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PRESENTATION

Operator

Good morning. My name is April and I will be your conference operator today. At this time, I would like to welcome everyone to the Canadian Tire Corporation Limited Fourth Quarter and 2018 Year-End Results Conference Call. (Operator Instructions)

This morning, Canadian Tire Corporation Limited released their financial results for the fourth quarter of 2018 as well as the full year. A copy of the earnings disclosure is available on their website and includes cautionary language about forward-looking statements, risks and uncertainties, which also apply to the discussion during today's conference call.

I will now turn the call over to Stephen Wetmore, President and CEO. Stephen?

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

Thank you, April, and good morning everyone. And thank you for joining us at a new and much earlier time for our earnings call. We appreciate it. I'll leave most of the comments on the quarter to Allan and Dean to address. I'll focus more on the full year as well between Alan and I, we'll share some of the key initiatives and retail areas of focus for 2019.

Overall in 2018, I believe we delivered strong results and we are tracking, as we expected against our 3 year aspirations. Both our return on invested capital and our earnings per share are on track, and though our top line performance in retail was below our 3% target, we clearly attribute that to the effect of a few weeks of 2018 on our weather-dependent categories.

Years ago, we start giving annual guidance and this quarter reminds me why we made that decision, given the impact of the closing month of the year can have on our results. While I'm pleased with our financial performance, the real highlight of 2018 was our ability to grow our Company, while maintaining our resolve and investing in our priorities and laying a strong foundation and skill set for our future.



The progress we made executing on our priorities and laying the foundation for our future. We launched our Triangle Rewards loyalty and credit card program, a powerful platform which links and strengthens our banners to create value for our customers and provides us with unprecedented opportunities for our retail and financial services businesses. This was many years in the making and had to coincide with our skill set to exploit it.

Our heritage Canadian Tire customers can now shop anywhere they choose with national deliver to home and click and collect services which adds to our best-in-class store network, led by our dedicated group of dealers who are as passionate about using data as we are. And while we still have lots of opportunity, we made great progress in the use of data to drive our business. Understanding our customers better allowed us to tailor 5 million of email offers weekly to our most valuable customers. We're learning quickly due to the investments we made during the past [3] years.

We acquired Helly Hansen, which is an exceptional fit, combining CTC's capabilities and Helly Hansen's trusted global brand to create opportunity in Canada and internationally. When we bought Helly Hansen, we knew they had an aggressive plan and a winning team with a track record of delivering results and driving growth. 2018 performance exceeded our expectations.

And looking ahead, Helly Hansen will continue the execution of their plan with strong growth planned in the core U.S. and U.K. markets and the acceleration of the direct-to-consumer channel. While it's early days through the integration with the CT banners, we expect revenue growth in Canada to accelerate in 2019 by almost 30%.

In 2018, we made significant strides in moving our talent strategies to the next level. We developed and acquired talent across all levels of the organization to accelerate our capabilities in digital retailing, marketing, data analytics, merchandising, and leadership skills. And leaders from across the organization worked with talent team empowering the key organizational roles and profile to deliver our long-term strategy.

Our commitment to a balanced approach to capital allocation was demonstrated again in 2018. We significantly increased our dividend now at a 33% payout ratio; we continued our share buyback program; as well, we sold 7% equity interest in CT REIT, reducing our ownership to 76% and supporting the REIT's liquidity. In 2018, we issued medium-term notes for the first time in 9 years and the market acceptance of our issuances demonstrated the strong support for CTC in the debt markets.

Despite our strong performance, cash flow, and balance sheet, our stock price is not reflecting the long-term value of our business. We're surrounded with macroeconomic concerns in the market, consumer confidence, tariffs, government regulations, and the list goes on.

We are very aware of the environment and its challenges. Maintain a strong balance sheet, invest for the future and meet your customers' expectations, will in turn meet our shareholders' expectations. In 2019, we will continue to execute against our strategic agenda. The customer is at the heart of everything we do, so advancing our strategies to continuously improve our engagement with our customers is key to our 2019 programs.

Our Net Promoter Score, NPS, is embedded in all our initiatives as the primary measurement tool of our customer experience across all channels and programs at CTC. It focuses our efforts across all fronts from digital to stores and product and marketing efforts on what our customers have to say.

Building a sustainable organization is the foundation of our future and that focus is ingrained in all of our initiatives and operations. I'm proud to say our Canadian Tire Bolton Distribution Center has been recognized as a Lead Gold certified project by the Canada Green Building Council for exceptional sustainability efforts throughout building design and construction and it's one of the largest buildings in Canada to be awarded such a designation.

In 2018 alone, Jumpstart's core program helped over 310,000 kids get in the game, which is more than ever before in a single year. As part of our Play Finds A Way program, Jumpstart awarded multiple million dollar grants to make Canadian community facilities more accessible for disabled children and launched our first 5 truly incredible Jumpstart playgrounds for children of all abilities.

Now, before I hand the call over to Alan, you've all seen in our news release this morning that our Chief Financial Officer, Dean McCann has made a decision to retire from his role at the end of this year. Dean has been with the Company for 21 years and I'm sure he will tell you that the highlight of his carrier has been the last 6 or 7 years working with me.



I don't blame him for wanting to retire. You all probably know as well that Dean was named CFO the year -- in 2014 and his accomplishments are too numerous to mention. Our share price, by the way, was \$60 when he started as the Chief Financial Officer. I'm very pleased that Dean has agreed to remain on our CT REIT and Bank Boards post-retirement and continue to give us his normal advice and guidance.

So with that, I'll hand the call over to Allan.

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

Thanks, Stephen. Good morning everyone. And Dean, my congratulations.

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

Thank you.

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

I won't go so far as to say we're all jealous. As Stephen said, we delivered a strong fourth quarter, and I'll echo his comments relating to the underlying strength of the business. Well, I would have liked to have seen our top line results come in higher. The business is performing well and we simply had unseasonably warm weather in 3 of our biggest and final weeks of the year, while also being up against impressive comps in '16 and '17.

In fact going into the last month of the quarter, our retail businesses were on track to exceed our financial targets with consolidated comp growth of 3.5% at the end of November. Let me offer a few comments about each banner's performance.

In Q4, CTR comp sales were effectively flat to last year. As I mentioned, we had strong performance in all but 3 weeks. Not surprisingly, our weather driven categories were soft in December, but our non-seasonal businesses performed very well. Our living business, for example, our largest division was up 7% in the quarter, and of course we're always watching key performance indicators like market share trending, web search rankings, website data and e-commerce rankings to understand what's happening around the market.

In Q4, CTR continued to make strong share gains in strategic growth areas, like toys and games, both the pet care and the cleaning lines of business also posted strong market share gains with sales well-above the industry average. Canadian Tire also took top spot as the most searched retail brand in Canada leading into Black Friday. All that's to say, while we faced some challenges in the quarter, the underlying business remains strong.

In Q4, we also made progress on a number of initiatives that we believe will set the stage for growth in '19 and beyond. In late December, we provided an early look at our We Do New campaign. More to come on this new program, but this will be the launch pad for Canadian Tire's new and innovative products and a key driver of net promoter score and customer advocacy.

Owned brands performed well in the quarter and continue to play an important part in our growth. In Q4, we launched type-A, our aptly named newest owned brand in the home storage category. In Q1, we'll be proudly launching our new line of Paderno countertop appliances; Vermont Castings will be launching a premium line of barbecues; and Golfgreen will launch a new line of innovative gardening products. Owned brands are an important part of our strategy and we'll be continuing our efforts to build world-class owned brands and assortments.

Now shifting gears a little bit, we've been talking to you a lot about our digital investments at CTR, but have shared few details. So today, I want to comment on the excellent progress we're making on that front. In 2018, we made major improvements to both canadiantire.ca and our fulfillment capabilities. We've dramatically improved our site speed, search and navigation. Now these are subtle improvements to the casual observer, but incredibly important in terms of the customer experience on our site.



We've driven increased site visits, page views and conversion, critical performance metrics in an omnichannel retail world. Home delivery is, of course, fully operational and we've recently implemented new ways to expand the service, offering assembly, white glove service and an extended online assortment to our customers and it's working. Customer satisfaction with home delivery is outstanding with a net promoter score of 56.

Now this progress is driving success with our e-commerce business across all banners. And I personally would love to share our e-commerce numbers with you, but the gentlemen I referenced earlier won't let me. But let me say this much, our CTC e-commerce growth rate is outpacing the growth of e-commerce in Canada, and that's making us one of the largest online retailers in the country.

Now, moving on to Mark's. Comp sales grew 1.8% in the quarter and just like the rest of our business, weather played a role in the final weeks. Heading into December, Mark's was up 9%, demonstrating that the execution of Well Worn continues to yield great results. The real highlight though was Quebec, where our reinvention is resonating well and our sales came in the strongest, at 12% for the quarter. This is really encouraging progress as Quebec remains one of Mark's big focus areas for 2019.

At Sport Chek, we're very pleased with the results as the quarter delivered a 2.5 comp in spite of the weather and a highly promotional environment. We saw strong results in our owned brands driven by brands like owned Ripzone, Helly Hansen and WOODS. And WOODS has been a huge success for us. Its premium outerwear lines went from a \$0.5 million in sales in 2017 to over \$10 million this year. I'm pleased that our owned brand strategy has now taken root at Sport Chek where we have to compete with some of the greatest brands in the world.

And while we're talking about performance of the banners, I should offer a brief update on what's probably our most significant One Company initiative, Triangle Rewards. I'm pleased to tell you, the momentum since launch has continued. Credit acquisition is up 32% year-over-year and at the end of the year, 55% of our sales were part of Triangle Rewards. Now let me pause here, because I think this point is worth emphasizing. For years we didn't know our customers. We had no way to communicate with them or gauge their reaction to our assortments or promotions.

Today, at Sport Chek, Mark's and Canadian Tire, we know half of our customers, an incredible accomplishment in just one year. We have long believed that a strong loyalty program is core to transforming our business to engaging our customers in new ways, reward their loyalty to our family of companies, and use data to make better decisions. And now, the Triangle family of companies is better positioned than ever to do just that.

So with that, let me hand it over to Dean to walk you through the financials.

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

Great, thank you, Allan. Maybe the next guy let you to give out that e-com data. Anyway, good morning, everyone. I'll focus on some key P&L impacts in our fourth quarter and for the full year, and then walk you through the highlights of our financial services performance.

Despite December weather challenges which muted our Q4 sales, retail revenue, ex-petroleum, saw good year-over-year growth in the quarter, up 6.4%. Retail gross margin ex-petroleum also performed strongly, increasing 34 basis points in Q4 and 49 basis points for the full year, driven by steady stable margins at Canadian Tire and the acquisition of Helly Hansen as the main contributors. I'm very pleased with our margin performance, especially given we had to sharpen our pencils in the face of a more price conscious consumers and experienced some freight related headwinds.

Our inventory at year-end was approximately \$228 million higher, half of that related to Helly Hansen and the balance primarily CTR's inventory in transit for the New Year and a very minor amount of carryover. CTR dealer inventory is in very good shape and any winter carryover is frankly a bonus for us now that winter has finally shown up.

We have now gone through our second quarter with Helly Hansen as part of our Company. By acquiring Helly on July 1, we have captured the strongest portion of their year. Helly has generated \$52 million in EBITDA during the 6 months, we've owned it. They have generated strong growth in all the markets they operate in, and in Canada and US, it grows well into double digits.



Retail segment EBITDA margin, excluding petroleum, for the fourth quarter was up 27 basis points and EBITDA dollars were 6.3% higher than last year. Strong, but it would have been great if more seasonal weather had shown up in December.

For the full year, normalized retail EBITDA margin decreased by 28 basis points versus last year and EBITDA dollars grew by 1% reflecting the investments in strategic capabilities that we've talked to you about over the last few quarters, and of course with the couple of bad weather months we had, April and December.

Our normalized consolidated OpEx ratio ex-petroleum improved 21 basis points this quarter, but increased 57 basis points for the full year. As we've been telling you over the past year, the business is being transformed by these largely OpEx investments. Things like the build of the consumer brands capability means that we are incurring OpEx to design and develop products like the Paderno line of appliances Allan referenced or Vermont Castings barbecue line, which in the past would have been done by a vendor and that cost buried in our cost of goods.

The good news is much of this investment in talent and infrastructure is now in place to drive our next phase of growth. And we look to the next phase of productivity initiatives for opportunities to generate improvements through our base OpEx ratio all the time.

Now, turning to financial services. The business continued to deliver double-digit GAAR with up 11.6% in Q4 and 10.7% in the full year. This is impressive performance on the back of a higher number of active accounts, driven by the incredible value proposition of the Triangle credit card and the successful integration of our financial services and retail banners.

It's important to note that an increased receivable does not dictate an increase to our risk profile. Our write-offs in aging metrics are performing just as we'd expect, given the growth profile of the portfolio. And in the case of allowance, it is also right in line with our expectations at 12.2%.

Looking to 2019, new account growths were moderate after the very successful launch of the Triangle program. A priority for 2019 will be deepening the relationship with existing cardholders and providing value and offers to grow account balance.

Lastly, and you will see in our results, we recorded a \$50 million fair value adjustment related to the future put Scotiabank holds related to their 20% interest they own in CTFS. Although this is an accounting item, it is representative of the increased value of the financial services business, a function of its strong growth and future earnings potential.

Now, shifting gears to capital spend. As I indicated last quarter, our CapEx for 2018 came in a bit below our guidance at \$448 million. For 2019, we expect to spend \$475 million to \$550 million as we increase our investment in refreshing the store network, especially at CTR. Our ROIC performance is in line with our expectations at 9.2%.

And on the accounting front, I would like to remind you that IFRS 16 accounting standard has come into effect in 2019 and will be applied for the 2019 fiscal period. IFRS 16 is expected to have a material impact on our balance sheet with the addition of approximately \$2.2 billion to \$2.4 billion of lease liabilities and \$1.6 billion to \$1.8 billion of right-of-use assets. Occupancy costs previously recorded in OpEx will be recorded as depreciation and finance costs for '19. Before we report Q1, we will spend some more time walking you through those impacts during a teaching session. So stay tuned it will be riveting.

And briefly, before I turn things over to the operator for questions. I just wanted to say, it was a difficult decision to retire from Canadian Tire. And the last 7 years working with Stephen has been fantastic. Good that he had mentioned it, because we have all seen [some loss] in 7 years, but anyway. So in fact, I consider it a bit of a selfish decision on my part, but I wanted to give Stephen and the team lots of advance notice.

It will be business as usual for me and the team at least until the end of the year and I will of course be available to help with transition. I also plan to stay and very involved with CTC, staying on as a member of the REIT and Bank Boards. So, lots of time for Stephen and team to work through a smooth transition for my role, and of course, to catch up with you folks on the phone.

So, operator, over to you to begin the Q&A.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll start with our first question from Irene Nattel with RBC Capital Markets.

Irene Ora Nattel - *RBC Capital Markets, LLC, Research Division - MD of Global Equity Research*

You talked about data. You talked about loyalty. Certainly, you've talked a lot about the importance of Triangle Rewards on a go-forward basis. Can you give us some insight into how you're already using that data? How it may sort of impact sort of both sales and profitability as we move forward and you can get better with those targeted promotion?

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

Hey, Irene, it's Allan. You know, it's interesting because we're really trying to incorporate a much more data-driven orientation across the whole organization. So I think over the course of last couple of years we would have talked to you about some productivity initiatives that were primarily data driven, some things we've done to optimize our promo. And this is a next step. So it's early innings. We're now getting, you're building the capability internally and you got to build the process and orient the organization, but you also have to collect and gather the data. So we're now looking at coming up to the first year of seasonal data in both Mark's and Sport Chek, which will start kind of in Q2. So we're really, it's -- like you say, it's early innings. Having said that, this data is starting to influence what we buy, where we assort our pricing and how dynamic it should be. It's absolutely informing of the promotions that we're driving, who we're targeting, and it gives us a communication avenue that we're able to speak to our customer's directly. The classic example is a customer that had winter tires and we now send a promo for a spring and summer tire changeover. Those types of things are pretty simple and that's the starting point. It gets incredibly sophisticated from there. And what I can tell you is, it permeates virtually every aspect of our business from even to -- right down to supply chain optimization. So this is a journey for us and we're really just starting. But I got to tell you, to accomplish what we did in a year and to have 50% of our sales with engaged customers and to be able to garner insights from how they're reacting to what we're doing is incredible, and it gives us a real head start.

Irene Ora Nattel - *RBC Capital Markets, LLC, Research Division - MD of Global Equity Research*

And that sort of loyalty overall, what would you say is the percentage of transactions in the store that are done on your credit cards?

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

Well, I got Greg Craig sitting across from me. So, he probably could give you the exact answer.

Gregory George Craig - *Canadian Tire Corporation, Limited - CEO & President of Canadian Tire Bank and President of Canadian Tire Financial Svcs*

Well, hey Irene, it's Craig and I'll answer that. I thought I was off the hook there for a second. But yes, so we look at share tender across all the banners. We're probably a little bit around 15%. It varies banner by banner. Petroleum is a little bit higher than that. We've just started with the expanded redemption at Chek and at Mark's. So we started to grow that more significantly. But I'd say the overall average in terms of dollars is about 15%.

It's up -- yeah.



Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

And it was virtually nil at Mark's and Chek before that, which is just a fantastic progress.

Gregory George Craig - *Canadian Tire Corporation, Limited - CEO & President of Canadian Tire Bank and President of Canadian Tire Financial Svcs*

That's right.

Operator

And we'll take our next question from Kenric Tyghe with Raymond James.

Kenric Saen Tyghe - *Raymond James Ltd., Research Division - SVP*

I'd like to just touch on the GAAR growth at CTFs, sort of both the absolute growth and the types of initiatives you're putting in market to drive that growth? But perhaps also trying to understand why we're not seeing more flow-through of that growth into the retail banners performance and I realize you just gave the attach rate being at 15 and obviously it's come a long way. But if you could perhaps just help us reconcile and reframe how to think about those dynamics, that'd be great.

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

So I'll take the first one and give me a chance to think about your second question little more. GAAR growth, yeah, up 11.6%. It really -- this started probably 2.5 years ago when we really started to work on integration more seriously and opened up the channels at Mark's, open up the channels that at Sport Chek as well, and frankly digital, and really look to take advantage of all the assets throughout the Corporation and then what happened is, with the launch of Triangle, have accelerated the growth even more. So really, the GAAR growth has been driven primarily by new account growth. So as Dean said, we're up and Allan gave you the numbers around 31%, 32% year-over-year on -- for these acquisitions. So that's obviously very important to us and in-store financing is a big part of that equation as well, around customer engagement with what we're seeing always at CTR and as well starting to see that at Chek and at -- and Mark's as well. In terms of your second question around translating that into CTR and you know, what I will say sales on our cards at CTR were up almost 18% kind of year-over-year in the quarter. So I think it is translating into more growth, and you have to remember where share of tender number was. We were 11% or 12% a year, 2 years ago. Now we're, as I said, almost at 15%. That's a pretty significant improvement in a pretty short window driven by, I think the value prop that we have, the in-store financing and all those other elements through Triangle. So we're really pleased with the progress we've made is what I would say on share tender and I think the retail guys would echo this, we think there's more upside as we look at that going forward.

Kenric Saen Tyghe - *Raymond James Ltd., Research Division - SVP*

And just a quick follow-up there, so to-date, it's a fair characterization to say that this is really -- the growth today has been more about initiatives sort of end-market versus that tighter retail integration, and to your mind the runway and your conviction is around taking that 15% share of tender to number X whatever that target maybe, is that a correct interpretation of the commentary?

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

Yeah, just want to maybe clarify little more. Really pleased with the growth we've seen because that share of tender number had dropped from, for the 10 years before we started to work very closely together. So I think we all are pretty pleased at the 15%. But we do see more opportunities for growth, kind of with tighter integration going forward for sure.

Operator

And we'll take our next question from Mark Petrie with CIBC.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

In the context of, I guess what will likely be a more challenging macro environment, even if it isn't materially weaker. I just want to ask about your category strategy sort of specifically at CTR, but maybe in the other banners as well. And sort of in particular, I think higher price points and better quality merchandise has been a big driver for you in terms of top line growth. And as we manage the portfolio, I'm interested to hear about how you expect to adjust your assortment strategy as it relates to Good-Better-Best and how you think about trying to push price points higher as a tactic with tougher economic backdrop?

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

Well, hey Mark, it's Allan. I'm going to let Greg jump in here. But before I do, you know for us it hasn't been about raising prices. I mean you always have to be competitive on the price front. It's about delivering more value in the products and brands that we're bringing to market and curating an assortment that resonated with our customers better than it had in the past. So for us, it's not so much trying to manipulate pricing and I know that's probably not what you're implying. But it's really about earning the right to charge more and deliver better value. So -- but with that, let me hand it over to Greg because I'm sure he has a couple of comments on -- his views on the categories.

Gregory Huber Hicks - *Canadian Tire Corporation, Limited - President of Canadian Tire Retail*

Sure. Last quarter, I talked about some of the warning signs that we look for within the business from a macroeconomic or consumer softening standpoint and I can tell you that this quarter again didn't point out any bearish indicators for the customer. And we talked about the fact that we look at our performance in high-ticket discretionary categories, they performed well in the quarter. The best level of our architecture had a strong quarter. So you don't see kind of consumers trading down. And lastly, we aren't seeing a material shift or a performance shift in our repair and maintenance categories. So, these would be the things -- these would be the types of things that we look at, as for kind a tighter environment, a softer customer mark. We -- when you think about kind of the road, the journey that we've been on from an owned brands and a quality standpoint over the course of the last number of years, average price per unit for sure has been a driver of our performance. But it's not necessarily about moving price points up to Allan's point; it's about putting more quality into that better and best architecture. So we continue to see that as a real avenue for growth for us. We seem to have the most resonance with customer in the better and best portions of our portfolio with respect to where we put our efforts in owned brands. And so the earlier commentary from Greg Craig on CTFS, we really believe that ISF, in a tightening environment can be a real weapon for us. So we've been performing extremely well. Fourth quarter was no anomaly. We were up over double digit in ISF and if we need to lean heavier into that program, we will if we're seeing any indicators that the customer is softening in any great our material way.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

I'm sorry ISF is which?

Gregory Huber Hicks - *Canadian Tire Corporation, Limited - President of Canadian Tire Retail*

Into our financing, sorry.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

And then I guess just switching gears slightly, with regards to the e-commerce offer and again probably particularly at CTR, but I'm interested in all banners. What should we be looking for in terms of how that offer evolves through 2019? I mean, is it mostly on the marketing side in terms of

the targeted promotions and leveraging the consumer data that you're talking about or would it be more on the sort of consumer experience and sort of site performance and different offers in terms of delivery and so on?

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

Hey, Mark. Well I think it's going to be both -- but you got to think about it in terms of omnichannel and if you're rolling your eyes, I wouldn't blame you. I hate that phrase as much as everybody else, but I can't find a better one. We don't think of it in terms of promoting in e-commerce channel driving e-commerce business. We don't think of it necessarily in terms of a bricks channel. We're very much shifting to the consumer, because we don't have 2 customer groups, an online customer and the bricks-and-mortar customer, we have one customer that shops both channels. So you're always going to be aware of the promotions you drive and the impact they have on the customer and the channel. Same is true for pricing. But in order to continue to earn loyalty from that customer segment, you have to have a competitive offering in every aspect to your business. So our marketing is going to be great, whether it'd be in-store or online. All of the capabilities that we bring, whether it'd be things I mentioned like site speed, search, our digital marketing and presence are all going to be world-class. So, think of it in terms of the experience is going to be great, the assortment that we put forward is going to be the best that we can curate and the way that we communicate our customers will be in line with what you've grown to expect from Canadian Tire, from the family of companies, it will be world-class. So frankly, you shouldn't see much difference than you have in the past. You will just see it being multifaceted.

Operator

And we'll take our next question from Peter Sklar with BMO Capital Markets.

Jennifer L. Panes - *BMO Capital Markets Equity Research - Associate*

Hi, this is Jennifer filling in for Peter. My first question is on Helly Hansen. So I was just wondering, is that performing in line with your expectations? I know, quarter-over-quarter, the revenue declined, but I'm assuming that's just from seasonality? And then, since buying it, have you sort of increased its presence in your retail banners?

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

I'll take it anybody can jump in too, if you want. Yeah, you do see some seasonality between the third and fourth quarter just because of the nature of their business. It's non-retail, if you will, it's a distribution business. So they'll be loading up the stores in the third quarter as opposed to the fourth. When we acquired Helly Hansen, the projections that we used at that time for ourselves, had an overlay from their executive management team saying they believe that they can perhaps stretch targets. We didn't look at it that way, but they in fact did hit their stretch target. So congratulations to all of them and extremely well done. So we have, during the course of this year, increased our sales of their products in our stores, but it's very, very early days. So the curation of that assortment is what Allan and his team have done with the Helly Hansen Executive team. So they're setting up. That was my reference to my comments of the -- about 30% growth for 2019 will relate to them getting those assortments in store at the right times, as such based on how Allan and team wanted through our various banners. So yes, we're pleased right across the board with the execution of Helly.

Jennifer L. Panes - *BMO Capital Markets Equity Research - Associate*

And then just switching gears to the financial services business. I noticed that in the quarter the credit card write-off rate was favorably impacted because of a change in management estimates of present value of recoveries. Just wondering if you could quantify the dollar amount of that change? And then also, why it occurred in the quarter?



Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

So, it's Dean, Jennifer. The impact was relatively minor in the quarter when we changed the methodology with respect to how we record recoveries from a cash basis to an accrual basis. We did that in Q3 as we talked about at that time. And we said there would be a spillover effect into Q4. It's probably a few million bucks on the write-off rate. So, and we've disclosed that, right, in the MD&A in the schedule the [my Sprint] below the -- if you will, the table. But the overall message is that now the way we treat those types of recoveries now doing on an accrual basis actually matches everything up with how IFRS 9 does the allowance. Anyway and we probably should take this offline, but at the end of the day we'll be clean going forward in terms of 2019 comparatively and I'll be glad to be kind of talking about changes in accounting with respect to IFRS 9 in terms of '18 going to '19. So we'll be comparative, if you will, in '19 and looking forward to that.

Operator

And we'll take our next question from Derek Dley with Canaccord Genuity.

Derek Dley - *Canaccord Genuity Limited, Research Division - MD & Consumer Products Analyst*

Just sort of following back on some of your commentary on inventory, I noticed it was up about 13% year-over-year and I appreciate your commentary about half of that was Helly Hansen, but can you quantify how much of the seasonal products that you may have sort of missed your sales in Q4 are in that inventory going forward?

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

Derek it's -- well Greg, why don't you talk about it, this is primarily CTR?

Gregory Huber Hicks - *Canadian Tire Corporation, Limited - President of Canadian Tire Retail*

Sure. Yes, if we start with the corporate balance sheet, about 70% of our increase year-over-year was in non-seasonal businesses. So this was reflective of the top line we were chasing in some key categories and we aren't worried about this at all. On the retail balance sheet, the dealers are up about 3.5% on a year-over-year basis to end the year with a fairly even split in bill between non-seasonal and weather businesses. But given the weather we've experienced to date this quarter we're not worried at all now about inventory builds in weather categories. We're going to end the winter season very clean.

Derek Dley - *Canaccord Genuity Limited, Research Division - MD & Consumer Products Analyst*

Okay, that's great. And just one more, in terms of your comps, I think typically Q4 is a big season for your owned brands, particularly things like NOMA. Can you give us any color on how the owned brands performed and where they the big driver of your growth in your comp sales at CTR?

Gregory Huber Hicks - *Canadian Tire Corporation, Limited - President of Canadian Tire Retail*

Yeah, I mean owned brands are definitely a big component of Q4 growth, when you think about businesses like automotive with MOTOMASTER in our Tire business and automotive maintenance businesses, when you think about seasonal with NOMA and canvas. So it was a little bit of a mixed bag. The businesses that I just talked about have a fair degree of reliance on the weather. Allan talked about the living business that's our least represented or penetrated owned brand division and we've been putting a lot of effort there in the last couple of years and it manifested with a couple of launches this year in the form of Paderno and Master Chef in our kitchen businesses. And so, in that living business, which again is our largest division in the year, I can tell you that 40% of that growth was driven by owned brands.



Operator

And we'll go on to our next question from Jim Durran with Barclays. Please go ahead.

James Durran - *Barclays Bank PLC, Research Division - MD, Head of Canadian Equity Research & Senior Analyst*

Couple of questions, so first of all, just on -- clarification on your gross margin rate commentary, you indicated that the margin sharing agreement with the dealers was part of the impact. Has there been a change there for this fiscal year that wasn't in place in 2017? Or how has that math translated into margin expansion for you?

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

Jim, it's Stephen. No, there hasn't been a change. The contractual terms remain the same.

James Durran - *Barclays Bank PLC, Research Division - MD, Head of Canadian Equity Research & Senior Analyst*

So, is there just some increased penetration that caused that to happen? Like, as it say, just in the quarterly release, it talks about the dealer arrangement contributing to margin.

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

Oh, yes. So, sorry Jim, honestly I was reading a -- I was just reading

(technical difficulty)

anyway, in terms of the reference to margin and the impact on the dealer arrangement, that's consistent with last year, Number 1. Number 2, it simply reflects, you know how this business works, we share margin, right. And our performance and the dealer's performance is entirely linked together and there is a bit of a timing through the year as to when those arrangements, if you will, kind of come into the P&L and we are on a rhythm now, right. So we're consistent kind of year-over-year. And, as the performance, with respect to margin through 2018, 2017-'18 has improved on all the things that we and the guys have been talking about here over the last number of years. There is also a flow-through of that through to the dealers. So -- and that's what we're referring to when we say the impacts of those dealer arrangements.

James Durran - *Barclays Bank PLC, Research Division - MD, Head of Canadian Equity Research & Senior Analyst*

Okay. On the credit card obviously, very impressive growth, both on total accounts and average balance performance and yet at the same time also very impressive outcomes on write-off rate et cetera, excluding the confusion of IFRS 9. I mean I've been fielding a lot of calls, so I'm going to give you an opportunity to sort of help me out in the public domain on how is Canadian Tire achieving such strong account growth in a credit card market that's not growing that much without taking on greater risk in terms of the profile of the credit card user? So, I don't know if you can help me out with that, but it would be helpful.

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

Yes, thank Jim and I'm going to let Greg answer though I'm dying to answer the question.

Gregory Huber Hicks - *Canadian Tire Corporation, Limited - President of Canadian Tire Retail*

Literally, he is launching across the table. It's what we talked about. I mean probably around 2 years ago, I think there was a journey to really focus more on the integration. So I'd say the growth in the card business really started ramping up around 2 years ago, and that's when we opened up frankly the Mark's channel and the Sport Chek channel at that point in time. And then, to be honest, it just accelerated with just kind of increased integration through taking advantage of all the assets across the corporation. So I think the value prop we've launched to Triangle, in my view, is best in class. The introduction of a world elite product allowed us to get to a customer clientele that the credit card wasn't able to attract kind of previously. So I think -- and then just take in the value prop and broadening with the redemption where it was to both Mark's and Sport Chek, I think has given a more appeal. I mean we see -- we also track our net promoter score and that's gone up fairly significantly over the past few quarters since the launch of Triangle. So to me, it's really just -- it started 2 years ago and it went on acceleration with Triangle. So that's really what's helped drive kind of our performance. Your comment on risk, we haven't changed our risk scorecards. It's the same risk scorecards that we've been using to acquire customers previously. I think we are attracting a slightly different customer, a little younger, a little more affluent in our new account file, and we watch the performance of these accounts pretty closely, both the new ones and our mature accounts. We look at payment behavior, we look at aging, we look at percent of the portfolio in all of those different risk buckets we have and we have not seen a noticeable impact across any of those metrics by risk band. So guess we have seen write offs tick-up slightly, as Dean alluded to, given the fact that all of our growth has come from new accounts. But this is the healthiest way to grow this business, as we have an 8.3% increase in our statement active accounts. We're over 2.1 million statements accounts -- statement active accounts in the fourth quarter. So it is the -- my view, the healthiest way that we can keep growing this business and that's kind of where we are. So it's -- we're going to keep working with the retail division to hopefully drive our results and drive the retail divisions as well for the benefit of CTC.

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

Greg, I'd only add on top of it but what Allan mentioned earlier in terms of the personalization based on our data capabilities. Our customers, the 5 million emails per week are reminding them of the benefits of Triangle on Triangle Rewards that has to add a tremendous amount to it. The grocery value prop on top of it et cetera et cetera is why we say it's probably the best card in the market in Canada and we're grabbing share.

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

And we're not -- I mean not on the back on increased risk, that's incredibly important to understand.

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

No. Yes, the important point there I think is you got to --- Greg has the whole company supporting him. It's not just the Bank. From store operations, I mean we completely reinvented the card in stores has been great -- the marketing, to your point Stephen, the one -- the one marketing behind it, I mean this is a big team effort and vice versa on the loyalty program, the Bank has been huge supportive of the work retail business is doing. So the cards not -- the card is better, it is why it's growing.

James Durran - *Barclays Bank PLC, Research Division - MD, Head of Canadian Equity Research & Senior Analyst*

If I can just ask one more question on your owned brand initiative, which is obviously gaining momentum. Presumably, part of the reason for going after own brands is to sort of protect yourself from whatever inroads other e-commerce players might have on your business because you've got your own brands that over the course of time, consumers will become more and more in love with. Are you prepared to give us an indication as to how much the owned brands represent let's say of CT retails -- retail sales and Sport Chek and Mark's?



Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

Yeah, we are -- we've sort of -- I don't know if we've ever put it as an official kind of consolidated view. By banner, I can give you -- I can give you a rough correction and then we can clarify. But by banner, you're going to look at north of 60% in Mark's, low-single-digits at Sport Chek and about 40% at CTR. And -- but one of the things I think I would clarify on that is our ambition -- the right answer may not be more owned brands in terms of percent of sales. And to the question that Greg fielded about own brands growth, we could have owned brands not contributing a huge amount of growth and I'd still be really, really happy. It's about the owned brands we're investing in to differentiate us. So, MOTOMASTER, for example, is a great legacy brand. It's massive, much bigger than most people would realize, and it's going to grow with a -- using a different strategy than a type-A would, which will be different again than a Helly. So, it's not about the absolute number although there are areas where we think it should be higher. I mean Sport Chek can be a great example of that. By the way Sport Chek, growing owned brands in Sport Chek is no small task. I mean that's -- you're up against some of the best brands in the world there. But it's really about the brands we're investing in and ones we're calling out. So you'll probably see Greg talk more about Vermont Castings in the next 2 or 3 quarters than he will about MOTOMASTER because that's the one we're really trying to -- one of the brands we're really investing in. So that's kind of how I'd look at it, but we can clarify those numbers, I think. Can't we Dean?

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

Yes.

Operator

And we'll take our next question from Vishal Shreedhar with National Bank.

Vishal Shreedhar - *National Bank Financial, Inc., Research Division - Analyst*

Hi, thanks for taking my questions. I think off the top of the call, management was talking about some of the accomplishments in 2018 and there are many accomplishments. But if you back out Helly Hansen in the 2018 EBITDA, retail EBITDA for the -- call the organic business was down year-over-year. Just wondering if you can give me some perspective on why some of those initiatives in the retail business aren't translating to growth like some might have anticipated at the beginning of the year?

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

I'll start with that, I mean Vishal, the -- first of all, I would say those initiatives like we stayed with, if you will, the investment in those initiatives, those capabilities, things like consumer brands, things like deliver to home and e-commerce, things like digital in terms of investments that we've made in data and digital marketing all those things, because we believe those are the right things to do for the long term. Okay? So in terms of -- you're correct, right, that's put pressure on us with respect to, if you will, kind of core EBITDA growth and then you just go to -- I mean, I really wish April weather had shown up and I really wish December weather had shown up. If I'd had a week or so of the kind of weather we've had in the last 2 weeks, I think I might be having a little -- kind of a different conversation with you. But the principle here though is fundamentally, right, we started the year -- and this is right on our expectations, we started the year saying we were going to invest in those capabilities and get that core belt and Stephen has been dogmatic about that, right to -- that that's the right thing to do for the long term. We could have decided not to do some of those things, right? And we would have given you a better number, but that's the wrong thing to do and it's never how we run this place. So, and then in terms of my plan or our plan as we went into the year, I would have liked to see a little more at the revenue line because if I'd sold a few snow shovels in December and some snow blowers, that would have helped, if you will, kind of eradicate, if you will, your question, right, in terms of kind of what you're observing. But you're not wrong, right. And the reality is, yes, Helly has been a great investment for us right, to date, and we have high hopes for it as we head into '19. So, yeah, good question.

Vishal Shreedhar - *National Bank Financial, Inc., Research Division - Analyst*

Thanks for that color. And just on the back of that investment and some comments that were made in the past, if you can help me reconcile. So in the past, I think you might have said this, Stephen -- maybe Stephen might have said it and it may not have applied to 2019 -- 2018, you can correct me if I'm wrong. But the goal was to grow gross profit dollars quicker than SG&A I'm talking ex depreciation and I know there were investments. So maybe you can help me understand 2019 the goal with respect to operating leverage ex-D&A.

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

I mean, there's no question. I think -- I think in my comments Vishal, I mentioned that we have a lot of these capabilities in place, capabilities that are going through the P&L. So it's talent, it's the stuff that in the old days, right, you'd go and buy a system or something, put it on the balance sheet as an example, right, and that would be how you acquired a capability. Now you have to acquire brainpower right and acquire humans to -- propeller heads as I call them, to do all these things that Allan was referring to with respect to data and marketing to customers, that kind of thing. So, P&L is transforming a little bit, right? That said, a lot of that is in place, right. The core of that is now in place. So now you kind of look forward and we're in the next leg, if you will, of productivity, right. And that's an opportunity as we look forward. So you won't get me to say that there won't be opportunities for more leverage if you will, with respect to the business going forward and if we meet our top line expectations, then that's even accelerated from that. So you're absolutely right, what you're referring to. And -- but what I want to make, really, really clear, this is all part of the plan right? Things I can't plan for is, when the snowstorm is going to show up year-over-year, right? So -- but, but we can certainly plan for what the right investments with respect to capabilities are and we can certainly plan for focusing on, if you will, our core infrastructure, our legacy -- if you will infrastructure and looking for opportunities to improve the utilization of that and the efficiency of that to get more out of it.

Vishal Shreedhar - *National Bank Financial, Inc., Research Division - Analyst*

Okay, that's helpful. And I might have missed it, but in the past I think management used to give us targets like, we're aiming for the SG&A rate to improve year-over-year and given that you've put in the investment in 2018, is that something that we can -- analysts can model some sort of improvement in the efficiency or with the operating leverage or should we expect some more investments in the early part of 2019. Any help there would be appreciated given it's such a key line?

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

Yeah, I mean, I think I would just go with what I just said, right, that a lot of that capability has already been put in place and our plans, obviously for growth next year, are focused on kind of the revenue and the margin lines and we plan to, as I said, take advantage of these investments that we've made to drive that growth going forward.

Vishal Shreedhar - *National Bank Financial, Inc., Research Division - Analyst*

Okay. And if the economy...

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

But I'm not giving you a percentage, I guess, it's what I'm telling you.

Vishal Shreedhar - *National Bank Financial, Inc., Research Division - Analyst*

Yes. If the economy slows down quicker than you anticipate, I know you said you aren't seeing or management said, they're seeing much yet and obviously the investments in the topline, initiatives are there to drive it. Now let's say the economy slows, how quickly can management react and protect the growth line or to grow the bottom line growth?

Stephen G. Wetmore - *Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director*

Well, I mean we've seen the economy go up and down for a lot of years many, many times, obviously. Some of the best data in the country resides with us in terms of monitoring the country's performance based on where all our stores are, where our gas stations are and through our credit card. So we have, as early a warning as, as anybody would get on this. As we said, we have not seen anything at this stage of the game that would cause us to start to react. In terms of that, yes, we would start to see a shift in some of the products probably across all our banners actually. We're more in tune to picking it up most likely through Canadian Tire Retail variety of assortments than we would be at our other stores. But Allan and Greg would very, very easily start to pick up any trends. You then start to adjust -- the trend may be happening in Alberta or the trend may be happening in Atlantic Canada wherever it is, you react accordingly. And most definitely, I think this is back to our secret sauce, our dealers react instantly. They see it in their local community. They look at it in their in-store promotions, they start moving their assortment around. So we can react really quite quickly, but it doesn't necessarily obvious -- automatically go to a sales decline. It goes to a sales mix shift. So we see it in automotive and things like that. So it's -- we can, we have in the past and can very easily shift accordingly and pretty quickly.

Dean Charles McCann - *Canadian Tire Corporation, Limited - Executive VP & CFO*

The only thing I'd add to that Vishal is just all the work that the guys have done over the last number of years around margin management and the investment that they've made in terms of data, as Allan referenced earlier, and the use of data in terms of managing margins as built up firepower to compete and to be able to do exactly as Stephen said, adjust the mix and so on, and we've got the -- got the window into, if you will, the customer and the customer data and product data to make those adjustments and then respond as required.

Vishal Shreedhar - *National Bank Financial, Inc., Research Division - Analyst*

Wonderful, thanks.

Operator

And we'll take our final question from Patricia Baker with Scotiabank. Please go ahead.

Patricia A. Baker - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Well, thank you very much for fitting me in. I'm going to warn you upfront that I have 4 questions here. So a theme in the opening remarks has been data, you just referred to date as the firepower which absolutely is. But correct me if I'm wrong, does Canadian Tire, the way I look at it is that you've had a very strong legacy of data analytics and being able to use data to really manage the business and manage the risk inside Canadian Tire Financial Services. And if we're looking you you've called out nicely for us today that new account growth in the quarter was 30%, in the range of 30%. I'm just curious -- and the data in the analytics within CTFS, it's really about you really know your customers and you've got a lot of predictive ability what they will do in certain circumstances. So when you have that kind of level of growth, the complexion of the business is shifting with all these new accounts, how long does it take you from a data perspective and a predictability perspective to understand your new customers?

Gregory Huber Hicks - *Canadian Tire Corporation, Limited - President of Canadian Tire Retail*

Sure Patricia, it's Greg here. Thanks for the question. It's actually probably quicker than you think because the advantage we have is, we've got 15 years of new account data. So what we basically look at is we compare after one month, after 3 months, after 6 months. So we compare the tranches of new accounts we're acquiring now against the historical accounts we would have acquired and we're seeing if there are changes in performance or behavior that we might need to make changes from a risk perspective for example. So we can, because it's so real time we get information at our family of companies, we actually get it at the SKU level, so we know exactly what customers are purchasing. So that wealth of information



allows us to be pretty responsive to any changes in behavior we potentially are seeing for new account. So it's probably quicker than you might think from a new account perspective.

Patricia A. Baker - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay, that's good. Thank you very much. My second question is on the Retail division and certainly the Q4 trends. Thanks for giving us the color on the fact that CTR was north of 3% up to the end of November. I think you said that Mark's was at 9%. So then when you look at what the final numbers came in at, it really speaks to just how powerful the final 3 weeks are to the business. And I'm just curious about whether that with in-quarter seasonality is normal. And then intuitively, I would have thought and I could be wrong that to a degree the last 3 weeks would represent a fair degree of last minute gifting. So can you talk about, just what was on the shelves that didn't move in that period? And then related to that, how would you gauge or describe your promotional agility in the context of weather not showing up? Is that something that you can change behavior? Is that something where you're move to more personalized offers is a tool that you could use in the future to try to stimulate demand when you see a shift in the weather?

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

That's -- Hey Patricia, it's Allan. Great question and one of the (inaudible) Presidents probably want to jump in here too. But, couple of things about the weather fluctuations, so what happens when you have a weather fluctuation in the last 3 weeks of the year? Of course, those are amongst the 3 biggest weeks of the year, you have an abrupt end to the season with Christmas and then you have the year-end. So really at the end of those 3 weeks, there's no course correction route available to you. So that's kind of point Number 1. Number 2 is we know today, it was 3 weeks; but in the middle of it, tomorrow was always going to be better.

Patricia A. Baker - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay.

Allan Angus MacDonald - *Canadian Tire Corporation, Limited - Executive Vice-President of Retail*

So 7 days in, I'm sitting down with Greg saying, what do you think? And he goes, it could turn any day. And by the way, when you drop pricing or put a big promo in the market, you can't take it back once it's out there. And sometimes if the weather isn't there and Greg has got great capabilities in terms of his data analytics here, it still doesn't stimulate demand. So a cheaper snow blower when the grass is green is not going to stimulate demand in many cases. So there's that element to consider too. I'd reference you back to April, which was frankly as bad as December, but we had 2 months to course correct, and the demands shifts. So what you don't see is the demand shifting from December to January. And there is some psychology too, people -- the money they save on buying winter tires they spend on Christmas gifts and those types of things. So there is some demand shift, but not as much. And then it carries over course into different fiscal year. So really weather fluctuations happen every year in our business that we have one right now which is isn't to -- which is to our favor. But the timing of this one just meant our ability to course correct was very, very limited. I don't know if Greg or...

Gregory Huber Hicks - *Canadian Tire Corporation, Limited - President of Canadian Tire Retail*

Right, I think you answered it all well, just maybe a couple of additions. The 2-year stack Patricia in those 3 weeks in weather businesses was just massive. I mean if you go back into commentary last quarter and even this time last year for Q4, 2017. I mean our weather businesses were up 11% and almost 60% of 2016 or 2017 and 2016 respectively. So we were up against something that was difficult from a comp basis. To Allan's point, we got all sorts of -- kind of data and inputs now that we can evaluate to make sure we didn't lose kind of share in the marketplace. Was it something -- was it some type of self-inflicted wound in the businesses in which we compete. And one of the main inputs that we look at from that standpoint now, which is not new for myself and the operators is, Google demand trends, just search activity. And for all of the categories that I alluded to earlier that were soft in the quarter, their Google demand search activity was down significantly. Not just on our site but on external sites. So that

makes us feel better about our plight and our performance; but it also speaks to Allan's point which is there just weren't these -- the same customer activity just wasn't happening; the same level of interest in winter categories wasn't happening in Canada and we obviously participated in that. So I think there are good indicators there to suggest that the industry suffered not just ourselves, and like I say, the weather did show up, the East was probably the only kind of major region of the country where it wasn't great. But on a year-over-year basis, it was more conducive to selling. And in the East, our weather businesses was up over 7%. So I think we feel good about our retail strategy, unfortunately down at this point. We just ran out of time.

Patricia A. Baker - Scotiabank Global Banking and Markets, Research Division - Analyst

Just one last question then. Dean, in your discussion about invest all the investments, and you've talked about that a long time and you've been quite consistent about that in your answer to the shelf question. So am I right in assuming that you've have attached to that a return profile that there's a return on invested capital that you expect with that -- all of that investment in digital, et cetera, et cetera, that will be delivered over the coming years?

Dean Charles McCann - Canadian Tire Corporation, Limited - Executive VP & CFO

Absolutely.

Patricia A. Baker - Scotiabank Global Banking and Markets, Research Division - Analyst

Thank you.

Dean Charles McCann - Canadian Tire Corporation, Limited - Executive VP & CFO

I'm looking at a bunch of people that are going to deliver that.

Patricia A. Baker - Scotiabank Global Banking and Markets, Research Division - Analyst

Okay. Do you have to cut it off or do I have time for one more question?

Stephen G. Wetmore - Canadian Tire Corporation, Limited - CEO, President & Non-Independent Director

Yeah. Unfortunately, Patricia, we're over time here and...

(technical difficulty)

Patricia A. Baker - Scotiabank Global Banking and Markets, Research Division - Analyst

No worries, I can get you offline. Okay, thank you very much. Bye.

Operator

And ladies and gentlemen, we have reached our call's end time for today. This does conclude today's call. A webcast of the conference will be archived on the Canadian Tire Corporation Limited Investors Relation website for 12 months. Please contact Lisa Greatrix for any -- or any other member of the IR team if there are any follow-up questions regarding today's call or the materials provided. You may now disconnect.



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