



**PURE** RETAIL

2018 Annual General & Special Meeting of Shareholders



WE ARE **NORTH WEST**



**PURE** RETAIL

Executive Vice-President & Chief Financial Officer Remarks



## Key Performance Factors

- ✓ Record capital investment of \$173 million
- ✓ Acquisitions:
  - Roadtown Wholesale Trading Ltd. (RTW)
  - North Star Air Ltd. (NSA)



## Key Performance Factors Continued

### X Caribbean hurricane-related store closures:

- 2 Cost-U-Less stores & 3 RTW stores
- Annualized impact:
  - U.S. \$92 million in sales
  - U.S. \$6.6 million EBITDA

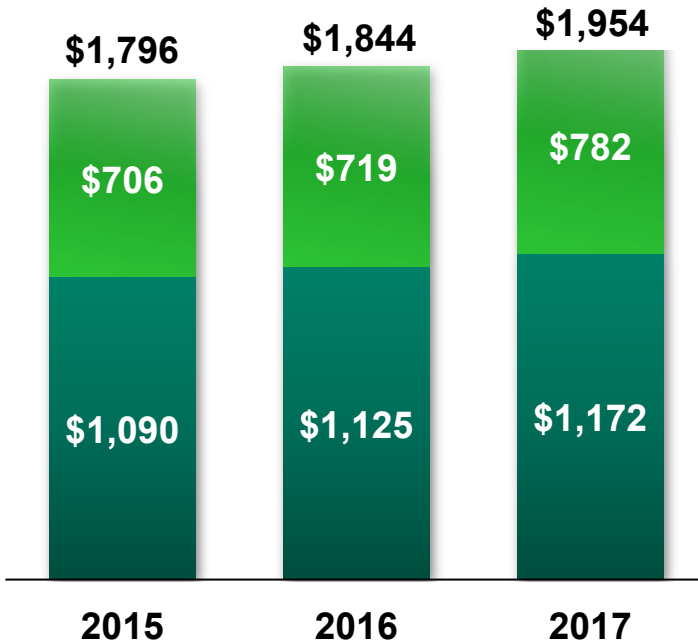
✓ / X U.S. tax reform



# Top Line Growth Continues • 2017 Financial Highlights



## Sales (\$ in millions)



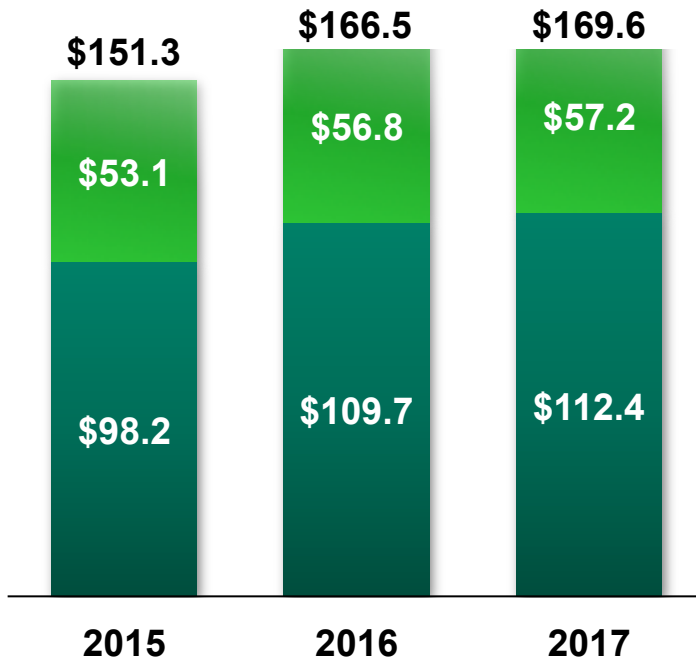
Canada  
International

- ✓ Top line sales +5.9% driven by:
  - ✓ RTW & NSA acquisitions
  - ✓ New Giant Tiger stores
  - ✓ Same store sales +1.2%
- X Hurricane-related store closures  
– \$45 million

# EBITDA Performance • 2017 Financial Highlights



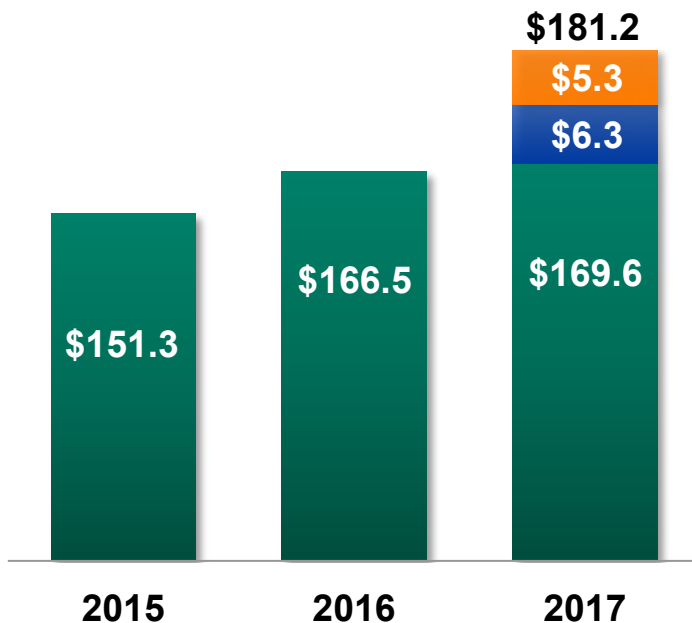
## EBITDA (\$ in millions)



Canada  
International

- ✓ RTW & NSA contribution
- ✓ Northern Canada store results
- X Acquisition costs
- X Hurricane-related store closures
- = EBITDA +\$3.1 million, +1.9%

## Adjusted EBITDA (\$ in millions)





-  Hurricane-related Store Closures
-  Acquisition Costs
-  Reported EBITDA

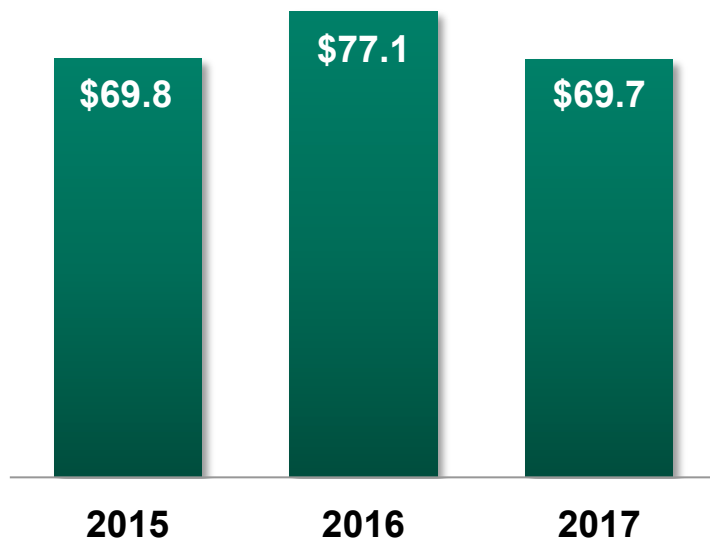
 Stamp duty paid to BVI government

 Negative hurricane impact

 Adjusted EBITDA +\$14.7 million, +8.8%

-  Accretive acquisitions
-  Core business results

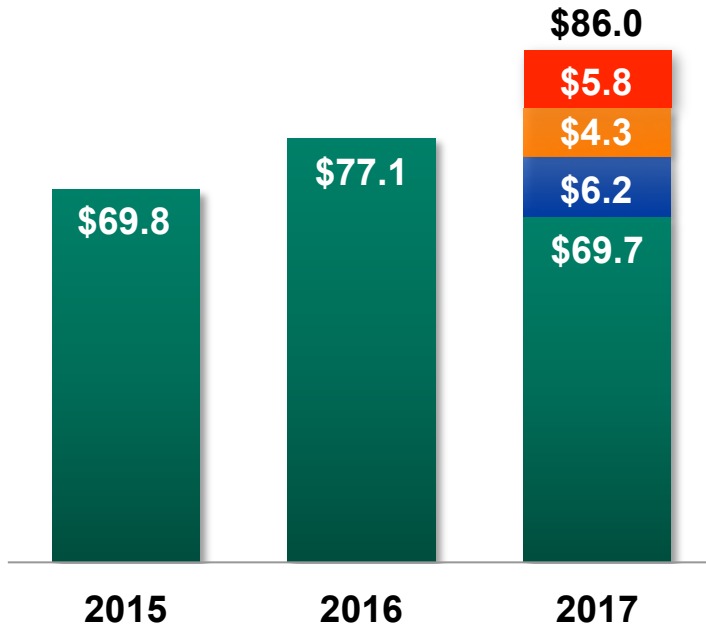
## Net Earnings (\$ in millions)



- X Non-comparable costs
- X Higher amortization & interest expense
- X U.S. tax reform transition tax  
– \$5.8 million
- = Net earnings – \$7.4 million, – 9.6%



## Adjusted Net Earnings (\$ in millions)



- U.S. Tax Reform
- Hurricane-related Store Closures
- Acquisition Costs
- Reported Net Earnings

Adjusted net earnings +\$8.9 million, +11.5%

- ✓ Contribution from RTW & NSA
- ✓ Solid Northern Canada results

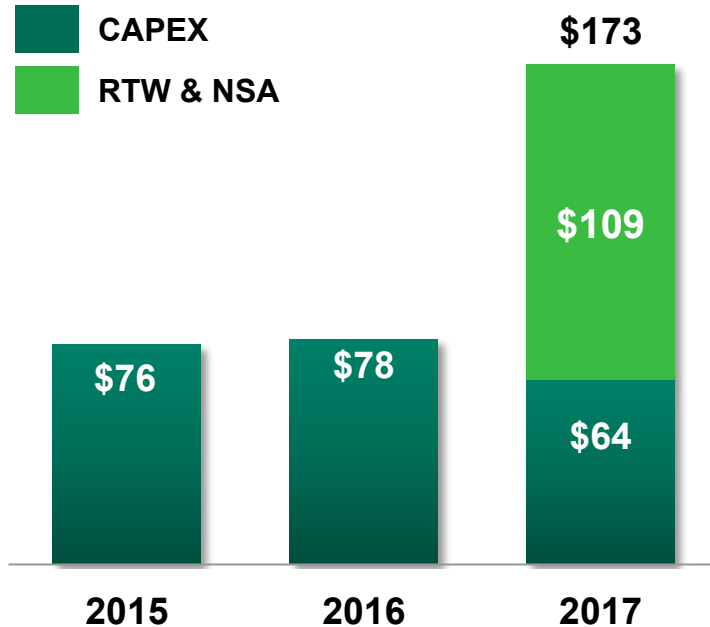


# PURE RETAIL

## 2017 Other Financial Highlights



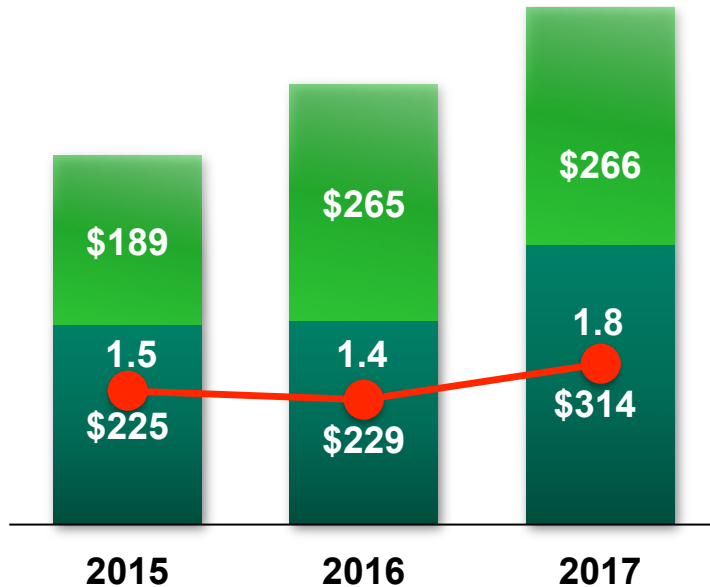
## 2017 Capital Expenditures (\$ in millions)



- ✓ Invest in new markets & strengthen our supply chain +\$109 million
- ✓ Continue to sustain & grow existing business:
  - Top Markets
  - Top Categories
  - Project Enterprise
- ▬ Right balance of growth & sustaining investments

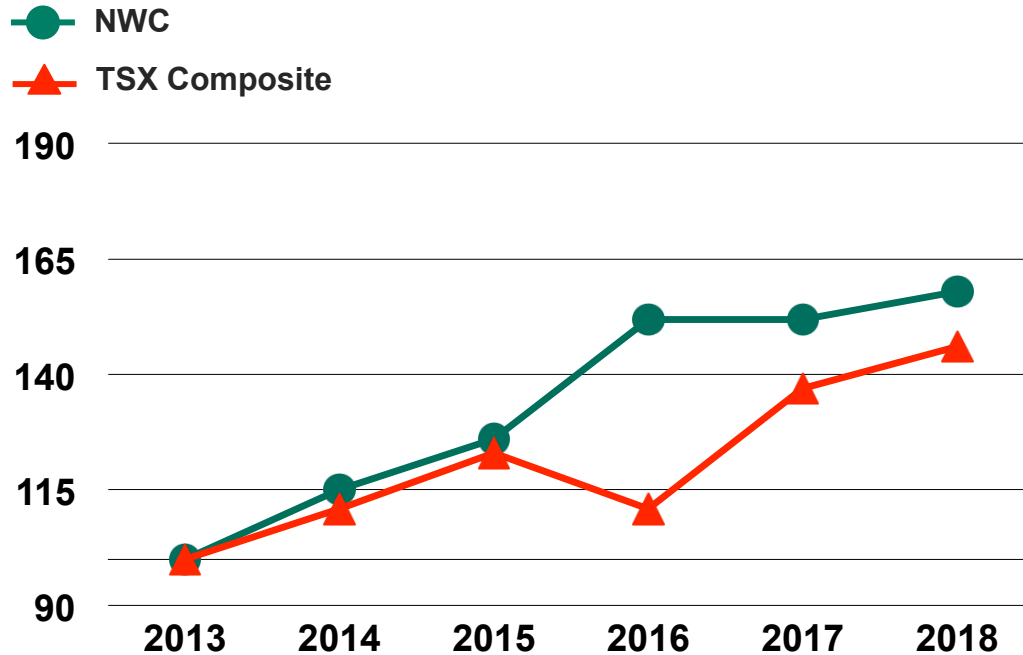
## Debt, Leverage & Borrowing Capacity (\$ in millions)

■ Debt ■ Available Capacity ● Debt-to-EBITDA



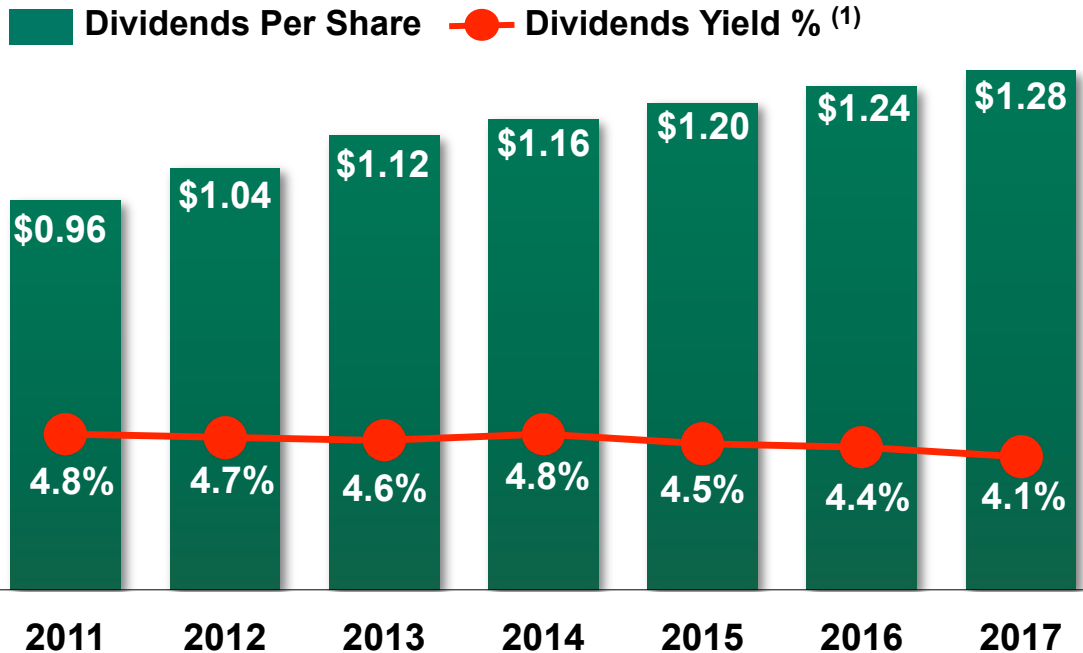
- ✓ Available borrowing capacity \$266 million
- ✓ Extended debt maturities
- ✓ Increased fixed interest rate debt
- ✓ Financial capacity to support growth

## Total Return Performance (% at January 31)



- ✓ Share price growth +26%
- ✓ Dividend reinvestment
- = 9.5% total returns 5-year CAGR

## Dividends Per Share & Yield



- ✓ 4.9% dividend 6-year CAGR
- ✓ 4.6% average yield
- ≡ Approximately 50% of total returns to shareholders

(1) Based on average daily closing price



# PURE RETAIL

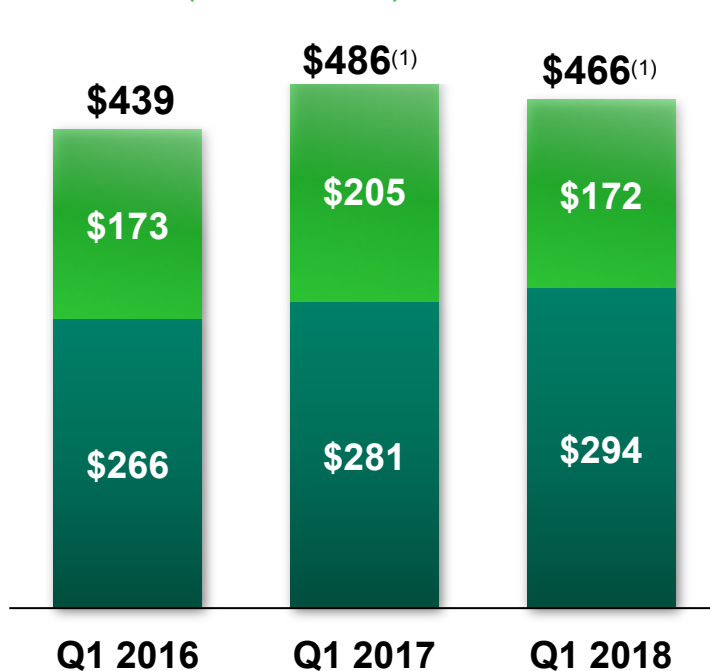
2018 First Quarter Financial Performance



# Sales Performance • 2018 First Quarter Performance



## Sales (\$ in millions)



Canada  
International

- ✓ NSA sales growth
- ✓ New Giant Tiger stores
- ✗ Hurricane-related store closures – \$24 million
- ✗ Foreign exchange impact – \$8 million

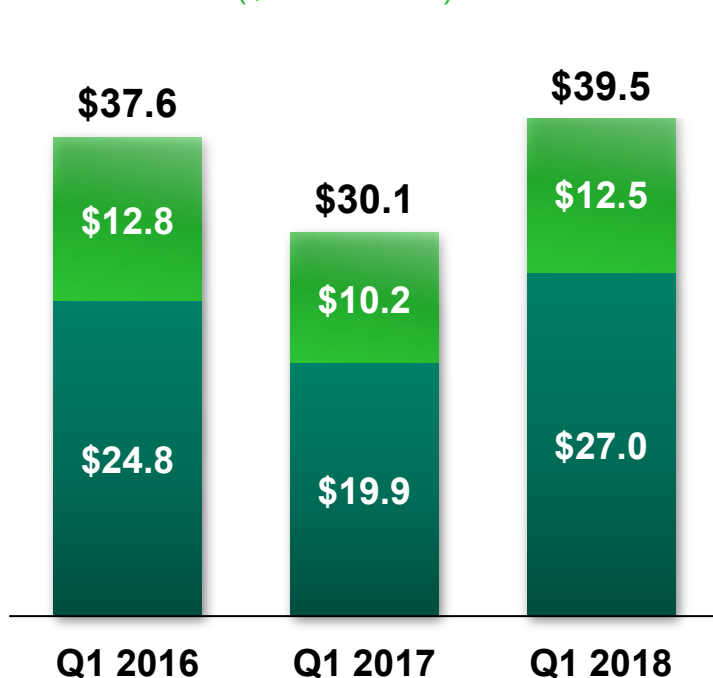
(1) In accordance with IFRS 15



# Non-comparable Expenses Impact EBITDA • 2018 First Quarter Performance



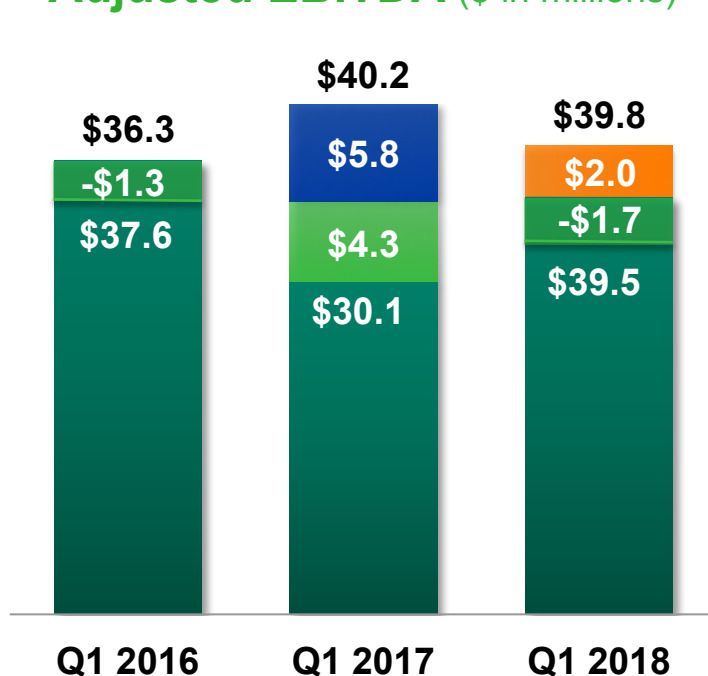
## EBITDA (\$ in millions)



Canada  
International

- ✓ Non-comparable expenses:
  - Lower share-option expense
  - RTW acquisition costs
- X Hurricane-related store closures
- = EBITDA +\$9.4 million, +31.3%

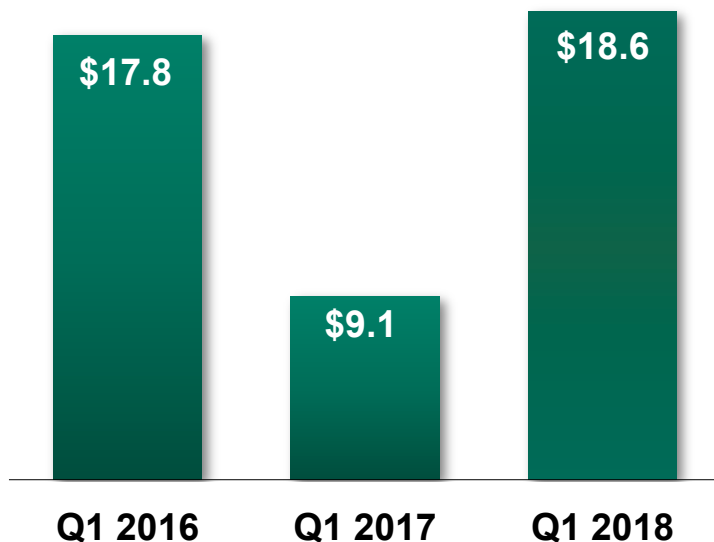
## Adjusted EBITDA (\$ in millions)



-  Hurricane-related Store Closures
-  Acquisition Costs
-  Share-option Expense
-  Reported EBITDA

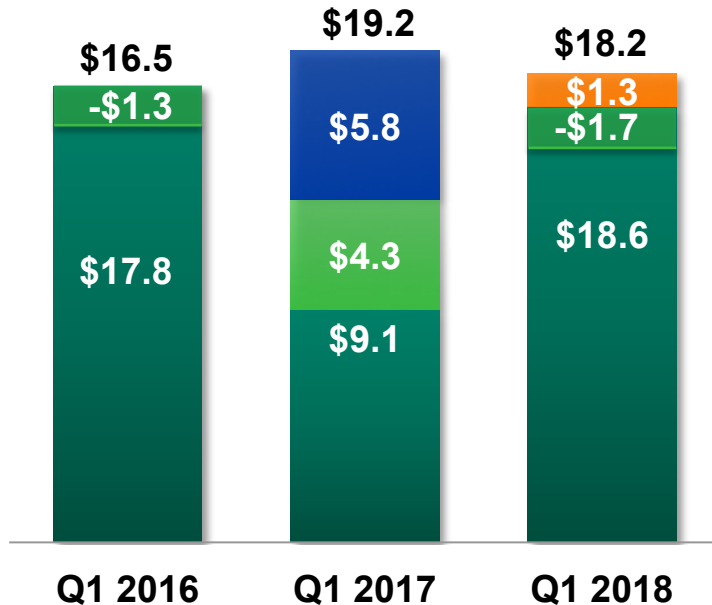
== Adjusted EBITDA – \$0.4 million, – 0.8%

## Net Earnings (\$ in millions)



- ✓ Lower share-option expense
- ✓ Acquisition costs
- X Hurricane-related store closures
- = Net earnings +\$9.5 million

## Adjusted Net Earnings (\$ in millions)

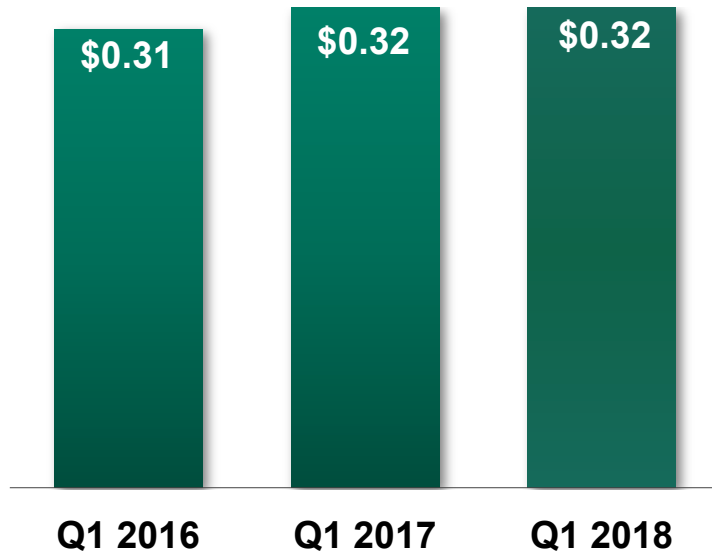


- Hurricane-related Store Closures
- Acquisition Costs
- Share-option Expense
- Reported Net Earnings

≡ Adjusted net earnings – \$1.0 million, – 5.2%

- X Giant Tiger food price discounting and unseasonably cold weather
- X Extended winter road season in Northern Canada
- X NSA ramp-up costs

## Quarterly Dividends (\$ per share)



- ✓ 4.6% yield at April 30
- ✓ Future increases based on earnings and cash flow growth





**PURE** RETAIL

2018 Annual General & Special Meeting of Shareholders



WE ARE **NORTH WEST**

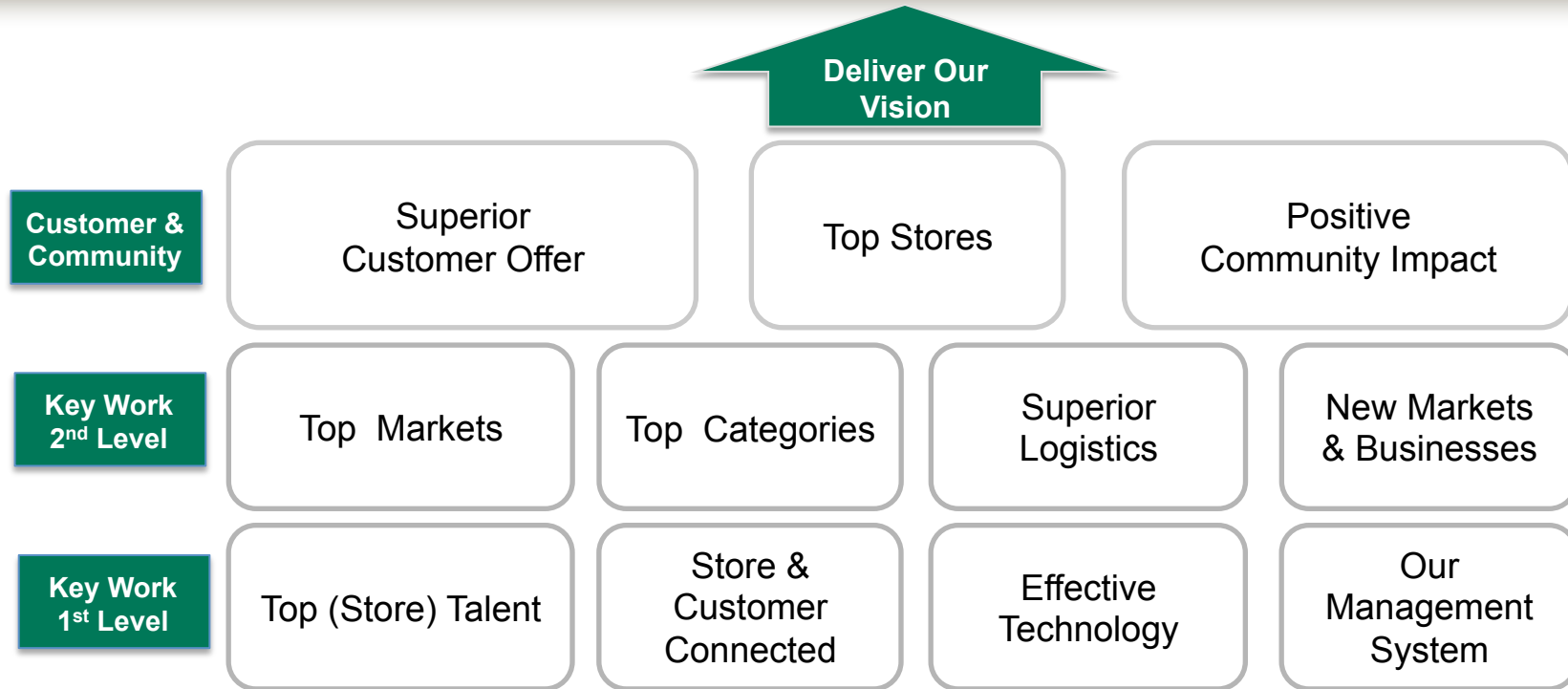


# PURE RETAIL

President & CEO Remarks

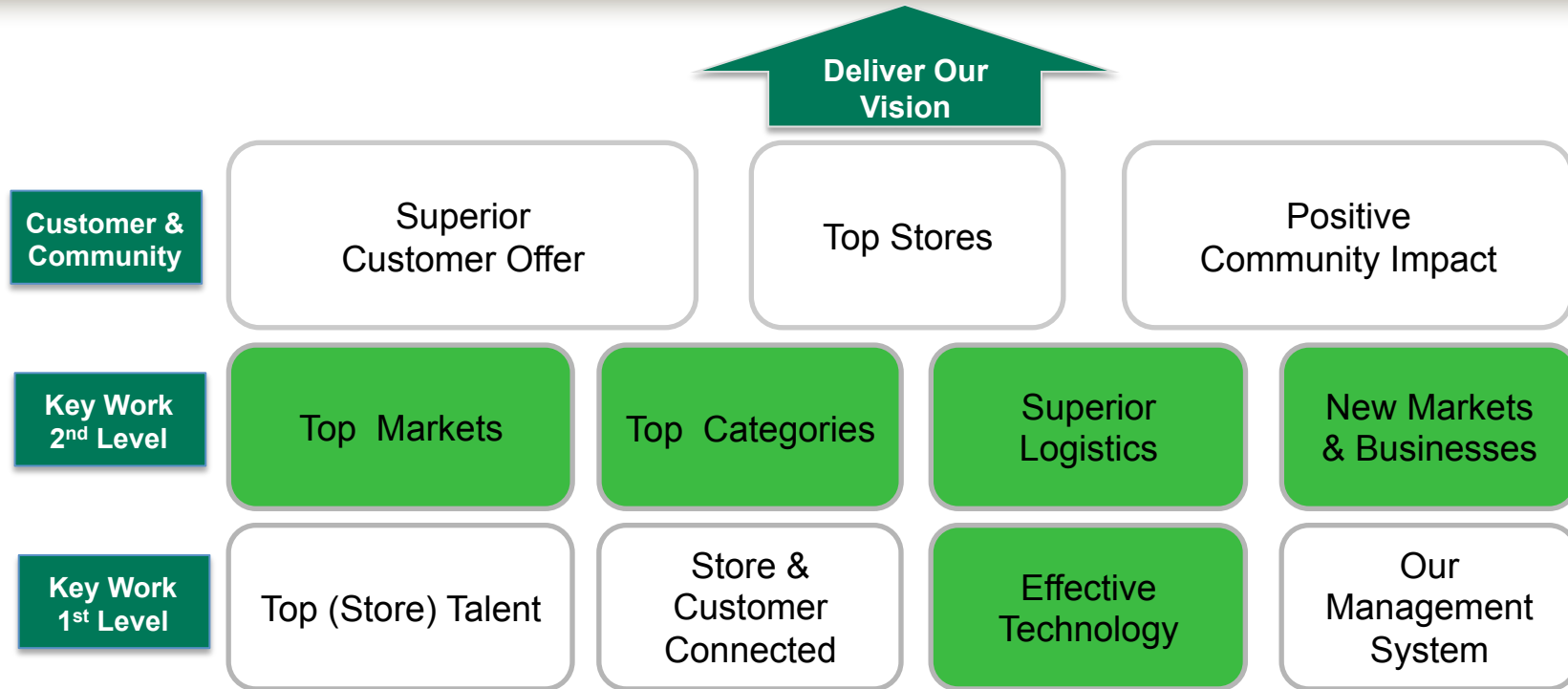


# “Helping Our Customers Live Better”





# “Helping Our Customers Live Better”



# 2017: Opportunistic & Strategy Aligned



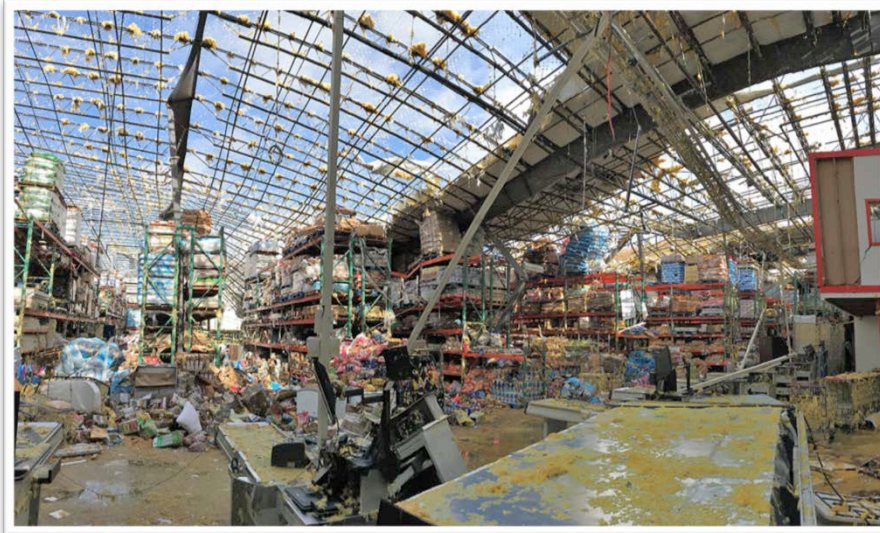
## Roadtown Wholesale Trading Ltd.



## North Star Air Ltd.



## Caribbean Hurricanes



## Northern Manitoba Wildfires



# Priority Areas Review



1. Pure Retail
2. Top Markets & Categories
3. North Star Air
4. Giant Tiger





**PURE** RETAIL

# Pure Retail Approach



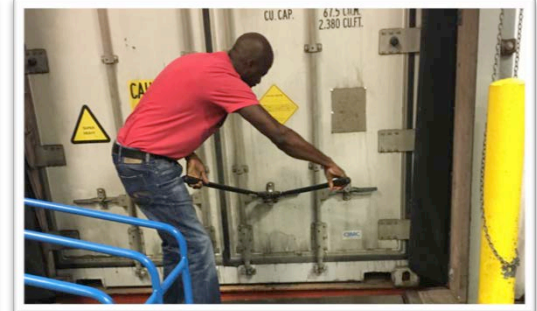
- Tackle low-value activity
- Liberate store hours
- Reinvest to get sales



# Pure Retail Scope



- 150 opportunities
- 53 projects
- 90-120 days to complete



# Pure Retail Example #1



## PROBLEM

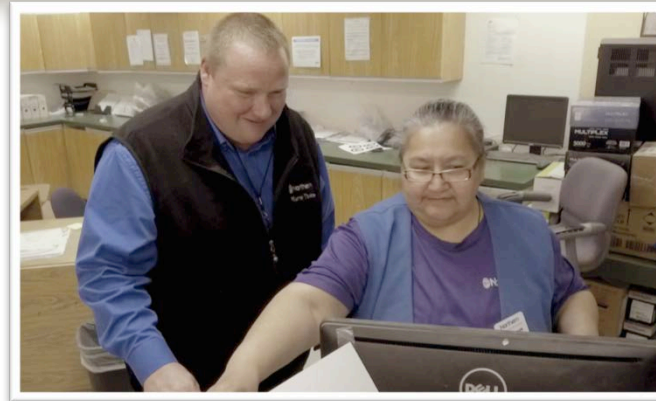
- Log-in delays of several minutes

## SOLUTION

- Clean-up connector app files

## LIBERATED HOURS

- 20,000





## Pure Retail Example #2



### PROBLEM

- Time to receive individual cartons

### SOLUTION

- Receive by container (with controls)

### LIBERATED HOURS

- 7,800



# Pure Retail Roll-up



- 250,000 liberated hours
- 129 full time positions = \$5 million
- Sets the stage for more simplicity and sales



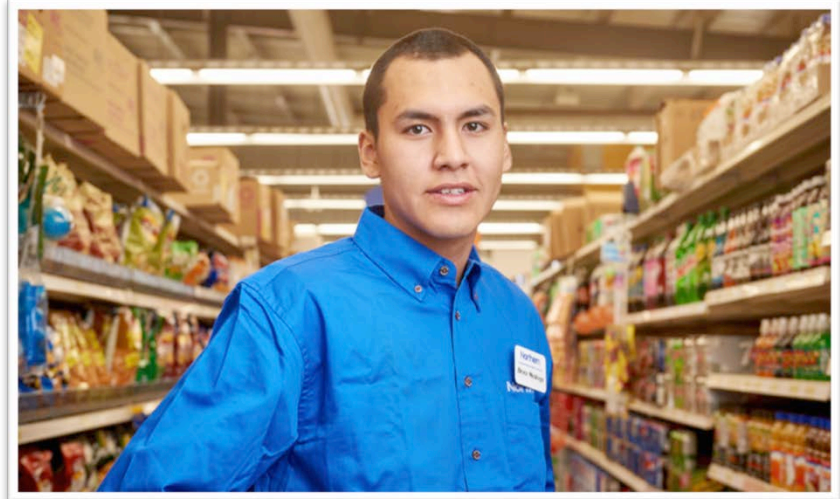
# Pure Retail People Stream



- More satisfying store roles
- Better physical environment
- Higher attraction and retention



- 26% of management from communities
- Structure unfairly discriminates
- A new approach delivers many benefits



# Top Categories & Markets

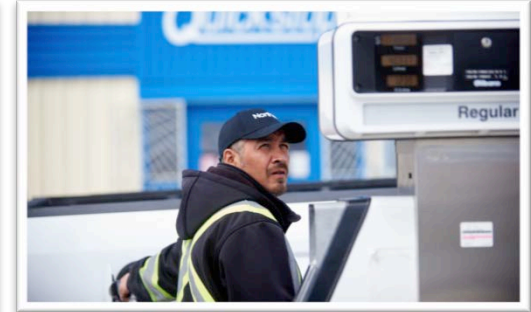


- Prioritize high potential markets & products
- “Learn, fix and double down”



# Top Categories

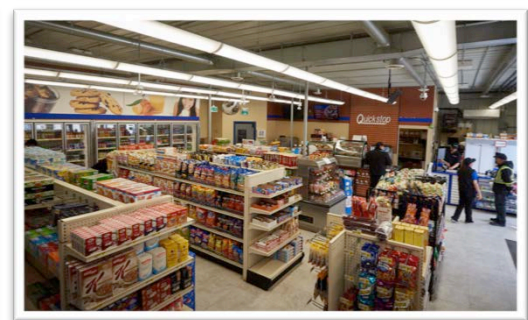
- Convenience is leading Top Category
- Equals 28% of sales
- 5-6% growth rate
- Very profitable, more growth ahead



# Top Categories



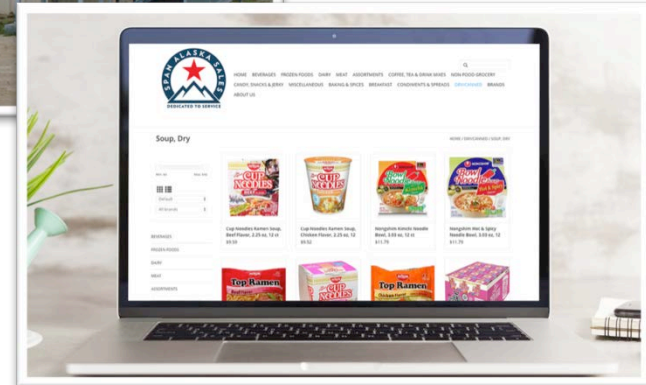
- 8 c-stores planned
- Modular units for far North
- 41 stand alone by year-end



# “Tomorrow Stores”



- Drive new category growth:
  - 1) Reposition small road stores
  - 2) Build out direct-to-customer
- Leverage < NWC advantages

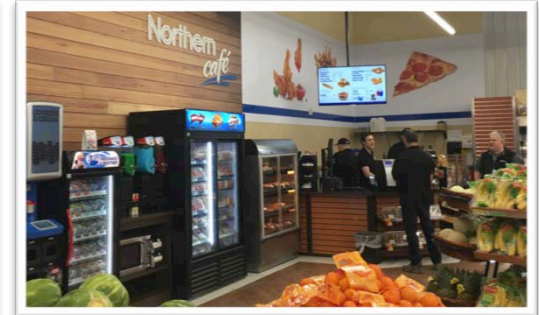




# Top Markets



- Slower pace, higher execution
- Change or eliminate low performing programs
- A compelling investment priority



# North Star Air



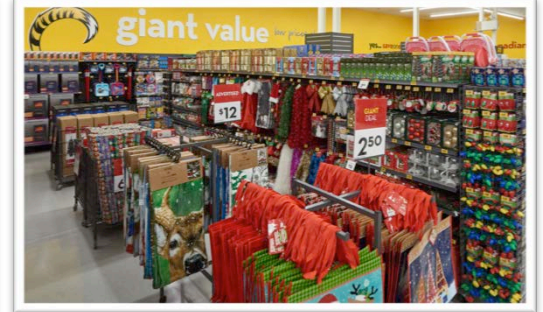
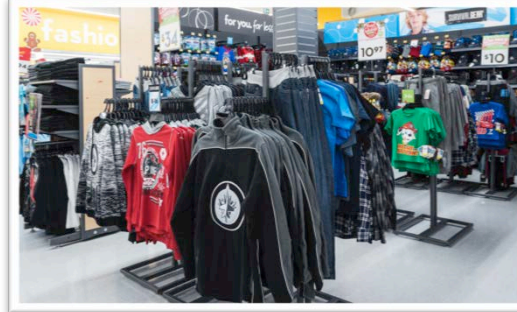
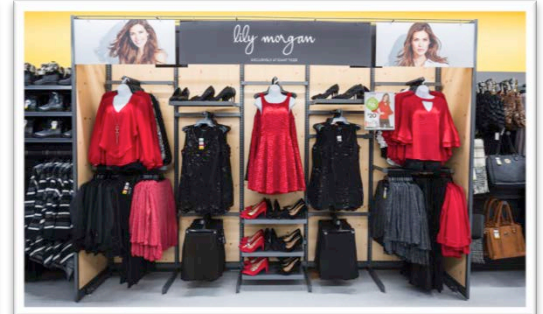
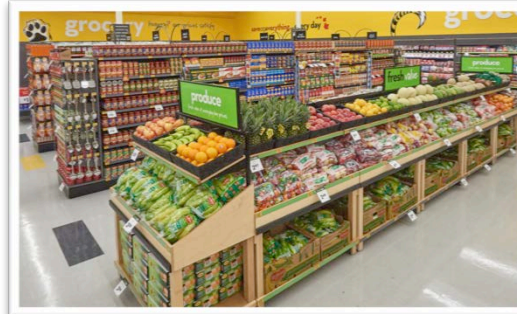
- Tremendous work effort
- New cost reduction, revenue opportunities ahead
- Phase 2 complete by month-end



# Giant Tiger



- Priority for improvement
- Cost reductions
- In-store merchandising focus
- Treat it like a core business



# Community Relations



- Uniquely important to our success
- A “community lens” approach
- Trusted partner outcome





**PURE** RETAIL

2018 Annual General & Special Meeting of Shareholders



WE ARE **NORTH WEST**