metro

PRESS RELEASE

METRO REPORTS 2020 FOURTH QUARTER RESULTS

(Montréal, November 18, 2020) - METRO INC. (TSX: MRU) today announced its results for the fourth quarter of fiscal 2020 ended September 26, 2020.

2020 FOURTH QUARTER HIGHLIGHTS

- **Sales of $4,143.6 million, up 7.4% and up 7.7% when excluding the impact of IFRS 16**
- **Food same-store sales up 10.0%**
- **Pharmacy same-store sales up 5.5%**
- **Net earnings of $186.5 million, up 11.4% and adjusted net earnings(1) of $193.1 million, up 11.0%**
- **Fully diluted net earnings per share of $0.74, up 12.1%, and adjusted fully diluted net earnings per share(1) of $0.77, up 13.2%**
- **Accelerated amortization totalling $10.7 million or $0.03 per share, related to the opening of our new fresh products distribution centre in Ontario**
- **Expenses related to COVID-19 totalling $27 million**
- **Synergies of $16 million related to the Jean Coutu Group acquisition, $75 million(3) on an annualized basis ($65 million(3) in 2019)**

FISCAL 2020 HIGHLIGHTS

- **Sales of $17,997.5 million, up 7.3% and up 7.7% when excluding the impact of IFRS 16**
- **Net earnings of $796.4 million, up 11.5% and adjusted net earnings(1) of $829.1 million, up 13.3%**
- **Fully diluted net earnings per share of $3.14, up 12.9%, and adjusted fully diluted net earnings per share(1) of $3.27, up 15.1%**
- **Expenses related to COVID-19 totalling $137 million**
- **Synergies of $69 million related to the Jean Coutu Group acquisition ($58 million in fiscal 2019)**

	12 weeks / Fiscal Year				
(Millions of dollars, except for net earnings per share)	**2020**	**%**	2019	%	Change (%)
Sales	**4,143.6**	**100.0**	3,858.9	100.0	7.4
Operating income before depreciation and amortization and associate's earnings	**403.5**	**9.7**	321.6	8.3	25.5
Adjusted operating income before depreciation and amortization and associate's earnings(2)	**403.5**	**9.7**	321.6	8.3	25.5
Net earnings	**186.5**	**4.5**	167.4	4.3	11.4
Fully diluted net earnings per share	**0.74**	**—**	0.66	—	12.1
Adjusted net earnings(1)	**193.1**	**4.7**	174.0	4.5	11.0
Adjusted fully diluted net earnings per share(1)	**0.77**	**—**	0.68	—	13.2

(1) See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
(2) See table on "Operating income before depreciation and amortization and associate's 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 2020	%	2019	%	Change (%)
Sales	**17,997.5**	**100.0**	16,767.5	100.0	7.3
Operating income before depreciation and amortization and associate's earnings	**1,683.6**	**9.4**	1,321.5	7.9	27.4
Adjusted operating income before depreciation and amortization and associate's earnings[2]	**1,691.1**	**9.4**	1,351.5	8.1	25.1
Net earnings	**796.4**	**4.4**	714.4	4.3	11.5
Fully diluted net earnings per share	**3.14**	**—**	2.78	—	12.9
Adjusted net earnings[1]	**829.1**	**4.6**	731.6	4.4	13.3
Adjusted fully diluted net earnings per share[1]	**3.27**	**—**	2.84	—	15.1

PRESIDENT'S MESSAGE

"We delivered very solid results in the fourth quarter driven by strong comparable sales and good operating leverage in a challenging environment. I want to again thank all our colleagues for their hard work during this unprecedented year. Our priority remains the safety of our employees and our customers as we continue to invest in our stores, supply chain and merchandising programs to best serve our customers and support our long-term growth. As such, we are pleased to announce the opening of a dedicated store for online grocery to serve Montreal next summer. This opening represents the next phase of our omnichannel strategy, efficiently adding capacity in a large urban area by leveraging our in-store pick model. We will also increase the number of Metro stores offering the click & collect service from the 40 planned to more than 100 by the end of Fiscal 2021", declared Eric R. La Flèche, President and Chief Executive Officer.

OPERATING RESULTS

Effective the first quarter of 2020, the Corporation adopted IFRS 16 *Leases*, which replaces IAS 17 *Leases*. The Corporation adopted the standard using a modified retrospective approach. The operating results of the previous fiscal year have not been restated.

SALES

Sales in the fourth quarter of fiscal 2020 reached $4,143.6 million, up 7.4% compared to $3,858.9 million in the fourth quarter of fiscal 2019. Excluding the impact of IFRS 16 *Leases* adopted in the first quarter of 2020, sales reached $4,156.1 million, up 7.7%. Food same-store sales were up 10.0% (4.1% in 2019). Online food sales are up 160% versus last year. Our food basket inflation was approximately 2.8% (2.8% in 2019). Pharmacy same-store sales were up 5.5% (3.4% in 2019), with a 5.3% increase in prescription drugs and a 6.0% increase in front-store sales.

Sales for fiscal 2020 totalled $17,997.5 million versus $16,767.5 million for fiscal 2019, an increase of 7.3%. Excluding the impact of IFRS 16, sales were up 7.7%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

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

Operating income before depreciation and amortization and associate's earnings for the fourth quarter of fiscal 2020 totalled $403.5 million, or 9.7% of sales, versus $321.6 million, or 8.3% of sales for the corresponding quarter of fiscal 2019.

Operating income before depreciation and amortization and associate's earnings for fiscal 2020 totalled $1,683.6 million or 9.4% of sales compared with $1,321.5 million or 7.9% of sales for fiscal 2019.

The adoption of IFRS 16 resulted in $12.5 million and $54.2 million decreases in sales related to sublease income for the fourth quarter and fiscal 2020 respectively, with corresponding reductions in gross margin. The adoption of IFRS 16 also resulted in decreases in operating expenses of $56.5 million and $244.6 million for the fourth quarter and fiscal 2020 respectively, as lease payments are now recorded as a reduction of the lease liabilities. These two combined

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[2] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "Non-IFRS Measurements"
[3] See section on "Forward-looking Information"

elements had favorable impacts of $44.0 million and $190.4 million on operating income before depreciation and amortization and associate's earnings for the fourth quarter and fiscal 2020, respectively.

Impact of the adoption of IFRS 16 *(Millions of dollars)*	12 weeks / Fiscal Year **2020**	**IFRS 16**	**2020** excluding IFRS 16	**% of sales**	2019	% of sales
Sales	**4,143.6**	**(12.5)**	**4,156.1**		3,858.9	
Operating income before depreciation and amortization and associate's earnings	**403.5**	**44.0**	**359.5**	**8.6**	321.6	8.3

Impact of the adoption of IFRS 16 *(Millions of dollars)*	52 weeks / Fiscal Year **2020**	**IFRS 16**	**2020** excluding IFRS 16	**% of sales**	2019	% of sales
Sales	**17,997.5**	**(54.2)**	**18,051.7**		16,767.5	
Operating income before depreciation and amortization and associate's earnings	**1,683.6**	**190.4**	**1,493.2**	**8.3**	1,321.5	7.9

No adjustment was recorded to operating income before depreciation and amortization and associate's earnings in the 2020 and 2019 fourth quarters. Excluding the impact of the adoption of IFRS 16, operating income before depreciation and amortization and associate's earnings for the fourth quarter of fiscal 2020 totalled $359.5 million, or 8.6% of sales compared with $321.6 million, or 8.3% of sales for the corresponding quarter of fiscal 2019.

During fiscal 2020, we recognized a loss of $7.5 million on disposal of our subsidiary MissFresh, while for 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. Excluding those items, adjusted operating income before depreciation and amortization and associate's earnings(2) for fiscal 2020 totalled $1,691.1 million, or 9.4% of sales (8.3% excluding the impact of the adoption of IFRS 16) compared with $1,351.5 million, or 8.1% of sales for fiscal 2019.

Synergies related to the Jean Coutu acquisition generated for the fourth quarter and fiscal 2020 amounted to $16 million and $69 million compared to $18 million (including a certain retroactive amount) and $58 million for the corresponding periods of fiscal 2019. To date, we have generated annualized synergies of $75 million(3). Having achieved our publicly-stated objective of generating $75 million(3) of annual cost synergies within three years of the acquisition, we will no longer disclose the level of synergies going forward.

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

	52 weeks / Fiscal Year					
	2020			2019		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associate's earnings	**1,683.6**	**17,997.5**	**9.4**	1,321.5	16,767.5	7.9
Loss on disposal of a subsidiary	**7.5**			—		
Retail network restructuring expenses	**—**			36.0		
Gain on divestiture of pharmacies	**—**			(6.0)		
Adjusted operating income before depreciation and amortization and associate's earnings(2)	**1,691.1**	**17,997.5**	**9.4**	1,351.5	16,767.5	8.1

Gross margin on sales for the fourth quarter and fiscal 2020 were 20.2% and 19.9% (20.4% and 20.1% respectively, excluding the impact of the adoption of IFRS 16) versus 20.2% and 19.9% for the corresponding periods of 2019.

Operating expenses as a percentage of sales for the fourth quarter of 2020 were 10.4% (11.8% excluding the impact of the adoption of IFRS 16) versus 11.9% for the corresponding quarter of fiscal 2019. The costs related to COVID-19 for the fourth quarter of fiscal 2020 were approximately $27 million.

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

Operating expenses as a percentage of sales for fiscal 2020 was 10.5% compared with 12.0% for fiscal 2019. Excluding from fiscal 2020 the $7.5 million loss on disposal of our subsidiary MissFresh, and 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, operating expenses as a percentage of sales was 10.5% in 2020 (11.8% excluding the impact of the adoption of IFRS 16) compared with 11.8% in 2019. The costs related to COVID-19 for fiscal 2020 were approximately $137 million.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the fourth quarter of 2020 was $118.5 million, of which $35.1 million is an increase resulting from the adoption of IFRS 16, versus $68.5 million for the corresponding quarter of fiscal 2019. In the current quarter we recorded accelerated amortization totalling $10.7 million or $0.03 per share, related to the opening of our new fresh products distribution centre in Ontario. We have not adjusted our earnings for this charge. For fiscal 2020, total depreciation and amortization expense was $462.5 million, of which $149.2 million is an increase resulting from the adoption of IFRS 16, versus $286.4 million for fiscal 2019.

Net financial costs for the fourth quarter of 2020 were $30.8 million, of which $7.3 million is an increase resulting from the adoption of IFRS 16, compared with $23.4 million for the corresponding quarter of fiscal 2019. For fiscal 2020, net financial costs were $136.8 million, of which $33.5 million is an increase resulting from the adoption of IFRS 16, compared with $103.8 million for fiscal 2019.

GAIN ON DISPOSAL OF INVESTMENT IN AN ASSOCIATE 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 $58.0 million. A gain before income taxes of $35.4 million on the disposal of this investment was recognized in earnings.

In the first quarter of fiscal 2019, we disposed of an investment at fair value and the final revaluation of the financial liability resulted in a gain of $1.5 million recognized in net earnings.

INCOME TAXES

The income tax expense of $67.7 million for the fourth quarter of fiscal 2020 represented an effective tax rate of 26.6% compared with an income tax expense of $62.3 million in the fourth quarter of fiscal 2019 which represented an effective tax rate of 27.1%. The impact of the adoption of IFRS 16 on the income tax expense is immaterial.

The income tax expense of $287.9 million for fiscal 2020 and $254.8 million for fiscal 2019 represented an effective tax rate of 26.6% and 26.3% respectively. The impact of the adoption of IFRS 16 on the income tax expense is immaterial.

NET EARNINGS AND ADJUSTED NET EARNINGS[1]

Net earnings for the fourth quarter of fiscal 2020 were $186.5 million compared with $167.4 million for the corresponding quarter of fiscal 2019, while fully diluted net earnings per share were $0.74 compared with $0.66 in 2019, up 11.4% and 12.1%, respectively. Excluding the specific items shown in the table below, adjusted net earnings[1] for the fourth quarter of fiscal 2020 totalled $193.1 million compared with $174.0 million for the corresponding quarter of fiscal 2019, and adjusted fully diluted net earnings per share[1] amounted to $0.77 versus $0.68, up 11.0% and 13.2%, respectively. The adoption of IFRS 16 had an immaterial impact on net earnings and adjusted net earnings[1].

Net earnings for fiscal 2020 were $796.4 million, an increase of 11.5% from $714.4 million for fiscal 2019. Fully diluted net earnings per share were $3.14 compared with $2.78 last year, up 12.9%. Excluding the specific items shown in the table below, adjusted net earnings[1] for fiscal 2020 totalled $829.1 million compared with $731.6 million for fiscal 2019, and adjusted fully diluted net earnings per share[1] amounted to $3.27 versus $2.84, up 13.3% and 15.1%, respectively. The adoption of IFRS 16 had an immaterial impact on net earnings and adjusted net earnings[1].

[1] *See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"*
[2] *See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "Non-IFRS Measurements"*
[3] *See section on "Forward-looking Information"*

Net earnings adjustments[1]

	12 weeks / Fiscal Year					
	2020		2019		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**186.5**	**0.74**	167.4	0.66	11.4	12.1
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**		6.6			
Adjusted net earnings[1]	**193.1**	**0.77**	174.0	0.68	11.0	13.2

	52 weeks / Fiscal Year					
	2020		2019		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**796.4**	**3.14**	714.4	2.78	11.5	12.9
Loss on disposal of a subsidiary, after taxes	**4.2**		—			
Retail network restructuring expenses, after taxes	**—**		26.4			
Gain on divestiture of pharmacies, after taxes	**—**		(4.7)			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**28.5**		28.5			
Gain on the disposal of investment in an associate, after taxes	**—**		(31.9)			
Gain on revaluation and disposal of an investment at fair value, after taxes	**—**		(1.1)			
Adjusted net earnings[1]	**829.1**	**3.27**	731.6	2.84	13.3	15.1

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

Impacts of the adoption of IFRS 16

(Millions of dollars, unless otherwise indicated)	12 weeks / Fiscal Year			
	2020	**IFRS 16**	**2020** excluding IFRS 16	2019
Sales	**4,143.6**	**(12.5)**	**4,156.1**	3,858.9
Operating income before depreciation and amortization and associate's earnings	**403.5**	**44.0**	**359.5**	321.6
Adjusted operating income before depreciation and amortization and associate's earnings[2]	**403.5**	**44.0**	**359.5**	321.6
Depreciation	**118.5**	**(35.1)**	**83.4**	68.5
Net financial costs	**30.8**	**(7.3)**	**23.5**	23.4
Income taxes	**67.7**	**(0.4)**	**67.3**	62.3
Net earnings	**186.5**	**1.2**	**185.3**	167.4
Adjusted net earnings[1]	**193.1**	**1.2**	**191.9**	174.0
Fully diluted net earnings per share *(Dollars)*	**0.74**	**—**	**0.74**	0.66
Adjusted fully diluted net earnings per share[1] *(Dollars)*	**0.77**	**—**	**0.77**	0.68

(Millions of dollars, unless otherwise indicated)	52 weeks / Fiscal Year			
	2020	**IFRS 16**	**2020** excluding IFRS 16	2019
Sales	**17,997.5**	**(54.2)**	**18,051.7**	16,767.5
Operating income before depreciation and amortization and associate's earnings	**1,683.6**	**190.4**	**1,493.2**	1,321.5
Adjusted operating income before depreciation and amortization and associate's earnings[2]	**1,691.1**	**190.4**	**1,500.7**	1,351.5
Depreciation	**462.5**	**(149.2)**	**313.3**	286.4
Net financial costs	**136.8**	**(33.5)**	**103.3**	103.8
Income taxes	**287.9**	**(2.0)**	**285.9**	254.8
Net earnings	**796.4**	**5.7**	**790.7**	714.4
Adjusted net earnings[1]	**829.1**	**5.7**	**823.4**	731.6
Fully diluted net earnings per share *(Dollars)*	**3.14**	**0.02**	**3.12**	2.78
Adjusted fully diluted net earnings per share[1] *(Dollars)*	**3.27**	**0.02**	**3.25**	2.84

BUYOUT OF NON-CONTROLLING INTEREST

In accordance with the shareholder agreement, the Corporation acquired the minority interest in Groupe Première Moisson Inc. during the first quarter of fiscal 2020 for a cash consideration of $51.6 million.

MISSFRESH

The Corporation disposed of the assets of subsidiary MissFresh on December 9, 2019 for a cash consideration of $3.5 million and recorded a loss on disposal of $7.5 million mainly related to tangible and intangible assets. The Corporation also recognized a deferred tax asset of $3.3 million related to this subsidiary’s fiscal attributes.

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

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 25, 2019 and November 24, 2020. Between November 25, 2019 and November 10, 2020, the Corporation has repurchased 4,260,000 Common Shares at an average price of $56.52, for a total consideration of $240.8 million. The Corporation intends to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On September 28, 2020, the Board of Directors declared a quarterly dividend of $0.225 per share, the same amount declared last quarter.

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. Expression such as "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 2021 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 of the risks described under the “Risk Management” section of the 2019 Annual Report which could have an impact on these statements. As with the preceding risks, the COVID-19 pandemic constitutes a risk that could have an impact on the business, operations, projects, synergies and performance of the Corporation as well as on the forward-looking statements contained in this document.

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 ASSOCIATE'S EARNINGS, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization and associate's 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.

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

OUTLOOK[3]

The ongoing pandemic continues to impact our business and we expect that in the short-term, food revenues will continue to grow at higher-than-normal rates versus last year as a portion of restaurant and food service sales continue to transfer to the grocery channel. In the first four weeks of our fiscal year 2021, food same-store sales have increased by about 11% versus the same period last year. On the pharmacy side, we are pleased that the labour conflict at our Jean Coutu distribution center, which began on September 23, is now resolved and we expect a gradual return to normal operations. Our contingency plan secured the supply of medication to our pharmacy network, although front-end sales were negatively impacted. In the first four weeks of fiscal 2021, comparable prescription sales were up 3.6% versus the same period last year while front-end same-store sales were down 3.4%. We expect that front-end sales will remain under pressure during the first quarter as we gradually ramp up inventories and promotional activity, and this will negatively impact our pharmacy division results in the first quarter of fiscal 2021.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2020 fourth quarter** results at **9:00 a.m. (EST) today, November 18, 2020**. 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 2020 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at* ***www.metro.ca*** *- Corporate Site - Investor Relations - 2020 Quarterly Results - 2020 Fourth 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 associate's earnings adjustments" and section on "Non-IFRS Measurements"
[3] See section on "Forward-looking Information"