

ABDA-RM-1

Subject: Turnover Ratios

References:

2025.06.02.Return.Margin.Expert.Final.Report.Concentric (Doc 14) (the “**Concentric Report**”)

Preamble:

The Concentric Report utilizes turnover ratios ranging from 2.00 to 9.00 (see e.g. pg. 5). Concentric Energy Advisors (“Concentric”) refers to this range as being historically consistent (pg. 5).

Request:

Aside from historical consistency, please explain Concentric’s rationale supporting an acceptable range of turnover ratios from 2.00 to 9.00.

Response:

Historical consistency is the main reason for continuing to use turnover ratios from 2.00 to 9.00. In the absence of updated Depot balance sheet data, we did not find a compelling reason to change the range of turnover ratios that is used to select risk comparable companies. As noted on page 23 of our report, we would support a review of this range if updated data were available from the Depots. With this issue in mind, Concentric provided a stress-test of these outlier thresholds on pages 21 through 23 of our report.

ABDA-RM-2

Subject: Weighted Average

References:

Concentric Report (Doc 14)

Preamble:

The Concentric Report incorporates a weighted average in the U.S. return margin calculation (pgs. 5-7).

Request:

Please explain why the weighted average return margin is a relevant measure of the appropriate return margin for the Depots.

Response:

Concentric included weighted average (weighted by assets) return margin estimates to be consistent with our 2019 report. Weighting each result by total assets provides a measure of protection against size differences between companies; e.g., small companies tend to have more volatile year-to-year results, and therefore weighting by size can mitigate various small companies' high-outlier results if they do occur. In Concentric's view, it is important to consider both the weighted and unweighted averages, as one is not necessarily more "correct" than the other. We note that the weighted average results are lower than their counterpart simple average results. In general, in developing our original report, we gave consideration to several different averaging conventions to develop a reasonable range, from which we chose the midpoint as our final return margin recommendation.

ABDA-RM-3

Subject: Use of the Average of 189 Companies

References:

Concentric Report (Doc 14)

Preamble:

For the U.S. return margin calculation, the Concentric Report incorporates the “average of all 189 companies, regardless of industry” (the “189 Companies Average”) (pgs. 6-7).

Request:

- (a) Why has Concentric introduced and incorporated the 189 Companies Average?
- (b) How is the 189 Companies Average a relevant measure of the appropriate return margin for Depots?
- (c) Why is the 189 Companies Average given equal weight (50/50) to the total average of all six industry averages, instead of being given equal weight (1/7) to each of the six industry averages (i.e., included as one of seven equal factors)?

Response:

- a) Concentric believes that the 189 Companies Average estimates represent reasonable alternative views of the industry groups’ return margins, as they consider the number of companies that comprise each industry, rather than simply averaging each industry down into one value. Including these estimates in the averaging methodology had the effect of lowering the final recommendation.
- b) Please see the answer to part a.
- c) Concentric considered the 189 Companies Average to be a separate averaging convention and way of aggregating the data. Therefore, it was treated as an “alternate” analysis and averaged (50/50) against the old methodology (six industry averages).

Averaging the results in the suggested manner (equal 1/7 weight to the six industry averages plus the 189 Companies Average) results in a U.S. industry result of 6.82% as seen in ABDA-RM-3c, Attachment 1. Averaged with the Canadian industry result of 5.62%, the final return margin recommendation would be 6.22%. Note that this includes the effects of adding ODP Corp. and Lowes Companies back into the 2024 analysis, as outlined in our response to ABDA-RM-4.

ABDA-RM-4

Subject: Companies in the Average of 189 Companies

References:

- Concentric Report (Doc 14)
- U.S.Industry.Return.Margin.Analysis.Concentric (Doc 15) ("Attachment 1")

Preamble:

As part of the U.S. return margin calculation, the Concentric Report refers to two companies being "added back into the analysis", being ODP Corp. and Lowes Companies Inc. (pg. 5, footnote 2).

In Attachment 1, Concentric only added ODP Corp. and Lowes Companies into the specific industry tabs of "Retail_Building_Supply" and "Retail_Store". Concentric did not add them into the "Analysis_All_Companies" tab.

Request:

Should ODP Corp. and Lowes Companies Inc. be included in the 'All Companies' analysis and added into the "Analysis_All_Companies" tab? If not, please explain why not.

Response:

Yes, the 2024 data for ODP Corp. and Lowes Companies Inc. should be included and added into the "Analysis_All_Companies" tab. Concentric has provided a corrected file as ABDA-RM-4, Attachment 1, Corrected US Return Margin Analysis. The revised analysis results in a 3 basis point increase to Concentric's return margin recommendation, from 5.90% to 5.93%. In addition, we provided a revised return margin report updating all impacted numbers and figures as ABDA-RM-4, Attachment 2, Revised Concentric Return Margin Report 07.02.25. Please note that, where possible, alternate analyses requested in other information requests include the effects of this correction, and we included clarifications where applicable.

ABDA-RM-5

Subject: U.S. Return Margin Data

References:

- Concentric Report (Doc 14)
- Attachment 1 (Doc 15)

Preamble:

The Concentric Report analyzes U.S. return margins based on data from Yahoo! Finance (“**Yahoo**”) and S&P Capital IQ (“**S&P**”) (see e.g., pgs. 2, 5-6). As part of the analysis, Concentric averages Yahoo and S&P values for both assets and turnover ratio (see e.g. Attachment 1, Tab Analysis_All_Companies, Columns AB and AE).

There appear to be instances of Yahoo and S&P assigning data from a single financial year to different financial years. For example, CASY has no Yahoo data for 2024, and the 2023 Yahoo pretax income matches the S&P 2024 pretax income (see Attachment 1, Tabs MASTER_YH and MASTER_S&P). For further examples see also TITN (Yahoo 2022 income / S&P 2023 income), NATH (Yahoo 2023 income / S&P 2024 income), FL (Yahoo 2023 income / S&P 2024 income), LOW (Yahoo 2023 income / S&P 2024 income) and EMPA.TO (Yahoo 2023 income / S&P 2024 income).

Request:

- (a) Is the Yahoo data required in addition to the S&P data? If yes, please explain why.
- (b) Why did Concentric average the results from Yahoo and S&P for assets and turnover ratio, rather than completing the analyses separately for Yahoo and S&P?
- (c) Are there instances where Yahoo and S&P assigned data from a single financial year to different financial years?
 - i. If yes, please explain why.
 - ii. If yes, then what impact does this have on the averaging of the results from Yahoo and S&P for assets and turnover ratio?

Response:

- (a) In our previous reports in 2016 and 2019, Concentric relied on two sources of data, Yahoo! Finance and Value Line, for the return margin analysis. When the BCMB revised its methodology to use pre-tax return margins rather than after-tax return margins, Concentric could no longer use Value Line financial data because Value Line only reports after-tax return data. In our opinion, it is important to have financial data from more than one source. Therefore, in our 2025 report, Concentric replaced Value Line’s financial data with data from S&P, which is another well-regarded source of financial information that investors rely upon. Concentric’s view is that the return margin analysis is more robust when data from two or more sources (e.g., Yahoo! Finance and S&P) is used.
- (b) There are several individual companies in the selected industry groups that have turnover ratios slightly above or slightly below the 2.00 threshold used to screen the proxy group, depending on whether the T/O ratio is calculated using data from Yahoo! Finance or S&P.

Concentric averaged the results for assets and turnover ratios because we believe it is important that the return margin analysis be performed on a single group of comparator companies rather than on two separate comparator groups. In other words, our return margin analysis uses the same group of risk-comparable companies. We do not believe, however, that there would be a material difference in the return margin analysis or recommendation if we were to compute the return margin separately instead of averaging the two data sources.

(c) Yes.

- i. This occurred if the companies' fiscal years did not end on December 31. Yahoo! Finance reports revenue and balance sheet data with a 12-month "year-ended" date. For companies with fiscal years not ending December 31, Concentric attributed revenue, sales, and assets data from Yahoo to the closest calendar year. For example, for 12-month data ending January through June 2024, the data was attributed to 2023; for 12-month data ending July through December 2024, the data was attributed to 2024. This did not occur for S&P data, which assigned data to full years.
- ii. Concentric did not conduct an analysis to consolidate fiscal and calendar year data. In Concentric's view, this will not have a meaningful impact on the overall results. Each company's results are averaged for 2022-2024, mitigating year-shifting impacts. If one wanted to consolidate the data into fiscal-years (e.g., 2024 means FY2024), one can view the S&P Capital IQ-derived results as the most applicable; if one wanted to consolidate the data into calendar-years (e.g., 2024 means CY2024), one can view the Yahoo-derived results as the most applicable.