relating to failure to perform covenants and breach of representations and warranties, the Company has agreed to indemnify the purchasers against claims from its past conduct, including environmental remediation. Typically, the term and amount of such indemnification will be determined by the parties in the agreements. The nature of these indemnification agreements prevents the Company from estimating the maximum potential liability it would be required to pay to counterparties. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements with respect to these indemnification agreements.

### **Lease Agreements Guarantees**

The Company has guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. These lease agreements have expiration dates through November 2023. The maximum amount that the Company may be required to pay under these agreements was \$1.8 million (2019 – \$2.5 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. No amount has been accrued in the consolidated financial statements with respect to these lease agreements.

### **Third-Party Financial Guarantees**

The Company has guaranteed the debts of certain Dealers. These third-party financial guarantees require the Company to make payments if the Dealer fails to make scheduled debt payments. The majority of these third-party financial guarantees have expiration dates extending up to and including January 2023. Under these financial guarantees, \$11.0 million (2019 – \$11.5 million) was issued as at January 2, 2021.

The Company has entered into agreements to buy back franchise-owned merchandise inventory should the banks foreclose on any of the applicable franchisees. The terms of the guarantees range from less than a year to the lifetime of the particular underlying franchise agreement. The Company's maximum exposure as at January 2, 2021, was \$30.7 million (2019 – \$52.4 million).

No amount has been accrued in the consolidated financial statements with respect to these guarantees and buy-back agreements.

### **Indemnification of Lenders and Agents Under Credit Facilities**

In the ordinary course of business, the Company has agreed to indemnify its lenders under various credit facilities against costs or losses resulting from changes in laws and regulations that would increase the lenders' costs and from any legal action brought against the lenders related to the use of the loan proceeds. These indemnifications generally extend for the term of the credit facilities and do not provide any limit on the maximum potential liability. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements with respect to these indemnification agreements.

### **Other Indemnification Agreements**

In the ordinary course of business, the Company provides other additional indemnification agreements to counterparties in transactions such as leasing transactions, service arrangements, investment banking agreements, securitization agreements, indemnification of trustees under indentures for outstanding public debt, director and officer indemnification agreements, escrow agreements, price escalation clauses, sales of assets (other than dispositions of businesses discussed above) and the arrangements with Franchise Trust discussed above. These additional indemnification agreements require the Company to compensate the counterparties for certain amounts and costs incurred, including costs resulting from changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by a counterparty as a consequence of the transaction.

The terms of these additional indemnification agreements vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Company has not made any significant payments under such additional indemnifications and no amount has been accrued in the consolidated financial statements with respect to these additional indemnification commitments.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's exposure to credit risks related to the above-noted guarantees are disclosed in Note 5.

### Capital Commitments

As at January 2, 2021, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately \$263.9 million (2019 – \$201.5 million).

## 35. Related Parties

The Company's majority shareholder is Martha Billes, who beneficially owns, or controls or directs approximately 61.4 percent of the Common Shares of the Company through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

Transactions with members of the Company's Board of Directors who were also Dealers represented less than one percent of the Company's total revenue and were in accordance with established Company policy applicable to all Dealers. Other transactions with related parties, as defined by IFRS, were not significant during the year.

The following outlines the compensation of the Company's Board of Directors and key Management personnel (the Company's Chief Executive Officer, Chief Financial Officer and certain other Senior Officers):

(C\$ in millions)		2020	2019
Salaries and short-term employee benefits	\$	14.4	\$ 16.1
Share-based payments and other		31.0	13.3
	\$	45.4	\$ 29.4



## 2020 Quarterly Information

(C\$ in millions, except where noted)	First Quarter (December 29, 2019 to March 28, 2020)	Second Quarter (March 29, 2020 to June 27, 2020)	Third Quarter (June 28, 2020 to September 26, 2020)	Fourth Quarter (September 27, 2020 to January 2, 2021)	Total
(Store numbers are cumulative at end of period)					
<b>Retail segment<sup>1</sup></b>					
Revenue	\$ 2,503.2	\$ 2,849.8	\$ 3,684.8	\$ 4,582.2	\$ 13,620.0
(Loss) Income before income taxes	(99.6)	(66.2)	326.2	577.9	738.3
<b>CT REIT segment</b>					
Revenue	126.8	125.5	123.2	126.8	502.3
Income before income taxes	43.2	62.0	64.1	14.0	183.3
<b>Financial Services segment</b>					
Revenue	341.9	309.9	301.3	295.3	1,248.4
Income before income taxes	70.2	51.0	90.5	115.6	327.3
<b>Total</b>					
Revenue	\$ 2,848.3	\$ 3,161.8	\$ 3,986.4	\$ 4,874.5	\$ 14,871.0
Cost of producing revenue	1,909.1	2,221.1	2,639.6	3,024.6	9,794.4
Other (income) expense	(8.6)	32.8	5.6	18.9	48.7
Selling, general and administrative expenses	876.7	830.2	838.8	1,053.6	3,599.3
Net finance costs	68.2	69.4	60.1	58.8	256.5
Income tax (recovery) expenses	(9.3)	6.0	116.0	196.8	309.5
Net income	12.2	2.3	326.3	521.8	862.6
Net (loss) income attributable to shareholders of Canadian Tire Corporation	(13.3)	(20.0)	296.3	488.8	751.8
Net income attributable to non-controlling interests	25.5	22.3	30.0	33.0	110.8
Basic EPS <sup>2</sup>	(0.22)	(0.33)	4.87	8.04	12.35
Diluted EPS <sup>2</sup>	(0.22)	(0.33)	4.84	7.97	12.31
<b>Canadian Tire</b>					
Retail sales growth <sup>1,3</sup>	2.2 %	20.3 %	25.7 %	17.1 %	17.6 %
Comparable sales growth <sup>4</sup>	0.7 %	NM <sup>10</sup>	25.1 %	12.8 %	NM <sup>10</sup>
Number of Canadian Tire stores	503	504	504	504	
Number of Other Canadian Tire stores <sup>5</sup>	163	163	163	163	
<b>SportChek</b>					
Retail sales growth <sup>1,6</sup>	(13.1)%	(24.9)%	(1.7)%	0.5 %	(8.5)%
Comparable sales growth <sup>4</sup>	(1.8)%	NM <sup>10</sup>	(1.4)%	(3.0)%	NM <sup>10</sup>
Number of SportChek stores	400	398	397	397	
<b>Canadian Tire Petroleum</b>					
Number of gas bars	297	297	297	296	
<b>Mark's</b>					
Retail sales growth <sup>1,7</sup>	(15.3)%	(36.4)%	4.9 %	11.9 %	(5.5)%
Comparable sales growth <sup>4</sup>	(4.5)%	NM <sup>10</sup>	5.7 %	7.6 %	NM <sup>10</sup>
Number of Mark's stores	380	380	381	381	
<b>Financial Services segment</b>					
Average number of accounts with a balance <sup>8</sup> (thousands)	2,110	2,013	2,045	2,074	2,060
Average account balance <sup>8</sup> (\$)	3,015	2,961	2,871	2,813	2,915
Gross average accounts receivable (millions) <sup>9</sup>	6,363.3	5,962.3	5,874.6	5,833.9	6,008.6



## 2020 Quarterly Information

	First Quarter (December 29, 2019 to March 28, 2020)	Second Quarter (March 29, 2020 to June 27, 2020)	Third Quarter (June 28, 2020 to September 26, 2020)	Fourth Quarter (September 27, 2020 to January 2, 2021)	Total
<b>(C\$ in millions, except where noted)</b>					
<b>Class A Non-Voting Shares</b>					
High	\$ 153.90	\$ 128.57	\$ 139.69	\$ 170.39	\$ 170.39
Low	67.15	80.30	114.67	132.50	67.15
Close	86.11	116.39	134.34	167.33	167.33
Volume (thousands of shares)	27,329	35,652	19,845	18,235	101,061
<b>Common Shares</b>					
High	\$ 199.25	\$ 239.99	\$ 225.00	\$ 217.99	\$ 239.99
Low	140.00	180.00	200.01	195.26	140.00
Close	185.00	224.97	216.66	208.00	208.00
Volume (thousands of shares)	36	60	23	32	151

<sup>1</sup> The fourth quarter and full year 2020 results of retail operations include 14 weeks and 53 weeks ended Jan 2, 2021 respectively. Unless otherwise indicated, all comparisons of results for Q4 2020 (14 weeks ended January 2, 2021) are compared against Q4 2019 (13 weeks ended December 28, 2019) and all comparisons of results for the full year 2020 (53 weeks ended January 2, 2021) are compared against results for full year 2019 (52 weeks ended December 28, 2019).

<sup>2</sup> Basic EPS is calculated by dividing the net income attributable to shareholders of Canadian Tire Corporation by the weighted average number of Common and Class A Non-Voting shares outstanding during the reporting period. Diluted EPS is calculated by dividing the net income attributable to shareholders of Canadian Tire Corporation by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential equity instruments, which comprise employee stock options.

<sup>3</sup> Retail sales growth includes sales from Canadian Tire, PartSource, PHL, Party City and the labour portion of Canadian Tire's auto service sales.

<sup>4</sup> Comparable sales growth excludes Petroleum. Canadian Tire banner includes PartSource, PHL and Party City. Comparable sales growth has been calculated by aligning the 2019 fiscal calendar to match the 2020 fiscal calendar (i.e., sales from the last week in 2020 are not included in the calculation for comparable purposes), and, includes the impact of temporary store closures in the fourth quarter of 2020. Refer to section 9.3.1 in the MD&A for additional information on comparable sales growth.

<sup>5</sup> Other Canadian Tire banners include PartSource, PHL and Party City.

<sup>6</sup> Retail sales include sales from both corporate and franchise stores.

<sup>7</sup> Retail sales growth includes retail sales from Mark's corporate and franchise stores, but excludes ancillary revenue relating to alteration and embroidery services.

<sup>8</sup> Credit card portfolio only.

<sup>9</sup> Total portfolio of loans receivable.

<sup>10</sup> Not meaningful.



## 2019 Quarterly Information

(C\$ in millions, except where noted)	First Quarter (December 30, 2018 to March 30, 2019)	Second Quarter (March 31, 2019 to June 29, 2019)	Third Quarter (June 30, 2019 to September 28, 2019)	Fourth Quarter (September 29, 2019 to December 28, 2019)	Total
(Store numbers are cumulative at end of period)					
<b>Retail segment</b>					
Revenue	\$ 2,564.0	\$ 3,360.3	\$ 3,296.3	\$ 3,989.2	\$ 13,209.8
(Loss) Income before income taxes	(13.5)	139.1	170.6	351.6	647.8
<b>CT REIT segment</b>					
Revenue	121.6	122.0	121.7	123.7	489.0
Income before income taxes	71.4	78.8	80.1	76.9	307.2
<b>Financial Services segment</b>					
Revenue	328.8	329.3	343.0	333.0	1,334.1
Income before income taxes	112.4	95.5	108.9	109.5	426.3
<b>Total</b>					
Revenue	\$ 2,894.4	\$ 3,686.6	\$ 3,636.7	\$ 4,316.7	\$ 14,534.4
Cost of producing revenue	1,896.1	2,542.7	2,408.1	2,813.7	9,660.6
Other (income) expense	(5.0)	(28.3)	17.9	2.0	(13.4)
Selling, general and administrative expenses	812.9	848.6	832.3	943.7	3,437.5
Net finance costs	67.0	62.3	71.5	66.0	266.8
Income taxes	26.0	57.5	79.2	125.4	288.1
Net income	97.4	203.8	227.7	365.9	894.8
Net income attributable to shareholders of Canadian Tire Corporation	69.7	177.4	197.2	334.1	778.4
Net income attributable to non-controlling interests	27.7	26.4	30.5	31.8	116.4
Basic EPS <sup>1</sup>	1.12	2.87	3.20	5.42	12.60
Diluted EPS <sup>1</sup>	1.12	2.87	3.20	5.42	12.58
<b>Canadian Tire</b>					
Retail sales growth <sup>2</sup>	7.4 %	2.1 %	2.7 %	6.6 %	4.5 %
Comparable sales growth <sup>3</sup>	7.1 %	1.9 %	2.4 %	4.8 %	3.8 %
Number of Canadian Tire stores	503	504	504	504	
Number of Other Canadian Tire stores <sup>4</sup>	104	102	101	163	
<b>SportChek</b>					
Retail sales growth <sup>5</sup>	2.8 %	3.0 %	3.8 %	1.3 %	2.6 %
Comparable sales growth <sup>3</sup>	3.4 %	3.7 %	4.6 %	2.0 %	3.3 %
Number of SportChek stores	404	402	403	402	
<b>Canadian Tire Petroleum</b>					
Number of gas bars	297	295	296	297	
<b>Mark's</b>					
Retail sales growth <sup>6</sup>	5.5 %	2.7 %	0.9 %	1.5 %	2.4 %
Comparable sales growth <sup>3</sup>	4.9 %	2.6 %	1.2 %	1.8 %	2.5 %
Number of Mark's stores	385	380	381	380	
<b>Financial Services segment</b>					
Average number of accounts with a balance <sup>7</sup> (thousands)	2,082	2,093	2,126	2,148	2,112
Average account balance <sup>7</sup> (\$)	2,930	2,955	2,973	2,978	2,959
Gross average accounts receivable (millions) <sup>8</sup>	6,104.6	6,187.3	6,324.0	6,398.3	6,253.5



## 2019 Quarterly Information

(C\$ in millions, except where noted)	First Quarter (December 30, 2018 to March 30, 2019)	Second Quarter (March 31, 2019 to June 29, 2019)	Third Quarter (June 30, 2019 to September 28, 2019)	Fourth Quarter (September 29, 2019 to December 28, 2019)	Total
<b>Class A Non-Voting Shares</b>					
High	\$ 153.63	\$ 154.69	\$ 149.64	\$ 157.36	\$ 157.36
Low	137.00	133.56	131.31	139.73	131.31
Close	143.99	142.68	148.03	140.63	140.63
Volume (thousands of shares)	16,527	14,114	13,159	16,774	60,574
<b>Common Shares</b>					
High	\$ 243.89	\$ 233.32	\$ 231.83	\$ 214.00	\$ 243.89
Low	211.10	215.00	205.65	175.20	175.20
Close	233.32	228.00	209.00	175.30	175.30
Volume (thousands of shares)	17	17	13	37	84

<sup>1</sup> Basic EPS is calculated by dividing the net income attributable to shareholders of Canadian Tire Corporation by the weighted average number of Common and Class A Non-Voting shares outstanding during the reporting period. Diluted EPS is calculated by dividing the net income attributable to shareholders of Canadian Tire Corporation by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential equity instruments, which comprise employee stock options.

<sup>2</sup> Retail sales growth includes sales from Canadian Tire, PartSource, PHL, Party City and the labour portion of Canadian Tire's auto service sales.

<sup>3</sup> Comparable sales growth excludes Petroleum. Refer to section 9.3.1 in the MD&A for additional information on comparable sales growth.

<sup>4</sup> Other Canadian Tire banners include PartSource, PHL and Party City.

<sup>5</sup> Retail sales growth includes sales from both corporate and franchise stores.

<sup>6</sup> Retail sales growth includes retail sales from Mark's corporate and franchise stores, but excludes ancillary revenue relating to alteration and embroidery services.

<sup>7</sup> Credit card portfolio only.

<sup>8</sup> Total portfolio of loans receivable.



## CONTACT

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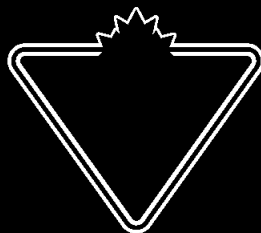
**Toll-free (Canada and U.S.):** 1-877-982-8768

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**CTC TRIANGLE (NORWAY) I AS**

**FINANCIAL STATEMENTS**

**2020**



## CTC TRIANGLE (NORWAY) I AS

### INCOME STATEMENT

(Amounts in NOK millions)

For the period ending 31 December	Notes	2020	2019
<b>Operating expenses</b>		<b>0</b>	<b>0</b>
<b>Operating income / (loss)</b>		<b>0</b>	<b>0</b>
Other financial expense		0	0
Interest expenses- intercompany	3	(10)	(16)
<b>Net financial income / (expenses)</b>		<b>(10)</b>	<b>(16)</b>
<b>Income / (loss) before taxes</b>		<b>(10)</b>	<b>(16)</b>
Net tax income / (expense)	2	-	-
<b>Net income / (loss)</b>		<b>(10)</b>	<b>(16)</b>

*The accompanying notes are an integral part of these financial statements.*



## CTC TRIANGLE (NORWAY) I AS

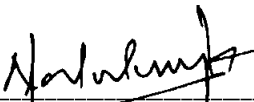
### BALANCE SHEET

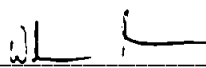
(Amounts in NOK millions)


As of 31 December	Notes	2020	2019
<b>ASSETS</b>			
Shares in subsidiaries	4	1 760	1 760
Financial fixed assets		1 760	1 760
<b>TOTAL ASSETS</b>		<b>1 760</b>	<b>1 760</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share capital		285	285
Share premium reserve		3 374	3 374
<b>Paid-in capital</b>		<b>3 659</b>	<b>3 659</b>
Other equity		(2 204)	(2 194)
<b>Total shareholders' equity</b>	5	<b>1 455</b>	<b>1 465</b>
Intercompany liabilities	3	154	296
<b>Long-term liabilities</b>		<b>154</b>	<b>296</b>
Intercompany liabilities	3	152	0
<b>Short-term liabilities</b>		<b>152</b>	<b>0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1 760</b>	<b>1 760</b>

The accompanying notes are an integral part of these financial statements

18 May 2021  
Oslo, Norway  
Board of Directors

  
Mahes Wickramasinghe  
Chairman of the Board

  
Wilhelm Matheson  
Board Member

  
Paul Herbert Stoneham (sign.)  
Board Member and CEO



## CTC TRIANGLE (NORWAY) I AS

### NOTES TO FINANCIAL STATEMENTS

#### Organisation and significant accounting principles

CTC Triangle (Norway) I AS ("the Company") is a Norwegian limited liability company incorporated on 11 April 2012 and domiciled in Norway. The Company is registered in the Register of Business Enterprises with organization number 998 263 158. The Company's registered office is Munkedamsveien 35, 0250 Oslo, Norway.

The Company is the 100% owner of Helly Hansen Holding AS and its subsidiaries owning Helly Hansen and Musto (together "The Group" or "CTC Triangle"). The Group is primarily engaged in the design, sourcing, marketing and sale of apparel and footwear. Product categories include sailing, skiing, baselayer, mountain, urban and workwear. The principal markets are Scandinavia, Europe, and North America

In July 2018, 100% of the shares in the Company were acquired by CTC Triangle BV, a Dutch company domiciled in Holland. The ultimate parent company of CTC Triangle BV is Canadian Tire Corporation Ltd, a company listed on the Toronto stock exchange. CTC Triangle (Norway) I AS is not obliged by the Norwegian Accounting Act to issue consolidated financial statements. The consolidated result of CTC Triangle (Norway) I AS and its subsidiaries is included in the consolidated financial statements of Canadian Tire Corporation Ltd and its subsidiaries. These consolidated financial statements are available at: <https://corp.canadiantire.ca/English/investors/financials-reporting/annual-disclosures/default.aspx>

The company has no employees.

#### Basis of presentation

The accompanying financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles ("Norwegian GAAP") for small companies. The financial statements have been prepared under the going concern assumption.

The presentation and functional currency of the financial statements is Norwegian Kroner (NOK). Amounts included in the financial statements and notes are stated in millions of NOK, except where otherwise noted.

#### Foreign currency translation and foreign exchange contracts

All monetary items denominated in a foreign currency are converted at the exchange rate on the balance sheet date. Unrealized gains and losses on transactions denominated in foreign currencies are included in the income statements. Unrealised gains and losses on transactions denominated in foreign currencies are included as financial items in the consolidated income statements.

#### Classification of balance sheet items

Cash, receivables, and liabilities are classified as current assets and current liabilities, respectively, if maturity is within one year of the balance sheet date. Assets and liabilities not maturing within one year of the balance sheet date are classified as non-current assets and long-term liabilities, respectively.

#### Investment in subsidiaries

In the Company's accounts subsidiaries are valued according to the cost method. The investments are valued at purchase cost of the shares unless a write-down has been considered to be necessary.

Dividends and group contribution are recognised in the same year as the provisions are made in the subsidiaries. If dividends significantly exceed the portion of retained result after the purchase, the excess represents repayment of invested capital and is deducted from the investment's value in the balance sheet.

#### Financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

#### Financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the Other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

**Income taxes**

Income tax expense includes current taxes and changes in deferred taxes.

Deferred taxes are computed in accordance with the liability method, which bases the estimated amount of future taxes to be refunded or paid on the temporary differences between financial and tax reporting basis of assets and liabilities using the prevailing tax rates as of the most recent balance sheet date. Deferred tax assets may only be recognised to the extent that it is more likely than not that such assets will be realised in future periods. Deferred tax liabilities and assets are presented on a gross basis in the balance sheet. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities and when deferred income taxes relate to the same jurisdiction.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Merger between parent and subsidiary**

Mergers are accounted for using accounting continuity in which net book values of subsidiaries continue in the merged company.

The subsidiary Helly Hansen Group AS has merged with CTC Triangle (Norway) II. CTC Triangle (Norway) II AS has further merged with CTC Triangle (Norway) I AS with both accounting and tax effect from 1 January 2019.



## 1. MERGER

In 2019 CTC (Triangle) Norway I AS merged with the subsidiary CTC (Triangle) Norway II AS with accounting and tax effect from 01.01.2019. The merger was undertaken at tax and accounting continuity and in accordance with the rules in section 13-23 of the Norwegian Companies Act on a merger between the parent company and wholly owned subsidiaries without compensation.

Prior to the merger, CTC (Triangle) Norway II AS conducted a similar merger with the wholly owned subsidiary Helly Hansen Group AS with accounting and tax effect as of 01.01.2019.

The total merger effect recorded against equity is shown in note 5 Shareholders' Equity.

## 2. INCOME TAXES

### Basis for payable taxes

(Amounts in NOK millions)

For the period ending 31 December	2020	2019
Income / (loss) before taxes	(10)	(16)
Permanent differences	0	0
Difference related to interest not deductible	0	0
Difference related to tax loss carry forward	10	16
<b>Basis for payable taxes</b>	-	-
<b>Taxable income</b>	-	-

There are no differences between total income tax and income tax computed using the Norwegian statutory tax rate of 22 %. The nominal tax rate for 2020 and 2019 is 22 %.

There are no temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at year end, except for tax loss carry forward and interest carry forward:

### Temporary differences:

Interest carry forward	(705)	(705)
Tax losses	(259)	(249)
<b>Temporary differences:</b>	<b>(964)</b>	<b>(954)</b>
<b>Deferred tax/ deferred tax income – 22 % (2019: 22 %)</b>	<b>(212)</b>	<b>(210)</b>
<b>Deferred tax income not recognised in the balance sheet</b>	<b>212</b>	<b>210</b>
<b>Deferred tax /deferred tax income</b>	-	-

A deferred tax asset of NOK 212 million (2019: 210 million) related to tax loss carry forward and interest carry forward have not been recognised as the recognition criteria has not been met. The company has a history of recent losses. As of 31 December 2020, there is not convincing evidence that sufficient taxable profit will be available against which the unused tax loss could be utilised.



### 3. RECEIVABLES / LIABILITIES INTERCOMPANY

#### Long-term intercompany payables

(Amounts in NOK millions)

As of 31 December	2020	2019
Helly Hansen Holding AS	154	296
<b>Total</b>	<b>154</b>	<b>296</b>

The loan from Helly Hansen Holding is transferred from CTC Triangle (Norway) II AS to CTC Triangle (Norway) I AS due to the merger between the two companies during 2019. See note 1 for more information. The loan agreement was signed in 2018, and the loans falls due within 5 years. The loan carries interest of 4% + NIBOR, in total NOK 8,6 million for 2020 included in the loan balance.

#### Short-term intercompany payables

(Amounts in NOK millions)

As of 31 December	2020	2019
Canadian Tire Corporation Ltd.	152	0
<b>Total</b>	<b>152</b>	<b>0</b>

A multicurrency loan agreement with Canadian Tire Corporation Ltd, the ultimate parent company, was signed in March 2020. A NOK 150 million loan was drawn in June and another NOK 150 million was drawn in October 2020. In November NOK 100 million was repaid, and another NOK 50 million was repaid in December. The NOK loan carries interest of NIBOR + margin of 1,36%, a total of NOK 1,7 million for 2020 is included in the loan balance of NOK 152. The outstanding balance has been repaid in full as of end of January 2021.

### 4. SHARES IN SUBSIDIARY

(Amounts in NOK millions)

As of 31 December 2020	Country	Number of shares	Owner ship	Equity as of 31.12.20	Profit & Loss 2020	Book Value 2020	Book Value 2019
<b>Company name:</b>							
Helly Hansen Holding AS	Norway	1,961,029,178	100%	1 795	(5)	1 760	1 760
<b>Shares in subsidiary</b>						<b>1 760</b>	<b>1 760</b>

The shares in Helly Hansen Holding AS was acquired through the merger between Helly Hansen Group AS and CTC Triangle (Norway) II AS followed by the merger between CTC Triangle (Norway) II AS and CTC Triangle (Norway) I AS. See note 1 for more information.

The shares consist of A-shares, B-shares and C-shares. Voting rights equal the share ownership for the subsidiary.

No impairment indicators have been identified for the investment in 2020.

### 5. SHAREHOLDERS' EQUITY

(Amounts in NOK millions)

	Share capital	Share Premium	Other Equity/ Retained loss	Total
<b>Shareholders' equity as of 31 December 2018</b>	<b>285</b>	<b>3 374</b>	<b>(640)</b>	<b>3 019</b>
Merger	-	-	(1 538)	(1 538)
<b>Shareholders' equity as of 31 December 2018 (Restated)</b>	<b>285</b>	<b>3 374</b>	<b>(2 178)</b>	<b>1 481</b>
Net loss	-	-	(16)	(16)
<b>Shareholders' equity as of 31 December 2019</b>	<b>285</b>	<b>3 374</b>	<b>(2 194)</b>	<b>1 465</b>
Nett loss			(10)	(10)





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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of CTC Triangle (Norway) I AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of CTC Triangle (Norway) I AS, which comprise the balance sheet as at 31 December 2020, the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of management for the financial statements

The Board of Directors and Chief Executive Officer (management) is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from



- fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
  - ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
  - ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
  - ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on other legal and regulatory requirements

### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 18 May 2021  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Magnus H. Birkeland  
State Authorised Public Accountant (Norway)

Penneo Dokumentnr: AV57J-E2K3I-YFW7T-DSAT7-VAPZA-50.B7