



PRESS RELEASE

METRO REPORTS 2019 FIRST QUARTER RESULTS

(Montréal, January 29, 2019) - METRO INC. (TSX: MRU) today announced its results for the first quarter of fiscal 2019 ended December 22, 2018.

2019 FIRST QUARTER HIGHLIGHTS

- Sales of \$3,977.7 million, up 27.8% and up 3.5% when excluding the Jean Coutu Group
- Food same-store sales up 3.2%
- Pharmacy same-store sales up 1.5%
- Net earnings of \$203.1 million, down 84.4%
- Adjusted net earnings⁽¹⁾ of \$172.2 million, up 35.9%
- Fully diluted net earnings per share of \$0.79, down 86.1%
- Adjusted fully diluted net earnings per share⁽¹⁾ of \$0.67, up 21.8%
- Synergies of \$10.7 million related to the Jean Coutu Group acquisition; \$28.0 million on an annual basis
- Declared dividend of \$0.20 per share, up 11.1%

	2019	%	2018	%	Change (%)
	12 weeks		12 weeks		
<i>(Millions of dollars, except for net earnings per share)</i>					
Sales	3,977.7	100.0	3,111.8	100.0	27.8
Operating income before depreciation and amortization and associates' earnings	320.6	8.1	217.8	7.0	47.2
Adjusted operating income before depreciation and amortization and associates' earnings ⁽²⁾	313.2	7.9	231.2	7.4	35.5
Net earnings	203.1	5.1	1,299.1	41.7	(84.4)
Fully diluted net earnings per share	0.79	—	5.67	—	(86.1)
Adjusted net earnings ⁽¹⁾	172.2	4.3	126.7	4.1	35.9
Adjusted fully diluted net earnings per share ⁽¹⁾	0.67	—	0.55	—	21.8

PRESIDENT'S MESSAGE

"We are very pleased with our first quarter results, which reflect strong execution of our business plans and the success so far of our combination with the Jean Coutu Group. In a very competitive market environment, we are well positioned to meet our customers' high expectations and continue⁽³⁾ to create long-term value for our shareholders", stated Eric R. La Flèche, President and Chief Executive Officer.

2019 FIRST QUARTER RESULTS

The Jean Coutu Group (PJC) Inc. ("Jean Coutu Group") acquisition was completed on May 11, 2018, and its results were consolidated with the Corporation's results as of that date. Therefore, the results for the first quarter of 2018 presented herein for comparison purposes do not include the results of the Jean Coutu Group. In addition, the results for the first quarter of 2018 included significant gains following the disposal of our investment in Alimentation Couche-Tard (ACT).

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"

⁽²⁾ See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"

SALES

Sales in the first quarter of 2019 reached \$3,977.7 million, up 27.8% compared with \$3,111.8 million in the first quarter of 2018. Excluding \$757.1 million in sales for the first quarter of 2019 resulting from the Jean Coutu Group, sales were up 3.5%. In the first quarter, food same-store sales were up 3.2% and inflation in our food basket was approximately 1.8%. Pharmacy same-store sales were up 1.5%, 0.8% for prescription drugs (2.2% for number of prescriptions) and 2.0% for front store sales.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATES' EARNINGS

This earnings measurement excludes financial costs, taxes, depreciation and amortization, the share of earnings and gain on disposal of investments in associates as well as the gain on revaluation and disposal of an investment at fair value.

Operating income before depreciation and amortization and associates' earnings for the first quarter of 2019 totalled \$320.6 million, or 8.1% of sales, versus \$217.8 million, or 7.0% of sales, for the same quarter last year. During the first quarter of 2019, we divested 5 pharmacies for a gain of \$7.4 million, while in the first quarter of 2018, we recognized \$11.4 million in distribution network modernization project expenses and \$2.0 million in expenses related to the Jean Coutu Group acquisition. Excluding those items, adjusted operating income before depreciation and amortization and associates' earnings⁽²⁾ for the first quarter of 2019 totalled \$313.2 million, or 7.9% of sales, compared with \$231.2 million, or 7.4% of sales, for the corresponding quarter of 2018. For the first quarter of 2019, adjusted operating income before depreciation and amortization and associates' earnings⁽²⁾, excluding the Jean Coutu Group, totalled \$226.3 million, or 7.0% of sales, compared with \$231.2 million, or 7.4% of sales, for the corresponding quarter of 2018. This change stemmed mainly from the increase in minimum wages, particularly in Ontario, as well as real estate gains made in 2018.

During the first quarter of 2019, synergies of \$10.7 million were realized and we have now generated an annualized amount of \$28.0 million⁽³⁾.

Operating income before depreciation and amortization and associates' earnings adjustments (OI)⁽²⁾

	12 weeks / Fiscal Year					
	2019			2018		
<i>(Millions of dollars, unless otherwise indicated)</i>	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization and associates' earnings	320.6	3,977.7	8.1	217.8	3,111.8	7.0
Gain on divestiture of pharmacies	(7.4)			—		
Business acquisition-related expenses	—			2.0		
Distribution network modernization project expenses	—			11.4		
Adjusted operating income before depreciation and amortization and associates' earnings ⁽²⁾	313.2	3,977.7	7.9	231.2	3,111.8	7.4
Jean Coutu Group operating income before depreciation and amortization	86.9	757.1		—	—	
Adjusted operating income before depreciation and amortization and associates' earnings ⁽²⁾ , excluding the Jean Coutu Group	226.3	3,220.6	7.0	231.2	3,111.8	7.4

Gross margin on sales for the first quarter of 2019 was 19.4% versus 19.5% for the corresponding quarter of 2018.

Operating expenses as a percentage of sales for the first quarter of 2019 were 11.3% versus 12.5% for the corresponding quarter of 2018. Excluding the \$7.4 million gain on divestiture of pharmacies in the first quarter of 2019, as well as business acquisition-related expenses of \$2.0 million and distribution network modernization project expenses of \$11.4 million in the first quarter of 2018, operating expenses as a percentage of sales were 11.5% in the first quarter of 2019 compared with 12.1% in the corresponding quarter of 2018. This variation resulted from the inclusion of the Jean Coutu Group partially offset by increases in the minimum wages, particularly in Ontario.

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"

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DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the first quarter of 2019 was \$63.7 million versus \$46.9 million for the corresponding period of 2018. Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition amounted to \$9.0 million for the first quarter of 2019.

Net financial costs for the first quarter of 2019 totalled \$24.0 million compared with \$12.3 million for the same quarter last year. This increase stemmed primarily from the notes issued for the Jean Coutu Group acquisition.

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

During the first quarter of fiscal 2019, the Company disposed of its investment in Colo-D Inc., an associate presented in other assets, for a total cash consideration of \$58.0 million. A gain before income taxes of \$35.4 million on the disposal of this investment was recognized in earnings.

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, and recorded a gain of \$1,107.4 million. As a result of this disposal, the Corporation no longer has significant influence over ACT. Consequently, the investment was revalued at fair value and the Corporation recorded a \$225.6 million fair value revaluation gain in net earnings. In the fourth quarter of fiscal 2018, we disposed of the majority of this investment at fair value and entered into a forward agreement with a financial institution for the disposal of the remaining shares. The disposal was completed in the first quarter of fiscal 2019 and the final revaluation of the financial liability resulted in a gain of \$1.5 million recognized in net earnings.

No share of an associate's earnings was recorded in the first quarter of fiscal 2019 in comparison with a \$30.8 million share recorded in the corresponding quarter of fiscal 2018.

INCOME TAXES

The income tax expense of \$66.7 million for the first quarter of 2019 represented an effective tax rate of 24.7% compared with an income tax expense of \$223.3 million in the first quarter of 2018 which represented an effective tax rate of 14.7%. The low effective rate in 2018 resulted from the gain on disposal of the majority of our investment in ACT and the gain on fair value revaluation and disposal of our residual investment.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the first quarter of 2019 were \$203.1 million, a decrease of 84.4% from \$1,299.1 million for the first quarter of 2018. Fully diluted net earnings per share decreased by 86.1% to \$0.79 from \$5.67 last year. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the first quarter of 2019 totalled \$172.2 million compared with \$126.7 million for the corresponding quarter of 2018, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.67 versus \$0.55, up 35.9% and 21.8%, respectively.

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Net earnings adjustments⁽¹⁾

	12 weeks / Fiscal Year				Change (%)	
	2019		2018		Net earnings	Fully diluted EPS
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)		
Net earnings	203.1	0.79	1,299.1	5.67	(84.4)	(86.1)
Gain on divestiture of pharmacies, after taxes	(5.4)		—			
Business acquisition-related expenses, after taxes	—		1.5			
Distribution network modernization project expenses, after taxes	—		8.4			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.6		—			
Income on business acquisition-related short-term investments and security deposits, after taxes	—		(3.9)			
Interest on notes issued in connection with a business acquisition, after taxes	—		1.6			
Financial costs on the balance payable for the buyout of minority interests, after taxes	—		1.3			
Gain on the disposal of investments in associates, after taxes	(31.0)		(958.9)			
Gain on revaluation and disposal of an investment at fair value, after taxes	(1.1)		(195.7)			
Share of an associate's earnings, after taxes	—		(26.7)			
Adjusted net earnings ⁽¹⁾	172.2	0.67	126.7	0.55	35.9	21.8

NORMAL COURSE ISSUER BID PROGRAM

Under the current normal course issuer bid, the Corporation may repurchase up to 7,000,000 of its common shares between November 23, 2018 and November 22, 2019. As at January 18, 2019, no shares had been repurchased.

DIVIDENDS

On January 28, 2019, the Corporation's Board of Directors declared a quarterly dividend of \$0.20 per Common Share payable on March 12, 2019, an increase of 11.1% over the dividend declared for the same quarter last year.

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 "continue", "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 2018 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 ASSOCIATES' EARNINGS, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization and associates' 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, which 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 **2019 first quarter** results at **1:30 p.m. (EST) today, January 29, 2019**. 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 2019 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at www.metro.ca - Corporate Site - Investor Relations - 2019 Quarterly Results - 2019 First Quarter Results.

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