



PRESS RELEASE

METRO REPORTS 2021 SECOND QUARTER RESULTS

(Montréal, April 21, 2021) - METRO INC. (TSX: MRU) today announced its results for the second quarter of fiscal 2021 ended March 13, 2021.

2021 SECOND QUARTER HIGHLIGHTS

- Sales of \$4,193.0 million, up 5.1%
- Food same-store sales up 5.5%, and up 10.1% for the first 10 weeks of the quarter
- Pharmacy same-store sales down 0.8%
- Net earnings of \$188.1 million, up 6.8% and adjusted net earnings⁽¹⁾ of \$194.7 million, up 6.5%
- Fully diluted net earnings per share of \$0.75, up 8.7%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$0.78, up 8.3%
- Expenses related to COVID-19 totalling \$29 million, including \$8 million of gift cards to front-line employees

<i>(Millions of dollars, except for net earnings per share)</i>	2021	12 weeks / Fiscal Year			
		%	2020	%	Change (%)
Sales	4,193.0	100.0	3,988.9	100.0	5.1
Operating income before depreciation and amortization	396.1	9.4	374.1	9.4	5.9
Adjusted operating income before depreciation and amortization ⁽²⁾	396.1	9.4	374.1	9.4	5.9
Net earnings	188.1	4.5	176.2	4.4	6.8
Fully diluted net earnings per share	0.75	—	0.69	—	8.7
Adjusted net earnings ⁽¹⁾	194.7	4.6	182.8	4.6	6.5
Adjusted fully diluted net earnings per share ⁽¹⁾	0.78	—	0.72	—	8.3

<i>(Millions of dollars, except for net earnings per share)</i>	2021	24 weeks / Fiscal Year			
		%	2020	%	Change (%)
Sales	8,471.2	100.0	8,018.7	100.0	5.6
Operating income before depreciation and amortization	795.3	9.4	737.2	9.2	7.9
Adjusted operating income before depreciation and amortization ⁽²⁾	795.3	9.4	744.7	9.3	6.8
Net earnings	379.3	4.5	346.4	4.3	9.5
Fully diluted net earnings per share	1.51	—	1.36	—	11.0
Adjusted net earnings ⁽¹⁾	392.4	4.6	363.7	4.5	7.9
Adjusted fully diluted net earnings per share ⁽¹⁾	1.57	—	1.43	—	9.8

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"

PRESIDENT'S MESSAGE

"We delivered strong sales and earnings growth in our second quarter. More than one year into the pandemic crisis, our teams continue to show extraordinary resilience to safely serve our communities while executing well on our strategic priorities of operational excellence, supply chain modernization and digital acceleration. Our affiliated pharmacists have begun to administer vaccines and we look forward to increasing the pace as soon as more vaccine supply becomes available in the coming weeks. As we are currently cycling the peak sales of the start of the pandemic last year, we are confident that our sales volume will remain elevated compared to pre-pandemic levels and we are well positioned to continue to deliver value to our customers and shareholders", declared Eric La Flèche, President and Chief Executive Officer.

OPERATING RESULTS

SALES

Sales in the second quarter of Fiscal 2021 reached \$4,193.0 million, up 5.1% compared to \$3,988.9 million in the second quarter of 2020. Food same-store sales were up 5.5% (9.7% in 2020) and were up 10.1% for the first 10 weeks of the quarter as we experienced an unprecedented surge in sales in the last two weeks of the second quarter last year due to the pandemic. Online food sales increased by about 240% versus last year. Our food basket inflation was approximately 2.0% (2.0% in 2020). Pharmacy same-store sales were down 0.8% (up 7.9% in 2020), with a 4.2% increase in prescription drugs and a 10.5% decrease in front-store sales. This decrease is mainly due to restrictions on sales of non-essential products in Quebec for a period of six weeks during the quarter, the milder cold and flu season, and the pandemic-related increase in sales experienced at the end of the second quarter last year.

Sales in the first 24 weeks of Fiscal 2021 totalled \$8,471.2 million, up 5.6% compared to \$8,018.7 million for the corresponding period of 2020.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

This earnings measurement excludes financial costs, taxes, depreciation and amortization.

Operating income before depreciation and amortization for the second quarter of Fiscal 2021 totalled \$396.1 million, or 9.4% of sales, up 5.9% versus the corresponding quarter of last year.

Operating income before depreciation and amortization for the first 24 weeks of Fiscal 2021 totalled \$795.3 million or 9.4% of sales, up 7.9% versus the corresponding period of 2020. During the first 24 weeks of Fiscal 2020, we recognized a loss of \$7.5 million on disposal of our subsidiary MissFresh. Excluding this item, adjusted operating income before depreciation and amortization⁽²⁾ for the first 24 weeks of Fiscal 2021 increased by 6.8% versus the corresponding period of 2020.

Operating income before depreciation and amortization adjustments (OI)⁽²⁾

	24 weeks / Fiscal Year					
	2021			2020		
(Millions of dollars, unless otherwise indicated)	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization	795.3	8,471.2	9.4	737.2	8,018.7	9.2
Loss on disposal of a subsidiary	—			7.5		
Adjusted operating income before depreciation and amortization ⁽²⁾	795.3	8,471.2	9.4	744.7	8,018.7	9.3

Gross margin on sales for the second quarter and the first 24 weeks of Fiscal 2021 were 20.2% and 19.9% respectively, versus 19.7% for the corresponding periods of 2020.

Operating expenses as a percentage of sales for the second quarter of Fiscal 2021 were 10.7% versus 10.3% for the corresponding quarter of 2020. The last two weeks of the second quarter of 2020 experienced a surge in sales due to the pandemic with no incremental COVID-19 related expenses. The costs related to COVID-19 for the second quarter of Fiscal 2021 were approximately \$29 million, including \$8 million of gift cards to front-line employees.

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

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For the first 24 weeks of Fiscal 2021, operating expenses as a percentage of sales were 10.5% versus 10.5% (10.4% excluding the loss on disposal of our subsidiary MissFresh) for the corresponding period of 2020. The costs related to COVID-19 for the first 24 weeks of Fiscal 2021 were approximately \$57 million, including \$16 million of gift cards to front-line employees.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the second quarter of Fiscal 2021 was \$110.8 million versus \$102.0 million for the corresponding quarter of 2020. The increase reflects the additional investments in supply chain and logistics as well as in-store technology. For the first 24 weeks of Fiscal 2021, total depreciation and amortization expense was \$218.1 million versus \$203.5 million for the corresponding period of 2020.

Net financial costs for the second quarter of Fiscal 2021 were \$31.3 million compared with \$31.9 million for the corresponding quarter of 2020. For the first 24 weeks of Fiscal 2021, net financial costs were \$62.7 million compared with \$63.0 million for the corresponding period of 2020.

INCOME TAXES

The income tax expense of \$65.9 million for the second quarter of Fiscal 2021 represented an effective tax rate of 25.9% compared with an income tax expense of \$64.0 million in the second quarter of Fiscal 2020 which represented an effective tax rate of 26.6%. The 24-week period income tax expense of \$135.2 million for Fiscal 2021 and \$124.3 million for Fiscal 2020 represented an effective tax rate of 26.3% and 26.4% respectively.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the second quarter of Fiscal 2021 were \$188.1 million compared with \$176.2 million for the corresponding quarter of 2020, while fully diluted net earnings per share were \$0.75 compared with \$0.69 in 2020, up 6.8% and 8.7%, respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the second quarter of Fiscal 2021 totalled \$194.7 million compared with \$182.8 million for the corresponding quarter of 2020, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.78 versus \$0.72, up 6.5% and 8.3%, respectively. Net earnings in the second quarter of 2020 were favorably impacted by a surge in sales due to the pandemic with no incremental COVID-19 related expenses.

Net earnings for the first 24 weeks of Fiscal 2021 were \$379.3 million compared with \$346.4 million for the corresponding period of 2020, while fully diluted net earnings per share were \$1.51 compared with \$1.36 in 2020, up 9.5% and 11.0%, respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the first 24 weeks of Fiscal 2021 totalled \$392.4 million compared with \$363.7 million for the corresponding period of 2020, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$1.57 versus \$1.43, up 7.9% and 9.8%, respectively. The impact of the labour conflict at the Jean Coutu distribution center in the first quarter of Fiscal 2021, was approximately \$0.05 per share.

Net earnings adjustments⁽¹⁾

	12 weeks / Fiscal Year				Change (%)	
	2021		2020		Net earnings	Fully diluted EPS
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)		
Net earnings	188.1	0.75	176.2	0.69	6.8	8.7
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.6		6.6			
Adjusted net earnings ⁽¹⁾	194.7	0.78	182.8	0.72	6.5	8.3

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

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	24 weeks / Fiscal Year					
	2021		2020		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	379.3	1.51	346.4	1.36	9.5	11.0
Loss on disposal of a subsidiary, after taxes	—		4.2			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	13.1		13.1			
Adjusted net earnings ⁽¹⁾	392.4	1.57	363.7	1.43	7.9	9.8

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, 2020 and November 24, 2021. As at April 2, 2021, the Corporation has repurchased 4,250,000 Common Shares at an average price of \$56.21, for a total consideration of \$238.9 million.

DIVIDENDS

On April 20, 2021, the Board of Directors declared a quarterly dividend of \$0.25 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 "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 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 2020 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 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, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization, 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

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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⁾

We continue to rigorously apply the government measures put in place to reduce the effects of the pandemic and remain agile as they evolve. We are working with government authorities to speed up vaccination efforts through our network of pharmacies and we expect our front-end sales, in the short-term, to compare favourably to last year, given the serious restrictions that were in place at that time. We also expect continued growth from prescription drugs. On the food side, given the extraordinary sales achieved last year at the start of the pandemic, we expect the year over year food sales, in the short-term, to decline. However, in absolute terms, we expect food sales to remain strong, and to compare favourably to pre-pandemic levels.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2021 second quarter** results at **9:00 a.m. (EDT) today, April 21, 2021**. 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. second quarter of 2021 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at **www.metro.ca** - Corporate Site - Investor Relations - 2021 Quarterly Results - 2021 Second Quarter Results.

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