metro

PRESS RELEASE

METRO REPORTS 2019 FOURTH QUARTER RESULTS

(Montréal, November 20, 2019) - METRO INC. (TSX: MRU) today announced its results for the fourth quarter of fiscal 2019 ended September 28, 2019.

2019 FOURTH QUARTER HIGHLIGHTS

- **Sales of $3,858.9 million, up 3.3%**
- **Food same-store sales up 4.1%**
- **Pharmacy same-store sales up 3.4%**
- **Net earnings of $167.4 million, up 15.4%**
- **Adjusted net earnings[1] of $174.0 million, up 8.1%**
- **Fully diluted net earnings per share of $0.66**
- **Adjusted fully diluted net earnings per share[1] of $0.68, up 7.9%**
- **Synergies of $18 million related to the Jean Coutu Group acquisition, $65 million[3] on an annualized basis**

FISCAL 2019 HIGHLIGHTS

- **Sales of $16,767.5 million, up 16.6% and up 3.2% when excluding the Jean Coutu Group**
- **Net earnings of $714.4 million**
- **Adjusted net earnings[1] of $731.6 million, up 26.3%**
- **Fully diluted net earnings per share of $2.78**
- **Adjusted fully diluted net earnings per share[1] of $2.84, up 17.8%**
- **Synergies of $58 million related to the Jean Coutu Group acquisition**
- **Dividend increase of 11.0% on an annualized basis**

	12 weeks / Fiscal Year				
(Millions of dollars, except for net earnings per share)	**2019**	**%**	2018	%	Change (%)
Sales	**3,858.9**	**100.0**	3,736.2	100.0	3.3
Operating income before depreciation and amortization and associates' earnings	**321.6**	**8.3**	266.5	7.1	20.7
Adjusted operating income before depreciation and amortization and associates' earnings[2]	**321.6**	**8.3**	297.9	8.0	8.0
Net earnings	**167.4**	**4.3**	145.0	3.9	15.4
Fully diluted net earnings per share	**0.66**	**—**	0.56	—	17.9
Adjusted net earnings[1]	**174.0**	**4.5**	161.0	4.3	8.1
Adjusted fully diluted net earnings per share[1]	**0.68**	**—**	0.63	—	7.9

[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"

(Millions of dollars, except for net earnings per share)	52 weeks / Fiscal Year 2019	%	2018	%	Change (%)
Sales	**16,767.5**	**100.0**	14,383.4	100.0	16.6
Operating income before depreciation and amortization and associates' earnings	**1,321.5**	**7.9**	1,011.1	7.0	30.7
Adjusted operating income before depreciation and amortization and associates' earnings(2)	**1,351.5**	**8.1**	1,082.6	7.5	24.8
Net earnings	**714.4**	**4.3**	1,718.5	11.9	(58.4)
Fully diluted net earnings per share	**2.78**	**—**	7.16	—	(61.2)
Adjusted net earnings(1)	**731.6**	**4.4**	579.2	4.0	26.3
Adjusted fully diluted net earnings per share(1)	**2.84**	**—**	2.41	—	17.8

PRESIDENT'S MESSAGE

"We are very pleased with our fourth quarter results, capping an outstanding fiscal 2019. We achieved strong comparable store sales in food and pharmacy, while delivering solid margins and improved customer satisfaction metrics. Our first full year with the Jean Coutu Group was successful and we are well on track to meet our $75 million[3] synergy target. Despite an intense competitive environment, we are confident that we can continue[3] to grow by staying customer-focused, investing in our store network and infrastructure, and executing well on our business plans", stated Eric R. La Flèche, President and Chief Executive Officer.

OPERATING 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. As such, the fourth quarter results of 2019 are comparable with the fourth quarter results of 2018. However, the fiscal 2018 results include the results of the Jean Coutu Group for slightly more than 20 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 fourth quarter of fiscal 2019 reached $3,858.9 million, up 3.3% compared to $3,736.2 million in the fourth quarter of fiscal 2018. Food same-store sales were up 4.1% (2.1% in 2018) and inflation in our food basket was approximately 2.8% (0.8% in 2018). Pharmacy same-store sales were up 3.4% (1.8% in 2018), with a 3.4% increase in prescription drugs (number of prescriptions were up 2.4%) and a 3.4% increase in front-store sales.

Sales for fiscal 2019 totalled $16,767.5 million versus $14,383.4 million for fiscal 2018, an increase of 16.6%. Excluding from fiscal 2019 and fiscal 2018 sales of $3,121.8 million and $1,157.7 million, respectively, generated by the Jean Coutu Group, sales were up 3.2%.

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 fourth quarter of fiscal 2019 totalled $321.6 million, or 8.3% of sales, versus $266.5 million, or 7.1% of sales, for the fourth quarter last year. During the fourth quarter of fiscal 2018, we recorded pharmacy network closure and restructuring expenses of $31.4 million. Excluding this item, adjusted operating income before depreciation and amortization and associates' earnings[2] for the fourth quarter of fiscal 2018 totalled $297.9 million, or 8.0% of sales.

Operating income before depreciation and amortization and associates' earnings for fiscal 2019 totalled $1,321.5 million or 7.9% of sales compared with $1,011.1 million or 7.0% of sales for fiscal 2018. During 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 fiscal 2018, we recorded pharmacy network closure and restructuring expenses of $31.4 million, a $28.7 million expense related to the Jean Coutu Group acquisition and a $11.4 million expense for distribution network modernization.

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

Excluding those items, adjusted operating income before depreciation and amortization and associates' earnings[2] for fiscal 2019 totalled $1,351.5 million or 8.1% of sales, compared with $1,082.6 million or 7.5% of sales for fiscal 2018. This increase was largely driven by the Jean Coutu Group acquisition.

Synergies related to the Jean Coutu acquisition generated for the fourth quarter and fiscal 2019 amounted to $18 million and $58 million, respectively, and to date, we have generated annualized synergies of $65 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	**321.6**	**3,858.9**	**8.3**	266.5	3,736.2	7.1
Pharmacy network closure and restructuring expenses	**—**			31.4		
Adjusted operating income before depreciation and amortization and associates' earnings[2]	**321.6**	**3,858.9**	**8.3**	297.9	3,736.2	8.0

	52 weeks / Fiscal Year					
	2019			2018		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associates' earnings	**1,321.5**	**16,767.5**	**7.9**	1,011.1	14,383.4	7.0
Retail network restructuring expenses	**36.0**			—		
Gain on divestiture of pharmacies	**(6.0)**			—		
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 associates' earnings[2]	**1,351.5**	**16,767.5**	**8.1**	1,082.6	14,383.4	7.5

Gross margin on sales for the fourth quarter and fiscal 2019 were 20.2% and 19.9% versus 19.7% for the corresponding periods of fiscal 2018.

Operating expenses as a percentage of sales for the fourth quarter of 2019 were 11.9% versus 12.6% for the corresponding quarter of fiscal 2018 (11.7% excluding the pharmacy network closure and restructuring expenses of $31.4 million). This variation resulted from the inclusion of the Jean Coutu Group partially offset by higher transportation costs.

For fiscal 2019, operating expenses as a percentage of sales was 12.0% compared with 12.6% for fiscal 2018. Excluding from 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 fiscal 2018 the $31.4 million for pharmacy network closure and restructuring expenses, 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 12.1% in 2018. This difference is attributable to the inclusion of the Jean Coutu Group, partially offset by higher transportation costs.

(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"

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the fourth quarter and fiscal 2019 were $68.5 million and $286.4 million respectively versus $65.0 million and $233.5 million for the corresponding periods of fiscal 2018. Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition amounted to $9.0 million for the fourth quarter and $38.7 million for fiscal 2019 compared with $9.0 million and $15.0 million for the corresponding periods of fiscal 2018.

Net financial costs for the fourth quarter and fiscal 2019 were $23.4 million and $103.8 million respectively compared with $23.9 million and $80.2 million for the corresponding periods of fiscal 2018. Those increases 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 fiscal 2019, the Company disposed of its investment in Colo-D Inc., an associate presented in other assets, for a total cash consideration of $59.0 million. A gain before income taxes of $36.4 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 $241.1 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 fiscal 2019 in comparison with a $30.8 million share recorded in fiscal 2018.

INCOME TAXES

The income tax expense of $62.3 million for the fourth quarter of fiscal 2019 represented an effective tax rate of 27.1% compared with an income tax expense of $48.1 million in the fourth quarter of fiscal 2018 which represented an effective tax rate of 24.9%. The lower rate for the fourth quarter of fiscal 2018 is related to the disposal of the investment in ACT.

The income tax expense of $254.8 million for fiscal 2019 and $358.2 million for fiscal 2018 represented an effective tax rate of 26.3% and 17.2% 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 fourth quarter of fiscal 2019 were $167.4 million, an increase of 15.4% from $145.0 million for the fourth quarter of fiscal 2018, while fully diluted net earnings per share were $0.66, compared with $0.56 for the corresponding quarter of fiscal 2018. Excluding the specific items shown in the table below, adjusted net earnings(1) for the fourth quarter of fiscal 2019 totalled $174.0 million compared with $161.0 million for the corresponding quarter of fiscal 2018, and adjusted fully diluted net earnings per share(1) amounted to $0.68 versus $0.63, up 8.1% and 7.9%, respectively.

Net earnings for fiscal 2019 were $714.4 million, a decrease of 58.4% from $1,718.5 million for fiscal 2018. Fully diluted net earnings per share were $2.78 compared with $7.16, down 61.2%. Excluding the specific items shown in the table below, adjusted net earnings(1) for fiscal 2019 totalled $731.6 million compared with $579.2 million for fiscal 2018, and adjusted fully diluted net earnings per share(1) amounted to $2.84 versus $2.41, up 26.3% and 17.8%, 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 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	**167.4**	**0.66**	145.0	0.56	15.4	17.9
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**		6.6			
Gain on revaluation and disposal of an investment at fair value, after taxes	**—**		(13.6)			
Adjusted net earnings[1]	**174.0**	**0.68**	161.0	0.63	8.1	7.9

	52 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	**714.4**	**2.78**	1,718.5	7.16	(58.4)	(61.2)
Retail network restructuring expenses, after taxes	**26.4**		—			
Gain on divestiture of pharmacies, after taxes	**(4.7)**		—			
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	**28.5**		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			
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)**		(209.3)			
Share of an associate's earnings, after taxes	**—**		(26.7)			
Adjusted net earnings[1]	**731.6**	**2.84**	579.2	2.41	26.3	17.8

BUYOUT OF NON-CONTROLLING INTEREST

The Corporation will acquire the minority interest in Groupe Première Moisson Inc. effective at the end of fiscal 2019. Consequently, the liability for this non-controlling interest has been reclassified in current liabilities.

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
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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 November 8, 2019, the Corporation has repurchased 3,175,000 Common Shares at an average price of 50.31 $, for a total consideration of $159.7 million. The Corporation intends to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On September 30, 2019, the Corporation's Board of Directors declared a quarterly dividend of $0.20 per Common Share payable on November 12, 2019, an increase of 11.1% over the dividend declared for the same quarter last year.

ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases* and related interpretations. Under IFRS 16, which provides a single accounting model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. The accounting requirements for lessors remain similar to those under IAS 17. IFRS 16 applies to fiscal years beginning on or after January 1, 2019, which for the Corporation is fiscal year beginning on September 29, 2019.

Under IFRS 16 transitional provisions, the Corporation elected to use the modified retrospective approach and use some permitted practical expedients. The cumulative impact of the initial application of the standard will be recognized as an adjustment to equity on transition.

As a lessee, the Corporation will recognize right-of-use assets and lease liabilities in respect of operating leases for property, vehicles and equipment. Depreciation expense for right-of-use assets and interest expense on lease liabilities will replace rental expense previously recognized under IAS 17 on a straight-line basis over the lease term. The lease liabilities will be measured at the present value of the remaining lease payments and the right-of-use assets will be measured using the modified retrospective approach. The discount rate used will be the Corporation's incremental borrowing rate on the transition date of September 29, 2019.

As an intermediate lessor under several leases, the Corporation has assessed the classification of its sublease agreements based on the right-of-use asset related to the main lease and not on the underlying asset. As a result of this change, the Corporation expects an increase in current and non-current receivables recorded for leases that should be classified as finance leases.

We expect(3) increases in liabilities ranging from $2.1 billion to $2.3 billion and in assets, including right-of-use assets as well as receivables (current and non-current) related to sublease agreements, ranging from $1.9 billion to $2.1 billion with the net impact recorded in opening retained earnings. Actual results from the initial application of IFRS 16 may differ from estimated amounts, the Corporation continues to perfect the estimates and input data that will be used in the calculations.

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", "expect" 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 2020 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 fourth quarter** results at **9:30 a.m. (EST) today, November 20, 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. fourth 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 Fourth Quarter Results.*

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