George Weston Limited Reports First Quarter 2021 Results(2)

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George Weston Limited →
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TORONTO, May 11, 2021 /CNW/ - George Weston Limited (TSX: WN) ("GWL" or the "Company") today announced its consolidated unaudited results for the 12 weeks ended March 27, 2021.

GWL's 2021 First Quarter Report has been filed on SEDAR and is available at sedar.com and in the Investor Centre section of the Company's website at weston.ca.

"We are pleased with the strength and performance of our businesses in the quarter, as we lapped the onset of the pandemic a year ago and lockdowns continued." said Galen G. Weston, Chairman and Chief Executive Officer, George Weston Limited.

"Both Loblaw and Choice Properties delivered strong operational and financial performance in the quarter. As expected, results in Weston Foods were down compared to the first quarter of 2020, reflecting the negative impact of the resurgence of the pandemic and resulting stricter lockdown measures on certain segments of the business. Looking through that impact, the business delivered strong operational performance metrics and we expect that as lockdowns ease, Weston Foods will be well positioned to return to the momentum demonstrated in the fourth quarter of 2020."

Loblaw Companies Limited ("Loblaw") generated strong financial results in the first quarter of 2021. Revenue increased despite Loblaw's retail sales lapping the significant increase in demand for essential items in the final two weeks of the first quarter of 2020. Loblaw's results reflect continued momentum and positive consumer response to the value and services it provides and its expanding online solutions. The COVID-19 pandemic has accelerated certain longer-term trends, enabling Loblaw to advance its strategic growth areas of Everyday Digital Retail, Connected Healthcare Network and Payments and Rewards.

Choice Properties Real Estate Investment Trust ("Choice Properties") collected 98% of contractual rents, reflecting the stability of its necessity-based portfolio. Choice Properties continued to advance its development initiatives, announcing a partnership to develop and revitalize the Golden Mile Shopping Centre in Toronto and, subsequent to the end of the quarter, it acquired an 85% interest in 300 acres of future industrial development land in the Greater Toronto Area.

Weston Foods' performance in the first quarter of 2021 reflected solid underlying fundamentals but was negatively impacted by the resurgence of COVID-19 in late 2020 and resulting stricter lockdown measures implemented in many regions of Canada and the United States. The impact was most significant in retail celebratory categories such as cakes, certain foodservice channels and in the Girl Scout cookie business due to restrictions on in-person sales. The year-over-year negative impact of lower volumes and a full quarter of COVID-19 related costs was partially offset by lower distribution costs and other cost savings initiatives, operational improvements in service levels and manufacturing efficiencies. As COVID-19 restrictions ease, Weston Foods is well positioned to return to the positive momentum delivered in the fourth quarter of 2020.

2021 FIRST QUARTER HIGHLIGHTS

George Weston Limited's net loss available to common shareholders of the Company was $62 million ($0.41 per common share) compared to net earnings available to common shareholders of the Company of $582 million ($3.78 per common share) in the same period in 2020. The decrease of $644 million ($4.19 per common share) was due to the unfavourable year-over-year net impact of adjusting items totaling $648 million ($4.23 per common share), which was primarily due to the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of $743 million ($4.85 per common share) as a result of the increase of Choice Properties' unit price in the quarter, partially offset by an improvement of $4 million ($0.04 per common share) in the Company's consolidated underlying operating performance.

Adjusted net earnings available to common shareholders of the Company[1] in the first quarter of 2021 were $243 million ($1.59 per common share). In comparison to the same period in 2020, this represented an increase of $4 million ($0.04 per common share), or 1.7%, primarily due to the improvement in the underlying operating performance of Loblaw, partially offset by the decline in the underlying operating performance of Weston Foods and an increase in the adjusted effective tax rate[1]. The increase in adjusted diluted net earnings per common share[1] of $0.04, or 2.6%, was due to the performance in adjusted net earnings available to common shareholders[1] and the favourable impact of share repurchases.

CONSOLIDATED RESULTS OF OPERATIONS

The Company's results reflect the impact of COVID-19 and the year-over-year impact of the fair value adjustment of the Trust Unit liability as a result of the significant changes in Choice Properties' unit price, recorded in net interest expense and other financing charges. The Company's results are impacted by market price fluctuations of Choice Properties' Trust Units on the basis that the Trust Units held by unitholders, other than the Company, are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet. The Company's financial results are negatively impacted when the Trust Unit price rises and positively impacted when the Trust Unit price declines.

(unaudited) ($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended **Mar. 27, 2021**	Mar. 21, 2020[3]	$ Change	% Change
Revenue	**$ 12,352**	**$ 12,333**	**$ 19**	**0.2%**
Operating income	**$ 830**	**$ 598**	**$ 232**	**38.8%**
Adjusted EBITDA[1]	**$ 1,335**	$ 1,300	$ 35	2.7%
Adjusted EBITDA margin[1]	**10.8%**	10.5%		
Net (loss) earnings attributable to shareholders of the Company	**$ (52)**	**$ 592**	**$ (644)**	**(108.8)%**
Net (loss) earnings available to common shareholders of the Company	**$ (62)**	**$ 582**	**$ (644)**	**(110.7)%**
Adjusted net earnings available to common shareholders of the Company[1]	**$ 243**	$ 239	$ 4	1.7%
Diluted net (loss) earnings per common share ($)	**$ (0.41)**	**$ 3.78**	**$ (4.19)**	**(110.8)%**
Adjusted diluted net earnings per common share[1] ($)	**$ 1.59**	$ 1.55	$ 0.04	2.6%

In the first quarter of 2021, the Company recorded net loss available to common shareholders of the Company of $62 million ($0.41 per common share), a decrease of $644 million ($4.19 per common share) compared to the same period in 2020. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling $648 million ($4.23 per common share), partially offset by an improvement of $4 million ($0.04 per common share) in the consolidated underlying operating performance of the Company described below.

- The unfavourable year-over-year net impact of adjusting items totaling $648 million ($4.23 per common share) was due to:
  - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of $743 million ($4.85 per common share) as a result of the increase in Choice Properties' unit price in the first quarter of 2021; and
  - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $55 million ($0.36 per common share);

  partially offset by,

  - the favourable year-over-year impact of the fair value adjustment on investment properties of $123 million ($0.81 per common share);
  - the favourable year-over-year impact of restructuring and other related costs of $14 million ($0.09 per common share); and
  - the favourable year-over-year impact of the fair value adjustments on derivatives of $12 million ($0.08 per common share).

- The improvement in the Company's consolidated underlying operating performance of $4 million ($0.04 per common share) was due to:
  - the favourable underlying operating performance of Loblaw including the impact of COVID-19 and related costs;

  partially offset by,

- the unfavourable underlying operating performance of Weston Foods driven by the impact of COVID-19 and related costs; and
- an increase in the adjusted effective tax rate[1] primarily attributable to the impact of certain other non-deductible items.

- Diluted net earnings per common share also included the favourable impact of shares purchased for cancellation in the fourth quarter of 2020 and the first quarter of 2021.

Adjusted net earnings available to common shareholders of the Company[1] were $243 million ($1.59 per common share), an increase of $4 million ($0.04 per common share), or 1.7%, compared to the same period in 2020 due to the improvement in the Company's consolidated underlying operating performance described above. Adjusted diluted net earnings per common share[1] was $1.59 per common share in the first quarter of 2021, an increase of $0.04 per common share, or 2.6%, compared to the same period in 2020. The increase was due to the performance in adjusted net earnings available to common shareholders[1] and the favourable impact of share repurchases.

CONSOLIDATED OTHER BUSINESS MATTERS

COVID-19 RELATED COSTS The Company incurred COVID-19 related costs of approximately $54 million in the first quarter of 2021 (2020 - $32 million) primarily related to safety and security measures to protect colleagues, customers, tenants and other stakeholders. The estimated COVID-19 related costs incurred by each of the Company's reportable operating segments were as follows:

(unaudited)	12 Weeks Ended	
($ millions)	**Mar. 27, 2021**	Mar. 21, 2020
Loblaw	**$ 48**	$ 32
Choice Properties[i]	**2**	—
Weston Foods	**4**	—
Consolidated	**$ 54**	$ 32

(i) Choice Properties recorded a provision of $2 million in the first quarter of 2021, for certain past due amounts, reflecting increased collectability risk and potential abatements.

Refer to "COVID-19 Update" of this News Release for more information.

REPORTABLE OPERATING SEGMENTS

The Company operates through its three reportable operating segments: Loblaw, Choice Properties and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as interest expense, corporate activities and administrative costs are included in Other and Intersegment.

Loblaw has two reportable operating segments, retail and financial services. Loblaw's retail segment consists primarily of food retail and drug retail. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise and financial services.

Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada.

Weston Foods is a North American bakery making bread, rolls, cupcakes, donuts, cookies, cakes, pies, cones and wafers, artisan baked goods and more.

Loblaw Operating Results

(unaudited) ($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended **Mar. 27, 2021**	Mar. 21, 2020[3]	$ Change	% Change
Revenue	**$ 11,872**	$ 11,800	$ 72	0.6%
Operating income	**$ 615**	$ 539	$ 76	14.1%
Adjusted EBITDA[1]	**$ 1,216**	$ 1,163	$ 53	4.6%
Adjusted EBITDA margin[1]	**10.2%**	9.9%		
Depreciation and amortization[i]	**$ 610**	$ 594	$ 16	2.7%

(i) Depreciation and amortization in the first quarter of 2021 includes $117 million (2020 – $119 million) of amortization of intangible assets acquired with Shoppers Drug Mart Corporation ("Shoppers Drug Mart").

Revenue Loblaw revenue in the first quarter of 2021 was $11,872 million, an increase of $72 million, or 0.6%, compared to the same period in 2020, primarily driven by retail sales, partially offset by a decrease in financial services revenue.

Retail sales in the first quarter of 2021 increased by $86 million, or 0.7%, compared to the same period in 2020 and included food retail sales of $8,479 million (2020 – $8,332 million) and drug retail sales of $3,191 million (2020 – $3,252 million). The increase was primarily driven by the following factors:

- food retail same-store sales growth was 0.1% for the quarter. During the first quarter of 2021, retail experienced continued strong same-store sales growth before the lapping of the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic. Food retail basket size increased and traffic decreased in the quarter, as compared to the first quarter of 2020;
- Loblaw's food retail average article price was higher by 3.9% (2020 – 1.5%), which reflects the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter. The increase in average article price was due to sales mix; and
- drug retail same-store sales decreased by 1.7% for the quarter. The drug retail same-store sales decline reflects the initial demand for grocery and pharmacy products late in the first quarter of 2020 following the onset of the COVID-19 pandemic in Canada. Pharmacy same-store sales growth was 3.5% and front store same-store sales declined by 6.4%.

In the last 12 months, 20 food and drug stores were opened and nine food and drug stores were closed, resulting in a net increase in retail square footage of 0.4 million square feet, or 0.6%.

Financial services revenue in the first quarter of 2021 decreased by $13 million compared to the same period in 2020 due to lower interest income and credit card related fees attributable to a lower volume of credit card receivables, partially offset by higher sales attributable to *The Mobile Shop* and higher interchange income due to an increase in customer spending.

Operating income Loblaw operating income in the first quarter of 2021 was $615 million, an increase of $76 million, or 14.1%, compared to the same period in 2020. The increase included an improvement in underlying operating performance of $35 million and the favourable year-over-year net impact of adjusting items totaling $41 million, as described below:

- the improvement in underlying operating performance of $35 million was primarily due to the improvement in the underlying operating performance of financial services, partially offset by a decline in the underlying operating performance of retail driven by the lapping of the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic;

- the favourable year-over-year net impact of adjusting items totaling $41 million was primarily due to the following:
  - the favourable year-over-year impact of the fair value adjustments on derivatives of $23 million;
  - the favourable year-over-year impact of restructuring and other related costs of $11 million; and
  - the favourable impact of the gain on sale of non-operating properties of $5 million.

Adjusted EBITDA[1] Loblaw adjusted EBITDA[1] in the first quarter of 2021 was $1,216 million, an increase of $53 million, or 4.6%, compared to the same period in 2020. The increase was primarily due to an increase in financial services of $65 million, partially offset by a decline in retail of $12 million.

Retail adjusted EBITDA[1] in the first quarter of 2021 decreased by $12 million driven by the lapping of the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic and the unfavourable increase in SG&A, partially offset by an increase in retail gross profit.

- Retail gross profit percentage of 30.3% increased by 50 basis points compared to the same period in 2020 from underlying improvements in business initiatives.

- Retail SG&A as a percentage of sales was 20.5%, an increase of 70 basis points compared to the same period of 2020. The unfavourable increase of 70 basis points was primarily due to COVID-19 related costs and incremental e-commerce labour costs as a result of increased online sales.

Financial services adjusted EBITDA[1] increased by $65 million compared to the same period in 2020, primarily driven by a $20 million reduction in the expected credit loss provision in the current quarter and the lapping of the $50 million increase in the expected credit loss provision recorded in the first quarter of 2020, lower contractual charge-off, lower funding costs due to lower credit card receivables, and reversal of certain commodity taxes remitted. The increase was partially offset by lower revenue as described above and higher customer acquisition costs.

Depreciation and Amortization Loblaw's depreciation and amortization in the first quarter of 2021 was $610 million, an increase of $16 million compared to the same period in 2020, primarily driven by an increase in information technology ("IT") assets, an increase in depreciation of leased assets and an increase in depreciation and amortization in financial services due to the launch of *PC Money* Account. Included in depreciation and amortization is the amortization of intangible assets acquired with Shoppers Drug Mart of $117 million (2020 – $119 million).

Consolidation of Franchises Loblaw has more than 500 franchise food retail stores in its network. Non-controlling interests at Loblaw represent the franchise's earnings in food. Loblaw's net earnings attributable to non-controlling interests was $19 million in the first quarter of 2021. When compared to the first quarter of 2020, this represented a decrease of $14 million or 42.4%. The decrease in non-controlling interests was primarily driven by lower franchise earnings in comparison to the first quarter of 2020 when franchises experienced improved profitability from the initial onset of the COVID-19 pandemic.

Choice Properties Operating Results

(unaudited) ($ millions except where otherwise indicated)	12 Weeks Ended			
For the periods ended as indicated	**Mar. 27, 2021**	Mar. 21, 2020	$ Change	% Change
Revenue	**$ 327**	$ 325	$ 2	0.6%
Net interest expense (income) and other financing charges[i]	**$ 347**	$ (256)	$ 603	(235.5)%
Net (loss) income	**$ (62)**	$ 333	$ (395)	118.6%
Funds from Operations[1][ii]	**$ 171**	$ 171	$ —	—%

(i) Net interest expense (income) and other financing charges includes a fair value adjustment on Exchangeable Units.

(ii) Funds from operations is calculated in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019.

Revenue Revenue in the first quarter of 2021 was $327 million, an increase of $2 million, or 0.6%, compared to the same period in 2020, and included $182 million (2020 – $186 million) generated from tenants from Loblaw retail.

The increase in revenue was primarily driven by:

- the net contribution from acquisitions and development transfers completed in 2020; and
- an increase in lease surrender revenue;

partially offset by,

- foregone revenue from dispositions in 2020;
- vacancies in select retail and office assets; and
- a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres.

Net Interest Expense (Income) and Other Financing Charges Net interest expense and other financing charges in the first quarter of 2021 were $347 million compared to net interest income and other financing charges of $256 million in the same period in 2020. The change of $603 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on Class B LP units ("Exchangeable Units") of $604 million.

Net (Loss) Income Net loss in the first quarter of 2021 was $62 million, compared to net income of $333 million in the same period in 2020. The decrease of $395 million was primarily driven by:

- the unfavourable impact of higher net interest expense and other financing charges described above;

  partially offset by,

- a favourable change in the adjustment to fair value of investment properties, including those held within equity accounted joint ventures.

Funds from Operations[1] Funds from Operations[1] in the first quarter of 2021 was $171 million, which was flat compared to the same period in 2020, as an increase in non-recurring lease surrender revenue and savings from lower borrowing costs was offset by higher bad debt expense and a decline in interest income due to fewer mortgages receivable outstanding as compared to prior year.

Choice Properties Other Business Matters

Investment Property Transactions Subsequent to the quarter end, Choice Properties acquired an 85% interest in approximately 300 developable acres of future industrial development land in Caledon, Ontario, for $138 million. The purchase price comprised of a $100 million cash payment and a commitment to pay the remaining $38 million balance contingent on certain milestones being met over the development lifecycle.

Weston Foods Operating Results

(unaudited) ($ millions except where otherwise indicated)	**12 Weeks Ended**			
For the periods ended as indicated	**Mar. 27, 2021**	Mar. 21, 2020	$ Change	% Change
Sales	**$ 472**	$ 535	$ (63)	(11.8)%
Operating income	**$ —**	$ 1	$ (1)	(100.0)%
Adjusted EBITDA[1]	**$ 34**	$ 52	$ (18)	(34.6)%
Adjusted EBITDA margin[1]	**7.2%**	9.7%		
Depreciation and amortization[i]	**$ 36**	$ 43	$ (7)	(16.3)%

(i) Depreciation and amortization in the first quarter of 2020 included $9 million of accelerated depreciation related to restructuring and other related costs.

Sales Weston Foods sales in the first quarter of 2021 were $472 million, a decrease of $63 million, or 11.8%, compared to the same period in 2020. Sales included the unfavourable impact of foreign currency translation of approximately 2.6%. Excluding the unfavourable impact of foreign currency translation, sales decreased by 9.2%. Sales were impacted by a decrease in volumes mainly due to the impact of the COVID-19 pandemic. Volumes declined in retail celebratory categories and certain foodservice channels, and reflect the impact of lapping strong performance and stockpiling in the last two weeks of the first quarter of 2020 at the onset of the pandemic. In addition, Girl Scout cookie sales in the United States were lower compared to the same period in 2020 due to restrictions on in-person sales. The combined impact of pricing and changes in sales mix had a nominal impact on sales when compared to the same period in 2020.

Operating Income Weston Foods operating income in the first quarter of 2021 was a nominal loss compared to $1 million in the first quarter of 2020, a decrease of $1 million. The decrease was due to the decline in the underlying operating performance of $20 million including an increase in depreciation and amortization, partially offset by the favourable year-over-year net impact of adjusting items totaling $19 million. The year-over-year net impact of adjusting items included the following:

- the favourable year-over-year impact of restructuring and other related costs of $16 million; and
- the favourable year-over-year impact of the fair value adjustment of derivatives of $3 million.

Adjusted EBITDA[1] Weston Foods adjusted EBITDA[1] in the first quarter of 2021 was $34 million compared to $52 million in the same period in 2020, a decrease of $18 million, or 34.6%. The decrease was driven by the decline in sales as described above, higher input costs and an increase in COVID-19 related expenses, partially offset by lower distribution costs and other cost savings initiatives.

Weston Foods adjusted EBITDA margin[1] in the first quarter of 2021 decreased to 7.2% compared to 9.7% in the same period in 2020. The decline in adjusted EBITDA margin[1] in the first quarter of 2021 was driven by the factors described above.

Depreciation and Amortization Weston Foods depreciation and amortization in the first quarter of 2021 was $36 million, a decrease of $7 million compared to the same period in 2020. Depreciation and amortization in the first quarter of 2020 included $9 million of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount, depreciation and amortization in the first quarter of 2021 increased by $2 million due to capital investments.

Weston Foods Other Business Matters

Restructuring and other related costs Weston Foods continuously evaluates strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. There were no restructuring and other related costs at Weston Foods recorded in the first quarter of 2021. In the first quarter of 2020, Weston Foods recorded restructuring and other related costs of $16 million which were primarily related to Weston Foods' transformation program.

COVID-19 UPDATE[2]

The COVID-19 pandemic continued to impact the Company's operating segments, colleagues, customers, tenants and other stakeholders. The duration and longer-term impact of the COVID-19 pandemic cannot be predicted.

In the second quarter of 2021, Loblaw will lap last year's surge in revenues and its highest periods of COVID-19 related costs. In the four weeks following the end of the first quarter, food same-store sales have declined slightly, while drug same-store sales have trended positively, compared to same-store sales growth of 10.0% in food retail and a decline of 1.1% in drug retail in the second quarter of last year. Loblaw expects to incur COVID-19 related costs in the range of approximately $65 million to $75 million in the second quarter of 2021 compared to $282 million in COVID-19 related costs incurred in the second quarter of 2020.

Choice Properties remains confident that its business model and disciplined approach to financial management will enable it to weather the impact of the pandemic. Rent collection at 98% of contractual rents for the first quarter of 2021 was at the higher end of collection within the industry and was primarily due to the stability of Choice Properties' necessity-based portfolio.

In the second quarter of 2021, Weston Foods will lap the negative impact of COVID-19 on sales and the period of its highest pandemic-related costs. Looking ahead to the second quarter, although continued lockdowns will negatively impact sales in certain categories, we expect sales to be higher and COVID-19 related costs to be lower, in each case compared to the second quarter of 2020. In the four weeks following the end of the first quarter, sales excluding the impact of foreign currency translation were 6% higher compared to the same period in 2020 and the weekly run rate for COVID-19 related costs was approximately $0.3 million compared to $1.5 million in the same period in 2020.

OUTLOOK[2]

For 2021, the Company expects adjusted net earnings[1] to increase due to the results from its operating segments as described below. Additionally, the Company expects to return capital to shareholders through share repurchases by allocating a portion of the free cash flow received from its operating businesses and proceeds from participating in Loblaw's normal course issuer bid.

Loblaw Loblaw cannot predict the precise impacts of COVID-19 on 2021 financial results. However, Loblaw anticipates that grocery sales will remain elevated due to continued impact of the pandemic, including the impact of lockdown measures in many jurisdictions. As economies reopen, revenue growth will be challenged while lapping elevated 2020 sales. Costs are expected to improve, as Loblaw laps elevated COVID-19 related expenses, and as Process & Efficiencies and Data-Driven Insights programs continue to deliver benefits. Moderate levels of regulatory reform are anticipated.

Loblaw previously announced that, on a full year basis, it expects:

- its core retail business to grow earnings faster than sales;
- growth in financial services profitability;
- EPS growth in the low double digits, excluding the impact of the 53rd week in the fourth quarter of 2020;
- to invest approximately $1.2 billion in capital expenditures, net of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Loblaw delivered strong financial performance in the first quarter and that momentum has continued into the first four weeks of the second quarter, positioning Loblaw to exceed its full year EPS growth outlook. However, it is still early in the year and given the on-going uncertainty and volatility caused by the COVID-19 pandemic, Loblaw will not update its full year outlook at the current time.

Choice Properties Choice Properties' goal is to provide net asset value appreciation, stable net operating income growth and capital preservation, all with a long-term focus.

Although there remains uncertainty on the longer-term impact of the COVID-19 pandemic, Choice Properties remains confident that its business model and disciplined approach to financial management will continue to position it well. Choice Properties' diversified portfolio of office, retail and industrial properties is 97.0% occupied and leased to high-quality tenants across Canada. Its retail portfolio is primarily leased to grocery stores, pharmacies and other necessity-based tenants, who continue to perform well in this environment, and the diversification of income provided by Choice Properties' industrial and office assets provides stability to Choice Properties' overall portfolio.

Choice Properties continues to advance its development initiatives, which provide Choice Properties with the best opportunity to add high-quality real estate to its portfolio at a reasonable cost. Choice Properties has a mix of development projects ranging in size, scale, and complexity, including retail intensification projects, which provide incremental growth to its existing sites, to larger, more complex mixed-use developments which are expected to drive net asset value growth in the future.

In 2021, Choice Properties plans to continue improving its portfolio quality and seek out opportunities to strengthen its balance sheet. In addition, Choice Properties has approximately $470 million in debt obligations coming due, which is a manageable amount which Choice Properties intends to refinance with longer term debt or repay with excess cash on hand.

Weston Foods The uncertainty associated with the pandemic makes it difficult to reliably estimate future sales trends and the overall financial performance of the business. The current assumption of management is that stricter government-mandated lockdowns implemented in many regions in the fourth quarter of 2020 will ease by the second half of 2021. On that basis, Weston Foods expects:

- sales to be modestly higher compared to 2020, after excluding the impact of foreign currency translation and the impact of the 53rd week in fiscal 2020;
- adjusted EBITDA[1] to be higher compared to 2020;
- capital expenditures to decrease to approximately $145 million; and
- depreciation to increase compared to 2020.

DECLARATION OF QUARTERLY DIVIDENDS

Subsequent to the end of the first quarter of 2021, the Company's Board of Directors declared a quarterly dividend on GWL Common Shares, Preferred Shares, Series I, Preferred Shares, Series III, Preferred Shares, Series IV and Preferred Shares, Series V payable as follows:

Common Shares	$0.550 per share payable July 1, 2021, to shareholders of record as of June 15, 2021;
Preferred Shares, Series I	$0.3625 per share payable June 15, 2021, to shareholders of record as of May 31, 2021;
Preferred Shares, Series III	$0.3250 per share payable July 1, 2021, to shareholders of record as of June 15, 2021;
Preferred Shares, Series IV	$0.3250 per share payable July 1, 2021, to shareholders of record as of June 15, 2021; and
Preferred Shares, Series V	$0.296875 per share payable July 1, 2021, to shareholders of record as of June 15, 2021.

NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP financial measures as it believes these measures provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing underlying consolidated and segment operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of

underlying financial performance between periods difficult. The Company excludes additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

For reconciliation to, and description of the Company's non-GAAP financial measures and financial metrics, see Section 9, "Non-GAAP Financial Measures", of the MD&A in the Company's 2021 First Quarter Report.

Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021 In 2020, management undertook a review of historical adjusting items as part of an effort to reduce the number of items it excludes from its non-GAAP financial measures. Management concluded that, in order to present adjusting items in a manner more consistent with that of its Canadian and U.S. peers, the Company will no longer adjust for fixed asset and other related impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory income tax rate changes or other items. For further details please refer to Section 9.1 "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the MD&A in the Company's 2021 First Quarter Report.

FORWARD-LOOKING STATEMENTS

This News Release contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this News Release include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "COVID-19 Update" and "Outlook" section of this News Release. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2021 is based on certain assumptions, including assumptions about the COVID-19 pandemic, healthcare reform impacts, anticipated cost savings and operating efficiencies and anticipated benefits from strategic initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant

business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in "Enterprise Risks and Risk Management" section, of the MD&A in the Company's 2020 Annual Report and the Company's Annual Information Form for the year ended December 31, 2020.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this News Release. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SEGMENT INFORMATION

The Company has three reportable operating segments: Loblaw, Choice Properties and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation, cash and short-term investments held by the Company and all other company level activities that are not allocated to the reportable operating segments, as further illustrated below.

The accounting policies of the reportable operating segments are the same as those described in the Company's 2020 audited annual consolidated financial statements. The Company measures each reportable operating segment's performance based on adjusted EBITDA[1] and adjusted operating income[1]. No reportable operating segment is reliant on any single external customer.

	12 Weeks Ended						
	Mar. 27, 2021						
(unaudited) ($ millions of Canadian dollars)	**Loblaw**	**Choice Properties**	**Weston Foods**	**Other and Intersegment**	**Total**	Loblaw	Choice Properties
Revenue	**$ 11,872**	**$ 327**	**$ 472**	**$ (319)**	**$ 12,352**	$ 11,800	$ 325
Operating income (loss)	$ 615	$ 285	$ —	$ (70)	$ 830	$ 539	$ 77
Net interest expense (income) and other financing charges	160	347	1	38	546	172	(256)
Earnings (loss) before income taxes	**$ 455**	**$ (62)**	**$ (1)**	**$ (108)**	**$ 284**	$ 367	$ 333
Operating income	**$ 615**	**$ 285**	**$ —**	**$ (70)**	**$ 830**	$ 539	$ 77
Depreciation and amortization	610	1	36	(87)	560	594	1
Adjusting items[i]	(9)	(61)	(2)	17	(55)	30	149
Adjusted EBITDA[i]	$ 1,216	$ 225	$ 34	$ (140)	$ 1,335	$ 1,163	$ 227
Depreciation and amortization[ii]	493	1	36	(87)	443	475	1
Adjusted operating income[i]	**$ 723**	**$ 224**	**$ (2)**	**$ (53)**	**$ 892**	$ 688	$ 226

(i) Certain items are excluded from operating income to derive adjusted EBITDA[(1)]. Adjusted EBITDA[(1)] is used internally by management when analyzing segment underlying operating performance.

(ii) Excludes $117 million (2020 – $119 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw and $9 million in the first quarter of 2020 of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

2021 FIRST QUARTER REPORT

The Company's 2020 Annual Report and 2021 First Quarter Report are available in the Investor Centre section of the Company's website at www.weston.ca and have been filed on SEDAR and are available at www.sedar.com.

INVESTOR RELATIONS

Shareholders, security analysts and investment professionals should direct their requests to Tara Speers, Senior Director, Investor Relations, at the Company's Executive Office or by e-mail at investor@weston.ca.

Additional financial information has been filed electronically with various securities regulators in Canada through SEDAR. This News Release includes selected information on Loblaw, a public company with shares trading on the Toronto Stock Exchange ("TSX"). For information regarding Loblaw, readers should refer to the materials filed by Loblaw on SEDAR from time to time. These filings are also maintained on Loblaw's corporate website at www.loblaw.ca.

This News Release also includes selected information on Choice Properties, a public real estate investment trust with units trading on the TSX. For information regarding Choice Properties, readers should refer to the materials filed by Choice Properties on SEDAR from time to time. These filings are also maintained on Choice Properties' website at www.choicereit.ca.

FIRST QUARTER CONFERENCE CALL AND WEBCAST

George Weston Limited will host a conference call as well as an audio webcast on Tuesday, May 11, 2021 at 9:00 a.m. (ET). To access via tele-conference, please dial (647) 427-7450 or 1-888-231-8191. The playback will be available two hours after the event at (416) 849-0833 or 1-855-859-2056, passcode: 9786507#. To access via audio webcast, please visit the Investor Centre section of www.weston.ca. Pre-registration will be available.

ANNUAL MEETING

The George Weston Limited Annual Meeting of Shareholders will be held on Tuesday, May 11, 2021 at 11:00 a.m. (ET). Due to the ongoing COVID-19 pandemic, the meeting will be held in a virtual meeting format only. Shareholders will be able to listen, participate and vote at the meeting in real time through a live webcast online at **https://web.lumiagm.com/439305643**. See "How do I attend and participate at the virtual Meeting?" in the Management Proxy Circular dated March 26, 2021, which can be viewed online at www.weston.ca or under George Weston Limited's

SEDAR profile at www.sedar.com, for detailed instructions on how to attend and vote at the meeting. Please refer to the "News and Events" page at www.weston.ca for additional details on the virtual meeting.

Ce rapport est disponible en français.

Endnotes

(1) See the "Non-GAAP Financial Measures" section of the Company's 2021 First Quarter Results, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(2) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2021 First Quarter Report for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with GWL's filings with securities regulators made from time to time, all of which can be found at www.weston.ca and www.sedar.com.

(3) Certain figures have been restated due to the non-GAAP financial measures policy change. See the "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" section of the Company's 2021 First Quarter Results.

SOURCE George Weston Limited

For further information: Tara Speers, Senior Director, Investor Relations, at the Company's Executive Office or by e-mail at investor@weston.ca.

Related Links

www.weston.ca