metro

PRESS RELEASE

METRO REPORTS 2018 FOURTH QUARTER RESULTS

(Montréal, November 21, 2018) - METRO INC. (TSX: MRU) today announced its results for the fourth quarter of fiscal 2018 ended September 29, 2018.

2018 FOURTH QUARTER HIGHLIGHTS

- **12-week quarter versus 13 weeks in 2017**
- **Sales of $3,736.2 million, up 15.7% and up 2.5% when excluding the Jean Coutu Group and the 13th week of 2017**
- **Food same-store sales up 2.1%**
- **Pharmacy same-store sales up 1.8%**
- **Net earnings of $145.0 million, down 6.4%**
- **Adjusted net earnings(1) of $161.0 million, up 35.1% based on 12 weeks in 2017**
- **Fully diluted net earnings per share of $0.56, down 15.2%**
- **Adjusted fully diluted net earnings per share(1) of $0.63, up 23.5% based on 12 weeks in 2017**
- **Synergies of $6.6 million related to the Jean Coutu Group acquisition; $17 million on an annual basis**
- **Reinstatement of the share repurchase program**

FISCAL 2018 HIGHLIGHTS

- **52-week fiscal year versus 53 weeks in 2017**
- **Sales of $14,383.4 million, up 9.2 % and up 2.4 % when excluding the Jean Coutu Group and the 53rd week of 2017**
- **Net earnings of $1,718.5 million**
- **Adjusted net earnings(1) of $605.9 million, up 13.0% based on 52 weeks in 2017**
- **Fully diluted net earnings per share of $7.16**
- **Adjusted fully diluted net earnings per share(1) of $2.52, up 11.5 % based on 52 weeks in 2017**

(Millions of dollars, except for net earnings per share)	**2018** *12 weeks*	**%**	2017 *13 weeks*	%	Change (%)
Sales	**3,736.2**	**100.0**	3,228.4	100.0	15.7
Operating income before depreciation and amortization and associate's earnings	**266.5**	**7.1**	236.1	7.3	12.9
Adjusted operating income before depreciation and amortization and associate's earnings(2)	**297.9**	**8.0**	236.1	7.3	26.2
Net earnings	**145.0**	**3.9**	154.9	4.8	(6.4)
Fully diluted net earnings per share	**0.56**	**—**	0.66	—	(15.2)
Adjusted net earnings(1)	**161.0**	**4.3**	131.1	4.1	22.8
Adjusted fully diluted net earnings per share(1)	**0.63**	**—**	0.56	—	12.5

(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"

(Millions of dollars, except for net earnings per share)	**2018** *52 weeks*	**%**	2017 *53 weeks*	%	Change (%)
Sales	**14,383.4**	**100.0**	13,175.3	100.0	9.2
Operating income before depreciation and amortization and associate's earnings	**1,011.1**	**7.0**	966.4	7.3	4.6
Adjusted operating income before depreciation and amortization and associate's earnings(2)	**1,082.6**	**7.5**	966.4	7.3	12.0
Net earnings	**1,718.5**	**11.9**	608.4	4.6	182.5
Fully diluted net earnings per share	**7.16**	**—**	2.57	—	178.6
Adjusted net earnings(1)	**605.9**	**4.2**	548.2	4.2	10.5
Adjusted fully diluted net earnings per share(1)	**2.52**	**—**	2.31	—	9.1

PRESIDENT'S MESSAGE

"With the acquisition of the Jean Coutu Group, fiscal 2018 was a pivotal year for the Corporation that ended on a strong note with solid growth in same-store sales and adjusted net income(1) in the fourth quarter. The integration work is progressing well and we are confident in our ability to realize the full potential of this promising business combination. We are better positioned than ever to meet our customers' everyday needs and create value for our shareholders", stated Eric R. La Flèche, President and Chief Executive Officer.

2018 FOURTH QUARTER RESULTS

The Jean Coutu Group (PJC) Inc. ("Jean Coutu Group") acquisition was completed on May 11, 2018. Consequently, the results of the Jean Coutu Group were consolidated with the Corporation's results for slightly more than 20 weeks. During this period, synergies of $6.6 million were generated and we have now realized an annualized amount of $17.0 million(3). During the fourth quarter, we recorded pharmacy network closure and restructuring expenses of $23.0 million after taxes, resulting from the forthcoming transfer of operations from the McMahon warehouse to the Jean Coutu Group warehouse, the reduction of administrative positions, the closure of 3 Brunet drugstores and the divestiture of 10 drugstores.

SALES

Sales in the fourth quarter of 2018 reached $3,736.2 million, up 15.7% compared to $3,228.4 million in the fourth quarter of 2017. Excluding $690.7 million in sales for 2018 resulting from the Jean Coutu Group and the 13th week of 2017, sales were up 2.5%. In the fourth quarter, food same-store sales were up 2.1% (up 0.4% in the same quarter last year) and our food basket experienced inflation of approximately 0.8%. Pharmacy same-store sales were up 1.8%, 0.7% for prescription drugs (2.5% for number of prescriptions) and 3.9% for front store sales.

Sales for fiscal 2018 totalled $14,383.4 million versus $13,175.3 million for fiscal 2017, an increase of 9.2%. Excluding $1,157.7 million in sales from fiscal 2018 resulting from the Jean Coutu Group as well as the 53rd week of fiscal 2017, sales were up 2.4%.

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") as well as the gain on revaluation and disposal of an investment at fair value.

Operating income before depreciation and amortization and associate's earnings for the fourth quarter of 2018 totalled $266.5 million, or 7.1% of sales versus $236.1 million, or 7.3% of sales for the same quarter last year. In the fourth quarter of 2018, $31.4 million in pharmacy network closure and restructuring expenses were recognized. Excluding this item, adjusted operating income before depreciation and amortization and associate's earnings(2) totalled $297.9 million, or 8.0% of sales. Adjusted operating income before depreciation and amortization and associate's earnings(2), excluding the Jean Coutu Group, totalled $223.7 million, or 7.3% of sales, up 2.2% from $218.8 million or 7.4 % of sales in 2017, excluding the 13th week.

For fiscal 2018, operating income before depreciation and amortization and associate's earnings totalled $1,011.1 million, or 7.0% of sales versus $966.4 million, or 7.3% of sales for fiscal 2017. In 2018, we recorded pharmacy network closure

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and restructuring expenses of $31.4 million, expenses of $28.7 million related to the Jean Coutu Group acquisition and a $11.4 million provision relating to our Ontario distribution network modernization project. Excluding these items, adjusted operating income before depreciation and amortization and associate's earnings[(2)] totalled $1,082.6 million, or 7.5% of sales. Adjusted operating income before depreciation and amortization and associate's earnings[(2)], excluding the Jean Coutu Group, totalled $959.9 million, or 7.3% of sales, up 1.1% compared with $949.1 million or 7.3% of sales in 2017, excluding the 53rd week.

Operating income before depreciation and amortization and associate's earnings adjustments (OI)[(2)]

	Fiscal years					
	2018			2017		
	12 weeks			*13 weeks*		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associate's earnings	**266.5**	**3,736.2**	**7.1**	236.1	3,228.4	7.3
Pharmacy network closure and restructuring expenses	**31.4**			—		
Adjusted operating income before depreciation and amortization and associate's earnings[(2)]	**297.9**	**3,736.2**	**8.0**	236.1	3,228.4	7.3
Jean Coutu Group operating income before depreciation and amortization	**74.2**	**690.7**		—	—	
Adjusted operating income before depreciation and amortization and associate's earnings[(2)], excluding the Jean Coutu Group	**223.7**	**3,045.5**	**7.3**	236.1	3,228.4	7.3
Adjusted operating income before depreciation and amortization and associate's earnings[(2)], excluding the Jean Coutu Group, based on 12 weeks in 2017	**223.7**	**3,045.5**	**7.3**	218.8	2,970.0	7.4

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	Fiscal years					
	2018			2017		
	52 weeks			*53 weeks*		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associate's earnings	**1,011.1**	**14,383.4**	**7.0**	966.4	13,175.3	7.3
Pharmacy network closure and restructuring expenses	**31.4**					
Business acquisition-related expenses	**28.7**			—		
Distribution network modernization project expenses	**11.4**			—		
Adjusted operating income before depreciation and amortization and associate's earnings(2)	**1,082.6**	**14,383.4**	**7.5**	966.4	13,175.3	7.3
Jean Coutu Group operating income before depreciation and amortization	**122.7**	**1,157.7**		—	—	
Adjusted operating income before depreciation and amortization and associate's earnings(2), excluding the Jean Coutu Group	**959.9**	**13,225.7**	**7.3**	966.4	13,175.3	7.3
Adjusted operating income before depreciation and amortization and associate's earnings(2), excluding the Jean Coutu Group, based on 52 weeks in 2017	**959.9**	**13,225.7**	**7.3**	949.1	12,916.9	7.3

Gross margin on sales for the fourth quarter and fiscal 2018 were 19.7% versus 19.6% and 19.7% for the corresponding periods of 2017.

Operating expenses as a percentage of sales for the fourth quarter of 2018 were 12.6% versus 12.3% for the corresponding quarter of 2017. Excluding pharmacy network closure and restructuring expenses of $31.4 million recorded in the fourth quarter of 2018, operating expenses as a percentage of sales stood at 11.7%.

Operating expenses as a percentage of sales for fiscal 2018 were 12.6% versus 12.4% for fiscal 2017. Excluding pharmacy network closure and restructuring expenses of $31.4 million, business acquisition-related expenses of $28.7 million and distribution network modernization project expenses of $11.4 million recorded in 2018, operating expenses as a percentage of sales was 12.1%.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expenses for the fourth quarter and fiscal 2018 were $65.0 million and $233.5 million respectively versus $46.0 million and $194.2 million for the corresponding periods of 2017. Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition amounted to $9.0 million and $15.0 million respectively for the fourth quarter and fiscal 2018.

Net financial costs for the fourth quarter of 2018 totalled $23.9 million compared to $15.5 million for the same quarter last year. This increase stemmed primarily from the notes issued for the Jean Coutu Group acquisition.

Net financial costs for fiscal 2018 totalled $80.2 million compared to $63.9 million for fiscal 2017. Certain items are specific to 2018. First, for the period prior to the Jean Coutu Group acquisition, we recognized $21.3 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 Jean Coutu Group acquisition and recorded $19.1 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.

As of May 11, 2018, net financial costs were no longer subject to adjustment to net earnings. The increase in financial costs was mainly due to the Jean Coutu Group acquisition.

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

During the first quarter of 2018, to fund a portion of the Jean Coutu Group acquisition, we disposed of most 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 therefore 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 were recognized in accumulated other comprehensive income.

During the fourth quarter of fiscal 2018, we disposed of the majority of the investment at fair value and recorded a net gain of $15.5 million on revaluation and disposal. In addition, the Corporation signed an equity forward agreement with a financial institution for the disposal of the remaining shares of this investment. The disposal was finalized on November 5, 2018. Total proceeds in the quarter from the sales of this investment was $326.0 million.

No share of an associate's earnings (ACT) was recorded in the fourth quarter of fiscal 2018 in comparison with a $27.5 million share recorded in the corresponding quarter of fiscal 2017.

For fiscal 2018, our share of an associate's earnings (ACT) was $30.8 million versus $93.5 million last year.

INCOME TAXES

The income tax expense of $48.1 million for the fourth quarter of 2018 represented an effective tax rate of 24.9% compared to an income tax expense of $47.2 million in the fourth quarter of 2017 which represented an effective tax rate of 23.4%.

The income tax expense of $358.2 million for fiscal 2018 and $193.4 million for the fiscal 2017 represented an effective tax rate of 17.2% and 24.1% respectively. 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 and disposal of our residual investment.

NET EARNINGS AND ADJUSTED NET EARNINGS[1]

Net earnings for the fourth quarter of 2018 were $145.0 million, a decrease of 6.4% from $154.9 million for the fourth quarter of 2017. Fully diluted net earnings per share decreased by 15.2% to $0.56 from $0.66 last year. Excluding the specific items shown in the table below as well as the 13th week of the fourth quarter of 2017, adjusted net earnings[1] for the fourth quarter of 2018 totalled $161.0 million compared with $119.2 million for the corresponding quarter of 2017, and adjusted fully diluted net earnings per share[1] amounted to $0.63 versus $0.51, up 35.1% and 23.5%, respectively.

Net earnings for fiscal 2018 were $1,718.5 million, an increase of 182.5% from $608.4 million in fiscal 2017. Fully diluted net earnings per share rose 178.6% to $7.16 from $2.57 last year. Excluding the specific items shown in the table below as well as the 53rd week of fiscal 2017, adjusted net earnings[1] for fiscal 2018 totalled $605.9 million compared with $536.3 million for fiscal 2017, and adjusted fully diluted net earnings per share[1] amounted to $2.52 versus $2.26, up 13.0% and 11.5%, respectively.

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

	Fiscal years				Change (%)	
	2018		2017			
	12 weeks		*13 weeks*			
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**145.0**	**0.56**	154.9	0.66	(6.4)	(15.2)
Pharmacy network closure and restructuring expenses, after taxes	**23.0**		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**		—			
Share of an associate's earnings, after taxes	**—**		(23.8)			
Gain on revaluation and disposal of an investment at fair value, after taxes	**(13.6)**		—			
Adjusted net earnings[1]	**161.0**	**0.63**	131.1	0.56	22.8	12.5
Adjusted net earnings[1] based on 12 weeks in 2017	**161.0**	**0.63**	119.2	0.51	35.1	23.5

	Fiscal years				Change (%)	
	2018		2017			
	52 weeks		*53 weeks*			
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**1,718.5**	**7.16**	608.4	2.57	182.5	178.6
Pharmacy network closure and restructuring expenses, after taxes	**23.0**		—			
Business acquisition-related expenses, after taxes	**22.7**		—			
Distribution network modernization project expenses, after taxes	**8.4**		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**11.0**		—			
Income on business acquisition-related short-term investments and security deposits, after taxes	**(15.6)**		—			
Interest on notes issued in connection with a business acquisition, after taxes	**14.0**		—			
Financial costs on the balance payable for the buyout of minority interests, after taxes	**1.3**		—			
Share of an associate's earnings, after taxes	**—**		(60.2)			
Gain on the disposal of the majority of the investment in an associate, after taxes	**(968.1)**		—			
Gain on revaluation and disposal of an investment at fair value, after taxes	**(209.3)**		—			
Adjusted net earnings[1]	**605.9**	**2.52**	548.2	2.31	10.5	9.1
Adjusted net earnings[1] based on 52 weeks in 2017	**605.9**	**2.52**	536.3	2.26	13.0	11.5

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DIVIDENDS

On October 1, 2018, the Corporation's Board of Directors declared a quarterly dividend of $0.18 per Common Share payable on November 13, 2018, an increase of 10.8% over the dividend declared for the same quarter last year.

EVENT AFTER THE REPORTING PERIOD

After a period of approximately one year during which the normal course issuer bid program was not renewed, in particular because the Corporation intended, during this period, to allocate the surplus cash available to reimburse part of the debt incurred for the Jean Coutu Group acquisition, the Board of Directors authorized, on November 20, 2018, the reinstatement of the share repurchase program. The Corporation will be able to repurchase, in the normal course of business, between November 23, 2018 and November 22, 2019 up to 7,000,000 of its Common Shares representing approximately 2.7% of its issued and outstanding shares on November 13, 2018. Repurchases will be made through the facilities of the Toronto Stock Exchange at market price, in accordance with its policies and regulations, as well as by other means as may be permitted by the TSX and any other securities regulatory authorities, including by private agreements. The Corporation considers that the normal course issuer bid program provides it with an additional option for using its excess funds.

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 “annualize” 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 2019 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.

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.

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CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2018 fourth quarter** results at **10:00 a.m. (EST) today, November 21, 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. fourth 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 Fourth Quarter Results.*

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