metro

PRESS RELEASE

METRO REPORTS 2019 SECOND QUARTER RESULTS

(Montréal, April 17, 2019) - METRO INC. (TSX: MRU) today announced its results for the second quarter of fiscal 2019 ended March 16, 2019.

2019 SECOND QUARTER HIGHLIGHTS

- **Sales of $3,701.6 million, up 27.7% and up 4.0% when excluding the Jean Coutu Group**
- **Food same-store sales up 4.3%**
- **Pharmacy same-store sales up 1.1%**
- **Net earnings of $121.5 million, up 13.7%**
- **Retail network restructuring expenses of $36.0 million**
- **Adjusted net earnings(1) of $155.1 million, up 43.5%**
- **Fully diluted net earnings per share of $0.47**
- **Adjusted fully diluted net earnings per share(1) of $0.60, up 27.7%**
- **Synergies of $13.6 million related to the Jean Coutu Group acquisition, $50 million on an annualized basis**

(Millions of dollars, except for net earnings per share)	**2019** *12 weeks*	%	2018 *12 weeks*	%	Change (%)
Sales	**3,701.6**	**100.0**	2,899.0	100.0	27.7
Operating income before depreciation and amortization and associates' earnings	**256.2**	**6.9**	206.5	7.1	24.1
Adjusted operating income before depreciation and amortization and associates' earnings(2)	**293.6**	**7.9**	208.1	7.2	41.1
Net earnings	**121.5**	**3.3**	106.9	3.7	13.7
Fully diluted net earnings per share	**0.47**	**—**	0.47	—	—
Adjusted net earnings(1)	**155.1**	**4.2**	108.1	3.7	43.5
Adjusted fully diluted net earnings per share(1)	**0.60**	**—**	0.47	—	27.7

(Millions of dollars, except for net earnings per share)	**2019** *24 weeks*	%	2018 *24 weeks*	%	Change (%)
Sales	**7,679.3**	**100.0**	6,010.8	100.0	27.8
Operating income before depreciation and amortization and associates' earnings	**576.8**	**7.5**	424.3	7.1	35.9
Adjusted operating income before depreciation and amortization and associates' earnings(2)	**606.8**	**7.9**	439.3	7.3	38.1
Net earnings	**324.6**	**4.2**	1,406.0	23.4	(76.9)
Fully diluted net earnings per share	**1.26**	**—**	6.14	—	(79.5)
Adjusted net earnings(1)	**327.3**	**4.3**	234.8	3.9	39.4
Adjusted fully diluted net earnings per share(1)	**1.27**	**—**	1.02	—	24.5

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

PRESIDENT'S MESSAGE

"*We delivered solid second quarter results, with strong same-store sales growth across our network. We are pleased with the progress of the integration of the Jean Coutu Group, reaching run-rate annualized synergies of $50 million*[3] *as we approach the first anniversary of the acquisition. We continue*[3] *to invest in our store network, as well as in our distribution and technology projects, and we are confident in our ability to deliver long-term growth.*"

"We announced today in a separate news release that François J. Coutu will retire as President of the Jean Coutu Group (PJC) Inc. as of May 31, 2019. I want to congratulate François for his significant contribution to the success of the Jean Coutu Group since 1983 and I'm happy to continue working with him as a member of our Board of Directors", stated Eric R. La Flèche, President and Chief Executive Officer.

2019 SECOND 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 second quarter and the first 24 weeks 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).

SALES

Sales in the second quarter of fiscal 2019 reached $3,701.6 million, up 27.7% compared to $2,899.0 million in the second quarter of fiscal 2018. Excluding $686.4 million in sales for the second quarter of 2019 resulting from the Jean Coutu Group, sales were up 4.0%. In the second quarter, food same-store sales were up 4.3% and inflation in our food basket was approximately 2.5%. Pharmacy same-store sales were up 1.1%, with a 0.1% decline in prescription drugs (number of prescriptions were up 2.2%) and a 3.6% increase in front-store sales.

Sales in the first 24 weeks of fiscal 2019 totalled $7,679.3 million versus $6,010.8 million for the corresponding period of fiscal 2018, an increase of 27.8%. Excluding $1,443.5 million in sales for fiscal 2019 resulting from the Jean Coutu Group, sales were up 3.7%.

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 second quarter of fiscal 2019 totalled $256.2 million, or 6.9% of sales, versus $206.5 million, or 7.1% of sales, for the second quarter last year. During the second quarter of fiscal 2019, we recorded retail network restructuring expenses of $36.0 million which aim to better meet customers' needs and reduce our operating costs. In connection with this project, a dozen stores will be either converted, relocated or closed, resulting in severance costs, occupancy costs and asset write-offs. Also during the second quarter of fiscal 2019, a loss of $1.4 million was recorded to complete the divestiture of pharmacies while we recorded a $1.6 million expense related to the Jean Coutu Group acquisition during the second quarter of fiscal 2018. Excluding those items, adjusted operating income before depreciation and amortization and associates' earnings[2] for the second quarter of fiscal 2019 totalled $293.6 million, or 7.9% of sales, compared with $208.1 million, or 7.2% of sales, for the corresponding quarter of fiscal 2018. For the second quarter of fiscal 2019, adjusted operating income before depreciation and amortization and associates' earnings[2], excluding the Jean Coutu Group, totalled $213.4 million, or 7.1% of sales, compared with $208.1 million, or 7.2% of sales, for the corresponding quarter of fiscal 2018.

Operating income before depreciation and amortization and associates' earnings for the first 24 weeks of fiscal 2019 totalled $576.8 million or 7.5% of sales compared with $424.3 million or 7.1% of sales for the corresponding period of fiscal 2018. During the first 24 weeks of fiscal 2019, we recorded retail network restructuring expenses of $36.0 million and generated a net gain of $6.0 million on the divestiture of pharmacies while for the same period of fiscal 2018, we recorded a $3.6 million expense related to the Jean Coutu Group acquisition and a $11.4 million expense for distribution network modernization. Excluding those items, adjusted operating income before depreciation and amortization and associates' earnings[2] for the first 24 weeks of fiscal 2019 totalled $606.8 million $ or 7.9% of sales, compared with $439.3 million or 7.3% for the corresponding period of fiscal 2018. For the first 24 weeks of fiscal 2019, adjusted operating

(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"

income before depreciation and amortization and associates' earnings[2], excluding the Jean Coutu Group, totalled $439.7 million or 7.1% of sales, compared with $439.3 million or 7.3% for the corresponding period of fiscal 2018.

Synergies related to the Jean Coutu acquisition generated for the second quarter and the first 24 weeks of fiscal 2019 amounted to $13.6 million and $24.3 million, respectively, and to date, we have generated annualized synergies of $50 million[3].

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

	12 weeks / Fiscal Year					
	2019			2018		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associates' earnings	**256.2**	**3,701.6**	**6.9**	206.5	2,899.0	7.1
Retail network restructuring expenses	**36.0**			—		
Loss on divestiture of pharmacies	**1.4**			—		
Business acquisition-related expenses	**—**			1.6		
Adjusted operating income before depreciation and amortization and associates' earnings[2]	**293.6**	**3,701.6**	**7.9**	208.1	2,899.0	7.2
Jean Coutu Group operating income before depreciation and amortization	**80.2**	**686.4**		—	—	
Adjusted operating income before depreciation and amortization and associates' earnings[2], excluding the Jean Coutu Group	**213.4**	**3,015.2**	**7.1**	208.1	2,899.0	7.2

	24 weeks / Fiscal Year					
	2019			2018		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associates' earnings	**576.8**	**7,679.3**	**7.5**	424.3	6,010.8	7.1
Retail network restructuring expenses	**36.0**			—		
Gain on divestiture of pharmacies	**(6.0)**			—		
Business acquisition-related expenses	**—**			3.6		
Distribution network modernization project expenses	**—**			11.4		
Adjusted operating income before depreciation and amortization and associates' earnings[2]	**606.8**	**7,679.3**	**7.9**	439.3	6,010.8	7.3
Jean Coutu Group operating income before depreciation and amortization	**167.1**	**1,443.5**		—	—	
Adjusted operating income before depreciation and amortization and associates' earnings[2], excluding the Jean Coutu Group	**439.7**	**6,235.8**	**7.1**	439.3	6,010.8	7.3

Gross margin on sales for the second quarter and the first 24 weeks of fiscal 2019, were 20.1% and 19.7% respectively versus 20.2% and 19.8% for the corresponding periods of fiscal 2018. These variations resulted from the inclusion of the Jean Coutu Group.

Operating expenses as a percentage of sales for the second quarter of 2019 were 13.2% versus 13.1% for the corresponding quarter of fiscal 2018. Excluding from the second quarter of fiscal 2019 the $36.0 million expense for retail network restructuring and the $1.4 million loss for completing the divestiture of pharmacies, and from the second quarter of fiscal 2018 the $1.6 million expense related to the Jean Coutu Group acquisition, operating expenses as a

(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"

percentage of sales were 12.2% in the second quarter of fiscal 2019 compared with 13.0% in the corresponding quarter of fiscal 2018. This variation resulted from the inclusion of the Jean Coutu Group partially offset by higher transportation costs, mainly due to a strike at one of our major carriers.

For the first 24 weeks of fiscal 2019, operating expenses as a percentage of sales was 12.2% compared with 12.8% for the corresponding period of fiscal 2018. Excluding from the first 24 weeks of fiscal 2019 the retail network restructuring expenses of $36.0 million and the $6.0 million net gain generated from the divestiture of pharmacies, and excluding from the same period of fiscal 2018 the $3.6 million expense related to the Jean Coutu Group acquisition and the $11.4 million expense for distribution network modernization, operating expenses as a percentage of sales was 11.8% in 2019 compared with 12.5% in 2018. This difference is attributable to the business combination with the Jean Coutu Group, partially offset by an increase in the minimum wages, particularly in Ontario, as well as higher transportation costs, mainly due to a strike at one of our major carriers.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the second quarter and first 24 weeks of fiscal 2019 were $65.6 million and $129.3 million respectively versus $47.2 million and $94.1 million for the corresponding period of fiscal 2018. Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition amounted to $8.8 million for the second quarter and $17.8 million for the first 24 weeks of fiscal 2019.

Net financial costs for the second quarter and the first 24 weeks of fiscal 2019 were $24.6 million and $48.6 million respectively compared with $14.2 million and $26.5 million for the corresponding periods of fiscal 2018. 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 fiscal 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 24 weeks of fiscal 2019 in comparison with a $30.8 million share recorded in the corresponding period of fiscal 2018.

INCOME TAXES

The income tax expense of $44.5 million for the second quarter of fiscal 2019 represented an effective tax rate of 26.8% compared with an income tax expense of $38.2 million in the second quarter of fiscal 2018 which represented an effective tax rate of 26.3%.

The 24-week period income tax expense of $111.2 million for fiscal 2019 and $261.5 million for fiscal 2018 represented an effective tax rate of 25.5% and 15.7% respectively. 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 second quarter of fiscal 2019 were $121.5 million, an increase of 13.7% from $106.9 million for the second quarter of fiscal 2018, while fully diluted net earnings per share were $0.47, the same as for the corresponding quarter of fiscal 2018. Excluding the specific items shown in the table below, adjusted net earnings(1) for the second quarter of fiscal 2019 totalled $155.1 million compared with $108.1 million for the corresponding quarter of fiscal 2018, and adjusted fully diluted net earnings per share(1) amounted to $0.60 versus $0.47, up 43.5% and 27.7%, respectively.

(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"

Net earnings for the first 24 weeks of fiscal 2019 were $324.6 million, a decrease of 76.9 % from $1,406.0 million for the corresponding period of fiscal 2018. Fully diluted net earnings per share were $1.26 compared with $6.14 last year, down 79.5%. Excluding the specific items shown in the table below, adjusted net earnings[1] for the first 24 weeks of fiscal 2019 totalled $327.3 million compared with $234.8 million for the corresponding period of fiscal 2018, and adjusted fully diluted net earnings per share[1] amounted to $1.27 versus $1.02, up 39.4% and 24.5%, respectively.

Net earnings adjustments[1]

	12 weeks / Fiscal Year					
	2019		2018		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**121.5**	**0.47**	106.9	0.47	13.7	—
Retail network restructuring expenses, after taxes	**26.4**		—			
Loss on divestiture of pharmacies, after taxes	**0.7**		—			
Business acquisition-related expenses, after taxes	**—**		1.1			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.5**		—			
Income on business acquisition-related short-term investments and security deposits, after taxes	**—**		(7.1)			
Interest on notes issued in connection with a business acquisition, after taxes	**—**		7.2			
Adjusted net earnings[1]	**155.1**	**0.60**	108.1	0.47	43.5	27.7

[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"

	24 weeks / Fiscal Year					
	2019		2018		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**324.6**	**1.26**	1,406.0	6.14	(76.9)	(79.5)
Retail network restructuring expenses, after taxes	**26.4**		—			
Gain on divestiture of pharmacies, after taxes	**(4.7)**		—			
Business acquisition-related expenses, after taxes	**—**		2.6			
Distribution network modernization project expenses, after taxes	**—**		8.4			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**13.1**		—			
Income on business acquisition-related short-term investments and security deposits, after taxes	**—**		(11.0)			
Interest on notes issued in connection with a business acquisition, after taxes	**—**		8.8			
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)	**327.3**	**1.27**	234.8	1.02	39.4	24.5

BUYOUT OF NON-CONTROLLING INTEREST

The Corporation will acquire the minority interest in Groupe Première Moisson Inc. effective at the end of the current fiscal year. Consequently, the liability for this non-controlling interest has been reclassified in current liabilities.

NORMAL COURSE ISSUER BID PROGRAM

Under the current normal course issuer bid program, the Corporation may repurchase up to 7,000,000 of its Common Shares between November 23, 2018 and November 22, 2019. Between November 23, 2018 and April 5, 2019, the Corporation has repurchased 1,300,000 Common Shares at an average price of 48.89 $, for a total consideration of $63.6 million.

DIVIDENDS

On April 16, 2019, the Corporation's Board of Directors declared a quarterly dividend of $0.20 per Common Share payable on June 7, 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 "annualize", “continue” 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

(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"

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.

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 second quarter** results at **10:00 p.m. (EDT) today, April 17, 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. second 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 Second Quarter Results.*

(30)

Source:	METRO INC.
Information:	François Thibault Executive Vice-President, Chief Financial Officer and Treasurer Tel.: (514) 643-1003
Investor Relations Department:	Tel.: (514) 643-1000 www.metro.ca

(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"