



PRESS RELEASE

METRO REPORTS 2020 THIRD QUARTER RESULTS

(Montréal, August 12, 2020) - METRO INC. (TSX: MRU) today announced its results for the third quarter of fiscal 2020 ended July 4, 2020.

2020 THIRD QUARTER HIGHLIGHTS

- Sales of \$5,835.2 million, up 11.6% and up 11.9% when excluding the impact of IFRS 16
- Food same-store sales up 15.6%
- Pharmacy same-store sales up 1.0%
- Net earnings of \$263.5 million, up 18.5% and adjusted net earnings⁽¹⁾ of \$272.3 million, up 18.2%
- Fully diluted net earnings per share of \$1.04, up 20.9% and adjusted fully diluted net earnings per share⁽¹⁾ of \$1.08, up 20.0%
- Expenses related to COVID-19 totalling \$107 million
- Synergies of \$23 million related to the Jean Coutu Group acquisition, \$70 million⁽³⁾ on an annualized basis

(Millions of dollars, except for net earnings per share)	2020	16 weeks / Fiscal Year			
		%	2019	%	Change (%)
Sales	5,835.2	100.0	5,229.3	100.0	11.6
Operating income before depreciation and amortization and associates' earnings	542.9	9.3	423.1	8.1	28.3
Adjusted operating income before depreciation and amortization and associates' earnings ⁽²⁾	542.9	9.3	423.1	8.1	28.3
Net earnings	263.5	4.5	222.4	4.3	18.5
Fully diluted net earnings per share	1.04	—	0.86	—	20.9
Adjusted net earnings ⁽¹⁾	272.3	4.7	230.3	4.4	18.2
Adjusted fully diluted net earnings per share ⁽¹⁾	1.08	—	0.90	—	20.0

(Millions of dollars, except for net earnings per share)	2020	40 weeks / Fiscal Year			
		%	2019	%	Change (%)
Sales	13,853.9	100.0	12,908.6	100.0	7.3
Operating income before depreciation and amortization and associates' earnings	1,280.1	9.2	999.9	7.7	28.0
Adjusted operating income before depreciation and amortization and associates' earnings ⁽²⁾	1,287.6	9.3	1,029.9	8.0	25.0
Net earnings	609.9	4.4	547.0	4.2	11.5
Fully diluted net earnings per share	2.40	—	2.12	—	13.2
Adjusted net earnings ⁽¹⁾	636.0	4.6	557.6	4.3	14.1
Adjusted fully diluted net earnings per share ⁽¹⁾	2.50	—	2.16	—	15.7

⁽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"

PRESIDENT'S MESSAGE

"The coronavirus pandemic represented an unprecedented challenge for all our teams and I am truly proud of the work that was accomplished during the crisis. We delivered solid results in the third quarter, driven by the strong sales growth. Our priority remains the safety of our employees and our customers as we continue to invest in our stores, our supply chain and our merchandising programs to best serve our customers and ensure our long term growth", 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.

SALES

Sales in the third quarter of fiscal 2020 reached \$5,835.2 million, up 11.6% compared to \$5,229.3 million in the third quarter of fiscal 2019. Excluding the impact of IFRS 16 *Leases* adopted in the first quarter of 2020, sales reached \$5,851.9 million, up 11.9%. Food same-store sales were up 15.6% (3.1% in 2019). Our food basket inflation was approximately 3.0% (2.5% in 2019). Online food sales almost quadrupled in the quarter from a small base last year. Pharmacy same-store sales were up 1.0% (3.4% in 2019), with a 2.7% increase in prescription drugs and a 2.5% decrease in front-store sales.

Sales in the first 40 weeks of fiscal 2020 totalled \$13,853.9 million versus \$12,908.6 million for the corresponding period of fiscal 2019, an increase of 7.3%. Excluding the impact of IFRS 16, sales were up 7.6%.

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 third quarter of fiscal 2020 totalled \$542.9 million, or 9.3% of sales, versus \$423.1 million, or 8.1% of sales for the corresponding quarter of fiscal 2019.

For the first 40 weeks of fiscal 2020, operating income before depreciation and amortization and associates' earnings totalled \$1,280.1 million or 9.2% of sales compared with \$999.9 million or 7.7% of sales for the corresponding period of fiscal 2019.

The adoption of IFRS 16 resulted in \$16.7 million and \$41.7 million decreases in sales related to sublease income for the third quarter and the first 40 weeks of fiscal 2020, respectively, with corresponding reductions in gross margin. The adoption of IFRS 16 also resulted in decreases in operating expenses of \$76.1 million and \$188.1 million for the third quarter and the first 40 weeks of fiscal 2020, respectively, as lease payments are now recorded as a reduction of the lease liabilities. These two combined elements had favorable impacts of \$59.4 million and \$146.4 million on operating income before depreciation and amortization and associates' earnings for the third quarter and the first 40 weeks of fiscal 2020, respectively.

Impact of the adoption of IFRS 16 <i>(Millions of dollars)</i>	16 weeks / Fiscal Year					
	2020	IFRS 16	2020 excluding IFRS 16	% of sales	2019	% of sales
Sales	5,835.2	(16.7)	5,851.9		5,229.3	
Operating income before depreciation and amortization and associate's earnings	542.9	59.4	483.5	8.3	423.1	8.1

⁽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"

Impact of the adoption of IFRS 16 <i>(Millions of dollars)</i>	40 weeks / Fiscal Year					
	2020	IFRS 16	2020 excluding IFRS 16	% of sales	2019	% of sales
Sales	13,853.9	(41.7)	13,895.6		12,908.6	
Operating income before depreciation and amortization and associate's earnings	1,280.1	146.4	1,133.7	8.2	999.9	7.7

No adjustment was recorded to operating income before depreciation and amortization and associate's earnings in the 2020 and 2019 third quarters. Excluding the impact of the adoption of IFRS 16, operating income before depreciation and amortization and associate's earnings for the third quarter of fiscal 2020 totalled \$483.5 million, or 8.3% of sales compared with \$423.1 million, or 8.1% of sales for the corresponding quarter of fiscal 2019.

During the first 40 weeks of fiscal 2020, we recognized a loss of \$7.5 million on disposal of our subsidiary MissFresh, while for the same period 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. Excluding those items, adjusted operating income before depreciation and amortization and associate's earnings⁽²⁾ for the first 40 weeks of fiscal 2020 totalled \$1,287.6 million, or 9.3% of sales (8.2% excluding the impact of the adoption of IFRS 16) compared with \$1,029.9 million, or 8.0% of sales for the corresponding period of fiscal 2019.

Synergies related to the Jean Coutu acquisition generated for the third quarter and the first 40 weeks of fiscal 2020 amounted to \$23 million and \$53 million compared to \$16 million and \$40 million for the corresponding periods of fiscal 2019 and to date, we have generated annualized synergies of \$70 million⁽³⁾.

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

<i>(Millions of dollars, unless otherwise indicated)</i>	40 weeks / Fiscal Year					
	2020			2019		
	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	1,280.1	13,853.9	9.2	999.9	12,908.6	7.7
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⁾	1,287.6	13,853.9	9.3	1,029.9	12,908.6	8.0

Gross margin on sales for the third quarter and the first 40 weeks of fiscal 2020 were 20.0% and 19.8% (20.3% and 20.1% respectively, excluding the impact of the adoption of IFRS 16) versus 19.7% for the corresponding periods of 2019.

Operating expenses as a percentage of sales for the third quarter of 2020 were 10.7% (12.0% excluding the impact of the adoption of IFRS 16) versus 11.6% for the corresponding quarter of fiscal 2019. Excluding the impact of IFRS 16, this increase is mainly due to the costs related to COVID-19, such as the temporary pay premium offered to front-line employees, personal protective equipment and sanitization costs, partly mitigated by a reduction in other operating expenses. The costs related to COVID-19 for the third quarter of fiscal 2020 were approximately \$107 million.

For the first 40 weeks of fiscal 2020, operating expenses as a percentage of sales was 10.6% compared with 12.0% for the corresponding period of fiscal 2019. Excluding from the first 40 weeks of fiscal 2020 the \$7.5 million loss on disposal of our subsidiary MissFresh, and excluding from the same period 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, 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 the first 40 weeks of fiscal 2020 were approximately \$110 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"

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the third quarter of 2020 was \$140.5 million, of which \$46.8 million is an increase resulting from the adoption of IFRS 16, versus \$88.6 million for the corresponding quarter of fiscal 2019. For the first 40 weeks of fiscal 2020, total depreciation and amortization expense was \$344.0 million, of which \$114.1 million is an increase resulting from the adoption of IFRS 16, versus \$217.9 million for the corresponding quarter of fiscal 2019.

Net financial costs for the third quarter of 2020 were \$43.0 million, of which \$10.6 million is an increase resulting from the adoption of IFRS 16, compared with \$31.8 million for the corresponding quarter of fiscal 2019. For the first 40 weeks of fiscal 2020, net financial costs were \$106.0 million, of which \$26.2 million is an increase resulting from the adoption of IFRS 16, compared with \$80.4 million for the corresponding period 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 \$95.9 million for the third quarter of fiscal 2020 represented an effective tax rate of 26.7% compared with an income tax expense of \$81.3 million in the third quarter of fiscal 2019 which represented an effective tax rate of 26.8%. The impact of the adoption of IFRS 16 on the income tax expense is immaterial.

The 40-week period income tax expense of \$220.2 million for fiscal 2020 and \$192.5 million for fiscal 2019 represented an effective tax rate of 26.5% and 26.0% 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 third quarter of fiscal 2020 were \$263.5 million compared with \$222.4 million for the corresponding quarter of fiscal 2019, while fully diluted net earnings per share were \$1.04 compared with \$0.86 in 2019, up 18.5% and 20.9%, respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the third quarter of fiscal 2020 totalled \$272.3 million compared with \$230.3 million for the corresponding quarter of fiscal 2019, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$1.08 versus \$0.90, up 18.2% and 20.0%, respectively. The adoption of IFRS 16 had an immaterial impact on net earnings and adjusted net earnings⁽¹⁾.

Net earnings for the first 40 weeks of fiscal 2020 were \$609.9 million, an increase of 11.5% from \$547.0 million for the corresponding period of fiscal 2019. Fully diluted net earnings per share were \$2.40 compared with \$2.12 last year, up 13.2%. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the first 40 weeks of fiscal 2020 totalled \$636.0 million compared with \$557.6 million for the corresponding period of fiscal 2019, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$2.50 versus \$2.16, up 14.1% and 15.7%, 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⁾

	16 weeks / Fiscal Year				Change (%)	
	2020		2019		Net earnings	Fully diluted EPS
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)		
Net earnings	263.5	1.04	222.4	0.86	18.5	20.9
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	8.8		8.8			
Gain on the disposal of investment in an associate, after taxes	—		(0.9)			
Adjusted net earnings⁽¹⁾	272.3	1.08	230.3	0.90	18.2	20.0

	40 weeks / Fiscal Year				Change (%)	
	2020		2019		Net earnings	Fully diluted EPS
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)		
Net earnings	609.9	2.40	547.0	2.12	11.5	13.2
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	21.9		21.9			
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⁾	636.0	2.50	557.6	2.16	14.1	15.7

⁽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

	16 weeks / Fiscal Year			
<i>(Millions of dollars, unless otherwise indicated)</i>	2020	IFRS 16	2020 excluding IFRS 16	2019
Sales	5,835.2	(16.7)	5,851.9	5,229.3
Operating income before depreciation and amortization and associate's earnings	542.9	59.4	483.5	423.1
Adjusted operating income before depreciation and amortization and associate's earnings ⁽²⁾	542.9	59.4	483.5	423.1
Depreciation	140.5	(46.8)	93.7	88.6
Net financial costs	43.0	(10.6)	32.4	31.8
Income taxes	95.9	(0.5)	95.4	81.3
Net earnings	263.5	1.5	262.0	222.4
Adjusted net earnings ⁽¹⁾	272.3	1.5	270.8	230.3
Fully diluted net earnings per share <i>(Dollars)</i>	1.04	0.01	1.03	0.86
Adjusted fully diluted net earnings per share ⁽¹⁾ <i>(Dollars)</i>	1.08	0.01	1.07	0.90

	40 weeks / Fiscal Year			
<i>(Millions of dollars, unless otherwise indicated)</i>	2020	IFRS 16	2020 excluding IFRS 16	2019
Sales	13,853.9	(41.7)	13,895.6	12,908.6
Operating income before depreciation and amortization and associate's earnings	1,280.1	146.4	1,133.7	999.9
Adjusted operating income before depreciation and amortization and associate's earnings ⁽²⁾	1,287.6	146.4	1,141.2	1,029.9
Depreciation	344.0	(114.1)	229.9	217.9
Net financial costs	106.0	(26.2)	79.8	80.4
Income taxes	220.2	(1.6)	218.6	192.5
Net earnings	609.9	4.5	605.4	547.0
Adjusted net earnings ⁽¹⁾	636.0	4.5	631.5	557.6
Fully diluted net earnings per share <i>(Dollars)</i>	2.40	0.02	2.38	2.12
Adjusted fully diluted net earnings per share ⁽¹⁾ <i>(Dollars)</i>	2.50	0.02	2.48	2.16

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 July 31, 2020, the Corporation has repurchased 3,160,000 Common Shares at an average price of \$54.96, for a total consideration of \$173.7 million.

DIVIDENDS

On August 11, 2020, the Board of Directors declared a quarterly dividend of \$0.225 per share, an increase of 12.5% 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. 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 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 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.

OUTLOOK⁽³⁾

While it is impossible to predict how long this pandemic will continue, and exactly what impact it will have on long-term customer shopping patterns, 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 fourth quarter, food same store sales increased about 10% versus last year. On the pharmacy side, in the first four weeks of our fourth quarter, front-end same store sales increased over 6%.

⁽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"

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2020 third quarter** results at **9:00 a.m. (EDT) today, August 12, 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. third 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 Third Quarter Results.*

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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"

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