

metro

IFRS 16 – Investor Information

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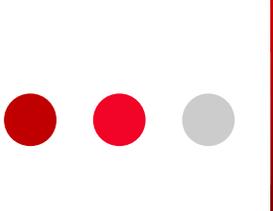
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Disclaimer

FORWARD-LOOKING INFORMATION

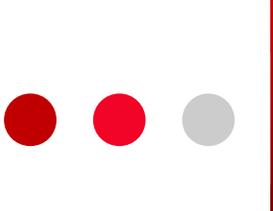
We have used, throughout this document, different statements which are presented for the purpose of assisting the reader to contextualize the METRO financial position and understand management's expectations regarding the impact IFRS 16 Leases. In general, any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "estimates", "forecasts" and other similar expressions are generally indicative of forward-looking statements.

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.

NON-IFRS FINANCIAL MEASURES

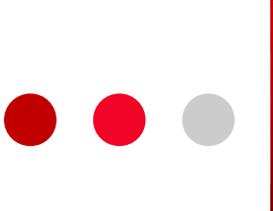
We have included certain measures and metrics in this *IFRS 16 investor information*, such as earnings before interest, taxes, depreciation and amortization, earnings before income taxes, net earnings per share, operating activities, financing activities. These measurements are presented for information 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.

For a complete description of non-IFRS financial measures and financial metrics, please see METRO's MD&A for the fiscal year ended September 29, 2018.



Highlights

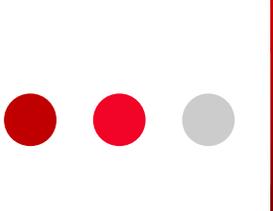
- IFRS 16 eliminates the distinction between operating and financing leases; all leases will be capitalized.
- Presentation of financial statements:
 - Existing operating leases will be recognized on the balance sheet through the creation of assets and related liabilities:
 - i. right-of-use (ROU) assets will be depreciated through the lease term;
 - ii. lease liabilities will be decreased by the payment of principal.
 - On the statement of income, straight-line lease expense will be replaced with:
 - i. depreciation expense on ROU assets;
 - ii. financial costs on lease liabilities.
 - EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) will therefore increase.
 - Some items on the cash flow statement will be reclassified.



Highlights *(continued)*

- The implementation of IFRS 16 will have no impact on:
 - METRO'S underlying business economics;
 - Cash flow generation.

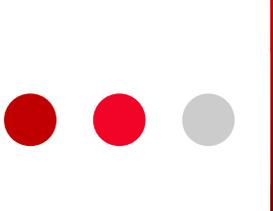
- There will be some impact on the net earnings per share (EPS), but not considered significant.



METRO's Election

Elected to use the modified retrospective approach:

- Applicable effective September 29, 2019 for fiscal year 2020;
- No restatement of prior year financial information;
- The difference between ROU assets and lease liabilities will be recognized as an equity adjustment at the beginning of fiscal year 2020;
- Additional disclosures as per the new standard will be made.



IFRS 16 Right-Of-Use Asset and Lease Liability

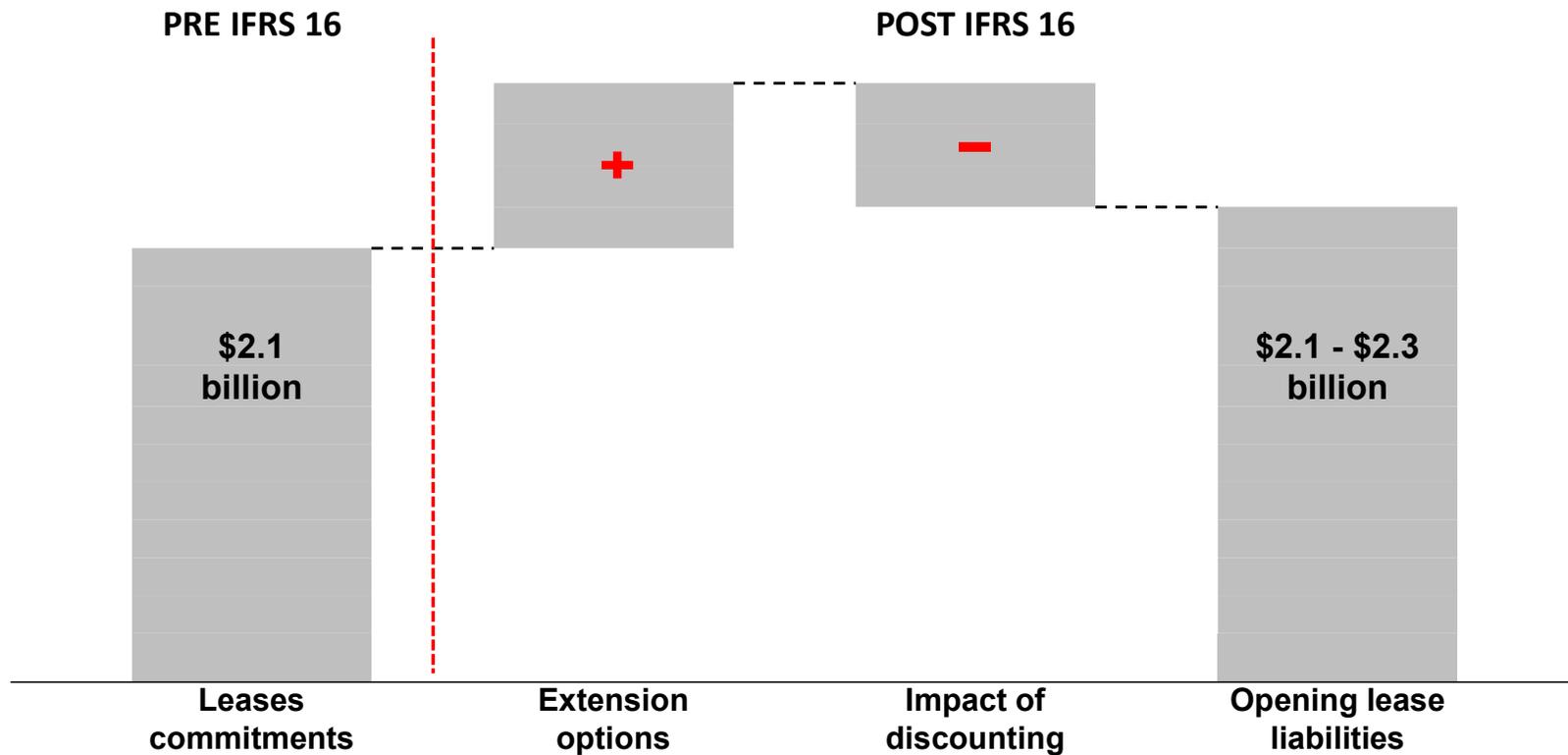
RIGHT-OF-USE ASSET:

- Valued on a retrospective basis;
- Presented net of accumulated depreciation;
- For new leases going forward, the ROU asset will equal the lease liability at the inception of the lease. Thereafter, differences will arise to the extent of the depreciation of the ROU asset and principal repayments of the lease liability.

LEASE LIABILITY:

- Measured at the present value of the remaining lease payments at the date of initial application, i.e. September 29, 2019;
- Discount rate used is the incremental borrowing rate of METRO as at September 29, 2019;
- Discount rate applied on each lease is based on its term.

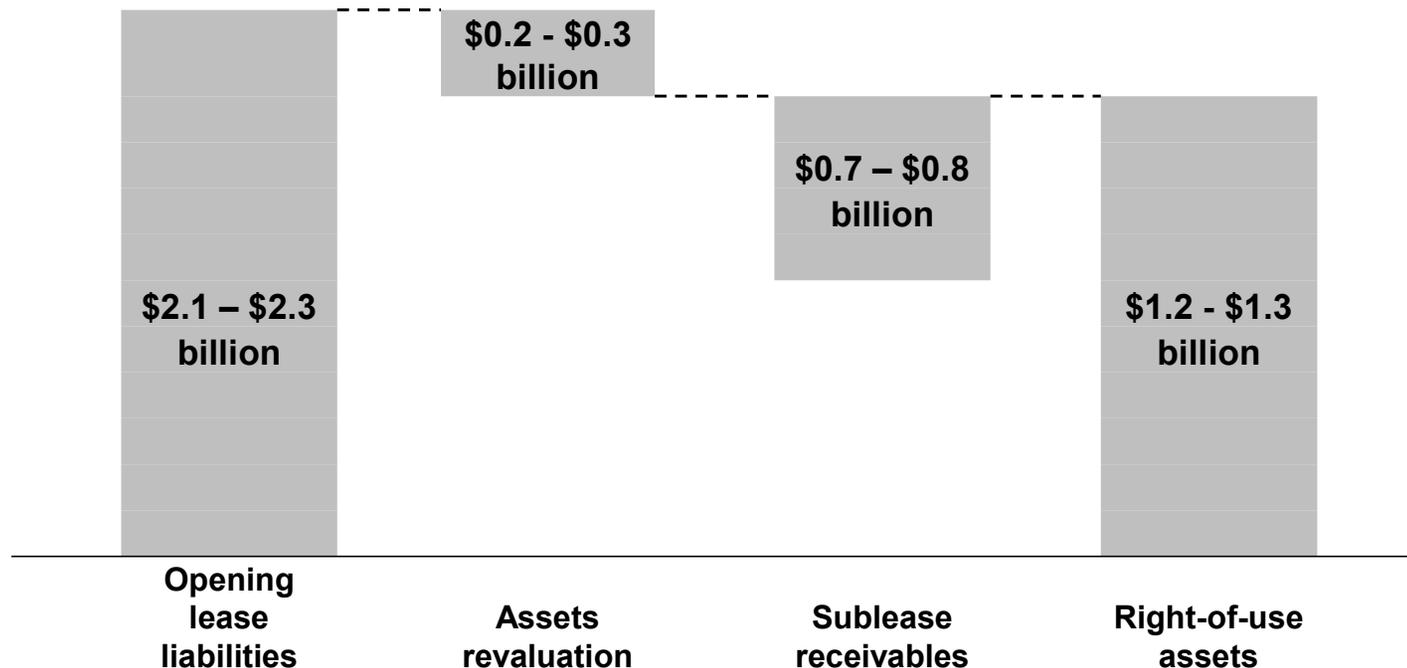
Reconciliation of Leases-Commitments Note* to Opening Lease liabilities



- Extension options, where reasonably certain, are included.
- Weighted average discount rate on transition is 2.42 %.
- Weighted average remaining lease life is around 9 years.

**as per note on financial statements*

Reconciliation of Opening Lease Liabilities to Right-Of-Use Assets

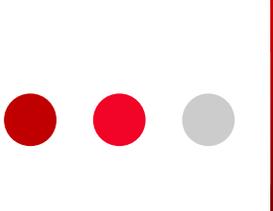


- Assets increase, which is estimated between \$1.9 - \$2.1 billion on transition date, is composed of:
 - Receivables related to sublease agreements of \$0.7 - \$0.8 billion;
 - ROU assets of \$1.2 - \$1.3 billion.
- Assets revaluation, due to the retrospective approach (under which depreciation in the early years of the lease exceeds principal repayments of the lease liability), reduces the equity by \$0.2 - \$0.3 billion.

Forecasted Income Statement Impact

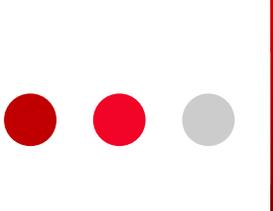
Non-GAAP Measure	Forecasted Impact Q1 2020 (in millions except EPS)	Explanation
Sales	- \$ 12	Sublease revenues now applied against sublease receivables
Occupancy charges	+ \$ 56	Rent charges replaced by assets depreciation and interest
Depreciation	- \$ 35	Depreciation on ROU assets
Financial costs	- <u>\$ 5</u>	Interest charges on lease obligations
Earnings before income taxes	+ <u>\$ 4</u>	
Net earnings per share (EPS)	+ \$0.01	

➤ Future impact may vary based on new leases contracted.



Cash Flow Impact

- No impact on our total cash flow position, changes on cash flow statement presentation only;
 - Increase in cash from Operating activities compensated by decrease in cash from Financing activities due to the principal payment and interest on lease liabilities.
- No significant impact on existing banking covenants.



Summary

- IFRS 16 does not impact the business, accounting and measurement changes only;
 - No effect on our cash generating capacity.
- We estimate that adoption of IFRS 16 will not have a material effect on the net earnings per share in fiscal year 2020.
- First quarter results for fiscal year 2020, ending December 21, 2019, will include IFRS 16 impacts;
 - We will provide a reconciliation of impacts on the results and key measures for the entire fiscal year 2020.

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