metro

PRESS RELEASE

METRO REPORTS 2019 THIRD QUARTER RESULTS

(Montréal, August 14, 2019) - METRO INC. (TSX: MRU) today announced its results for the third quarter of fiscal 2019 ended July 6, 2019.

2019 THIRD QUARTER HIGHLIGHTS

- **Sales of $5,229.3 million, up 12.8% and up 2.3% when excluding the Jean Coutu Group**
- **Food same-store sales up 3.1%**
- **Pharmacy same-store sales up 3.4%**
- **Net earnings of $222.4 million, up 32.8%**
- **Adjusted net earnings(1) of $230.3 million, up 25.6%**
- **Fully diluted net earnings per share of $0.86**
- **Adjusted fully diluted net earnings per share(1) of $0.90, up 20.0%**
- **Synergies of $15.7 million related to the Jean Coutu Group acquisition, $61 million on an annualized basis**

(Millions of dollars, except for net earnings per share)	**2019** *16 weeks*	**%**	2018 *16 weeks*	%	Change (%)
Sales	**5,229.3**	**100.0**	4,636.4	100.0	12.8
Operating income before depreciation and amortization and associates' earnings	**423.1**	**8.1**	320.3	6.9	32.1
Adjusted operating income before depreciation and amortization and associates' earnings(2)	**423.1**	**8.1**	345.4	7.4	22.5
Net earnings	**222.4**	**4.3**	167.5	3.6	32.8
Fully diluted net earnings per share	**0.86**	**—**	0.69	—	24.6
Adjusted net earnings(1)	**230.3**	**4.4**	183.4	4.0	25.6
Adjusted fully diluted net earnings per share(1)	**0.90**	**—**	0.75	—	20.0

(Millions of dollars, except for net earnings per share)	**2019** *40 weeks*	**%**	2018 *40 weeks*	%	Change (%)
Sales	**12,908.6**	**100.0**	10,647.2	100.0	21.2
Operating income before depreciation and amortization and associates' earnings	**999.9**	**7.7**	744.6	7.0	34.3
Adjusted operating income before depreciation and amortization and associates' earnings(2)	**1,029.9**	**8.0**	784.7	7.4	31.2
Net earnings	**547.0**	**4.2**	1,573.5	14.8	(65.2)
Fully diluted net earnings per share	**2.12**	**—**	6.70	—	(68.4)
Adjusted net earnings(1)	**557.6**	**4.3**	418.2	3.9	33.3
Adjusted fully diluted net earnings per share(1)	**2.16**	**—**	1.78	—	21.3

(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're very pleased with our third quarter results as our key performance indicators all showed progress. We executed well on our business plans while realizing synergies from the acquisition of the Jean Coutu Group, which have now reached $61 million*[(3)] *on an annualized basis. We're confident that our sustained investments and customer-focused strategies will enable us to reach*[(3)] *our long-term growth objectives*", stated Eric R. La Flèche, President and Chief Executive Officer.

2019 THIRD 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 third quarter and the first 40 weeks of 2018 presented herein for comparison purposes include the results of the Jean Coutu Group for slightly more than 8 weeks. In addition, the results for the first quarter of 2018 include significant gains following the disposal of our investment in Alimentation Couche-Tard (ACT).

SALES

Sales in the third quarter of fiscal 2019 reached $5,229.3 million, up 12.8% compared to $4,636.4 million in the third quarter of fiscal 2018. Excluding from 2019 and 2018 sales of $965.4 million and $467.0 million, respectively, generated by the Jean Coutu Group, sales were up 2.3%. Food same-store sales were up 3.1% (2.0% in 2018) and inflation in our food basket was approximately 2.5% (0.5% in 2018). Pharmacy same-store sales were up 3.4% (1.8% in 2018), with a 2.9% increase in prescription drugs (number of prescriptions were up 2.7%) and a 4.3% increase in front-store sales.

Sales in the first 40 weeks of fiscal 2019 totalled $12,908.6 million versus $10,647.2 million for the corresponding period of fiscal 2018, an increase of 21.2%. Excluding from fiscal 2019 and fiscal 2018 sales of $2,408.9 million and $467.0 million, respectively, generated by the Jean Coutu Group, sales were up 3.1%.

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 third quarter of fiscal 2019 totalled $423.1 million, or 8.1% of sales, versus $320.3 million, or 6.9% of sales, for the third quarter last year. During the third quarter of fiscal 2018, we recorded a $25.1 million expense related to the Jean Coutu Group acquisition. Excluding this item, adjusted operating income before depreciation and amortization and associates' earnings[(2)] for the third quarter of fiscal 2018 totalled $345.4 million, or 7.4% of sales. This increase was largely driven by the Jean Coutu Group acquisition.

Operating income before depreciation and amortization and associates' earnings for the first 40 weeks of fiscal 2019 totalled $999.9 million or 7.7% of sales compared with $744.6 million or 7.0% of sales for the corresponding period of fiscal 2018. During the first 40 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 $28.7 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 40 weeks of fiscal 2019 totalled $1,029.9 million or 8.0% of sales, compared with $784.7 million or 7.4% for the corresponding period of fiscal 2018. This increase was largely driven by the Jean Coutu Group acquisition.

Synergies related to the Jean Coutu acquisition generated for the third quarter and the first 40 weeks of fiscal 2019 amounted to $15.7 million and $40.0 million, respectively, and to date, we have generated annualized synergies of $61 million[(3)].

(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"

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

(Millions of dollars, unless otherwise indicated)	16 weeks / Fiscal Year 2019 OI	Sales	(%)	2018 OI	Sales	(%)
Operating income before depreciation and amortization and associates' earnings	**423.1**	**5,229.3**	**8.1**	320.3	4,636.4	6.9
Business acquisition-related expenses	**—**			25.1		
Adjusted operating income before depreciation and amortization and associates' earnings[2]	**423.1**	**5,229.3**	**8.1**	345.4	4,636.4	7.4

(Millions of dollars, unless otherwise indicated)	40 weeks / Fiscal Year 2019 OI	Sales	(%)	2018 OI	Sales	(%)
Operating income before depreciation and amortization and associates' earnings	**999.9**	**12,908.6**	**7.7**	744.6	10,647.2	7.0
Retail network restructuring expenses	**36.0**			—		
Gain on divestiture of pharmacies	**(6.0)**			—		
Business acquisition-related expenses	**—**			28.7		
Distribution network modernization project expenses	**—**			11.4		
Adjusted operating income before depreciation and amortization and associates' earnings[2]	**1,029.9**	**12,908.6**	**8.0**	784.7	10,647.2	7.4

Gross margin on sales for the third quarter and the first 40 weeks of fiscal 2019 were 19.7% versus 19.4% and 19.6% for the corresponding periods of fiscal 2018.

Operating expenses as a percentage of sales for the third quarter of 2019 were 11.6% versus 12.5% for the corresponding quarter of fiscal 2018 (11.9% excluding $25.1 million expense related to the Jean Coutu Group acquisition). This variation resulted from the inclusion of the Jean Coutu Group partially offset by higher transportation costs.

For the first 40 weeks of fiscal 2019, operating expenses as a percentage of sales was 12.0% compared with 12.6% for the corresponding period of fiscal 2018. Excluding from the first 40 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 $28.7 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 12.3% in 2018. This difference is attributable to the inclusion of the Jean Coutu Group, partially offset by an increase in the minimum wages, particularly in Ontario, as well as higher transportation costs.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the third quarter and first 40 weeks of fiscal 2019 were $88.6 million and $217.9 million respectively versus $74.4 million and $168.5 million for the corresponding period of fiscal 2018. Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition amounted to $11.9 million for the third quarter and $29.7 million for the first 40 weeks of fiscal 2019 compared with $6.0 million for both the third quarter and the first 40 weeks of fiscal 2018.

Net financial costs for the third quarter and the first 40 weeks of fiscal 2019 were $31.8 million and $80.4 million respectively compared with $29.8 million and $56.3 million for the corresponding periods of fiscal 2018. This increase stemmed primarily from the notes issued for the Jean Coutu Group acquisition.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
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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. A $1.0 million selling price adjustment was made during the third quarter, bringing the total cash consideration to $59.0 million. Gains before income taxes of $1.0 million and $36.4 million, respectively, on disposal of this investment were included in the results for the third quarter and the first 40 weeks of fiscal 2019.

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 40 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 $81.3 million for the third quarter of fiscal 2019 represented an effective tax rate of 26.8% compared with an income tax expense of $48.6 million in the third quarter of fiscal 2018 which represented an effective tax rate of 22.5%. The lower rate for the third quarter of fiscal 2018 resulted from tax savings of $9.2 million related to the disposal of the investment in ACT.

The 40-week period income tax expense of $192.5 million for fiscal 2019 and $310.1 million for fiscal 2018 represented an effective tax rate of 26.0% and 16.5% 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 third quarter of fiscal 2019 were $222.4 million, an increase of 32.8% from $167.5 million for the third quarter of fiscal 2018, while fully diluted net earnings per share were $0.86, compared with $0.69 for the corresponding quarter of fiscal 2018. Excluding the specific items shown in the table below, adjusted net earnings(1) for the third quarter of fiscal 2019 totalled $230.3 million compared with $183.4 million for the corresponding quarter of fiscal 2018, and adjusted fully diluted net earnings per share(1) amounted to $0.90 versus $0.75, up 25.6% and 20.0%, respectively.

Net earnings for the first 40 weeks of fiscal 2019 were $547.0 million, a decrease of 65.2 % from $1,573.5 million for the corresponding period of fiscal 2018. Fully diluted net earnings per share were $2.12 compared with $6.70 last year, down 68.4%. Excluding the specific items shown in the table below, adjusted net earnings(1) for the first 40 weeks of fiscal 2019 totalled $557.6 million compared with $418.2 million for the corresponding period of fiscal 2018, and adjusted fully diluted net earnings per share(1) amounted to $2.16 versus $1.78, up 33.3% and 21.3%, 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"
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Net earnings adjustments[1]

	16 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	**222.4**	**0.86**	167.5	0.69	32.8	24.6
Business acquisition-related expenses, after taxes	**—**		20.1			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**8.8**		4.4			
Income on business acquisition-related short-term investments and security deposits, after taxes	**—**		(4.6)			
Interest on notes issued in connection with a business acquisition, after taxes	**—**		5.2			
Gain on the disposal of investments in associates after taxes	**(0.9)**		(9.2)			
Adjusted net earnings[1]	**230.3**	**0.90**	183.4	0.75	25.6	20.0

	40 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	**547.0**	**2.12**	1,573.5	6.70	(65.2)	(68.4)
Retail network restructuring expenses, after taxes	**26.4**		—			
Gain on divestiture of pharmacies, after taxes	**(4.7)**		—			
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	**21.9**		4.4			
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			
Gain on the disposal of investments in associates after taxes	**(31.9)**		(968.1)			
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]	**557.6**	**2.16**	418.2	1.78	33.3	21.3

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
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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 August 2, 2019, the Corporation has repurchased 2,600,000 Common Shares at an average price of 49.07 $, for a total consideration of $127.6 million.

DIVIDENDS

On August 13, 2019, the Corporation's Board of Directors declared a quarterly dividend of $0.20 per Common Share payable on September 25, 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", “pursue” 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.

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 third quarter** results at **9:30 a.m. (EDT) today, August 14, 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. third 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 Third Quarter Results.*

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