



PRESS RELEASE

METRO REPORTS 2020 FIRST QUARTER RESULTS

(Montréal, January 28, 2020) - METRO INC. (TSX: MRU) today announced its results for the first quarter of fiscal 2020 ended December 21, 2019.

2020 FIRST QUARTER HIGHLIGHTS

- Sales of \$4,029.8 million, up 1.3% and 1.6% when excluding the impact of IFRS 16
- Food same-store sales up 1.4%
- Pharmacy same-store sales up 3.6%
- Net earnings of \$170.2 million, down 16.2%
- Adjusted net earnings⁽¹⁾ of \$180.9 million, up 5.1%
- Fully diluted net earnings per share of \$0.67, down 15.2%
- Adjusted fully diluted net earnings per share⁽¹⁾ of \$0.71, up 6.0%
- Declared dividend of \$0.225 per share, up 12.5%
- Dividend payout increase to a target range of 30% to 40% of the previous year's adjusted net earnings⁽¹⁾

(Millions of dollars, except for net earnings per share)	12 weeks / Fiscal Year				
	2020	%	2019	%	Change (%)
Sales	4,029.8	100.0	3,977.7	100.0	1.3
Operating income before depreciation and amortization and associates' earnings	363.1	9.0	320.6	8.1	13.3
Adjusted operating income before depreciation and amortization and associates' earnings ⁽²⁾	370.6	9.2	313.2	7.9	18.3
Net earnings	170.2	4.2	203.1	5.1	(16.2)
Fully diluted net earnings per share	0.67	—	0.79	—	(15.2)
Adjusted net earnings ⁽¹⁾	180.9	4.5	172.2	4.3	5.1
Adjusted fully diluted net earnings per share ⁽¹⁾	0.71	—	0.67	—	6.0

PRESIDENT'S MESSAGE

"The 2020 fiscal year is off to a good start with solid revenue and earnings growth in a very competitive environment. Our business is well diversified and we are confident in our ability to grow⁽³⁾ by focusing on our customer's needs and continuing⁽³⁾ to invest in our retail network and supply chain", stated 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.

⁽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"

SALES

Sales in the first quarter of fiscal 2020 reached \$4,029.8 million, up 1.3% compared to \$3,977.7 million in the first quarter of fiscal 2019. Excluding the impact of the adoption of IFRS 16 Leases adopted in the first quarter of 2020, sales reached \$4,042.2 million, up 1.6%. Food same-store sales were up 1.4% (3.2% in 2019) and would have been up 2.0% taking into account the shift in Christmas sales. Our food basket inflation was approximately 2.0% (1.8% in 2019). Pharmacy same-store sales were up 3.6% (1.5% in 2019), with a 4.1% increase in prescription drugs (prescription count up 2.5%) and a 2.7% increase in front-store sales.

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 first quarter of fiscal 2020 totalled \$363.1 million, or 9.0% of sales, versus \$320.6 million, or 8.1% of sales, for the first quarter last year.

The adoption of IFRS 16 resulted in a \$12.4 million decrease in sales related to sublease income, with an equivalent reduction in gross margin, and a decrease in operating expenses of \$55.0 million related to lease payments which are now recorded as a reduction of the lease liabilities. These two combined elements had a favorable impact of \$42.6 million on operating income before depreciation and amortization and associates' earnings.

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	4,029.8	(12.4)	4,042.2		3,977.7	
Operating income before depreciation and amortization and associate's earnings	363.1	42.6	320.5	7.9	320.6	8.1

During the first quarter of fiscal 2020, we recognized a loss of \$7.5 million on disposal of our subsidiary MissFresh, while in the first quarter of 2019, we divested 5 pharmacies for a gain of \$7.4 million. Excluding those items, adjusted operating income before depreciation and amortization and associate's earnings⁽²⁾ for the first quarter of fiscal 2020 totalled \$370.6 million, or 9.2% of sales (8.1% excluding the impact of the adoption of IFRS 16) compared with \$313.2 million, or 7.9% of sales for the corresponding quarter of 2019.

Synergies related to the Jean Coutu acquisition generated for the first quarter of fiscal 2020 amounted to \$15 million compared to \$11 million for the first quarter last year and to date, we have generated annualized synergies of \$65 million⁽³⁾.

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

(Millions of dollars, unless otherwise indicated)	12 weeks / Fiscal Year					
	2020			2019		
	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	363.1	4,029.8	9.0	320.6	3,977.7	8.1
Loss on disposal of a subsidiary	7.5			—		
Gain on divestiture of pharmacies	—			(7.4)		
Adjusted operating income before depreciation and amortization and associate's earnings ⁽²⁾	370.6	4,029.8	9.2	313.2	3,977.7	7.9

Gross margin on sales for the first quarter of 2020 was 19.6% (19.9% excluding the impact of the adoption of IFRS 16) versus 19.4% for the corresponding quarter of 2019.

Operating expenses as a percentage of sales for the first quarter of 2020 were 10.6% versus 11.3% for the corresponding quarter of fiscal 2019. Excluding the \$7.5 million loss on disposal of our subsidiary MissFresh in the first quarter of 2020, as well as gain on divestiture of pharmacies of \$7.4 million in the first quarter of 2019, operating expenses as a percentage

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of sales were 10.4% in the first quarter of 2020 (11.7% excluding the impact of the adoption of IFRS 16) compared with 11.5% in the corresponding quarter of 2019.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the first quarter of 2020 was \$101.5 million, of which \$33.7 million is an increase resulting from the adoption of IFRS 16, versus \$63.7 million for the corresponding quarter of fiscal 2019.

Net financial costs for the first quarter of 2020 were \$31.1 million, of which \$8.0 million is an increase resulting from the adoption of IFRS 16, compared with \$24.0 million for the corresponding quarter of 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 \$60.3 million for the first quarter of fiscal 2020 represented an effective tax rate of 26.2% compared with an income tax expense of \$66.7 million in the first quarter of fiscal 2019 which represented an effective tax rate of 24.7%. The Corporation recognized a \$3.3 million tax benefit during the first quarter of fiscal 2020, following the sale of our subsidiary MissFresh. 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 first quarter of fiscal 2020 were \$170.2 million compared with \$203.1 million for the first quarter of fiscal 2019, while fully diluted net earnings per share were \$0.67 compared with \$0.79 in 2019, down 16.2% and 15.2%, respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the first quarter of fiscal 2020 totalled \$180.9 million compared with \$172.2 million for the corresponding quarter of fiscal 2019, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.71 versus \$0.67, up 5.1% and 6.0%, respectively. The adoption of IFRS 16 had an immaterial impact on net earnings and adjusted net earnings⁽¹⁾.

Net earnings adjustments⁽¹⁾

	12 weeks / Fiscal Year				Change (%)	
	2020		2019			
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	170.2	0.67	203.1	0.79	(16.2)	(15.2)
Loss on disposal of a subsidiary, after taxes	4.2		—			
Gain on divestiture of pharmacies, after taxes	—		(5.4)			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.5		6.6			
Gain on the disposal of investment in an associate, after taxes	—		(31.0)			
Gain on revaluation and disposal of an investment at fair value, after taxes	—		(1.1)			
Adjusted net earnings ⁽¹⁾	180.9	0.71	172.2	0.67	5.1	6.0

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Impacts of the adoption of IFRS 16

<i>(Millions of dollars, unless otherwise indicated)</i>	12 weeks / Fiscal Year			2019
	2020	IFRS 16	2020 excluding IFRS 16	
Sales	4,029.8	(12.4)	4,042.2	3,977.7
Operating income before depreciation and amortization and associate's earnings	363.1	42.6	320.5	320.6
Adjusted operating income before depreciation and amortization and associate's earnings ⁽²⁾	370.6	42.6	328.0	313.2
Depreciation	101.5	(33.7)	67.8	63.7
Net financial costs	31.1	(8.0)	23.1	24.0
Income taxes	60.3	(0.2)	60.1	66.7
Net earnings	170.2	0.7	169.5	203.1
Adjusted net earnings ⁽¹⁾	180.9	0.7	180.2	172.2
Fully diluted net earnings per share <i>(Dollars)</i>	0.67	—	0.67	0.79
Adjusted fully diluted net earnings per share ⁽¹⁾ <i>(Dollars)</i>	0.71	—	0.71	0.67

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.

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 January 17, 2020, the Corporation has repurchased 850,000 Common Shares at an average price of \$55.00, for a total consideration of \$46.7 million.

DIVIDENDS

Given our strong financial position, the Board of Directors has approved a change in the Corporation's dividend policy. The annual dividend payout has been increased to a target range of 30% to 40% of the previous fiscal year's adjusted net earnings⁽¹⁾. On January 27, 2020, the Board of Directors declared a quarterly dividend of \$0.225 per share, an increase of 12.5% versus 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", "grow" 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 2019 Annual Report which could have an impact on these statements. We believe these statements to be reasonable

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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.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2020 first quarter** results at **1:30 p.m. (EST) today, January 28, 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. first 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 First Quarter Results.

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