metro

PRESS RELEASE

METRO REPORTS 2018 FIRST QUARTER RESULTS

(Montréal, January 30, 2018) - METRO INC. (TSX: MRU) today announced its results for the first quarter of fiscal 2018 ended December 23, 2017.

2018 FIRST QUARTER HIGHLIGHTS

- **Sales of $3,111.8 million, up 4.7%**
- **Same-store sales up 3.4%**
- **Same-store sales taking into account the Christmas week shift up 1.2%**
- **Fully diluted net earnings per share of $5.67**
- **Adjusted fully diluted net earnings per share(1) of $0.67 up 15.5%**
- **Declared dividend of $0.18, up 10.8%**

	12 weeks / Fiscal Year				
(Millions of dollars, except for net earnings per share)	**2018**	**%**	2017	%	Change (%)
Sales	**3,111.8**	**100.0**	2,971.3	100.0	4.7
Operating income before depreciation and amortization and associate's earnings	**217.8**	**7.0**	216.8	7.3	0.5
Adjusted operating income before depreciation and amortization and associate's earnings(2)	**231.2**	**7.4**	216.8	7.3	6.6
Net earnings	**1,299.1**	**41.7**	138.1	4.6	840.7
Fully diluted net earnings per share	**5.67**	**—**	0.58	—	877.6
Adjusted net earnings(1)	**153.4**	**4.9**	138.1	4.6	11.1
Adjusted fully diluted net earnings per share(1)	**0.67**	**—**	0.58	—	15.5

PRESIDENT'S MESSAGE

"We achieved good results in the first quarter of fiscal 2018 in a highly competitive market. We remain(3) vigilant and agile to meet evolving customer needs and are confident in our long term growth plans. We also completed the financing required to close the announced combination with the Jean Coutu Group, and our teams are working actively to prepare a smooth combination once regulatory approvals are received", stated Eric R. La Flèche, President and Chief Executive Officer.

(1) *See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"*
(2) *See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "Non-IFRS Measurements"*
(3) *See section on "Forward-looking Information"*

2018 FIRST QUARTER RESULTS

SALES

Sales in the first quarter of 2018 reached $3,111.8 million, up 4.7% compared to $2,971.3 million in the first quarter of 2017. Same-store sales increased by 3.4% compared to an increase of 0.7% in the same quarter last year. Our food basket experienced a slight inflation of about 0.5%, echoing the trend started in the fourth quarter of 2017. The increase in sales was also driven in part by the shift of the week before Christmas which fell in the first quarter of 2018 while last year, it was included in the second quarter. We estimate that same store sales would have been 1.2% had it not been for the Christmas week shift.This will adversely affect sales for the second quarter of 2018.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

This earnings measurement excludes financial costs, taxes, depreciation and amortization, the share of earnings and gain on disposal of our investment in an associate (Alimentation Couche-Tard "ACT") and the fair value revaluation gain on our residual investment in ACT.

Operating income before depreciation and amortization and associate's earnings for the first quarter of 2018 totalled $217.8 million or 7.0% of sales versus $216.8 million or 7.3% of sales for the same quarter last year, up 0.5%.

As announced last fall, we have begun a six-year investment project to modernize our Ontario distribution network. During the first quarter of 2018, a provision of $11.4 million was recorded in relation to this project. Also during the quarter, $2.0 million in expenses were recognized in connection with the proposed acquisition of The Jean Coutu Group (PJC) Inc. ("PJC"). Excluding these items, adjusted operating income before depreciation and amortization and associate’s earnings[(2)] amounted to $231.2 million or 7.4% of sales, up 6.6% from 2017.

Operating income before depreciation and amortization and associate's earnings adjustments (OI)

	12 weeks / Fiscal Year					
	2018			2017		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	*(%)*	OI	Sales	*(%)*
Operating income before depreciation and amortization and associate's earnings	**217.8**	**3,111.8**	**7.0**	216.8	2,971.3	7.3
Distribution network modernization project expenses	**11.4**			—		
Proposed business acquisition-related expenses	**2.0**			—		
Adjusted operating income before depreciation and amortization and associate's earnings[(2)]	**231.2**	**3,111.8**	**7.4**	216.8	2,971.3	7.3

Gross margin on sales for the first quarter of 2018 was 19.5% versus 19.7% for the corresponding quarter of 2017. Operating expenses as a percentage of sales for the first quarter were 12.5% versus 12.4% for the corresponding quarter of 2017. Excluding the distribution network modernization project expenses of $11.4 million and the $2.0 million in proposed business acquisition-related expenses recorded in the first quarter of 2018, operating expenses as a percentage of sales stood at 12.1%.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the first quarter of 2018 was $46.9 million versus $43.2 million for the corresponding period of 2017.

Net financial costs for the first quarter of 2018 totalled $12.3 million compared to $14.6 million for the same quarter last year. Certain items are specific to the first quarter of 2018. We registered $5.3 million in interest income on the short-term investments and security deposits resulting from the proceeds of the sale of the majority of our investment in ACT and the issuance of Series F, G and H notes to fund a portion of the PJC acquisition and recorded $2.2 million in interest on those notes. Furthermore, we paid $1.8 million in financial costs on the balance payable in connection with the settlement of the buyout of minority interests in Adonis and Phoenicia.

[(1)] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[(2)] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "Non-IFRS Measurements"
[(3)] See section on "Forward-looking Information"

SHARE OF EARNINGS, GAIN ON DISPOSAL OF AN INVESTMENT IN AN ASSOCIATE AND FAIR VALUE REVALUATION OF AN INVESTMENT

Our share of earnings in an associate (ACT) was $30.8 million for the first quarter of 2018 versus $23.9 million for the corresponding quarter of 2017.

During the first quarter of 2018, in order to fund a portion of the PJC acquisition, we disposed of the majority of our investment in ACT, for net proceeds of $1,534.0 million and a gain of $1,107.4 million.

As a result of this disposal, the Corporation no longer has significant influence over ACT. Our residual investment is now considered to be an available-for-sale financial asset, reported as an investment at fair value. As a result, the investment was re-evaluated at fair value on October 13, 2017, and the Corporation recorded a $225.6 million fair value revaluation gain in net earnings. Subsequent fair value revaluations of this investment will be recognized in accumulated other comprehensive income.

INCOME TAXES

The 2018 first quarter income tax expense of $223.3 million represented an effective tax rate of 14.7% compared with the 2017 first quarter tax expense of $44.8 million for an effective tax rate of 24.5%. The significant decline in the effective tax rate resulted from the gain on disposal of the majority of our investment in ACT and the fair value revaluation of our residual investment.

NET EARNINGS AND ADJUSTED NET EARNINGS[1]

Net earnings for the first quarter of 2018 were $1,299.1 million, an increase of 840.7% from $138.1 million for the first quarter of 2017. Fully diluted net earnings per share rose 877.6% to $5.67 from $0.58 last year. Excluding the specific items shown in the table below from net earnings for the first quarter of 2018, adjusted net earnings[1] for the first quarter of 2018 totalled $153.4 million compared with $138.1 million for the corresponding quarter of 2017, and adjusted fully diluted net earnings per share[1] amounted to $0.67 versus $0.58, up 11.1% and 15.5%, respectively.

Net earnings adjustments[1]

	12 weeks / Fiscal Year					
	2018		2017		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**1,299.1**	**5.67**	138.1	0.58	840.7	877.6
Distribution network modernization project expenses after taxes	**8.4**		—			
Proposed business acquisition-related expenses after taxes	**1.5**		—			
Gain on the disposal of the majority of the investment in an associate after taxes	**(958.9)**		—			
Fair value revaluation gain on an investment after taxes	**(195.7)**		—			
Income on proposed business acquisition-related short-term investments and security deposits after taxes	**(3.9)**		—			
Interest on notes issued in connection with a proposed business acquisition after taxes	**1.6**		—			
Financial costs on the balance payable for the buyout of minority interests after taxes	**1.3**		—			
Adjusted net earnings[1]	**153.4**	**0.67**	138.1	0.58	11.1	15.5

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
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BUSINESS ACQUISITION

On October 2, 2017, the Corporation and The Jean Coutu Group (PJC) Inc. announced that they had entered into a definitive combination agreement pursuant to which the Corporation will acquire all of the outstanding PJC Class A subordinate voting shares and all of the outstanding PJC Class B shares for $24.50 per PJC share, representing a total consideration of approximately $4,500.0 million, based on METRO's closing common share price on that date, subject to the completion of customary closing conditions, including regulatory and PJC shareholder approvals. Under the terms of the acquisition, the PJC shareholders will receive an aggregate consideration which will consist of 75% of the purchase price in cash and 28 million common shares of the Corporation representing approximately 25% of the total consideration. The PJC shareholders approved the acquisition on November 29, 2017.

To fund the cash component of the purchase price, the Corporation disposed of the majority of its investment in ACT for proceeds net of fees and commissions amounting to $1,534.0 million. The Corporation also issued a private placement of unsecured senior notes of a $1,200.0 million aggregate principal amount with maturities ranging from 5 to 30 years. It also has access to a term credit facility totalling $500.0 million comprising three tranches with maturities of 1 to 3 years and a one-month $250.0 million bridge loan.

BUYOUT OF NON-CONTROLLING INTERESTS

In accordance with the shareholder agreement, the Corporation acquired the minority interests in Adonis and Phoenicia during the first quarter of the year for a cash consideration of $221.2 million. Additionally, financial costs of $1.8 million, calculated on the balance payable as at September 30, 2017 until payment in December 2017, were recognized in net earnings.

DIVIDENDS

On January 29, 2018, the Corporation's Board of Directors declared a quarterly dividend of $0.18 per Common Share payable on March 13, 2018, an increase of 10.8% over the dividend declared for the same quarter last year. On an annualized basis, this dividend represents approximately 27% of 2017 net earnings.

FORWARD-LOOKING INFORMATION

We have used, throughout this report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained herein that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as “remain" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2018 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. The arrival of a new competitor is an example described under the “Risk Management” section of the 2017 Annual Report which could have an impact on these statements. We believe these statements to be reasonable and pertinent as at the date of publication of this report and represent our expectations. The Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

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NON-IFRS MEASUREMENTS

In addition to the International Financial Reporting Standards (IFRS) earnings measurements provided, we have included certain non-IFRS earnings measurements. These measurements are presented for information purposes only. They do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measurements presented by other public companies.

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization and associate's earnings, adjusted net earnings and adjusted fully diluted net earnings per share are earnings measurements that exclude some items that must be recognized under IFRS. They are non-IFRS measurements. We believe that presenting earnings without these items, that are not necessarily reflective of the Corporation's performance, leaves readers of financial statements better informed as to the current period and corresponding prior year's period's operating earnings, thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and judge its future outlook. The exclusion of these items does not imply that they are non-recurring.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2018 first quarter** results at **1:30 p.m. (EST) today, January 30, 2018**. To access the conference call, please dial (647) 427-7450 or 1 (888) 231-8191. The media and investing public may access this conference via a listen mode only.

Notice to readers: *METRO INC. first quarter of 2018 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at **www.metro.ca** - Corporate Site - Investor Relations - 2018 Quarterly Results - 2018 First Quarter Results.*

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